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Origins, Evolution and Future of Global Development Cooperation

The Role of the Development Assistance Committee (DAC)

Gerardo Bracho
Richard Carey
William Hynes
Stephan Klingebiel
Alexandra Trzeciak-Duval
(Editors)

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The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) is a multidisciplinary research, policy advice and training institute for Germany's bilateral and multilateral development cooperation. On the basis of independent research, it acts as consultant to public institutions in Germany and abroad on current issues of cooperation between developed and developing countries. Through its nine-month training course, the DIE prepares German and European university graduates for careers in the field of development policy.

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104

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Foreword: The DAC at 60

A 60th birthday is always an unsettling milestone. Not quite the onset of old age and the end of ambition, but far enough into late middle age to acknowledge mistakes and accept that some things will never be. It's a good moment to look forwards and back, as this book does, to learn from the past and to think about the future.

The Development Assistance Committee (DAC) was a child of the post-World War II global settlement and celebrates its 60th birthday in the midst of the COVID-19 pandemic. Both are inflection points in world history. The intervening decades have seen decolonisation, the heating up and cooling down of the Cold War, the rise and fall of bipolar and unipolar world orders, the decline of mass conflict, but the rise of proxy wars, civil conflicts and terrorism. Famines – almost always man-made – have recurred, declined and now tragically are on the rise again, despite the extraordinary triumph of agricultural technology and healthy economic growth in much of the world. If this were not bad enough, climate change is already ushering in a new era of unpredictable weather for farmers and conflict over scarce resources. We the human race can send a man to the moon and invent a vaccine against COVID-19 in under a year, but we cannot stop fighting or ensure that no child dies of hunger. The science has progressed in 60 years, but the politics remain stubbornly repetitive. Inequality is rising faster now than at any point in the DAC's 60 years, despite phenomenal global wealth, which means avoidable misery for millions of people.

The world's population has grown from 3 billion in 1961 to 8 billion today. In 1961, about half were extremely poor; today less than 10 per cent are. We were making good progress in tackling absolute poverty, especially up to 2015 when the Millennium Development Goals (MDG) were replaced by the far more challenging – but realistic – Sustainable Development Goals (SDG). Much of that success was in China and India, countries that showed it could be done and at scale. The SDGs acknowledge two critical things – that development goals need to be universal to be fit for purpose in the 21st century; and that development is far more complex – and political – than anyone accepted when the MDGs were agreed. That complexity and defining political characteristic meant that before the pandemic, by 2030, 80 per cent of the world's poor would live in conflict-affected and fragile places. We don't know what that figure will be now, as tens of millions of people have been thrown into poverty once again. But we do know that

stability and peace are essential prerequisites of good policy and practice for development. India is the world's largest democracy and China has the world's largest population. Development successes elsewhere in Asia and in Latin America have meant many countries are now middle income, but blighted by acute inequality. In sub-Saharan Africa, less maternal and child mortality, better education and economic growth have raised expectations among those children alive because of this success, who now want jobs and have high ambitions for their children. There are still far too many people who deserve and need a better life and access to basic services and a more promising future. And this is much worse for women and girls, who bear the brunt of deprivation and survive on the front-line of vulnerability. Lots of good news, but still much more to be done.

Democracy, accountable government and the rule of law are not prerequisites for poverty reduction at scale, but they are at the heart of the DAC's core values and the DAC is, above all, a values-based coalition of the willing. This engaging history of the DAC charts how this coalition emerged, has evolved, the impact it has had and many of the identity crises it has faced as the world has changed. Perhaps the most dismissive and lazy – but often repeated – rebuke is that the DAC is a rich men's club sitting in Paris. I'm privileged to be the second woman to chair the DAC and more than half the current Committee are women. We spend more time talking about how to deliver on our commitments to gender equality than on many other issues. We devote much of our energy to how we can work with other development cooperation partners, how we can help generate more resources for development in addition to the official development assistance (ODA) of which we are custodians, and how we can make the resources we do have deliver the best possible outcomes for poor people in partner countries. Our membership has trebled to 30 today, representing a broad range of development experiences, from former ODA recipients such as Korea to former eastern bloc countries such as Hungary, our newest member who joined in 2016. It's not only big countries who are DAC members; two-thirds have populations of less than 14 million. Some of our smallest members are the most generous ODA donors.

We don't apologise for our values of accountability, transparency, open and democratic government and unwavering support for all the SDGs, especially those that champion the rights of those left furthest behind. We don't apologise for the attention we pay to development finance statistics, evidence, peer reviews, policy networks and learning from each other. These are our core business and our hallmarks. We are proud of them.

We also innovate and take sometimes unpopular risks – on working more closely with the private sector, on reaching agreement on debt treatments, on figuring out how best to support civil society, on improving how we work in conflict-affected places, on stamping out sexual exploitation, abuse and harassment in the development sector and on how to make development cooperation work more effectively to meet climate and environment challenges without compromising the needs of poor people in partner countries. Some argue that as we modernise, we compromise ODA integrity. In today's DAC, we argue that ODA needs to adapt to the changing demands of partner countries and development realities. Like any sentient 60-year-old, we are principled but pragmatic and embrace the need to modernise, while holding on to our core values.

And of course we make mistakes, learn from them and course correct. That is probably the single greatest strength of our peer review, learning and mutual accountability culture. In the past year, we have had to refocus our attention on the COVID-19 response and eventual recovery, while not forgetting the longer-term threat of climate change or our failure to do more about the stubborn discrimination against women and girls that we know puts a brake on development progress. The entirety of the SDG agenda is just as important as ever.

At 60, the DAC needs to be honest about what it has achieved and where it has failed. It needs to be honest about being a small piece of the growing and complex global multilateral architecture, but still a critical one as the custodian of the rules that its members sign up to. It needs to be honest about the declining proportion of ODA in development finance, but a vigorous campaigner for more public and private resources deployed to achieve better development outcomes for poor people. It needs to retain its values, but reach out to and learn from others with differing views and embrace triangular and South-South cooperation. It needs to listen more than ever to partner countries, to those who disagree with it and to the voices of the poor.

The DAC's basic mandate – to help poorer countries create better lives for their people – has not changed. Our focus has become less transactional (concessional finance from member countries to developing ones) and rightly more about the quality, effectiveness and impact of development cooperation, which gets more, not less, complex in the 21st century. We are strong champions of development effectiveness, active members of the Global Partnership for Effective Development Co-operation (GPEDC) and encourage all donors and partners to adhere to the principles of mutual

accountability, inclusive partnerships, transparency and focussing on results. The pandemic has thrust progress on the SDGs into reverse and climate change is making many countries, not least Small Island Developing States, ever more vulnerable despite some impressive development gains. We must continue to change and adapt to these stark realities.

DAC members know they cannot and should not tackle this complexity alone. Much of our time is spent consulting with others and building coalitions across the globe. There is still much more to be done. The COVID-19 pandemic has taught the world what a global public bad is and getting the world vaccinated could be the single most important global public good thus far in the 21st century. DAC members are the biggest funders of COVAX, and we are reaching across to all partners and funders to help deliver the response and recovery. We set up the COVID-19 Global Evaluation Coalition to monitor, evaluate and learn how well development cooperation has supported the response and recovery – and what we can do better next time. The DAC cannot and does not do any of this alone, but it has demonstrated that it still has a critical financial, technical, values and evidence-based contribution to make in order to help deliver better, more effective development outcomes for poor people in partner countries. These are harder than ever to achieve as poverty and inequality surge, as the climate crisis deepens and as debt levels in poor countries rise. But there are signs of optimism too, including the power of digital transformation, the tumbling cost of renewables and creative thinking about how to mobilise more resources from the multilateral development banks. ODA was at its highest cash level ever in 2020, but demand is rising exponentially and we need to make the ODA we have work harder.

Like any 60-year-old, the DAC needs to think about the next generation. Younger people across the globe are demanding more action and political commitment on climate. They are demanding jobs. They are demanding that attention be paid to inequality between genders, races and places. They are demanding inter-generational transfers of power and wealth and that their values are taken into account. Unlike a human being, an institution can defy age for many decades after its 60th birthday if it listens, constantly evolves and adapts to the changing realities of the world it serves. To do that, we must read and learn from history and the history of the DAC, but look forwards and invest in the future.

Susanna Moorehead, DAC Chair

Contents

Boxes

Figures

Abbreviations

3ie	International Initiative for Impact Evaluation
AAA	Accra Agenda for Action
AAAA	Addis Ababa Action Agenda
ACB	Additional concessional benefits
ACET	African Centre for Economic Transformation
ACGI	Arab Coordination Group Institutions
ADB	Asian Development Bank
AfDB	African Development Bank
AIDS	Acquired Immuno Deficiency Syndrome
ANF	Archives nationales (France)
APF	Africa Partnership Forum
APR	Africa personal representative
APRM	African peer review mechanism
AsDB	Asian Development Bank
AU	African Union
AWID	Association for Women's Rights in Development
BIAC	Business and Industry Advisory Committee to the OECD
BoP	Balance of payments
BRIC	Brazil, Russia, India and China
BRICS	Brazil, Russia, India, China and South Africa
CAITEC	China Academy of International Trade and Economic Cooperation
CBD	UN Convention on Biodiversity
CCET	Centre for Co-operation with Economies in Transition (OECD)
CCEET	Centre for Co-operation with European Economies in Transition (OECD)
CCIC	Canadian Council for International Co-operation
CDD	C. Douglas Dillon Personal Papers
CDF	Comprehensive Development Framework (World Bank)
CEO	Chief executive officer

CGD	Center for Global Development
CIA	Central Intelligence Agency (US)
CIDA	Canadian International Development Agency
CIKD	Centre for International Knowledge on Development (China)
CIS	Commonwealth of Independent States
CoE	Council of Europe
COMECON	Council for Mutual Economic Assistance
CPA	Country programmable aid
CPDC	Network on Conflict, Peace and Development Cooperation (DAC)
CPE	Centrally planned economy
CPSU	Congress of the Communist Party of the Soviet Union
CRS	Creditor Reporting System (DAC)
CSE	Consumer support estimate/Consumer subsidy equivalent
CSO	Civil society organisation
CSW	Commission on the Status of Women (United Nations)
DAC	Development Assistance Committee (OECD)
DAG	Development Assistance Group (OEEC)
DANIDA	Danish International Development Agency
DCD	Development Co-operation Directorate (OECD)
DCER	Documents on Canadian external relations
DCF	Development Co-operation Forum (UN)
DDD	doing development differently
DDF	Documents diplomatiques français
DDR	Differentiated discount rates
DD-II	Second development decade (United Nations 1971-80)
DD-III	Third development decade
DESA	Department of Economic and Social Affairs (UN)
DFI	Development finance institution
DFID	Department for International Development (UK)
DG	Director General
DIE	German Development Institute / Deutsches Institut für Entwicklungspolitik

DLF	Development Loan Fund (US)
DRC	Democratic Republic of Congo
DRS	Debtor Reporting System (World Bank)
EABC	External Affairs, Monthly Bulletin of the Department of External Affairs (Canada)
EADI	European Association of Development Research and Training Institutes
EAT	Science-based global platform for food system transformation
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECDPM	European Centre for Development Policy Management
ECG	Energy Coordinating Group
ECOSOC	Economic and Social Council (United Nations)
EDRC	Economic and Development Review Committee (OECD)
EEC	European Economic Community
EFTA	European Free Trade Association
EIA	Environmental impact assessment
ENVIRONET	Network on Environment and Development Co-operation (DAC)
EPOC	Environment Policy Committee (OECD)
EPTA	Expanded Program of Technical Assistance (UN)
ESG	Environmental, social and governance
EU	European Union
Evalnet	Network on Development Evaluation (DAC)
EXIM Bank	Export-Import Bank of the United States
FCDO	Foreign, Commonwealth & Development Office (UK)
FCO	Foreign and Commonwealth Office (UK)
FDI	Foreign direct investment
FFD	Financing for development
FLOW	Funding Leadership and Opportunities for Women (Netherlands)
FRUS	Foreign Relations of the United States
FSF	Financial Support Fund
FSG	Fragile States Group (DAC)

FTA	Free Trade Association
G7	Group of Seven leading industrial nations
g7+	group of seven plus fragile states
G8	Group of Eight
G20	Group of 20 countries
G77	Group of 77 developing countries in the United Nations
GAC	Global Affairs Canada
GATT	General Agreement on Tariffs and Trade
GBV	Gender-based violence
GCSD	global cooperation for sustainable development
GDP	Gross domestic product
GEF	Global Environment Facility
GENDERNET	Network on Gender Equality (DAC)
GFC	Global financial crisis
GNI	Gross national income
GNP	Gross national product
GovNet	Network on Governance (DAC)
GPEDC	Global Partnership for Effective Development Co-operation
GPG	Global public goods
GSP	Generalised System of Preferences
HIPC	Heavily indebted poor country
HIV/AIDS	Human immunodeficiency virus/acquired immune deficiency syndrome
HLF	High-level forum
HLM	High-level meeting
HLP	High-level panel
IADB	Inter-American Development Bank
IANWGE	Inter-Agency Network on Women and Gender Equality (United Nations)
IATI	International Aid Transparency Initiative
IBRD	International Bank for Reconstruction and Development (World Bank Group)

IDA	International Development Association (World Bank Group)
IDB	Inter-American Development Bank
IDG	International Development Goal (DAC)
IDS	Institute of Development Studies (Sussex University)
IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
IFF	Illicit financial flows
IFI	International financial institutions
IIED	International Institute for Environment and Development
IISD	International Institute for Sustainable Development
IMF	International Monetary Fund
INCAF	International Network on Conflict and Fragility (DAC)
IPRCC	International Poverty Reduction Centre in China
IsDB	Islamic Development Bank
ITO	International Trade Organization
IUCN	World Conservation Union
IWG	International working group on export credits
JAM	Joint assistance mission
JASS	Just Associates
KFAED	Kuwait Fund for Arab Economic Development
KfW	Kreditanstalt für Wiederaufbau
LAP	Learning and advisory process on difficult partnerships
LDC	Least developed country
LIC	low-income country
LSS	Little, Scitovsky, & Scott
MAP	multi-actor partnership
MCC	Millennium Challenge Corporation
MDB	Multilateral development bank
MDG	Millennium Development Goal
MIC	middle-income country
MNE	Multinational enterprise
MENA	Middle East and North Africa

MofCom	Ministry of Commerce (China)
MOPAN	Multilateral Organisation Performance Assessment Network
MSP	Mutual security pact
NARA	National Archives and Records Administration, Washington D.C.
NATO	North Atlantic Treaty Organization
NEPAD	New Partnership for Africa's Development
NGO	Non-governmental organisation
NIEO	New international economic order
NIS	Newly independent states
OAPEC	Organization of Arab Petroleum Exporting Countries
OCFA	Office for the Coordination of Foreign Aid (United Arab Emirates)
ODA	Official development assistance
ODF	Official development finance
ODI	Overseas Development Institute
OEC	Organisation for Economic Co-operation (OECD provisional name)
OECD	Organisation for Economic Co-operation and Development
OEEC	Organisation for European Economic Co-operation
OFID	OPEC Fund for International Development
OLIC	Other low-income countries
OOF	Other official flows
OPEC	Organization of the Petroleum Exporting Countries
OWG	Open Working Group
OTC	Overseas Territory Committee (OEEC)
PARIS21	Partnership in Statistics for Development in the 21st Century
PCCG	Partner country contact group
PCD	Policy coherence for development
PCSD	Policy coherence for sustainable development
PDIA	Problem-Driven Iterative Adaptation
PPP	Polluter pays principle
PRS	Poverty reduction strategy

PRSP	Poverty reduction strategy paper
PSE	Producer support estimate/Producer subsidy equivalent
RCT	randomised controlled trial
RDB	Regional development bank
S&T	Science and technology
SDB	State Department Bulletin (US)
SDG	Sustainable Development Goal
SDR	Special drawing rights (IMF)
SEA	Strategic environmental assessment
SEATO	South East Asia Treaty Organization
SEC	Special Economic Committee
SFD	Saudi Fund for Development
SG	Secretary-General
SIGI	Social Institutions and Gender Index
SLM	Senior-level meeting
SSC	South-South cooperation
SSR	Security system reform
SUNFED	Special Fund for Economic Development (UN)
SWAC	Sahel and West Africa Club
SWAP	Sector-wide approach
SWISS	Diplomatic Documents of Switzerland 1848-1975
TB	Tuberculosis
TCA	Technical Cooperation Administration (United States)
TCC	Total concessional contributions
TFP	Total factor productivity
TICA	Turkish International Cooperation Agency
TNA	The National Archives of the United Kingdom
TOSSD	Total Official Support for Sustainable Development
TRIP	Trade-Related Aspects of Intellectual Property Rights
TRUST	Transparency, Risk-sharing, Use country systems, Support capacity development, Timely and predictable aid
U-4	Utstein Group of four development ministers

UAE	United Arab Emirates
UK	United Kingdom
UN	United Nations
UNAMIR	United Nations Assistance Mission for Rwanda
UNCCD	United Nations Convention to Combat Desertification
UNCED	United Nations Conference on Environment and Development
UNCSTD	UN Centre for Scientific and Technology Development
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	UN Economic Commission for Africa
UNEP	United Nations Environment Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNFPA	United Nations Fund for Population Activities
UNGA	United Nations General Assembly
UNICEF	United Nations International Children's Emergency Fund
UNIFEM	United Nations Development Fund for Women
UNOMUR	United Nations Observer Mission Uganda-Rwanda
UNRRA	United Nations Relief and Rehabilitation Administration
US	United States
USAID	US Agency for International Development
USSR	Union of Soviet Socialist Republics
WB	World Bank
WCC	World Council of Churches
WEU	Western European Union
WID	Women in development
WP-EFF	Working party on aid effectiveness (DAC)
WP-FADA	Working party on financial aspects of development assistance (DAC)
WRI	World Resources Institute
WTO	World Trade Organization
WWI	World War I
WWII	World War II

1   Introduction: Before we begin

Gerardo Bracho, Richard Carey, William Hynes, Stephan Klingebiel and Alexandra Trzeciak-Duval

> *"Life can only be understood backwards;*
> *but it must be lived forwards."*
> **Soren Kierkegaard**

1.1   The bigger picture framing this book

Society today confronts a highly unsettled, uncertain and disruptive period in world order, notably in the "Western order" that dominated international relations from the end of World War II (WWII) until early in the 21st century. Relations and cooperation between developing and donor countries have featured prominently in this international order. The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) has played a significant role in shaping these relations, yet it is virtually unknown. Unfolding and understanding the history of those evolving relations are essential when geopolitical disarray and major challenges to the health of the planet and its inhabitants are thrust upon the world as we knew it. Delving into the DAC and its role, as we do here, is a timely contribution to this endeavour.

The so-called "West" came into being from the ashes of WWII, the deadliest period in human history. After WWII, the United States (US) became the leading force in shaping the geopolitical landscape for the remainder of the 20th century, notably the international institutional architecture. In 1960, as part of this architecture, the Convention creating the OECD was signed, with its Article 1 integrating the "D" for Development.

The same year, as a US initiative associated with the birth of the OECD, the Development Assistance Group (DAG) brought together eight countries and the European Economic Community (EEC), joined immediately by Japan and then the Netherlands, to consult on their assistance to "less developed" countries. A year later, the DAG was integrated into the newly-created OECD as the Development Assistance Committee, branded ever since as the DAC and – in development spheres – synonymous with the OECD.

In the ensuing 25 years to 1985, membership doubled and the DAC established itself as a key forum for dialogue and joint consultation on development

cooperation policies for policy-makers and decision-takers. The Cold War brought geopolitics deeply into the debates and decision-making on real world aid policies, but the DAC nevertheless did focus on the job of defining official development assistance (ODA) as development-based assistance and promoting principles for effective development aid, including with Arab donors in the wake of the oil price increases of the 1970s. The fall of the Berlin Wall softened the Cold War constraints, but precipitated a decline in aid flows and in political commitment to development. In reaction to this political commitment crisis, the DAC came out with a truly innovative vision: "Shaping the 21st Century: The Role of Development Cooperation", which turned out to be instrumental for the shaping and adoption of the United Nations (UN) Millennium Development Goals (MDG) (OECD, 1996). This feat marked the DAC's second quarter-century, as did opening up to multiple and diverse partnerships with donors and recipient countries including states in fragile situations.

Throughout the years, the DAC had attracted new members, such as Australia, New Zealand, Spain, South Korea and Poland to name but a few. It has grown from 8 original members to 30 today. But alongside the world of the DAC has been another world of "South-South" development cooperation, with its own earlier paradigm born in Bandung in 1955 and based, not so much on the transfer of capital, but on mutual benefit and the exchange of knowledge. The so-called "southern providers" belonging to this last wave have two special features: they come not only with their own South-South cooperation paradigm developed at UN fora, but according to the DAC's own rules, they are classified as middle-income countries eligible for ODA (Brazil, China, India and Mexico). Thus, for well-rooted structural, historical and political reasons, the DAC has had a much harder time not only co-opting but even relating as "providers" to these new actors.

By 2012, the DAC had managed briefly to include the southern providers in the broader tent of the Global Partnership for Effective Development Cooperation (GPEDC) created at the Busan High Level Forum on Aid Effectiveness, hosted by South Korea. But this turned out to be temporary, as the main southern providers left the Partnership less than three years later. In hindsight, Busan, with the attendance of emerging countries, marked the end of the DAC-dominated aid effectiveness period and ushered in a new amorphous, hybrid animal, the GPEDC, linking into the UN architecture for coordinating the implementation of the Sustainable Development Goals (SDG). The competition brought by the southern actors has its benefits, such

as more development finance, different approaches and new capacities. Yet the unreadiness of the major South-South players, to sign onto the norms and practices of the DAC aid regime constitutes the downside, contributing to the weakening of member adherence to the DAC's own system and of the system itself. At the same time, ongoing efforts to work together, notably with China, in such areas as statistics on development flows, evaluation and trilateral cooperation draw naturally upon the mutual learning traditions and ideational convergence (see Janus & Tang, 2021) inherent in the DAC's DNA.

Thus, partly as a result of the DAC's efforts to open up collaboration and partnerships with other providers of development cooperation, the aid system has become more complex in the third quarter-century of the DAC's existence. The hugely welcome increases both in the number of developing countries that have "graduated" from dependency on development assistance and in providers of assistance outside the DAC, together with greater political assertiveness by partner countries, have multiplied the number of actors – and approaches – in play. The emergence and re-emergence of donors whose philosophies are closer to, and often synonymous with, the political perspectives of the developing countries themselves are chipping away at DAC members' shared norms and values and longstanding pre-eminence in the development assistance field. China's powerful presence in filling economic vacuums that DAC donors have left in developing countries demands new strategies. An increase in alternative sources of finance has augmented complexity and competition.

Simultaneously, in some DAC member countries creeping populism, nationalism and authoritarianism, as well as the search for mutual interest and benefit from development assistance, are rapidly reshaping traditional donor attitudes. Persistently low interest rates have shaken the notion of concessionality, and donors seem to minimise the threat to the integrity of the definition of ODA. As the 21st century advances, so do the competition and challenges to the DAC's low-key but undeniable stronghold in influencing international development cooperation. In terms of additional challenges ahead, beyond the current COVID-19 pandemic, the doubling of Africa's population to 2.4 billion people, half of whom will be under the age of 25 by 2050, together with massive urbanisation will require concerted and imaginative development approaches.

This book probes the DAC's history as an integral part of the long-time Western-led system of development cooperation since the end of WWII. At an in-house seminar organised by William Hynes to commemorate the DAC's 50th anniversary, Oxford professor Patricia Clavin lamented the lack of literature devoted to the history of the DAC. We owe her a debt of gratitude in planting the seed for our research. In probing the economic and geopolitical drivers underlying the DAC story, we seek to share and shed light on the workings of a relatively unknown but key piece of machinery of the post-WWII world order, publicise its successes and failures, and draw upon them to inform current and future entrepreneurs in the field of development cooperation. With 60 years of development cooperation experience to draw upon and the SDGs as universal markers for the future, we have an opportunity to reflect, question and suggest possible ways forward in a multipolar world in which development dynamics remain central to the functioning of the global economy and the survival of the planet itself.

1.2   The road map of this book

Our narrative broadly follows the three periods in the DAC's evolution sketched above, although the timelines of individual chapters are longer. In Part I, "Mobilising Donors and Building the Aid System", we cover the DAC's creation and evolution in the Cold War/decolonisation period during which it built an aid system centred on the ODA concept, as well as structures and mechanisms to monitor and review it. In Part II, "Revitalising the Aid Effort through Responsive Policy Communities", we look at the DAC's orientations and actions during the post-Cold War years when support for development assistance initially faltered and needed to be revitalised in the face of acute policy challenges. In Part III, "Adapting Development Cooperation to New Geopolitics and Challenges", we address the DAC's current adaptation to fragmentation, contestation and its own waning influence in the field of development cooperation. The "Concluding Thoughts: The DAC and the Aid System in Retrospect and Prospect" chapter draws out the dilemmas and elements of learning that can be applied to future development cooperation efforts within and beyond the DAC.

Before we begin our journey, Richard Carey's Chapter 2, "Development and Cooperation: Epistemologies and Ambiguities", explores the dualities, ambiguities and paradoxes that have characterised the DAC's development thinking and practices. His epistemological overview of the wider

development community with its associated contributions and issues is designed to help the reader better understand the narratives that follow.

Leading off Part I of our history, in three successive chapters, Gerardo Bracho provides an original interpretation of the origins of the modern aid agenda down to a minute account of the birth of the DAG. In what constitutes the third chapter of the book, "The Origins of Development Aid: A Historical Perspective", he traces and analyses the key influences and events that underlay the creation of the counterintuitive development cooperation enterprise against the background of both pre- and post-WWII drivers of the international political architecture. Chapter 4, "From an Aid Agenda to a North-South Aid Regime: The Path to the DAC" analyses the shift from a deeply militarised US aid agenda to a developmental aid focus that sought to mobilise other donors and establish an institutional home to counter the Soviet "Thaw" and charm offensive toward developing countries. Chapter 5, "Diplomacy by Stealth and Pressure: The Creation of the Development Assistance Group (and the OECD) in 51 days", presents Bracho's meticulously researched blow-by-blow account of the 51 days of inspired US statesmanship leading to the creation of the OECD with the DAC as an integral, foundational element. A previously unknown paradoxical picture emerges. Although the DAC came into being driven by the Cold War, some of its key members, with their own visions and interests, resisted the over-politicisation of its agenda. Without geopolitics the DAC might not have emerged; yet submission to geopolitics would have shot it in the heart. Although the DAC was born amid much speculation and polemics, it was a technical body – more "boring" but better geared to further the cause for development – that saw the light of day.

Chapter 6, "The Evolution of Aid Statistics: A Complex and Continuing Challenge", traces the origins of aid statistics and the path to the ODA concept, followed by the structures and methods put in place to track DAC members' development assistance and to monitor and review their performance. William Hynes and Simon Scott pose critical questions about the credibility of ODA when its essential element of concessionality disappears and the associated reputational risk. In his Chapter 7, "Putting the 'D' into OECD: The DAC in the Cold War years", Richard Woodward credits the DAC with the major achievement of establishing the institutional and intellectual scaffolding of international development cooperation during that time, despite jealousies of other better-known and operationally-oriented institutions. The two final chapters of Part I relate experience from

cooperation with the Soviet Union, later with Russia (Chapter 8, "The Donor that Came in from the Cold" by Hynes and Alexandra Trzeciak-Duval), and Arab donors (Chapter 9, "Arab Donors and the DAC" by Hynes and Peter Carroll) that could show ways forward in engaging with other non-DAC aid providers. The influence of geopolitical factors and the DAC's motivations in alternately pursuing and abandoning engagement with other players at different stages of its history are examined.

Indeed, geopolitical factors lead to the discussions in Part II. The assumption of the triumph of democracy and the "end of history" that immediately followed the fall of the Berlin Wall and the collapse of the Soviet Union were expected to usher in a new era of international cooperation, with, for a time, just one superpower left. Quickly, there developed a lull in DAC members' commitment. Efforts to incentivise and mobilise renewed commitment took form through the DAC's shaping development priorities for the 21st century, which led to the MDGs, the story related by J. Brian Atwood and Carey in Chapter 10: "The DAC and the MDGs". This era was marked by greater attention to aid effectiveness and partnerships, recalled by Richard Manning and Atwood (Chapter 11, "DAC High Level Forums on Aid Effectiveness"), and growing attention to those – previously overlooked – left behind in fragile states and situations, researched by Trzeciak-Duval (Chapter 12, "Under the Gun: Fragile States and Development"). In all these areas, liberated from polarising Cold War competition, within the relevant communities of practice, the DAC took a prominent and well-recognised leadership role.

During the same period, via involvement in initiatives elsewhere, notably in the United Nations (UN), the DAC worked to advance issues of gender equality and women's empowerment and the evolution of an active voice for women in their own communities and countries, and in the UN, on the one hand, and environmental protection and sustainable development, on the other. Chapter 13, "The Innovative Politics of Influence: Gender Equality and Women's Empowerment" focusses mainly on the strategies and innovations it took against all odds to position gender equality high on the developmental agenda within the DAC and internationally. Trzeciak-Duval, nonetheless, cautions against complacency in the face of gender violence, economic discrimination against women, their political exclusion and unequal power structures, not only COVID-19-induced but also intensified by the global rise of politically and socially conservative forces and political violence. Powerful global alliances are essential to defeat

these same forces and to address the climate-related, water supply and other environmental challenges that have reached a tipping point in international decision-making. The substantial contributions by the DAC working hand-in-glove with its OECD environmental counterparts to address these issues are discussed in Chapter 14, "Tipping Point: Environmental Protection and Sustainable Development".

As demonstrated through the development-environment partnership, the OECD seemed the obvious place to move forward on numerous issues of policy coherence for development explored by Trzeciak-Duval in Chapter 15, "Left Hand, Right Hand: The Shifting Truths about Policy Coherence". As examples of incoherence became more uncomfortable to address, but also more complex, the definitions of policy coherence for development became more flexible. One striking irony emerges. Despite being chastised for incoherence in its development policy, the US, thanks to its open market access policies and falling savings rate, had huge positive impacts on poverty alleviation and economic development, notably in export-oriented East Asia and China. Equally ironically, this powerful transformation has in turn contributed to current geopolitical tensions.

All the formidable policy areas selected for Part II of this volume were chosen because they remain at the fore of future development cooperation challenges. For the DAC, all these narratives illustrate, among other things, the essential role of individual DAC members in leveraging often exceedingly modest OECD secretariat resources, especially for gender equality and women's empowerment, and the need for wide-ranging cooperation with other actors to achieve progress, especially the developing countries most affected. Examining the measurement issues connected to each of these policy areas underscores the DAC's critical role internationally in developing and reporting reliable statistics and thereby holding countries accountable for honouring their policy commitments.

The third part of the book highlights the shock to the system created by the road to the SDGs, as described from first-hand involvement by Olav Kjørven in Chapter 16, "The Sustainable Development Goals: The World We Want and the Return of Development Processes". The process to agree on the SDGs was a model of inclusiveness, often missing from the DAC's approaches. Universality was key in a world in which the notion of 'north-south' has long since become detached from reality and, as Kjørven puts it, "sustainable development had finally emerged as the only acceptable way

to do development." The SDGs call into question many of the assumptions on which development cooperation had previously relied, indeed its very existence. Victoria Gonsior and Stephan Klingebiel take it from there in Chapter 17, "The Development Policy System Now and in the Future", by examining the disconnections between the why (narratives), how (strategies) and what (operational approaches) of the development policy system. They pose and offer answers to existential questions about the future of development cooperation that are further discussed in the final "Concluding thoughts: the DAC and the aid system in retrospect and prospect" chapter.

1.3   The identity questions raised by this book

The DAC was born of a massive geopolitical shake-up in the aftermath of WWII. Roughly a quarter-century later, with the end of the Cold War rationale for development assistance, the DAC was shaken by a lull in donor commitments and rose to the task of revitalising aid. Ten years into its third quarter-century, once again geopolitics bring uncertainty with the rise and rivalry of powerful development actors, especially China, that do not embrace all of the DAC's objectives, norms or accountabilities.

The DAC may have reached an inflection point. Past experience suggests that the DAC can, once again, rise to the challenge, although today's challenge is more fundamental than ever before. This means asking itself certain difficult questions. Can the DAC continue in the coordination and norm-setting role it has played for the past 60 years? What is its legitimacy? Does a "Western identity" exist any longer? Is this identity a dominating factor for the future of international relations and development cooperation? Today, how much do DAC members support their institution and follow its advice? To what extent are DAC initiatives driven by the Chair, the secretariat or the members themselves? Is there still "value in a low-profile institution", as former United Kingdom (UK) Secretary of State for International Development Clare Short has characterised the DAC? What leadership expectations from the membership should underlie future scenarios? Despite a concerted effort to make itself more inclusive and to address the "aid architecture" challenge, has this effort gone far enough? The conclusions of our book pose these and other tough questions regarding the future of the DAC enterprise and reflect on possible answers. This initial exploration will hopefully encourage others to further research the history of the DAC as a norm-setter and conscience

of development cooperation as it adjusts to the major geopolitical upheavals of our time.

"Those who fail to learn from history
are condemned to repeat it".
Sir Winston Churchill.

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2 Development, development cooperation, and the DAC: epistemologies and ambiguities

Richard Carey

Abstract

This chapter maps how the DAC has functioned since its beginning – its structures and participation – and the ground that it has covered in its work. It looks to highlight the basic activities of the DAC as an 'epistemic' community of donor countries, exercising the peer review and soft law processes that distinguish the OECD method of discourse, but oriented to the larger world beyond the OECD in Paris in terms of development progress and objectives and its role in a changing international aid architecture in what has become a wide-ranging aid industry of researchers, commentators, experts, consulting firms and impact financing. Highlighted here are how the DAC sought to mobilise domestic support for the development cooperation endeavour through international development goals, how it put in place disciplines on the use of aid, and how it worked to confront the problem of aid effectiveness in a fragmented international development system. A central theme is the progressive move from widespread donor-driven programming to working on a partnership basis with developing countries, the progress made on that front, and the distance still to go. Key episodes in development cooperation and the life of the DAC are recounted, including the efforts to maintain and scale up aid, to widen participation from donors and partners outside the DAC, and to change the vocabulary of the aid process. The chapter explores the extensive ground the DAC has covered in terms of development policy and practice, mobilising the intellectual resources of DAC members and wider expert communities in a series of working groups and networks. In a world where good news is not news, the underlying human progress of billions of people has been astonishing. The DAC's work remains focused on the hard development frontiers with their often violent political economy, and on adjusting its own concepts and instruments and role to a complex multipolar world with dynamically changing financial and geopolitical contours, where aid is both less needed and more needed.

2.1   Introduction

"The consequences for human welfare involved in development outcomes and possibilities are simply staggering: Once one starts to think about them, it is difficult to think of anything else."

"On the Mechanics of Economic Development". Robert Lucas, 1988.

"The greatest development of the postwar era lies in the concept of international development aid as a permanent and inevitable feature of contemporary international organisation."

"The Changing Structure of International Law". Wolfgang Friedmann, 1964

As these quotations indicate, and in the context set out in the Introduction (Chapter 1), the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) is located at the intersection between development economics and international relations, at the level of both thinking and practice. These two domains have interacted throughout the history of the DAC and continue to drive its real-world role and agendas. Geopolitical earthquakes – the fall of the Berlin Wall, the rise of China and blowbacks from the combat against terrorism – have created new, unforeseen, development dynamics and hazards.

The advent of a multipolar, polycentric world has complicated the identity and role of the DAC in what is now an extensive global development policy system. Thus, in this context, the DAC has been engaged for some time in an existential quest to maintain and extend to more actors the original idea of a "Common Aid Effort", with correspondingly expanded tracking and monitoring systems (see Chapters 6 and 11).

This chapter addresses three interacting big picture issues, deriving from the above quotations, that remain acutely current as real-world processes play out:

- what has been the DAC's role as a rule-maker and reference point in the ever more extensive development policy system?
- what has been the development thinking behind the DAC's choices of issues and its major public statements and initiatives, in other words, its epistemologies?
- how has the DAC dealt with the ambiguities arising both from the different interests and perspectives of the multiple actors inside and beyond the DAC, and from the real geopolitical and development dynamics playing out over time in a deeply uncertain world?

2.2 The DAC as a "Policy System Headquarters" in the wider world of development cooperation

As emerges from the rich "pre-history" of the DAC set out in the three following chapters, the foundational agreement in 1960 was that the DAC should not be an operational body running aid programmes, a role seen at that time to be assigned essentially to the World Bank (WB), but rather serve as a venue for broader policy discussions and coordination among donor countries.

2.2.1 How the DAC policy system came into place: structures and functions

As one of the 40 main committees of the OECD, each occupying a defined policy domain, the DAC functions as a meeting place and working space for its members to exchange experience and ideas on current and future trends in their domains, to generate good practices and "soft law", and to review member country performance, notably in formal peer reviews operating as accountability and learning opportunities. Hence, with the OECD as its home base, the DAC is a part of a global development governance system that works through a large, interacting set of policy networks, now straddling multiple regions of the world and multiple categories of assistance, and with wide participation. This is a wholly different world from the world of 1960 described in Chapter 5, when the DAC was conceived as a confidential space for donors to consult together on the financial and qualitative dimensions of a "common aid effort" (Schmelzer, 2014).

From its beginning as the Development Assistance Group (DAG), the DAC held special privileges in the OECD governance system – it could make its own Recommendations to its members (soft law) without the approvals by the OECD Council necessary for other Committees, and it could invite participants to its meetings from outside the OECD without prior OECD Council approval.

These two dispensations gave the DAC the essential liberties it needed to play a leading role in the promotion of an international development assistance effort. And one further distinction created the means of playing that role – the position of full-time chair of the DAC, stemming from an initial offer of constructive help from the United States to facilitate the start-up phase of the new Committee in 1961. The DAC chair was to be

occupied by the US for the next 40 years,[1] acting as a leader and a voice for the DAC on the world stage, functions carried on by subsequent US DAC chairs when finally in 1999, after years of routine discussion on the need for "rotation", a top French aid official was elected to the post.[2] Although a US chair did return from 2010-2012,[3] rotation has been the norm since that date. The DAC chair retains a significant status in the international development cooperation arena.

Further, the member country delegates to the DAC were also in permanent residence in Paris and remain so today – with the DAC meeting monthly or more often, notably for peer reviews of each member's aid programme (annual at first, now spaced out over five to six years). Only the Economic and Development Review Committee (EDRC), the peer review body for OECD economies, and the Trade Committee, via its own working party, have similar arrangements. All other OECD committees essentially meet twice yearly under rotating chairs and active vice-chairs, with visiting policy officials and experts as members and participants.[4] (While the DAC at the beginning had a single vice-chair, from the French Treasury, it progressively acquired three, who then constituted an active bureau with the chair, as in other OECD Committees).

The Bretton Woods Institutions were accorded the status of permanent observers to the DAC right from the beginning. Coincidentally, but significantly, the World Bank's concessional financing arm the International Development Association (IDA) was founded in 1960. And significantly also, the United Nations (UN) was not invited to become a DAC observer at this point. The positioning of a significant new international soft financing window at the World Bank rather than at the UN, in the form of a Special

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1   The US Administration always nominated high level, experienced candidates for this position. Only on one occasion was the original nomination found wanting and replaced by a different US candidate.

2   This election had its share of drama. On the evening before the vote count, at a dinner between the respective prime ministers in Ottawa, Canada's vote was switched from the Swedish candidate, Gun-Britt Andersson (a former vice-chair of the DAC) to the French candidate, Jean-Claude Faure. The vote next day did not match the prior informal tally of the Secretariat and had to be recounted twice. It was not until 2016 that the DAC elected its first woman chair, Charlotte Petri-Gornitzka of Sweden, followed by Susanna Moorehead of the UK in 2019.

3   J. Brian Atwood, former Administrator of USAID under President Bill Clinton.

4   Under COVID 19 conditions, most of this activity now takes place online, possibly changing OECD modalities permanently to some significant degree.

Fund for Economic Development (SUNFED), had been the subject of a bitter struggle between the US and developing countries and senior UN officials, with the US wary of Soviet influence in a UN setting over such a fund (Kapur, Lewis, & Webb, 1977). It was not until over three decades later, in 1993, that the UN became a third permanent observer at the DAC. The United Nations Development Programme (UNDP), established in 1966, took up this position, eventually becoming the main international partner of the DAC in its oversight role in the development finance system.

Completing the attendance at DAC meetings was the "DAC Secretariat", seated at the table, next to the DAC chair, not behind. The OECD Development Centre, a John F. Kennedy Administration initiative to promote development research, engage the developing countries, and improve the "developmental image" of the OECD, with its own elected President, also joined the DAC table.

Thus, the essential governance arrangements of the DAC fell into place quite quickly from the first meeting on 5 October 1961:

- a fulltime, independent DAC chair;
- an annual chair's report on the efforts and policies of DAC members;
- a "terms of aid" resolution (later upgraded to a recommendation) and a reporting system for financial flows to developing countries;
- a regular high-level meeting (HLM), at ministerial/agency-head level, later supplemented by an annual senior-level meeting (SLM) for high-level officials;
- a committee of permanent delegates managing agendas and work programmes, undertaking peer reviews, and preparing high-level meetings;
- a secretariat reporting to the OECD Secretary-General (SG), organised around a finance branch and a technical cooperation branch meant to deal with "developing" OECD members;
- working parties, for example on assistance requirements, the terms of aid, the financial aspects of development assistance, UNCTAD issues, and later other topics;
- Bilateral aid ministries and agencies emerging and functioning as "co-creators" of DAC products via the initial and subsequent working groups;

- The OECD Development Centre, at the DAC table from 1964 as a source of development research innovation and expertise. The Sahel and West Africa Club (SWAC) also joined the DAC table following its creation by the DAC in 1976, as the Club de Sahel, in the context of acute famine.
- The World Bank and International Monetary Fund (IMF) at the DAC table as permanent observers.

To these arrangements should be added the annual Tidewater Meeting of aid leaders, first convened in 1968 by then DAC Chair Edward Martin at the Tidewater Inn on the Eastern Shore of Maryland. For 53 years without interruption and still counting, this event, with rotating host countries, has drawn ministers and agency heads from DAC members, presidents and CEOs from multilateral development banks and UN organisations, and invited developing country leaders and international non-governmental organisations (NGO). The OECD SG has been a regular attendee.

Its special feature and drawing card has been to provide a unique "no aides, no papers, bring partner" table for aid leaders to share ideas and worries, with no output required. With no agendas or written records in any accessible file, it is not possible to assess the impact of the annual Tidewater meeting, but it has seen many significant development leaders and thinkers in undisturbed debate. It remains a central part of the DAC "constitution" and the flow of ideas and influence among aid leaders continues to draw them to the event. Box 1 provides an example of such influence. A more complete account of this story is available, told from the perspective of the "Utstein Group" of four women ministers from DAC members; Eveline Herfkens from the Netherlands, Hilde Johnson from Norway, Clare Short from the UK, and Heidemarie Wieczorek-Zeul from Germany (Michalopoulos, 2020).

Within the above set of core constitutional arrangements, it is necessary to understand the role of four particular monitoring and governance activities inside the DAC:

Box 1: Tidewater in Action – The DAC and Africa
The heads of regional development organisations were frequently invited to Tidewater meetings, which is how a strong DAC connection with major evolutions in African institutions was built in the early 2000s. From a singular career at the WB, KY Amoako had been recruited personally by UN Secretary-General Boutros Boutros-Ghali to become the Executive Secretary of the UN Economic Commission for Africa (UNECA) and was invited into the Tidewater process in that capacity. Hosted by then Department for International development (DFID) Secretary of State Clare Short, a Tidewater meeting at Turnberry in Scotland in 1999 was attended by Amoako. Out of the Tidewater tradition of candid free-flowing discussions, with the Utstein Group at the centre, came the idea that Amoako might very well apply the Tidewater recipe with the UNECA as the base institution. So was born the 'Big Table', actually a small table of African finance ministers and DAC aid ministers "opening up a whole new way for the two primary groups of actors on both sides of the development spectrum to interact." (Amoako, 2020).
The first meeting in November 2000 in Addis Ababa, with an impressively conversational opening by Ethiopian Prime Minister Meles Zenawi, intersected with the creation of the New Partnership for Africa's Development (NEPAD) in which Amoako played a formative and facilitative role (Amoako, 2020). The second meeting, in Amsterdam in October 2001, endorsed the principle of peer reviews as embodied in the NEPAD founding document, and opened the way for Amoako and a small ECA team to spend a week at the OECD studying peer review processes. Their recommendations, however, went well beyond anything in the OECD to focus on governance systems in African countries, with extensive in-country consultations and a final review at heads of state level. Adopted by the NEPAD heads of state and endorsed by the G8 who had appointed Africa personal representatives (APR) to engage the G8 side in the mutual accountability equation, the African peer review mechanism (APRM), little known or acknowledged outside Africa (like much of the African institutional architecture), entered its 19th year in March 2021.[5]

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[5] The Kenya APRM, conducted in 2006, enabled Graça Michel of Mozambique, as a member of the review team, to assist ex-UN Secretary-General Kofi Annan to quickly comprehend and help quell the acute political violence that threatened Kenya at the end of 2009.

| Box 1 (cont.): | Tidewater in Action – The DAC and Africa |

The third meeting, in Addis in January 2003, focussed on mutual accountability, the NEPAD heads of state having bought into this concept also from the beginning. The OECD-DAC and ECA secretariats, and the NEPAD steering group and secretariat engaged in much joint work to establish the topics and ground rules for mutual accountability analysis as a basis for discussions involving the G8 APRs. The engagement with the NEPAD steering group then took place in an Africa Partnership Forum (APF). DAC members from beyond the G8 also participated but had to organise their own "non-G8" dinners, to which the OECD-DAC Secretariat was kindly invited.

Then, following the 2005 Gleneagles G8 meeting where the Blair Commission for Africa Report was tabled, it was decided that the APF process should be strengthened by establishing an independent body for analytical support. This independent body found its incarnation in an APF support unit, jointly managed by UNECA and the OECD and based in Paris. After a whirlwind fundraising effort (led by this author), enough money was raised to last for several years, staffed with both African and OECD nationals and led at director level (by David Batt, ex-DFID). The annual mutual reviews of development effectiveness reports, issued under the title "Promise and Performance", were led jointly by Batt and Abdalla Hamdok, the UNECA director of governance and public administration, before becoming, in 2019, prime minister of the Sudan. The APF support unit was up and running in time for the 2006 G8 meeting in Moscow, the Russians having been especially active in the funding and recruitment process to this end.

With the G7 going into recess and the consolidation of NEPAD into the African Union (AU) as the AU Development Agency (AUDA), the architecture for policy dialogue with Africa fragmented into different streams. What might be the process for a revived G7 interaction with Africa is yet to be seen (and with it the role, if any, for a non-G7 OECD group).

First, the DAC peer reviews, beginning in 1962, on an annual basis for each DAC member, presided over by the DAC chair, with DAC permanent delegations around the table, on the basis of reports and statistics from the DAC Secretariat (responsible to the OECD SG). By contemporary accounts, the first peer reviews gave rise to notably robust discussions as colonial patterns of financing became subject to examination and folded into the system of financial flows reporting. This initial reporting system, built around balance of payments accounting, was devised by a team led by Angus Maddison, who had also been the secretary of the DAG, and worked at this point in the OECD Economics Department on peer reviews of OECD economies before briefly heading the Development Department technical

cooperation branch in 1963 and then joining OECD Development Centre in 1964 (see further below and Maddison, 1994, 2002).

A classic OECD modality, peer reviews, work via peer pressure, against the background of the ongoing evolution of soft law and identification of good practice in the field being studied, and responses to contemporary challenges. In the DAC, that has been expressed in a series of principles and guidelines, many emerging from specialised DAC working parties or networks. A 1992 "Development Assistance Manual" of DAC Principles for Effective Aid collected together such reference points for the first 30 years of the DAC's activity (OECD/DAC, 1992). A standard chapter on humanitarian aid was added to the peer reviews in 2009, looking to integrate the very separate worlds of humanitarian aid with development programmes. A full list of guidelines can be found on the DAC website (see OECD, n.d.).

Peer review reports were first published in 1994. Before that there had been press releases, highly negotiated, often taking the Committee well beyond the evening close of business, with the reaction of domestic audiences the very next day in view for the DAC member in the hot seat. Either the head of the aid agency under review or a very senior official would occupy this hot seat. The review reports became progressively more systematic and the two "reviewer" members more integrated with the DAC Secretariat in the review teams, including in field visits to developing partner countries. A role as a reviewer, or as a member of the secretariat team, has provided a unique "helicopter" view of a country's development policy system, ranging over and beyond the main aid agency/ministry itself, a view that is not available even to those within the system themselves.[6] Hence the value also of the published reports as a basic reference point for parliamentarians, press, NGOs and other interested persons. The aid review process and report are in fact the main "results" of the peer reviews (each member is now reviewed every five to six years), which require the country under review to prepare extensively and in doing so, to take stock themselves of their performance and areas in need of fixing. This is where the impact essentially lies. For more complete accounts of the DAC peer review methodology see (OECD,

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6   When a senior aid official has taken on the role of reviewer, the feedback has been that the experience has been at least the equivalent of a Harvard University Senior Executive Management Course (private comment from a USAID Assistant Administrator, echoed by others).

2003; OECD/DAC, 2019). For an assessment of the peer pressure role of the Peer Reviews see (Ben-Artzi, 2017).

The DAC takes no position on optimal arrangements for organising development cooperation in its member countries, hence dramatic moves in several countries to integrate/reintegrate development cooperation into foreign ministries in recent years have not fallen foul of any DAC good practice guideline, though the objectives and specifics have been on the table in the respective peer reviews. The last survey of management arrangements in DAC member countries dates back to 2009 (OECD-DAC, 2009).

At the one-day peer review meetings in Paris, significant areas of contestation and/or support are a normal feature, and even if rare, dramas can happen.[7] Peer reviews remain essentially DAC members reviewing other DAC members. Initiatives for bringing in developing country reviewers have remained experimental and low-key.

Second, the DAC working party on financial aspects of development assistance (WP-FADA), founded in 1964. Until its untimely demise in 2003, to "make room" for new groups, notably the working party on aid effectiveness (WP-EFF), it was the arbiter of the interaction between concessional and non-concessional finance, notably in the form of terms targets, and tied aid and mixed credits disciplines. It also investigated developing country debt problems; provided a venue for the DAC's relations with bilateral development finance institutions (DFI); and, starting in 1965, established discussions with the private sector via meetings on private investment in developing countries with the OECD's Business and Industry Advisory Committee (BIAC). For more than 30 years, the BIAC team was led by Thomas Bata of the Bata Shoes family, which had production facilities in many developing countries. Essentially, this range of issues is now encompassed by a DAC work programme on private finance for

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7 One such drama occurred at the peer review of France in 2008, when the government of President Nicolas Sarkozy walked back from its 2005 Gleneagles G7 commitment to reach a 0.5 per cent ODA/GNI aid target by 2007 and 0.7 per cent by 2012. The UK examiner at the peer review meeting wanted to highlight this major retreat in the press release. It took a weekend of negotiations to find a form of words to handle the situation. France, in 2019, provided 0.44 per cent of ODA/GNI ($12 billion) and the current government has committed to new targets of 0.55per cent by 2022 and 0.7 per cent by 2030. Such ongoing postponements of 0.7 per cent commitments have been a feature of many DAC members' aid programmes.

sustainable development supported by a division in the secretariat that now covers both statistics and development finance.

Third, the working party on development finance statistics. Originally established as the ad hoc group on statistical problems in 1968, upgraded to a working party in 1970 in the context of the definition of official development assistance (ODA), and known during the late 1990s and early 2000s as the working party on statistics, this body has been essentially the executive committee of the ODA reporting system. It makes recommendations to the DAC on definitions and coverage, including on the DAC list of ODA-eligible developing countries, and it decides itself on the list of ODA-eligible institutions, which is particularly important for new multilateral funds and international NGOs. Thus, it has occupied a critical role in the governance of ODA and other official flows (OOF).

The extension of the working party's remit to embrace a much wider range of "development finance" had to do with looking to capture much more of that expanding world, notably via the concept of total official support for sustainable development (TOSSD), which is developed and managed via its own website (TOSSD, n.d.). The existential issues and frameworks and positioning questions involved here for the DAC are discussed below in the section on "hypercollective action and coordination".

Fourth, the DAC network on development evaluation (Evalnet), which began life as an expert group on aid evaluation with a mandate from the DAC high-level meeting (HLM) in 1982 and became a working party in 1997, then a network in 2004 with a significant change from aid to development evaluation in its name. The Evalnet has brought together from its beginning, the evaluation heads of both bilateral and multilateral development agencies (including the UN, World Bank and other multilateral development banks [MDBs], and the IMF) and is the source of the evaluation criteria that have become the global standard in the field, supported by a glossary translated into 15 languages (Dabelstein, 2013).[8] Thus the DAC Evalnet is the nearest body there is to being the international reference point in this field, producing in 2019 an additional evaluation criterion following a broad international consultation process involving several thousands of people around the world.[9] The normative work by the network – evaluation quality standards,

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8   The five criteria are: relevance, effectiveness, efficiency, impact and sustainability.

9   The added sixth criterion is coherence. See http://www.oecd.org/dac/evaluation/eval-criteria-global-consultation.htm

principles, evaluation criteria – has had a very strong impact on evaluation policies and systems and on the conduct of evaluation, also beyond DAC members. The criteria are used to inform the questions to be addressed in evaluations of development programmes and projects by NGOs, developing countries, DAC members and multilateral agencies and banks.

At the same time, there has never been systematic engagement between DAC SLMs and this powerful group so that significant evaluation findings, methodological issues, proper scope, local engagement, and utility for policymakers in donor and partner countries were never adequately addressed at that level.

Dissatisfaction with prevailing evaluation methodologies and practices and their utility for development research and management in developed and developing countries drove the formation in 2008 of an International Initiative for Impact Evaluation (3ie). The DAC chair at the time, Richard Manning, played an active role in the small group that developed the 3ie and was subsequently involved in its governance. The 3ie has been supported by several DAC member agencies.

These methods have not been widely adopted by development agencies nor by developing countries however, as a recent review of the impact of impact evaluations clarified. Today, evaluation of development programmes uses mostly mixed methods. Evalnet's approach has been that there is no gold standard: the use and purpose of the evaluation should guide which methods are applied.

On a practical level, the network launched a number of major international evaluations, notably two evaluations of the "Paris Declaration on Aid Effectiveness" and an evaluation of general budget support which informed policy discussions and future strategies. It also established a DAC evaluation inventory which contains several thousand reports on the results of development assistance at the micro and meso level. And a forward-looking digital planning tool to promote collaboration on evaluations between countries and development agencies has been set up.

This core set-up has been augmented by an evolving set of DAC subgroups, each of them a policy community of its own, focussing on major development cooperation issues identified via the core system players listed above, responding to, or anticipating real world development cooperation

frontiers and theorising.[10] The main streams of development thinking since the 1940s, all of them still ongoing and interacting in one form or another and influencing policies and the themes taken up by the DAC via its evolving subgroups, are set out in Section 4 below.

How this overall set-up worked and evolved over its first decades and beyond to produce the ODA concept, associated rules, terms and reporting systems plus a corpus of good practices and aspirations – essentially the DAC "aid regime", functioning as the reference base for DAC peer reviews, is a story told in this chapter, and in Chapters 6, 7 and 11.

2.2.2   The DAC and the 0.7 per cent ODA/GNI aid target

Early on, at the 4th and 5th DAG meetings, the US floated a first attempt to establish aid (broadly understood)/gross national income (GNI) targets for burden sharing purposes among DAC members, but it did not fly (see Chapter 5). Later, the agenda moved outside the DAC, taking the form of the famous 0.7 per cent of national income aid target. As recounted in Chapter 6, this was first proposed for the UK by the St Lucian Nobel Prize-winning economist W. Arthur Lewis, taken up by the World Council of Churches (WCC), and became a UN construct, put into a development financing framework by the Dutch Nobel Prize-winning economic modeller Jan Tinbergen. Working with the then brand-new DAC definition of ODA, the Pearson Commission, appointed by World Bank President Robert McNamara, recommended in 1969 that the ODA effort should reach 0.7 per cent by 1975 or at the latest, by 1980, and on that basis thought that the aid effort might take a further 30 years before the job of development assistance was done (Pearson Commision, 1969). This target level was adopted by the UN General Assembly (UNGA) in October 1970. Thus, the ODA/GNI ratios became a standard measure, published in the annual release of DAC statistics, becoming indeed its headline number, providing the DAC with its public renown.

Indeed, this ratio, never adopted as a DAC aid target, was quickly to become one of the most famous statistics in the world. For many, it remains part of

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10   Current DAC subgroups are: a working party on development finance statistics, and networks on gender equality (Gendernet), governance (Govnet), development evaluation (Evalnet), environment and development cooperation (Environet), and an (international) network on conflict and fragility (INCAF).

an unwritten world economic welfare constitution, an unrequited annual transfer of wealth from rich to poor, a moral compass never to be lost or forgotten. Its political significance and its ongoing power as a commitment mechanism is just that. Any original financial logic provided in the Tinbergen arithmetic has been swept away by unpredicted changes in global savings and investment sources and destinations, illicit finance, and then by central bankers' commitment to zero interest rates. Michael Clemens and Todd Moss summed it up thus:

> The 0.7 per cent target began life as a lobbying tool and stretching it to become a functional target for real aid budgeting across all donors is to exalt it beyond reason. That no longer makes any sense, if it ever did. (Clemens & Moss, 2005)

Box 2: The world as it might have been: the view from 1970

In 1970, with the new UN target, the world was looking at a set of advanced countries injecting 0.7 per cent of their GNI into developing countries within the next 5-10 years on an untied basis. On today's GNI numbers, that would amount to some $300 billion, although it was a much lower absolute number then of course given that the size of DAC economies is now much bigger than in 1970. But nevertheless, it was enough to create one of the big dramas in the history of the DAC – the effort instigated by Sweden in late 1969 and then launched at the OECD ministerial meeting in 1970, to reach an agreement on the untying of aid at the DAC HLM held in Tokyo that year.

The issue with tied aid was then (and still is) the use of that amount of money, not just on the grounds of value for money, but the prospect of wholesale competition among DAC countries for market share in the developing world via the tying of aid. The weaponisation of aid to capture the foreseen expansion of developing country markets was a very real fear. At the time, chaos in the competitive use of export credits was already building up to the point where an Export Credits Group was founded in the OECD in 1973 to establish discipline on that front.

A draft policy statement had been prepared and issued for the 1970 DAC HLM in Tokyo. On the very eve of that meeting the US let it be known that they could not after all join such an agreement to untie their aid, given the deterioration in the US balance of payments. (The following year the US unilaterally announced that the dollar would no longer be linked to gold). Thus began the epic story of the effort to avert the developmental and conflictual dangers of tied aid.[11]

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11   In fact, the problem of tied aid competition had already been raised at the DAG after the US Congress voted to tie its aid loans (see Chapter 5).

Box 2 (cont.):   The world as it might have been: The view from 1970
Nevertheless, extensive preparatory work had been completed to develop the management and tracking system for such a large, untied sum. Draft procurement guidelines and review procedures for untied aid had been prepared by the DAC Secretariat with the help of outside experts. This work was continued after the Tokyo HLM, then suspended towards the end of 1971. In 1973, Germany initiated negotiations on reciprocal untying, which continued through to the point where a draft framework agreement was produced, providing for the establishment of a pool of untied bilateral ODA which was annually renegotiable (OECD-DAC, 1977). After those negotiations broke down, various other options continued to be on the agenda, but it was not until 2001 that any result was achieved, in the form of a Recommendation on untying aid to least developed countries, excluding technical assistance and food aid. For the text of the recommendation, see (OECD-DAC, 2019). For the latest report on implementation, see (OECD-DAC, 2020).

The world of aid at 0.7 per cent of DAC countries' GNI was never to be realised. Indeed, the ODA/GNI ratio fell further from 1970 to 1973 before stabilising at around 0.35 per cent from then until the end of the Cold War. That was enough to cause the absolute volume of aid to double over a period of 16 years, from $40 billion in 1974 to $80 billion by 1990, half of the UN target, before dropping back in ratio and volume terms until the low point of around 0.22 per cent from 1997 to 2001 and climbing again to around 0.3 per cent today.

But the political power of the 0.7 per cent target has been and continues to be tangible. Reached by just the Nordic countries and the Netherlands for many years, the UN target nevertheless remains a factor, albeit to varying extents, in DAC member budget allocations for aid and the financing of bilateral and multilateral aid agencies. The UK put it into law as recently as 2015, but with an exception clause that allowed it to break its commitment in 2020. With DFID widely regarded as the world's premier aid agency at that time, the additional tens of billions that the UK spent as a result of meeting the target every year from 2013 to 2019 has generated major leverage for the UK on many development programmes and institutions around the world as well as being used to fund ODA programmes run by other UK government departments (OECD, 2020a). The target has been cut back to 0.5 per cent by the current UK government as it folds DFID into a new Foreign, Commonwealth and Development Office (FCDO), whether temporarily or permanently remaining unclear, and with objectives that may not fall within the ODA definition. Germany reached the target in 2020.

The moral power of the ODA/GNI ratio persists in the ongoing "modernisation of ODA", with the conversion of all loan flows into grant equivalents, cutting across the original objective of counting the monetary value of all flows of concessional finance in a balance of payments framework. The conversion to counting just the grant equivalent of concessional loans is meant to ensure, in a low interest rate world, that only the net fiscal cost for the source state counts as ODA. The face value of a loan even at concessional terms cannot be counted as ODA, but the repayments are now not deducted either (see Chapter 6).

2.2.3   The making of a global aid industry

Although the pressure from the 0.7 per cent target to at least maintain aid budgets has not worked across the board, the volume of finance generated at just half of that target ratio has been enough to spawn a large international aid industry. This industry has emerged from a variety of very concrete actions:

- outsourcing by aid agencies of programme design and implementation to professional aid contracting firms;
- financing of NGOs as centres of public participation and as operational organisations, notably in the humanitarian space;
- outsourcing evaluation work to a development evaluation consultancy sector which has grown to meet this market and;
- financing of research programmes in dedicated institutes, university departments and research centres, mainly in developed countries themselves.
- Philanthropic foundations have contributed from the beginning with seminal research and programming, and impact, an effort which only continues to expand today, with high-profile branding and programmes and with emerging new players in China, Africa and elsewhere, see (OECD-DAC, n.d.).
- In other words, even with the DAC average ODA/GNI ratio resting at 0.32 per cent in 2020, similar to its level in the 1970s and 1980s, ODA underpins current official aid industry expenditures of $160 billion. Adding an estimated $90 billion of philanthropic funding, at some $250 billion the aid industry (counting the work carried out by official bilateral agencies themselves) "takes in" from donors and philanthropists for the "products" it supplies, about as much as the 2019 global revenues of Apple, then number 12 on the Fortune 500 Global biggest companies

list by revenue. For the official aid industry alone, at \$160 billion, the scale is equivalent to the 2019 revenues of Alphabet (Google), then ranked at 30. The "aid industry total sales" is six times larger than the 2019 revenues of the world's largest consulting firm, Accenture, which employs nearly 500,000 people. Though these comparisons are of course far from being like for like and leave out the leverage generated by the contributions to the balance sheets of the multilateral development banks, they may both impress and depress.

Box 3:   The global aid industry and its media platform

A highly successful business of first discovering, and then working to service this global aid market is DEVEX.[12] Its founder, Raj Kumar sees this global development community as an entrepreneurial sector involved in "The Business of Changing the World", with development agencies, public and private as competitive firms who need to keep their business models on the frontier in terms of impact and efficiency, with environmental, social and governance (ESG) objectives at the core (Kumar, 2019). DEVEX began as a bedroom-based start-up firm in 2000, facilitated among others by DAC chair J. Brian Atwood. Annual DEVEX conferences rival those of the established multilateral development banks, which indeed have been wound down from their previous splendour.

Making a business out of the large human resources market for learning and job matching services, DEVEX runs newswires with its own stringers and journalists keeping the aid industry workforce abreast daily with current events and issues, and confidential information. It uses, competes with, and amplifies the information services and blogging activities of the whole aid industry, bilateral, multilateral, philanthropic, research and NGOs. The DAC interfaces with this wider DEVEX world of entrepreneurial aid most specifically through its activities on social impact investing and blended finance.

Also to be noted is a penetrating treatment of the aid industry as a competitive sector which can be analysed in terms of industrial structure and market-driven behaviours provided by Michael Klein and Tim Harford (Klein & Harford, 2005).

2.2.4 Development studies as a new multi-disciplinary field of enquiry with funding from aid budgets

From the beginning, the development cooperation effort has provided impetus and funding to an extensive multi-disciplinary development studies

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12   DEVEX describes itself as "the media platform for the global development community".

stream in major universities and dedicated research institutes, the first located in developed countries themselves but then, after some difficulties in finding successful genuinely localised models, in many developing countries (see Box 3). This sector of the aid industry is characterised by wide empirical research agendas, huge debates, and an emphasis on epistemological and political economy questions and behavioural issues within the aid business itself. It has also been highly involved at the level of country analysis and operational programming (Sumner & Tribe, 2008; de Haan, 2009). A long and still growing list of educational and research centres and think tanks attracts large numbers of graduate students and provides the workforce for research and operations across the whole aid industry, including DAC member agencies.[13] The literature generated by the development studies stream is vast, with hundreds of journals and specialised divisions of academic publishing houses and with strong interfaces with the international studies literature.

Box 4:	Development studies as a new knowledge resource

The OECD Development Centre, established in 1962 with its early work with the DAC described further below, helped to establish the European Association of Development Research and Training Institutes (EADI). Elsewhere, the Netherlands International Institute of Social Studies, established in 1952, was a pioneer. In Norway, the Christian Michelsen Institute, founded in 1930, instigated its development studies work from the early 1960s under the direction of Just Faaland, later to become a President of the OECD Development Centre. Contemporaneously with the Development Centre, in 1962 Harvard University established a Development Advisory Service, which became the Harvard Institute for International Development (1974-2000), succeeded by the current Harvard Centre for International Development (CID). In the UK, the Overseas Development Institute, (ODI) was established in London in 1960, and the Institute of Development Studies at Sussex University (IDS), was founded in 1966 with a block grant from the then UK Overseas Development Administration. The Oxford University Department of International Development was founded in 1954 with a private grant, but with an initial focus on colonial studies (S. H. Frankel had been Professor of Colonial Economic Affairs at Oxford from 1946), then later on the Commonwealth developing countries, before moving to become an international development studies department in the 1980s.

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13   The "2019 Global Go To Think Tank Index Report" produced at the University of Pennsylvania ranks 131 top international development policy think tanks, with IDS Sussex ranked first for the last two years (McGann, 2020, Table 22).

Box 4 (cont.): Development studies as a new knowledge resource
One of the first development research centres, the Institute of Developing Economies was established in Japan in 1958 and then, in 1998, was affiliated with the Japanese trade and investment institute, JETRO. The German Development Institute / Deutsches Institut für Entwicklungspolitik (DIE) was founded in 1964. In Canada, the International Development Research Centre (IDRC) was established by an act of Parliament in 1970.
In South Korea, the Korean Development Institute was established as a government agency in 1971 and runs a programme of studies on the global economic agenda, and international cooperation. The premier French development research institute, FERDI (Fondation pour les études et recherches sur le développement international), was founded in 2003 at Clermont-Ferrand University. The European Centre for Development Policy Management (ECPDM), founded in 1998, is funded by the Netherlands and a number of smaller European governments; its clients include the European Commission (EC). The Centre for Global Development (CGD), based in Washington DC, with a European office, was founded in 2001 with funding from a philanthropist. The Danish Institute for International Studies (DIIS), founded in 2002 is public institute for independent multidisciplinary studies on globalisation, security, development and international affairs.
In China, the China Academy for Social Sciences (CASS) has conducted development and area studies under the aegis of the State Council since its foundation in 1977 on the initiative of Deng Xiaoping. The Chinese Ministry of Commerce has a research arm, the China Academy of International Trade and Economic Cooperation (CAITEC) with a Development Studies Centre. The UK DFID has funded a China International Development Cooperation Network (CIDRN) and assisted the creation of a Centre for International Knowledge on Development (CIKD) at the Development Research Centre of the State Council.
India has a Research and Information System (RIS) for Developing Countries in its ministry of foreign affairs. Brazil has the Vargas Foundation (FVG) established in 1944 and, since 2011, a BRICS Policy Centre at the Catholic University of Rio de Janeiro. South Africa has the South African Institute of International Affairs (SAIIA) independently established in 1934, now actively engaged in South-South cooperation issues. A number of other prominent development research institutes are located in Asia, notably in Singapore, Hong Kong, Indonesia, Thailand, Malaysia and the Philippines.

For the DAC, the existence of this multidisciplinary development studies stream has been a bedrock, omnipresent in the conception and prosecution of its work, even when not visible. A major contribution has been the

human development concept, bringing gender, human security and human capabilities into the analytical frame (Stewart, Ranis, & Samman, 2018). Further contributions include early analytical work to understand the nature of the "Asian miracle", how the associated global transformation process might play out and how participatory approaches to aid programming can produce community-driven development. As mainstream economics itself becomes more broadly engaged with multidisciplinary issues and the sustainability and wellbeing agendas in a new digital knowledge economy in which power and participation are spreading in new forms and places, a convergence with development economics approaches is in process. A shared complex adaptive systems paradigm becomes more widely used in economics and other disciplines (OECD, 2020b).

The broader interaction between intellectual currents and DAC agendas is taken up further below, but here it is important to place the founding of the OECD Development Centre as a significant contribution to the emergence of the development studies stream. It was a proposal by US President J.F. Kennedy, in an address given in Ottawa in May 1961, speaking of the OECD and the DAG, that launched the idea. The US then presented the proposal to the meeting of the DAG in Tokyo in July, followed up via an expert advisory group. Their report went to a DAC meeting in March 1962, which recommended to the OECD Council to go ahead with the creation of a Development Centre (Kaysen, 2002). And as explained in Chapter 5, the Development Centre initiative came as a counterbalance to the closed donor shop of the DAC, indicating that the new OECD would be open to developing country voice and participation.

Ironically, the relationship between the DAC and the Development Centre has never been a particularly close or easy one, even now when they inhabit the same floor of the same building rather than living, as for decades, at opposite ends of the 16th arrondissement in Paris. The chair of the DAC and the president of the Development Centre were not exactly rivals, but sometimes seemed so. It has been more the gulf between a donor-oriented committee and a developing country-focussed research centre that has been in play. Many friendships existed of course and some ad hoc joint work, as in the organisation of high-level dialogues on North-South issues in the 1980s involving the Secretary-General, OECD committee chairs and major figures from the Global South, and then the founding in 2007 of a joint Development Forum with an initial two-year work programme on multilateral aid. It is a gulf that should not exist of course, but the policy communities involved are

different, and that makes the essential difference. Especially in its early years, the Development Centre also enjoyed a considerable independence from the rest of the OECD, having its own budget, membership and governance structure, with an elected president. It used this intellectual independence in ways not always congenial to the official aid mindset, for example in its work on rigorous project appraisal,[14] avoiding debt burdens, or identifying the real costs and hidden benefits of foreign aid programmes.

2.2.5 Hypercollective action and the aid effectiveness problem

Thus the "aid industry" comprises thousands of official agencies, firms, foundations, and research bodies, most of them located in the Global North, with many business models, but with of course their business goals directed at the billions of people, the vast bulk of humanity, located in the Global South. This is not to speak of South-South cooperation itself, born in Bandung in 1955, five years before the DAG and six years before the first meeting of the DAC, with principles based on mutual benefit (win-win) and knowledge-sharing, since developing countries did not at that point have capital to share.

The aid effectiveness agenda – at the core of the DAC's mission from the outset – attempted, in the first decade of the 2000s, to bring some order into the sprawling "aid industry". Indeed, the first High-Level Forum on Aid Effectiveness, held in 2003 in Rome, was inspired by the concern of then World Bank President, James Wolfensohn, at the staggering number of discrete aid projects in play. Thus, the focus on "harmonisation". Then, as recounted in Chapter 11, the second HLF in Paris went on to lay out in the now classic "Paris Declaration", the five principles of aid effectiveness: ownership, alignment, harmonisation, managing for results and mutual accountability. A monitoring system was established and an independent evaluation organised. At Accra in 2008, the main issues were the use of country systems and the role of budget aid in that context, and the small matter of aid predictability, shockingly low in fact, even from the MDBs. Then in Busan, the attempt was made to bring all development partners

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14   The work of I.M.D. Little and James Mirrlees at the Development Centre on project appraisal became a state of the art reference point, though its scepticism of social cost-benefit analysis was much debated (Little & Mirrlees, 1974).

into a broader development effectiveness paradigm – official agencies, civil society organisations (CSO), the private sector, and the South-South development paradigm where, on this last big quest, Busan produced a drama and ultimate failure on that front (see Chapter 11 and Bracho, 2017).

While the South-South paradigm continues to generate contestation and joint efforts are still the exception (trilateral cooperation is the frontier here), the DAC did find points of communication with China during this period with ongoing effect, as related in Box 5.

Box 5:   Interacting with China – Two Chapters

While the DAC Secretariat had undertaken periodic reviews of Chinese aid (OECD/DAC, 1978), it took until 2008 for any significant interaction with Chinese development cooperation actors to emerge; on one front the birth of the China-DAC study group, and on another front, a relationship with the Ministry of Commerce (MofCom), where the management of the Chinese aid programme was then located.

The China-DAC study group originated in a DAC seminar in Paris in early 2008, conducted by three Chinese experts on China's own poverty reduction programmes. With the high interest generated by this event providing momentum, Eckhard Deutscher, then chair of the DAC, undertook a mission to Beijing (accompanied by this author). In a morning discussion with the Leading Group on Poverty Alleviation (reporting directly to the State Council, the Chinese Cabinet), the idea and the name of the China-DAC study group were conceived, with the host institution as the International Poverty Reduction Centre in China (IPRCC), a new joint venture between China, the UNDP and other partners. That same afternoon, Deutscher and Carey briefed the World Bank Beijing Chief (David Dollar, with adviser Phil Karp) who gave immediate and concrete support. The organisation of this venture in Beijing was led on the DAC side by the UK, with other DAC members in strong support of this new channel of interaction with Chinese counterparts. Very quickly, a support group formed of Beijing-based and home-based DAC officials with China responsibilities. It was essentially via this route, not via the DAC in Paris, that the China-DAC study group operated and was financed, but with Secretariat support based in Paris. Much of the logistics fell to the welcoming and efficient Chinese officials and researchers at the IPRCC.

Box 5 (cont.):   Interacting with China – Two Chapters

Co-chaired by the deputy director of the IPRCC and this author, and with Professor Li Xiaoyun as director, the first months were invested in defining a strategy, with agreement reached that it should be an event-based programme, involving also African participants. On this basis four substantive events were organised and carried through:

- Development Partnerships, Beijing (October 2009); Agriculture and Food Security, Bamako (April 2010); Infrastructure, Beijing (September 2010); Enterprise Development, Addis Ababa (February 2011).
- A final policy seminar was conducted in Beijing in June 2011, with the participation of the DAC chair, J. Brian Atwood.

A set of main lessons, for China, for DAC members and for African policymakers was published in two volumes (OECD, 2011). This programme involved a wide range of Chinese officials and experts in extensive and intensive policy exchanges with DAC and African counterparts.

The relationship with the MofCom had two beginnings: Chinese participation by MofCom officials at the Accra HLF in September 2008; and the working visit of a researcher from the MofCom research arm CAITEC to the Secretariat. Both these engagements have turned out to be foundational. Following the Accra HLF, where in paragraph 19 the outcome document recognised South-South cooperation concepts and history (OECD-DAC, 2008), the Chinese participants inspired the project to write China's White Paper on Foreign Aid of 2011 (China State Council, 2011), with reference to effectiveness issues, followed by a second White Paper in 2014. When a new aid agency, the China International Development Cooperation Agency (CIDCA), was established in 2018, its constitution embraced core functions very close to those of DAC aid agencies – articulation of country strategies, development of a statistical system, and an evaluation programme. A third White Paper, published in January 2021, elaborates these functions and brings Belt and Road Initiative projects inside the country strategies (China State Council, 2021). The DAC Chair and the OECD-DAC Secretariat have built connections to the CIDCA leadership, which has visited the OECD in Paris. And the MofCom research arm continues to be a key point of contact on aid modalities and statistical issues. Separately, China (a "Key Partner" of the OECD), became, in 2015, a full member of the OECD Development Centre, with connections to the Development Research Centre (DRC) of the State Council and its International Centre for Knowledge on Development (CIKD).

These various experiences of interaction with China in the development cooperation field have established a basis for a potential "ideational convergence" based on "coalition magnets" (Janus & Tang, 2021).

Successfully though, the DAC WP-EFF proved a major opportunity for the voice of developing countries to be heard finally around the DAC table. Indeed, it became stronger with each meeting, and in the final year the working party was chaired by a senior adviser to the Egyptian government, who has written the definitive history of the aid effectiveness endeavour (see Abdel-Malek, 2015). The aid effectiveness disciplines are challenging for aid agencies, essentially for bureaucratic and domestic accountability reasons.

Nevertheless, the verdict of the independent evaluation of the Paris Declaration was summed up thus:

> Comparing current practice with the aid situation 20 years ago presents a global picture of far greater transparency and far less donor-driven aid today. It is fair to say that the "free-for-alls" of competitive, uncoordinated, and donor-driven activities that were commonplace 20 to 25 years ago are now unusual enough to attract rapid attention and criticism, except in some fragile and humanitarian relief situations, where they are still all too common. Comparing the period since 2005 with the immediate pre-Declaration situation, one must conclude that the Declaration has disseminated commitments and instruments for reform which were previously being developed and tested in a fragmentary way by a few leading countries and donors. It has raised expectations for rapid change, perhaps unrealistically, but also strengthened agreed norms and standards of better practice and partnership. There is ample evidence here that these standards have been used to reinforce or legitimise demands that good practice be observed (Wood et al., 2011).

In the context of the Addis Ababa Financing for Development Conference of 2015, the aid effectiveness paradigm from the HLFs was integrated into the Addis Ababa Action Agenda (AAAA), which then became an integral part of the Sustainable Development Goals (SDG) adopted later that year in the UNGA. In paragraph 9 of the AAAA, the common vision is stated briefly but powerfully, and remains a huge challenge for all five of the Paris Declaration Principles. It opens thus: "Cohesive nationally owned sustainable development strategies, supported by integrated national financing frameworks, will be at the heart of our efforts".

Nevertheless, the fundamental existential fact of an aid industry with "actors proliferating and collaboration fragmenting" prompted in 2010 one of the most penetrating analyses ever of the issues and challenges involved (Severino & Ray, 2010). The articles published by Jean-Michel Severino and

Olivier Ray on the birth of hypercollective action and the end of ODA sought to replace the ODA concept with a global policy framework. Severino and Ray did not in the end propose that the ODA concept be killed off. But the idea they presented of a set of internationally agreed global policy missions was to be realised in effect with the SDGs five years later. And in her most recent book, Mariana Mazzucato has proposed exactly that – making the 17 SDGs into global missions around which actors and collaboration can be organised, not in any set of super institutions, but in terms of common goals and interfaces, communications and progress tracking (Mazzucato, 2021). This existential issue is explored further in the final two chapters of this book.

2.3   The DAC and the governance of development finance

From its very origins in the discussions of the DAG over its five meetings, the question of development finance was central to the mandate given to the DAC – to increase the flow of financial resources to developing countries and to enhance their effectiveness. That mandate involved complex political issues among DAC members, as it turned out. An objective of the US was to shift the burden of providing aid onto other members of the DAC and to ensure that the colonial financial arrangements of the UK and France did not continue as before, providing those countries with competitive advantages. In these objectives, the US essentially succeeded.

As described above, the early peer reviews reflected the tensions around this process. But more fundamentally the geopolitics around the burden-sharing question and its interaction with development policies played out most visibly in the triennial replenishment processes of the World Bank concessional finance window, the IDA, also created in 1960. A detailed account of those processes and politics deconstructing the 16 replenishment negotiations from 1960 until 2014, gives a close-up picture of why and how the burden-sharing equation moved around in IDA, far from the official story that burden shares reflected economic capacities (Xu, J., 2017).[15]

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15   This account is based on a doctoral thesis undertaken by Jiajun Xu, a Chinese student at Oxford University, under the supervision of Professor Ngaire Woods, herself a noted expert on the governance issues of the Bretton Woods institutions. This author and Richard Manning, acted as thesis advisers.

In terms of the governance of development finance, the notable fact is that the "IDA deputies", an informal group of senior officials from DAC member aid and finance ministries came to occupy much of the policy space in the WB, in and beyond IDA, for decades, with no voice for developing countries. It was there and not in the DAC, that the key financial and policy decisions were made. For example, in 1988, when the US failed to meet its share of IDA's eighth replenishment, the other donors established the Special Programme for Africa (SPA), based at the World Bank, providing fast-disbursing finance to African countries, initially as a donor-only group. Later it was refashioned as the Strategic Partnership for Africa with African participation, where much of the work on budget aid was carried out in working groups with particular input from the UK. (Today, it is the IMF which is putting the major share of fast-disbursing aid into African and other developing countries in the context of COVID-19, with a prospective IMF special drawing rights (SDR) issue of some $650 billion. Governance and allocation arrangements are currently under study in that context).

The important matter of the IDA and the IDA deputies aside, the DAC has played and looked to play important roles in the governance of development finance.

These areas include debt issues, tied aid disciplines, multilateral aid and scaling up, as summarised below.

2.3.1 Debt issues: From early debt studies to creditor-based debt statistics and counting debt relief

The DAC in the 1960s was heavily involved in assessing the needs for concessional aid. In the mid-1960s, debt issues were already becoming evident, with India in crisis amid successive droughts. A series of studies emerged from the DAC work on financial aspects of development assistance, making the case for grants rather than loans (OECD/DAC, 1965). Then in the 1970s, the opening of the Eurodollar bond market, together with the recycling of the oil surpluses of Gulf countries via syndicated bank loans, generated high levels of commercial debt, supplemented by a major increase in officially guaranteed export credits. These debts were then exposed to the "Volcker hike" in interest rates of 1982, swiftly followed by the Mexican debt crisis which became endemic among developing countries. The DAC creditor reporting system (CRS) statistics became overnight in high demand, notably for the Paris Club of official creditors. The DAC Secretariat became

a standard participant in Paris Club meetings. And its numbers and reports were shared with OECD staff supporting Working Party 3 of the OECD Economic Policy Committee, the highest-level assembly of monetary policy officials at the time (and now), where the DAC Secretariat also became a regular back row attendee. (For an account of the issues raised for official finance by the 1982 debt crisis see Carey, 1987). With the World Bank, whose debtor reporting statistics were also being solicited, an International Working Group on External Debt Statistics (IWGEDS) was formed in 1984, producing a set of common explanations and guidelines.[16]

A dedicated debt unit was established in the secretariat, to be dismantled in an organisation-wide budget cut in 1999. At that very same time, as related in Chapter 10, enhanced debt forgiveness action was approved at the G7 in 1999, linked to the poverty reduction targets established in the 1996 DAC report on "Shaping the 21st Century" (OECD, 1996). The DAC then became responsible for deciding on how to account for the ODA value of official debt relief, a complex matter to this day, where the DAC is still the (controversial) rule maker.

2.3.2   Tied aid disciplines and mixed credits

Though the issues of export credits and tied aid were part of the conversation from the creation of the DAG, competition among OECD export credit agencies in the early 1970s rose to a chaotic level, in the words of a veteran of those times, leading to the establishment of an OECD export credits group in 1973, to tame the public subsidy war. The concern that aid had become weaponised in this context meant that the DAC was drawn into the formulation of an evolving set of export credit disciplines, with strong pressures from the trade policy side. One direction was to raise the minimum grant level for tied aid projects to discourage the use of aid to promote exports. Another was to require evidence that projects were not commercially viable without aid. This led to the creation of a bulletin board operated by the DAC Secretariat to enable challenges to be made and to the formulation of "forward guidance" (OECD, 2008, 2018). The potential for

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16   This author was a founding co-Chair of the IWGEDS, alongside Ishrat Hussein of the WB, later Governor of the Central Bank of Pakistan. The Bank for International Settlement (BIS) and the Berne Union were other key members, with the Head of DAC statistics, Bevan Stein, working with them to generate a uniform series on officially guaranteed loans to developing countries.

the misuse of aid was dramatically underlined by the Pergau Dam scandal, when it was revealed that the UK government, at the highest level, had approved a loan for a clearly uneconomic project in Malaysia in order to close an arms deal (Ireton, 2013).

Today, the agenda here looks different, with encouragement to use aid to bring private finance into play as a "risk mitigation" tool, via blended finance. The DAC in this case is acting as both a promotion centre and a rule-maker. It has still to resolve disputes among its members on the use and scoring of aid provided through private sector instruments, a problem resonating with the earlier agenda on export credits.

Internationally, export credit and tied aid financing rules are a pending item. A 2012 agreement between US President Barak Obama and Chinese President Xi Jinping established an international working group on export credits (IWG) to produce a new multilateral agreement in short order. The IWG exists, with a Chinese Secretary-General, but a new agreement is not yet in sight. Meanwhile the OECD export credits group and OECD Trade Directorate continue their work, with the DAC Secretariat continuing its role in the tracking of tied aid credits.

2.3.3   Multilateral aid

DAC members are the main funders of multilateral agencies, and this funding accounts for some 30 per cent of ODA on average. What role might the DAC play in assisting members to keep track of this aid and assess its effectiveness? This proved to be a very difficult area for the DAC to work in, with multiple actors in their countries involved across the huge range of multilateral institutions, but most centrally because in many capitals, finance ministries rather than aid ministries (or alongside aid ministries) are deeply involved in the governance of the major multilateral development banks.

Nevertheless, the DAC has strived to play a role in the governance of the multilateral sector. Early in its history, in 1963 in fact, the DAC launched a study of the technical and legal aspects of different systems of multilateral investment guarantees. In 1965, the OECD SG was able to transmit to the World Bank a "Report on the Establishment of a Multilateral Investment Guarantee Agency", eventually set up in 1988 at the Bank as MIGA – a time warp of some 25 years. And in 1971, the DAC held informal preparatory discussions on setting up a soft window at the African Development Bank

(AfDB), to become the African Development Fund in 1980, a seven-year time lag.

At the overview level, from 1983 a multilateral aid chapter was included in the annual DAC chairman's report, simply to provide a landscape available nowhere else. Then progressively multilateral aid became a subject for peer reviews, although it was not until the 2000s that this was systematised. In the mid-1990s, the DAC chair at the time (James Michel) convened an informal multilateral secretariats group, when it became evident that competing and overlapping country-level frameworks of the WB, the UNDP and the WTO were dysfunctional. This effort helped to raise awareness among multilateral officials involved but did not build into an ongoing process. Such issues are in principle matters for the regular meetings of the heads of multilateral agencies, with coordination at country level being traditionally in the purview of the resident representatives of the UNDP, and now resident representatives of the UN Secretary-General. In practice though, there is often little coordination or sometimes even little contact at the country level. These are stubborn issues, as revealed yet again by the report of the G20 Eminent Persons Group on "Making the Global Financial System Work for All" (G20 Eminent Person's Group on Global Development Finance, 2018) where the follow-up consists of a number of pilot attempts to establish country platforms where the development finance system behaves as a system. In other words, the Paris Declaration and paragraph 9 of the AAAA (the SDG finance agenda) cited above, still have far to go.

In the DAC context, ways ahead have been developed on two fronts; first an annual report on multilateral aid as a go-to source on trends and issues, and secondly on the evaluation front, where two separate initiatives led by the UK and Canada have been pulled together in a Multilateral Organisation Performance Assessment Network (MOPAN).

More broadly though, the sheer complexity of it all brings us back to the Severino and Ray proposition, and forward to the concluding thoughts of this book, that a framework of global policy missions, such as the SDGs, is how a system might be pulled together for the 21st century (Xu & Carey, 2015a; OECD/UNDP, 2021).

2.3.4   Scaling up aid: an elusive quest – from Pearson to Gleneagles to SDRs.

Like Captain Ahab's quest for the great white whale, scaling up ODA to achieve the 0.7 per cent ODA/GNI UN target continues to haunt the DAC, even as it looks to create the conditions for an exit from aid and fashions aid exit strategies, known as "transition finance".[17] But even so, the political rhetoric and international commitments keep up the pressure for making the target, and real financial emergencies such as the COVID crisis are undeniable. (For a current review of the issues and literature see (Prizzon & Pudussary, 2021) The EU aims for all its members to reach the 0.7 per cent target by 2030. And the UK, which has recently walked back from its attainment of the 0.7 per cent target, still leaves open the possibility of getting back there. The new US Administration has announced that development assistance will have a prominent role in its national security and foreign policy strategy. In the context of climate change negotiations, the $100 billion "additional aid" pledged at the 2009 Copenhagen Climate Change Conference is still a promise, repeated at the 2021 G7 Summit. But it is still a mirage, even if the actual amount of ODA allocated to climate change is tracked by the DAC and growing. A separate accounting system with its own fund outside ODA remains in demand, with climate change regarded as a global public good and therefore not to be defined as ODA, and to be clearly additional to it.

On that theme also is the proposal for a new Global Public Investment Pledge, moving the world from the era of aid for country-based development programmes to an era of investing in global public goods, thus from an ODA-based paradigm to a global public investment paradigm, with new institutional fora (Glennie, 2021). For an earlier attempt at a design for a global public goods-based world finance system, see Kaul, Conceicao, Le Goulven & Mendoza, 2003. The public support for "problem-based" development finance is also likely to become stronger than for "country-based" aid, as we see in the multiplication of special funds, although COVID-19 brings country needs back into focus. The country-level coordination challenge as set out in paragraph 9 of the AAAA and the 2018 G20 Eminent Persons Report remains, however; the issue is whether SDG "mission-based" programming can make this coordination challenge more solvable.

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17   The DAC has a "transition finance" work programme and has undertaken a number of country studies.

There have been a number of cases in recent times where individual DAC members have scaled up their ODA significantly. The UK under DFID was such a case (OECD, 2020a). And Germany reached the 0.7 per cent target in 2020 (OECD, 2021). France has committed to it (again), allocating significant new funding. Further back, at the beginning of the 2000s the US George W. Bush Administration launched two dramatic initiatives; first, the President's Emergency Plan for Aids Relief (PEPFAR), to address the critically urgent problem of AIDS, with a $15 billion financial commitment. This programme grew from nothing to $6 billion annually in a very short period of time, with a major impact, though conducted quite outside local budgets and health sector programming;[18] and second, the Millennium Challenge Corporation (MCC) which was to disburse some $5 billion per year to countries selected on the basis of a good governance checklist. The MCC reached a disbursement rate of just $1 billion and has stayed at that level, though the Joe Biden Administration plans to revive the earlier scale ambition. For a close-up view of how these initiatives were prosecuted, see (Lancaster, 2008).

Further back, Japan launched a spectacular set of five-year aid programmes in 1981, 1985 and 1988, first to double the amount of its aid volume and then to reach the DAC average level in terms of net ODA/GNI by 1992. And indeed, Japanese aid volume did expand dramatically. Japan became the world's top aid donor by volume in 1989, surpassing the US (Kato, Page, & Shimomura, 2016). And this at a time when fears were rife of a Japan that would become the world's most powerful economy and that an economic cold war was underway between the US and Japan. But the crash of the Japanese property markets in 1992 and all that followed brought that episode to an end.

Looking back at ODA history (not counting the current EU effort) there have been just two concerted attempts to scale up aid, the first being the 1969 Pearson Commission proposal that the 0.7 percent target be met by 1975 and by 1980 at the latest (see Box 2). The second being the G8 commitments taken at Gleneagles in 2005, in which the DAC played a not insignificant behind the scenes role in the Gleneagles arithmetic.

The Pearson Commission scenario was destroyed in short order, first by the unsustainability of the US balance of payments and the 1971 "Nixon shock"

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18   It was eventually brought into more integrated health sector programmes under the Obama
      Administration.

decision to end the link of the dollar to the price of gold at \$35 per ounce. Then, secondly, came the oil price shock of 1973 and those that followed, and then the dramatic expansion of the "recycling" of the oil surpluses via the international banking system, which seemed for some time to be the main way development would be financed in the future, with rising commodity prices ("commodity power"). That too ended in tears in the debt crises of the 1980s.

There is, as indicated above, a great "what if" question here, that could justify a doctoral thesis. How would the Pearson scenario have been managed and realised, and supposing that a successful general agreement to untie aid had been reached at the 1970 DAC HLM in Tokyo? Given that intensive work had been done on this question, the answer might throw light on a quest that has not gone away, of how a coherent international effort to scale up development finance on an untied basis could work.[19]

The second scaling up scenario emerged from the Gleneagles Summit of 2005, held in the context of a buoyant global economy (the gathering risks were not yet perceived). UK Prime Minister Tony Blair had appointed a Commission for Africa which delivered a major report for the Gleneagles Summit. The outcome was a spectacular set of G7 commitments to increasing aid, with a theme of doubling aid to Africa from under \$25 billion in 2004 to \$50 billion by 2010 (G8 Gleneagles, 2005). It also established a mutual accountability process operating via the already established APF, comprised of personal representatives of G8 heads of state and NEPAD steering group members. This mutual accountability process fell to the DAC Secretariat working with UNECA.

The idea that ODA to Africa could be doubled from 2004 to 2010 was part of a broader projection which would have seen total ODA rise from nearly \$80 billion in 2004 to nearly \$130 billion in 2010, based on commitments before and at Gleneagles. The Gleneagles Africa statement cited OECD data as follows:

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19 Compare such a scenario with the new OECD/UNDP Impact Standards (OECD/UNDP, 2021), where the assumption is that there is a multiplicity of different kinds of actors in the development system who cannot be coordinated, only guided to place their efforts into the SDG framework, with (voluntary) disciplines (G8 Gleneagles, 2005) applied via meeting agreed impact standards: an approach geared to the realities of the 21st Century and the existence of the universal SDGs.

Paragraph 27: The commitments of the G8 and other donors will lead to an increase in official development assistance to Africa of $25 billion a year by 2010, more than doubling aid to Africa compared to 2004.

Paragraph 28: As we confront the development challenges in Africa, we recognise there is a global development challenge facing the world as a whole. On the basis of donor commitments and other relevant factors, the OECD estimates that official development assistance from the G8 and other donors to all developing countries will now increase by around $50 billion a year by 2010, compared to 2004 (G8 Gleneagles, 2005).

The background story here is that the DAC Secretariat had undertaken a mathematical exercise on what it would take to double aid, a popular proposal after the Millennium Summit of 2000. In the 2001 DAC chair's report (OECD, 2002), a "ready reckoner" table was published, showing that, with annual increases of 2.5 per cent in GNI and 0.01 per cent in DAC members' ODA/GNI ratios, aid would double between 2000 and 2012. Commitments made at the 2002 Monterrey Financing for Development Conference made such a scenario increasingly plausible, and the 2004 chair's report started publishing annual simulations of ODA prospects, first for 2006, and later for 2010, showing that doubling was possible by the latter date, compared with 2000. On the morning of the final day of the G7 Summit in July 2005, the then chair of the DAC, Richard Manning, received a call from a UK official at Gleneagles requesting clearance for the Africa outcome document to refer to the OECD analysis. The result is to be seen in the above paragraphs.

In the event, ODA to Africa did not double from 2004 to 2010; it rose by 46 per cent in real terms, i.e., by $12 billion rather than $25 billion at 2004 prices. And globally, aid did not double from its 2000 level until 2020, although most of that increase, 69 per cent, happened in the first decade 2000-2010 (OECD-DAC, 2021a). This meant that the DAC Secretariat's 2001 simulation had not been entirely wrong in estimating the momentum of aid in that first period: its 85 per cent predicted real-terms increase was a little high, but since the Global Financial Crisis reduced GNI growth after 2008, its projection of a 0.32 per cent ODA/GNI level was very close to the final 2010 ratio of 0.31 per cent. This was a remarkable result considering that the 2001 projection was for a sharp reversal of what had been a 40-year decline.

The Gleneagles targets gave rise to some still relevant thinking on what would be necessary to change in the aid process in order to make such a scaling-up work. Johannes Linn, formerly a vice president at the World

Bank, has been prominent in looking into the critical behavioural changes that would be needed. This critique, expressed initially in a Brookings policy brief (Hartmann & Linn, 2008), centred on the fact that donor agencies did not have scaling up as any kind of basic priority. Hartmann and Linn's main recommendation was that scaling up be added to the five principles of the Paris Declaration, with a regret that the chance to do so at the Accra HLF of 2008 had been missed. Scaling up would require creating fiscal and financial space, political space, cultural space, institutional space, partnership space and learning space. A change of mindset and practices was needed. The Policy Brief referred approvingly to the motto of Sadako Ogata, first President of the newly consolidated Japan International Cooperation Agency (JICA): "speed up, scale up and spread out".

Donors could take eight immediate steps to do so, beginning with adding scaling up to the Paris Declaration, but the second step would be that "each agency should implement a scaling up audit with independent outside input. This audit would assess how far the agency focusses on scaling up and what changes are needed to induce more systematic and effective scaling up efforts" (Hartmann & Linn, 2008).

Earlier, in November 1995, an attempt to obtain a DAC agreement to adopt 10-year development contracts as the standard aid modality, using budget aid, had been tabled in a room document at an SLM by Jean-Michel Severino, then head of the French Ministry of Cooperation. It was prefaced with a devastating critique of short-term project-based aid in weak African states.[20] This initiative did not gain traction at that point. But in 1998, on the personal initiative of DFID Minister Clare Short, the UK provided a 10-year aid contract to Rwanda and expanded use of this modality elsewhere (Short, 2004).[21]

In 2006, at the Financing for Development Conference in Abuja on "From Commitment to Action in Africa", an initiative from Nigeria's then Minister of Finance Ngozi Okonjo-Iweala saw the submission of a paper by Nigeria, the AfDB and UNECA of a paper asking how the IMF/World Bank Poverty

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20 In 1994, the World Bank business model had been rocked by the revelations in the Wapenhans Report of severe distortions in staff incentives, which rewarded project approvals at the expense of project management and satisfactory project completions (World Bank, 1994).

21 Twenty-five years later, Phil Clark offers a relevant current assessment of the politics and development progress in Rwanda (Clark, 2021).

Reduction Strategy Papers could be used to scale up aid, arguing that donors needed to deliver long-term predictable aid in support of country-led plans (Nigeria/AfDB/UNECA, 2006).

There is little doubt that the scaling-up challenge remains perhaps the greatest gap in the whole DAC oeuvre. It lies behind the long road towards the 0.7 per cent target taken as a commitment device, explaining very largely the gap between promise and performance, with performance lagging decades behind commitments. It also goes far to explaining the fundamental failure of the aid industry to build systemic capacities in developing countries, given the fragmentation and the project-based nature of the hypercollective effort so vividly set out by Severino and Ray in 2008.

The capacity of China (using development financing modalities largely learned from Japan) (Brautigam, 2009; Kato et al., 2016; Xu & Carey, 2015b) to follow the three Ogata precepts is a lesson here, that is just now beginning to be heard as the G7 turns to considering the possible programmatic responses to the Chinese Belt and Road Initiative in the field of infrastructure (G7, 2021). Underlying conceptual and capacity gaps will need to be squarely addressed (Gu & Carey, 2019; Gil, Stafford, & Musonda, 2019; OECD/ACET, 2020).

Finally, a possible game changer has come on to the scene in the form of an agreement on a $650 billion issue of SDRs in the context of COVID-19. Unused SDRs of developed countries are to be pooled into a new Fund at the IMF, with governance arrangements and modalities currently under discussion. Developed countries have been able to create trillions at the touch of a central bank button. Such funding for developing countries is justified not simply on the grounds of equity in the international system, but for functional reasons – financially starved developing countries cannot play their essential role in global health system integrity and in the longer-term health of the global economy. Spreading wellbeing in low income countries is essential to a well-ordered world in the coming SDG decade and beyond with a global population of 10 billion people. Regular SDR top-ups to such a fund could become a regular feature of development finance and development programming, based on predictable scaling up.

2.4 The DAC and thinking about development: theories and work programmes

The DAC has never been consciously focussed on the basic schools of thinking about the drivers of development progress. It never established a chief economists' group[22] and the Director of the Development Centre (replacing the original elected presidency, since abolished) has functioned as the development adviser to the OECD Secretary-General. Even so, there has never been any position comparable to the World Bank chief economist with a research department, and with the annual "World Development Report" looked to as the reference point for evolving thinking on development. Rather, the annual DAC chair's report has provided a platform for the chair to set out ideas and for the thinking behind current agendas of the DAC to be elaborated, even as its main purpose has been to convey the latest efforts and performance of DAC members, with its statistical tables as the key feature.

Thus, the DAC has been eclectic and multi-disciplinary, avoiding doctrinal debates. Nevertheless, development thinking has influenced DAC policies and recommendations. In 1989, the DAC agreed a statement on "Aid in the 1990s", which placed the emphasis on human development, on ecological and financial sustainability and on participatory development, which led towards the agreement in 1996 on the "DAC International Development Goals" (OECD/DAC, 1989; Carey, 1991). And as set out above, DAC members have financed much development research via academic departments and research institutes. This section takes a brief look back at how the DAC reflected thinking in the main strands of development economics.

2.4.1 Development as transformation

The evolution of the structure of an economy towards higher value-added sectors and work has been an early and continuing focus of the economics of development, lost for some decades, but now back as central.

When the second chair of the DAC, Willard Thorp, took office in 1963, bringing with him wide immersion in international debates on development strategies, he could say that both the less developed countries and the donor countries had come to recognise that we were dealing with an economic

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22 Although it might have done. A nascent DAC chief economists' group is just now emerging in the context of the COVID-19 crisis.

and social process of extraordinary complexity (OECD/DAC, 1985). In those early years, the DAC did engage in some wide-ranging discussions on development strategies. And always in the background was the alternative socialist path to industrialisation, with a number of developing countries moving along that path. Agriculture was a subject visited and revisited; and food, education and eventually population were on the agenda. In 1967, a DAC expert group studied the possibilities and limitations of quantitative models as an aid to development assistance policy. By 1973, the DAC compiled a "Performance Compendium" that classified the essential elements for development success, laying the basis for the "policy dialogue" as it became known (OECD/DAC, 1973).

Meanwhile, at the Development Centre, a comparative study of seven developing countries led by Ian Little as research vice president, was assembled into a 1970 OECD volume published by Oxford University Press under the title "Industry and Trade in Some Developing Countries" (Little, Scitovsky, & Scott, 1970), to become at one point the most quoted book in the development literature (Little, 2002). Its finding that market-driven export-oriented economic policies were the optimal path to successful development was indeed to become a dominating idea in the development debate. Combined with the impressive growth in OECD countries of some 5 per cent per annum through to the early 1970s, it seemed that market-oriented strategies would do the development job. For a long time the DAC hewed essentially to this line and largely abandoned its sectoral work, to focus essentially on good practices in the aid business, with the development debate moving elsewhere, to the World Bank and the North-South dialogue in the UN, with the OECD contribution there largely in the form of "policy coherence", that is, the responsibilities of OECD countries to establish and maintain open markets and macroeconomic stability (see Chapter 15).

Ironically, it was indeed the huge open market of the US, supercharged by an (incoherent) falling savings rate and the coevolution of the "Walmart" economy, based on low-cost labour in East Asia and low-cost logistics in the form of container shipping and computer-enabled linear programming, that provided the demand side of this economic model. On the supply side, it was Japan with the close interaction between its aid programme and Japanese global companies developing Asian supply chains through investment and infrastructure that helped Asian companies to meet US demand. This happened even before China's investment and export-based model, in line with the Little, Scitovsky, & Scott (LSS) prescriptions but underpinned by

a "facilitating state", emerged onto the scene (Lin, 2012).[23] In fact, Japan, South Korea and Taiwan had already traced this path, which in turn can be traced back to Robert Walpole, Alexander Hamilton, Friedrich List, and Germany's latecomer industrialisation under Otto von Bismarck.

Since then, the whole global economy has been transformed, based on this "Hamiltonian" activist state model (Xu & Carey, 2015a), the unspoken reality underlying the lean government agenda and the Washington Consensus, (now surpassed by a New Washington Consensus featuring an activist State, in both developed and developing countries) (Sandbu, 2021).

Ironically too, in the DAC, Japan came under a prolonged shadow for integrating its aid programming with Japanese private sector capabilities (seen as Japanese commercial interests) (Kato, Page et al., 2016). Now private sector involvement in aid programming is actively sought, although that frontier remains in dispute in the DAC. It is nevertheless hardly possible to think that the model on which the global economy now rests would have been possible without an activist state in Japan. It turns out that the LSS model born in the OECD Development Centre in the late 1960s, depends upon a developmental state. Even Singapore and Hong Kong have been activist states in this sense, with strategic investments in higher education and infrastructure, and services to investors and export platforms of various kinds.

Thus, the two DAC members who regularly found themselves at the bottom of policy coherence scorekeeping reports, the US and Japan, clearly contributed most to the supply chain-based global economy of today that broke the prison of colonial trade and production patterns and provided escape routes for the Asian economies and others. Hence transformation came back into the development agenda and into the domestic agendas of OECD countries as adjustment consequences, too long neglected, became a political agenda item (Wood A., 1994; Alden, 2016).

In the DAC, the major activist programme in this sphere has been in the field of aid for trade. The 2001 "DAC Guidelines on Strengthening Trade Capacity for Development" (OECD/DAC, 2001) were published, the fruit of close collaboration with DFID and other interested DAC members. Already at the 2000 Doha WTO trade ministers' meeting, this author had worked with Cheidu Osakwe of the WTO secretariat in his basement quarters at

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23   China's emergence was also guided by IMF and World Bank advice (Bottelier, 2006).

the Sheraton Hotel to craft an entry on trade capacity building (paragraph 39) in the ministerial declaration that called for working with the DAC to coordinate on technical cooperation (WTO, 2001). The DAC task force, with the WTO and with World Bank participation, went on to be part of a group pushing forward the trade capacity agenda in Geneva and capitals. At the Hong Kong WTO ministerial meeting in 2005, this group, with the UK and Canada and others prominent, managed to have a paragraph on trade capacity inserted into the Declaration and thus to make it even more of a work programme at the WTO and in the OECD. In 2005 also, a WTO-OECD programme of biennial Aid for Trade Forums was inaugurated, with Valentine Rugwabiza, then a WTO deputy director-general, as the WTO focal point. These forums have continued to this day, chaired jointly by the Director General of the WTO and the Secretary-General of the OECD.[24] An associated publication, "Aid for Trade at a Glance" has been a go-to point for sharing case studies (OECD/WTO, 2019).

On another critical transformation front, the DAC gave much attention to agriculture in its earlier years. The green revolution had a major impact on development thinking, including in the DAC. But agriculture too suffered a period of neglect as the DAC decided, in line with the LSS thinking and the original DAG principle, that the DAC should not get involved at the operational level. The year 1991 saw one of the biggest "boardroom" dramas of the DAC. A proposal from the highly effective and respected DAC chair, Joseph Wheeler, that African agriculture, suffering from endemic low productivity, be included in the DAC programme of work as an emergency issue, was decisively rejected by the DAC members. Wheeler left the DAC shortly after, when his term ended, obviously affected by this failure. What was not evident at the time was the disarray, notably at the World Bank, on whether to treat agriculture as a production problem or as a rural development issue. Could a DAC work programme at that point have assisted in achieving some way forward on the African agricultural frontier, still there today?[25]

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24 The World Bank, an early partner, dropped out on the grounds that the agenda and statistical coverage, extended to capture value chain activities, had become too wide.

25 See also (Michailof, 2018) where the terrorist crisis in the Sahel is seen as a product of wrong policy choices and inaction in the agriculture-rural development nexus, as well as blowback from Afghanistan.

2.4.2 Development as the closing of financial gaps

Encapsulated in the iconic Harrod-Domar economic growth model with its two related gaps, in domestic savings and in the balance of payments, the conception of the development problem as one of filling financial gaps was instrumental right from the beginning, in the five meetings of the DAG. Angus Maddison, as secretary of the DAG, took on the task of creating a statistical system. The first survey of "The Flow of Financial Resources to Countries in Course of Economic Development" was published in April 1961 and set the main guidelines the DAC used until very recently for collecting data on the adequacy and efficacy of the aid effort of donor countries – the famous "DAC Statistics" (Maddison, 1994, 2002). As described in Chapter 6, there has been a dramatic move since decisions taken at a DAC HLM in 2014, from the balance of payments framework developed by Maddison to a "donor effort" framework measuring fiscal effort, so that headline ODA statistics no longer measure international financial flows. The move in the DAC to adopt a "donor effort" framework suggests that indeed, the founding idea of the DAG and the DAC is donor effort and attests to the continuing strength of that idea and indeed, its existential nature.

In the 2000s the DAC turned its attention to the domestic savings gap in the form of tax revenues, building on research work at the IDS Sussex, given that tax, not aid, is the long-term foundation for financial viability and accountable governance (IDS, n.d.). An African tax administrators' forum was established in conjunction with the South African Treasury. In 2010 a tax and development task force was established bringing together a range of stakeholders and advising both the DAC and the OECD Committee on Fiscal Affairs. With the UNDP, a tax inspectors without borders service was established to provide expert tax advice on demand to developing countries. And in the context of the OECD global forum on exchange of information and tax transparency, a tax and development programme, in conjunction with other international financial institutions (IFI), now helps to build capacity in areas such as transfer pricing. An Africa initiative now involves 32 AU members in an exchange of information network.

In terms of financing gaps, the illicit finance problem became of major consequence, particularly following the deregulation of the finance sector in OECD countries in the mid -1990s. The phenomenon went back to the decolonisation period, when it is estimated that colonial personnel leaving their countries of residence took with them vast sums of money, legal and

illicit. The problem was addressed even more fundamentally in a famous 1990 article by Robert Lucas, "Why Doesn't Capital Flow from Rich to Poor Countries?", exploring what became known as the "Lucas Paradox" (Lucas, 1990). Various explanations were possible, including the uncertainties over investment returns, reflected now in the emphasis in risk reduction instruments such as the DAC programme on blended finance. Another proposed explanation was that the structural problem of elite capture of economic rents, going back to colonial economic structures, was being replicated by new elites in developing countries, thus pointing to the issue of illicit flows.

In 2014, the DAC Secretariat produced a report on measuring OECD responses to illicit financial flows (IFF) from developing countries (OECD/ DAC, 2014). The footprint of the Lucas Paradox can be seen in the work of the DAC Network on Governance (Govnet) sub-group on corruption, which followed up its 2014 report with a series of further empirical reports on IFFs. Its 2018 report on the economy of illicit trade in West Africa provided a best-in-class test of the underlying dynamics of the Lucas Paradox (OECD/ DAC, 2018). Going beyond a traditional analysis of IFFs, which typically emphasises the scale of monetary flows, this report examines the nature of 13 overlapping, and oftentimes mutually reinforcing, criminal and illicit economies, with a view to identifying their resulting financial flows and development linkages.

As the report states, "resolving the problem of IFFs requires responding to underlying development challenges, and tackling all parts of the problem in source, transit and destination countries". Thus, strong political leadership is required at all these points of the IFF value chain to eradicate the criminal elites.

2.4.3 Development as accumulation of factors of production plus technology plus social organisation

Sometimes known as 'neoclassical growth theory', this rich vein of development thinking began with Robert Solow's iconic 1956 article (Solow, 1956). In this account, the simple accumulation of capital and labour was not enough to drive a growth process. There must also be productivity growth, with technology as a major component, and technological advances must disseminate globally enough to be a universal growth driver. This basic model evolved over time so that the growth driver extended to "multifactor

productivity", or total factor productivity (TFP) beloved of mainstream economics, including at the OECD. At its limits, this concept extended to "social organisation", in other words a well-functioning society with a workable political settlement and associated social cohesion. This is correct, but then it becomes necessary to spot the real bottlenecks, which go way beyond labour markets (Aghion & Howitt, 2009). At the OECD Economics Directorate, this was manifested in an ever wider growth agenda, covered in an annual series of reports on "Going for Growth". And as the National Bureau of Economic Research (NBER, n.d.) or Voxeu (n.d.) websites indicate, economists are searching in every nook and cranny of social organisation, with no boundaries between what is development economics and what is not. One reaction to this quandary is to conclude that what really matters is the quality of institutions, hence the issue becomes an issue of governance.

On the development side however, the phenomenon of "miracle" growth rates in Asia, even before China's 1978 market reforms, can be traced to another classic article by Robert Lucas, quoted at the beginning of this chapter. In "On the Mechanics of Economic Development", Lucas exhaustively searched the neo-classical growth model, but could not find any mechanism that could explain such unprecedent growth rates. He found the explanation in rapid urbanisation combined with rapid increases in human capital, especially acquired through learning by doing (Lucas, 1988). He developed this proposition further in a 1993 article "Making a Miracle", in which he put even greater weight on the learning by doing factor, especially linked to engagement in international trade (Lucas, 1993). In fact, learning by doing and human capital development had already been incorporated in neoclassical growth models, so it was their conjunction with the urbanisation dynamic that was providing the "combinatorial factor" that generated "economic miracle" growth rates. And the implication was that economic miracles required an activist state, not just a market economy to achieve economic transformations of this order at this speed.

That proposition became one of the huge debates of the development industry when the Japanese government requested and sponsored a report from the World Bank, which emerged in 1993 as a research paper on the "east Asian Miracle" (World Bank, 1993). The issue was "states versus markets", even though it is obvious that it was and is both. A vigorous and sometimes virulent debate erupted around the "Asian Miracle" on just this front, however, and remains live to this day (Kato et al., 2016).

In the OECD the debate was lively. The mainstream Economics and Trade Directorates continued to remain very firmly in the "markets and Washington Consensus" camps and that shaped the ethos in the OECD as a whole, including the DAC (though not in the Development Centre, which was regarded at that time, in the more "neo-liberal" parts of the OECD, as dispensable).[26] The principal "activist" item in this area of the DAC work programme remained the trade capacity building effort, described above. And the human capital agenda was embedded in the MDGs, but it did not extend to tertiary education, and infrastructure fell off the agenda. Urbanisation did not appear at all.

These lacunae were replicated at the World Bank, where the "Doing Business Better" focus remained on regulatory reform. And the tenure of Justin Yifu Lin of Beijing University as Chief Economist (2008-2012) brought an "active state" theoretical framework, though within the neo-classical model (Lin, 2012). Lin's tenure at the World Bank was marked by internal opposition, however. More recently, a major change in thinking is abroad in the Bretton Woods institutions, including at the IMF (Cherif & Hasanov, 2019). The 2020 IMF/World Bank Spring Meetings marked this change, but bringing back the old debates.[27]

In the neoclassical growth model, technology remained a central issue. At the DAC, it got early attention under its chair, Willard Thorp. A systematic effort to focus research on significant obstacles to development was jointly initiated by the OECD's Directorate for Science and Technology, the Directorate for Development Cooperation, the Development Centre and the DAC chairman. Research strategists from each of the major donor countries met periodically to define research priorities and to promote appropriate follow-up by governments and private institutions in the funding of research (OECD/DAC, 1985). A similar effort was pursued by a German-inspired planning group on science and technology for developing countries in 1971.

In 1990, a significant experts' meeting was convened by the DAC, financed by France, in association with the UN Centre for Scientific and Technology Development (UNCSTD), then under the dynamic leadership of Brazilian

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26 This author, tasked in 1999 to draft for publication an OECD brief on trade and development, built the storyline around dynamic learning by doing capacity development rather than classical comparative advantage. The draft was rejected by the Economics and Trade Directorates, with the battle going all the way to then SG Donald Johnston. This, decades after learning by doing had entered growth theory (Lucas, 1993).

27 For an early treatment of today's issues see Stopford, Strange & Henley, 1991.

Sergio Trindade. Unusually, for logistical reasons the meeting ran over into a Saturday, with lunch on the terrace of the Chateau de la Muette on a beautiful day in May. The published report emerging from that meeting recommended that developing countries create partnerships across their policy-making communities, engaging the larger public, based around a set of "missions" related to solving basic development problems and opening up new development options. As summarised in the 1993 DAC "Principles for Effective Aid", "the missions should be used as the principal instrument for specifying and coordinating domestic and external science and technology resources". And

> donor agencies should thus increasingly shift from a project-by-project approach to a more strategic capacity building thrust with longer term commitments to help accomplish well-defined technology development missions. A key requirement will be to create a synergy within aid agencies between economic analysts, programme planners, and science and technology specialists so that the building of national capacities to manage technological change becomes a central early issue in program design. (OECD/DAC, 1992, pp, 18-19)

The relevance of the above cannot be higher in the context of the demographic development dynamics of Sub-Saharan Africa. Rapid urbanisation and the emergence of extensive rural conurbations together with more human capital than ever before, plus information and communications technology and green technologies, hold the promise of Lucas-style "miracle growth" (Lucas, 1993). Already there are African Silicon Valleys emerging and cultural industries with world recognition. At the same time there are fundamental institutional challenges, agricultural transformation still has a long way to go, and there is a need for rapid infrastructure development that is at once an opportunity and a constraining factor. Structured African learning processes have a major role to play.

For the DAC, revisiting the conclusions of the 1990 experts' meeting on science and technology could offer relevant inspiration given that mission-driven economic strategies are now becoming a new norm (Mazzucato, 2021). And the Lucas narrative on miracle growth can also be revisited with an eye to what is possible in an African continent with a 2063 strategy, rapid urbanisation that must become functional, a new African Continental Free Trade Agreement, and continental integration prospects on a par with those of the US in the 19th and 20th centuries. Could Africa be like America? That is a leading question (Wood, 2002).

2.4.4 Development as human development – wellbeing, poverty and the MDGs

The human development paradigm as it is known today was specified in the first UNDP "Human Development Report" issued in 1990. There human development was defined in terms of enabling people to live long, healthy and creative lives, thus enlarging peoples' choices, which choices could include, additionally, political freedom, guaranteed human rights and self-respect (Stewart et al., 2018).[28]

Human capital was already a concept embedded in economic growth theory, but human development-wellbeing was set as an objective in itself, as indeed it has become in the OECD's own branding – "Better Policies for Better Lives".[29] And in its further extension by Amartya Sen in his iconic "Development as Freedom", freedom is defined in terms of the capabilities and the circumstances needed for individuals to be able to choose how to live, breaking out beyond traditional, contextual or forced constraints (Sen, 1999). Wellbeing and freedom in this sense are personal, but they depend upon social and institutional systems. And human capabilities contribute centrally to economic performance and notably to breaking out of the "middle income trap".

The DAC held meetings on education, health and population (managing fertility) in its first decade, essentially in the framework of development policies, whether as transformation or neoclassical factor accumulation. Such meetings continued sporadically until the 1990s, without ever becoming systematic. The emergence of sector-wide approaches (SWAP) in these fields was encouraged from the 1980s, notably in the DAC "Principles for Programme Assistance" (OECD/DAC, 1992, pp. 67-85) and featured in these later sector meetings, but the action was on the ground. Then the key issues were taken up in the WP-EFF and its joint ventures, and in the monitoring process as an issue of using country systems. How to help build systemic capacities became the focus of ongoing work on building effective institutions in a governance frame.

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28   This definition is all but identical with that issued by Cicero in the Rome of 2000 years ago: the role of the state is to promote the safety, health and wellbeing of its people in an inclusive political system.

29   The road by which the OECD found its way to this vocation had an early connection with the MDGs.

Thus, human development as such never emerged thematically in the DAC. Nevertheless, in the DAC and in the development community generally, after the Great Recession of 2007-9, social protection programmes came to be regarded not just as a safety net, but as an indispensable investment in human capital, and in human wellbeing, seen also as an essential concern of the international community. Social protection programmes, born essentially in Mexico and Brazil, thus became mainstream (Commission on Growth and Development, 2009).

But two key contributions to the human development agenda did emerge from the DAC – gender, first conceptualised as women and development, and the MDGs.

2.4.4.1 Gender equality as human development and wellbeing

The gender story in the DAC is told in Chapter 13. Suffice it to say here that its incorporation into mainstream thinking in the DAC was an arduous process, driven by a determined group of women from aid agencies backed by academic work, notably from the IDS Sussex, which became a basic source of analytical work, with a team led by the most eminent expert in the field, Naila Kabeer. Under Kabeer, the whole DAC Secretariat went through a training programme on gender and gender equality. In the DAC, even at senior level, for many, gender remained a marginal development issue, with token paragraphs added to communiqués. However, in 1995, the working party on women in development was responsible for one of the most far-reaching and long-term development impacts of the DAC – the financing and organisation of developing country delegations to the Fourth World Conference on Women held in Beijing. Still, the struggle in DAC communiqués to get beyond formulaic references to gender issues continued, until at one SLM, the head of the Dutch delegation exploded: "if you cannot understand the key role of gender dynamics in development you are not professional!"

2.4.4.2 The MDGs as human development and wellbeing, with Neo-Gramscian impact

In Chapter 10 below, the story is told of how the MDGs emerged, in two Acts, the First Act in the form of 1996 DAC international development targets in "Shaping the 21st Century: The Contribution of Development

Cooperation", (OECD, 1996) and then, in the Second Act as an outcome of the 2000 UN Millennium Declaration.

Here, the MDGs are placed into the broader context of development thinking, where their formulation and impact were time-critical and impressive, if contestable in terms of development progress as a wider endeavour.

As characterised in the aforementioned history of the human development idea, the MDGs epitomised a major switch in development thinking and even constituted a culmination point at that time in the evolution of development thought (Stewart et al., 2018, p. 5). They were comprised entirely of human development goals, with sustainable development built on, and were subscribed to by every major institution and government, North and South. In a chapter of a 2008 volume on the OECD and transnational governance, Arne Ruckert explores the role of the DAC in the articulation of a new policy consensus in the mid-1990s, thus contributing to the construction of the global development regime (Ruckert, 2008). The key elements of this contribution were identified as the promotion of international development targets, country ownership of development policies and poverty reduction strategies, as integrated in "Shaping the 21st Century" (OECD-DAC, 1996), no dense technical report, just 24 pages with impact.

In neo-Gramscian terms, hegemony refers to a political process where domination is not based solely on economic and thus material power, but it is also a function of its ability to provide cultural and ideological leadership offering an integrated system of values and beliefs that is supportive of the established social order and projects the particular interests of the dominant social forces as the general interest of all members (Ruckert, 2008).

In this sense, what the DAC was doing here was to modify the neo-liberal consensus in the direction of becoming an *inclusive* neo-liberal consensus (Ruckert, 2008). The response was immediate. The Managing Director of the IMF (Michel Camdessus) printed wallet-sized cards with the DAC targets on them and enthusiastically passed them around at the annual Bretton Woods meetings in September 1996. And three years later, with political push from the "Utstein Group" of DAC ministers, the G8 at their Cologne Summit inaugurated a major debt relief effort, to become the HIPC (heavily-indebted poor countries initiative), on the basis that countries must have poverty reduction strategies in order to qualify. Thus came the era of PRSPs (Poverty Reduction Strategy Papers) that needed to receive the stamp

of approval from both the World Bank and the IMF, in order for them to access debt relief and financing.

A further out-of-sight neo-Gramscian impact at the OECD came when the DAC International Development Goals (IDG) had become the MDGs following Act Two where the scene had changed from Paris to New York (see Chapter 10).

The OECD Director of Statistics at that point, Enrico Giovannini, became intrigued by the MDGs, seeing them as a set of statements of wellbeing, of a kind that in principle could and should be applied universally. A series of exchanges with this author and with the then chair of the DAC Richard Manning, helped inspire Giovannini to conceive of an OECD agenda to measure wellbeing not just in member countries but across the world. He initiated a series of international conferences to this end and a work programme at the OECD, which has constructed the go-to OECD website on wellbeing (OECD, n.d.). And in the latest move, there is now a new OECD Centre for Wellbeing, Inclusion, Sustainability and Equal Opportunity (WISE) (OECD WISE, n.d.). Together with the OECD branding of "Better Policies for Better Lives", the MDGs and the human development school can be seen to have captured the OECD, a neo-Gramscian process of some note, to say the least.

At the same time the MDGs as human development goals did leave outside this framework the economic, social and political processes that generate ongoing development progress, and left out also the governance agenda, including human rights. Achieving the goals implied major political commitment and major policy and institution building efforts.

In fact, of course, it was only by leaving these matters outside the MDG framework that agreement could be reached. In the development field the debates at that time were fierce as we have seen, with no truce in sight on the Washington consensus and the Asian Miracle activist government front. The Bretton Woods institutions were under attack literally from the "Fifty Years is Enough" movement protesting against structural adjustment programmes. The MDGs were a rescue operation for them.

But leaving out the surrounding economic, social and political dynamics also had a cost in terms of understanding what was really going on inside countries and the progress being made (see Chapter 10). The most thorough exploration of the merits and demerits of the MDGs, and the process by which

they were specified, has been conducted by Sakiko Fukuda-Parr, director of the "Human Development Report" from 1995 to 2004. Her essential findings: the impressive and irresistible power of goals; but alongside that, unintended consequences, including the use of communications and accountability devices as hard planning targets; and the absence of the core Millennium Declaration values of human rights and capabilities. Fukuda-Parr went on to identify the very different origin and nature of the Sustainable Development Goals which came to be universal goals, and to include everything that had been left out of the MDGs (Fukuda-Parr, 2017).

With the SDGs, then, development processes came back. And development finance came back. The DAC would constitutionally and practically have been incapable of this achievement. Another policy community, working with a more fundamental concept, sustainable development, and inventing new processes at the UN in New York came into the gap. The Chair of the DAC at the founding of the DAC IDGs, James Michel, wrote a 2014 account of the issues and processes emerging for the definition of the post-2015 development agenda (Michel, 2014).

2.4.5 Development as institutional and governance capabilities

Entirely absent from any DAC agenda before the end of the Cold War, governance came in quite soon afterwards as a core development cooperation agenda in the DAC, as it did in other international institutions and as a programmable area for aid at the country level.

The DAC adopted at its HLM in December 1993 a set of "Orientations for Participatory Development and Good Governance". Democracy was deliberately left out of the title, but included in the content, as was corruption. It had not been a foregone conclusion that there would be any such project out of the early ad hoc discussions on governance. But once into the drafting process and with the close involvement of the DAC expert groups on women in development and on aid evaluation (and the Development Centre), the practical utility of such "Orientations" became evident. An ad hoc working group was then established to carry forward the Orientations, designed to generate a common appreciation with partner countries of the governance-development links in country contexts. This work produced a policy note on in-country coordination and a guidance note for a programme of pilot studies in eight countries in conjunction with sponsors from local aid groups:

Benin, Bolivia, Burkina Faso, Costa Rica, Malawi, Mauritania, Sierra Leone and Uganda. On the participatory development front, there was a strong influence from the seminal work of Robert Chambers at the IDS Sussex with an emphasis on rapid participatory appraisals and human capabilities (Chambers, 1997).

In the area of capacity development, the early work of a task force on institutional and capacity development, created in 1991, led by Richard Manning, took forward the agenda set out in the 1989 "Principles for New Orientations in Technical Cooperation" (OECD-DAC, 1992, pp. 51-64) stressing the primacy of contributing to human resources development and institutional capabilities as systemic objectives, abandoning ad hoc project approaches in favour of strategic efforts under the ownership of developing countries. In other words, a modernisation of technical assistance practices. In this context, Eveline Herfkens, then Dutch minister for development, abolished the entire Dutch technical cooperation programme, as an unreformable hangover from colonial times (Michalopoulos, 2020).

These directions were largely followed by the major development institutions. The DAC was three years ahead of the World Bank in tackling the governance and corruption agendas, which came only following the landmark 1996 Nairobi speech by President James Wolfensohn on corruption. In 1998 the World Bank overhauled its country policy and institutional assessment (CPIA) rating system used in deciding on country assistance allocations. An evaluation in 2010 found that the ratings broadly reflected the determinants of economic growth and poverty reduction found in the literature. (The US established in 2001 a Millennium Challenge Corporation (MCC) with country partners chosen based on a set of democracy and good governance indicators).

At the same time, in the real world, the good governance agenda was not proceeding as expected. An influential book of 1994 suggested that the aid industry had become a monster at the country level, interposing on domestic policy and accountability systems with ad hoc projects based on little knowledge of how things really worked or what local aspirations really were (Ferguson, 1990). And the success of Asian economies did not flow from the governance maxims of the neo-liberal school but from activist policies combined with market tests of competitivity (Amsden, 1992; Studwell, 2013; Wade, 1990). Thus, economic success did not match up with good governance indicators. And in Africa, the 1990s saw political violence of a

particularly brutal kind and African wars that defied solution (Prunier, 2008). These catastrophes produced a new agenda, on fragile states, as recounted in Chapter 12.

Structural adjustment policies had a fatal blind spot in this context. The diagnosis was that "specialists in violence" had been able to exploit the gap opened up by structural adjustment policies that gave no support to moderate or reformist political leaders, so that "states fell apart" (Bates, 2008). The tipping point could be identified by some elementary political economy: "The international agencies that manage the flow of development aid – especially those that are multilateral – draw a veil over political realities" (Bates, 2010).

Thus, both on the side of unexpected success stories and the side of catastrophic governance failures, there was some accounting to be done. At the World Bank, a basic rethink was produced by a leading governance practitioner, looking at how to "work with the grain" instead of seeking to implement standard designs (Levy, 2014). And in the context of the 2017 "World Development Report", a background report on the evolution of the World Bank's thinking on governance found that, with politics at the heart of governance failure, the Bank had not found the room that it could and should within its mandate[30] to integrate political context into its country strategies and programming (Lateef, 2016). The same findings came through in an IMF evaluation of its work in fragile states, which said "even where what should be done can be identified, how it should be done requires careful political economy analysis lest a wrong set of actions undermine the delicate balance of power in the country or overwhelm the country's weak capacity" (IMF, 2018).

Political economy then, hitherto largely subject to abstinence by official agencies, has become a central analytical and empirical tool across the aid system and in the DAC, with major debates attached. But "deconstructing the development-governance discourse" and "navigating the development knife-edge" are now the frontier (Levy, 2014). And as described above,

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30   Article IV, Section 10 of the IBRD Articles of Agreement states that "The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially".

the corruption agenda has been subjected to the same kind of deep context specific analysis in the DAC Govnet (OECD/DAC, 2018).

Institutional economics is now the point of reference for such political economy, beginning with the work of Douglass North, inventor of the "new" institutional economics. With colleagues, his work on the shadow of violence in the limited access societies that characterise developing countries has penetrated the simple approaches of simple good governance principles to reach the realities of violence that too many endure in daily life, and the dilemmas involved in the development agenda (North, Wallis, Webb & Weingast, 2012). The work of Daron Acemoglu and James Robinson on the very narrow corridor to a stable middle income state reminds us of why so few countries have so far made that journey, and why the balance between state and society is so vital to human progress in all societies (Acemoglu & Robinson, 2019). Hence the ongoing relevance of the DAC's governance work begun 30 years ago.

At the same time, the intricate task of mapping through the institutional lens the functioning of the country that has taken a billion and more people on that journey, China, helps to understand what unique and unexpected things can happen as history, culture, human development and international knowledge and commerce spread capabilities around (Xu, 2011). The unexpected has happened also in countries like Rwanda and Bangladesh where the development path has allowed for great strides to be made, with great development progress, again totally unexpected. Problems do not disappear, but "good enough governance" makes human progress possible on an unprecedented scale (Grindle, 2007; Kenny, 2021).

Institutional evolution, sometimes indiscernible, has been an important part of these stories. And the power of urbanisation with decentralised actors with incentives and accountability can see transformation and growth "making a miracle" in the words of Robert Lucas (Lucas, 1993). The relevance of this prospect is high in the demographic dynamics of Africa today, if a set of incentives and accountabilities emerge that can make Africa work. Building the infrastructure that is critical to that prospect is vital and the emergence of the infrastructure ecosystems required to get that done with speed and sustainability will be part of the development process, not a prior condition (Gil et al., 2019; OECD/ACET, 2020). The next billion people in the world are the stakes involved in this very specific challenge involving institutions, governance and cooperation systems.

2.5   Conclusion: The DAC system and its frontiers

What does this story of the functioning of the DAC over these 60 years tell us?

First, the extraordinary vision of the founding fathers in the DAG, providing a mandate that was targeted but expansive, which has brought into the DAC a huge range of donor side actors, and then, with the aid effectiveness work of the 2000s, developing country actors, civil society and the private sector as well.

Second, the creation of the role of fulltime chair of the DAC, an outcome of an initial readiness of the US to fund and fill that post, has provided an anchor and visibility.

Third, the critical role of leadership from DAC ministers and agency heads at HLMs and the annual Tidewater retreat.

Fourth, the importance of the wider ecosystem of the aid industry, NGOs, research institutes and the like, which DAC members, in various ways, have done much to create.

Fifth, the emergence within the DAC of subsidiary bodies that became their own policy communities, bringing a moment of constitutional crisis to the DAC, when in 2003, the Committee felt no longer in charge of its own progeny. This crisis was resolved by converting almost all of the subsidiary bodies from working parties into networks – Govnet, Gendernet, Evalnet, Povnet, Environet, INCAF – still working and funded within the DAC and the OECD programme of work, but with the freedom to bring in participation from expertise beyond the DAC, drawing on the wider ecosystem that DAC members had done so much to create and finance.

Sixth, the still unresolved problem of working with "South-South" donors belonging to the Bandung tradition with its powerful alternative conceptual framework of sharing rather than giving, and increasingly articulating its visions and activities in the contemporary context (Mawdsley, 2013; Gu, Shankland, & Chenoy, 2016; Chaturvedi et al., 2021). In this context, how the DAC has interacted with China on two fronts is recounted in Box 5.

Seventh, the complex politics of development, at both country level and at the geopolitical level, where the Cold War was helped to its end by training terrorists in Afghanistan, the legacy of which has reached beyond the Twin

Towers to disrupt development efforts in whole regions in an ongoing saga (Brzezinski, 1986; Michailof, 2018).

Eighth, in spite of all the imperfections of the development enterprise, and of the real world, the condition of the human race has improved dramatically since the DAC came into being 60 years ago, thanks most of all to science and technology (the Solow growth model with widely available technology as the driver is not wrong), but also to the positive contribution of a global development enterprise, of which the DAC has been a part, although measurement and attribution are difficult and debated.

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Part 1: Mobilising donors and building the aid system

3 The origins of development aid: a historical perspective

Gerardo Bracho

Abstract

Official development cooperation, understood as the systematic assistance provided by governments of developed countries to encourage development in poor, underdeveloped countries, began only after World War II (WWII) and became institutionalised as an international aid system only in the late 1950s and early 1960s. At the dawn of World War I (WWI), strong states still tended to exploit rather than aid weak countries, either by outright colonisation or by formally respecting their independence but openly taking advantage of them in myriad ways. This was the heyday of imperialism. Although strong nations continued to dominate weak ones, the post-WWII period saw the emergence of a new set of discourses, practices and institutions in which the former, now identified as developed countries, committed themselves (at least formally) to assisting the latter, now considered underdeveloped countries, in their efforts to achieve development. A new normative framework – the modern aid system – emerged alongside (and in a complex relationship with) the reality of very unequal power among states.

From a broad historical perspective, the rise of the modern development aid agenda can be seen as the transition from an "imperialist" paradigm of international relations in which the rich powerful countries exercise power over small weak countries, to a "post-imperialist" one in which this relationship of power goes hand in hand with the responsibility of the former to provide development aid to the latter. It can also be seen as the process by which a colonial aid paradigm, in which metropolitan powers assumed responsibility for helping their colonies, transitioned to a North-South aid paradigm in which rich (developed) states assume responsibility for supplying aid to all poor (underdeveloped) countries, including politically independent ones.

This chapter presents a broad historical overview of how we transitioned from one aid paradigm to another. It starts by showing how the interwar years led to a political narrative and structural conditions that allowed a development aid agenda to emerge. This agenda, however, was not a major piece of the postwar order designed in San Francisco and Bretton Woods mostly by the

United States and Great Britain: the former was deeply reluctant to embrace a systematic policy of state-to state aid and the latter to leave colonialism behind. Yet they were soon forced to change their stance by the rise of the "Communist menace" and by the politics of the rising Third World. The chapter ends with US President Harry S. Truman making the case for development aid in the "Fourth Point" of his 1949 inaugural address, usually considered the starting point of the modern cooperation agenda.

3.1   Introduction

The origins of the modern development aid system can be studied in two ways: by focussing on similarity or on causality. The first approach is to look for instances of economic aid (excluding military assistance) from rich to poor countries before US President Harry S. Truman's "Point Four" programme announced in 1949, usually considered the starting point of modern development assistance. The idea is to identify programmes in the past that are similar in intent or structure to those of the postwar period and that can therefore be considered as antecedents. As giving aid is a common human practice, it is not difficult to find examples going back not only decades but even centuries. This is especially true of what we would now call humanitarian aid: when one country or political unit assists another after a natural or manmade disaster. But there are also some examples of technical cooperation (sharing of knowledge) and even financial aid in the period between the two World Wars. During the interwar period, a number of modern programmes of both bilateral and multilateral assistance came into being. Recent studies have drawn attention to Franklin D. Roosevelt's Good Neighbour Policy, which comprised both technical and financial aid to Latin America, and to the technical missions sponsored by the League of Nations (Helleiner, 2014; Clavin, 2013; Curti & Birr, 1954). But, as I shall argue, such initiatives were limited in scope, importance and impact. A second, more fruitful approach is to analyse the conditions that made possible the emergence of the modern aid system, by which I mean the global institutionalised aid agenda of the post-World War II (WWII) period. I will adopt this approach here. Once I have tracked these conditions, I will reconstruct the main sequence of historical events by which development aid established itself as a new practice in the emerging postwar order.

Official development cooperation, understood as the systematic assistance provided by governments of rich, developed countries to encourage

development in poor, underdeveloped countries, is a relatively recent practice (Lancaster, 2007). It began only after WWII and became institutionalised as an international aid system only in the late 1950s and early 1960s. At the dawn of World War I (WWI), strong states still tended to exploit rather than aid weak countries or territories: either by outright colonisation (as in most of Africa and Asia) or by formally respecting their independence but openly taking advantage of them in myriad ways (as happened in Latin America and in other places such as Siam and China). This was the heyday of imperialism and of what has been called 'the Great Power system'. Although strong nations continued to dominate weak ones after the wars, the post-WWII period also saw the emergence of a new set of discourses, practices and institutions in which strong states, now identified as developed countries, committed themselves (at least formally) to assisting weak states, now considered underdeveloped countries, in their efforts to achieve development. A new normative framework – the modern aid system – emerged alongside (and in a complex relationship with) the reality of very unequal power among states.

How then did we move so quickly from an imperial situation in which exploitation was the dominant logic in relations between strong and weak states to one in which its opposite, systematic aid, came into the picture and became institutionalised? What historical practices, concepts and narratives were necessary for the postwar aid system to emerge and be consolidated? These are the questions I want to tackle.

This chapter is organised as follows: Section 1 traces the developments between the two World Wars that created the "structural conditions" for the emergence of the modern aid system. It also deals with the emergence of the Union of Soviet Socialist Republics (USSR) and the vision of "socialist aid" and concludes with the US Good Neighbour Policy, the first full-fledged programme of international development cooperation. Section 2 presents the "blueprint" for a new world order that emerged mainly in the United Nations (UN) conferences in Bretton Woods and San Francisco. It draws attention to the limited role played in this blueprint by both inter-state aid and a genuine development agenda. Section 3 explores the processes that challenged this blueprint and led to the integration of development aid into the liberal postwar order in the making. Section 4 explains the emergence of the development aid agenda in the postwar era: both at the UN and with President Truman's "Point Four" programme. A last section concludes.

This chapter is followed by two others that take the story forwards: Chapter 4 accounts for the historical processes (the Soviet Thaw and the process of decolonisation) that enhanced the geopolitical importance of development aid and pressed for its institutionalisation; while Chapter 5 unfolds the untold story of the creation of the Development Assistance Group (DAG), the forerunner of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD), the main multilateral body that crafted the norms and standards of the emerging modern aid system.

3.2 Creating the building blocks of a development aid agenda

In what follows, I will argue that two types of change or process, which took shape in the aftermath of WWI and the interwar years, were fundamental to the emergence of the aid system: (1) a transformation in the pattern of international relations and (2) the emergence of the interventionist state and the development paradigm.

3.2.1 Towards a new narrative of international relations

The transition from an imperial to a developmental-neo-imperial[31] pattern of relations between independent strong and independent weak states required two types of normative change: first, the strong had to respect formally the sovereignty and the rights of the weak and, second, they had to assume responsibility for aiding them. Admittedly, there is a tension between these two processes, since aid can clearly become an instrument of pressure that undermines the sovereignty of the weak. By accepting aid, the weak risk surrendering some of their hard-won sovereignty and respect, but as we shall see, they have generally preferred to manage such risk rather than forgo development aid. There is thus a non-resolved tension or trade-off between sovereignty and aid, which has been part and parcel of the development aid agenda since its very beginning.

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31 I use this admittedly awkward label to refer to a pattern of relations between countries in which "developmental aid" comes into the picture, although power relations clearly remain in a post-colonial context.

The first firm step in the transition from imperial to developmental-neo-imperial relations took place in the context of WWI and its aftermath, when US President Woodrow Wilson, catching up with Russian leader Vladimir Ilyich Lenin, advocated for a new diplomacy which, among other things, sought to give weak states and territories a better deal (Mayer, 1970; Lenin, 1972a; Kissinger, 1994). This Wilsonian deal, embodied in the League of Nations, came in three variants: a) recognition of and respect for the sovereignty and rights of independent states (e.g. Latin American countries); b) the right to self-determination for those deemed capable (e.g. certain European states under the Austro-Hungarian and Russian Empires); and c) a system of tutelage and aid (the so-called mandate system) for the African colonies of the defeated German and Turkish empires, which were considered not yet ready for self-governance and which were assigned to supervision by advanced nations (MacMillan, 2002).[32]

The new diplomacy, thus, advanced the right of self-determination and sovereignty, but did so only for two groups of weak territories: the independent ones and the ones deemed capable. It also introduced the right to development aid but again only for a third group of weak states: the colonies. Most importantly, it set forth the conceptual underpinning of that right: the idea of the strong assuming responsibility for dependent and incapable weak states. It is crucial to underscore that aid to independent weak states was not part of the new diplomacy package. Indeed, aid was what differentiated dependent from independent nations. As the Covenant of the League of Nations put it, those countries able to stand by themselves had, by definition, no need of aid and were deemed, as the word itself implies, independent; that is not dependent on aid. To ask for aid was to recognise that independence was not deserved. For a modern development cooperation agenda to emerge, the conceptual opposition between aid and independence had to be broken. This would not happen until after WWII when the great majority of weak states, now considered developing countries, acquired both the right to self-determination and the right to receive development aid.

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32 The Berlin Conference of 1884-1885 that regulated inter-imperialist relations in Africa advanced the narrative of "colonial responsibilities" institutionalised by the League of Nations. When the Bolsheviks took power in November 1917, their very first decree "On Peace" condemned all "annexation or seizure of foreign lands" (…) irrespective of the time when such incorporation took place" (Lenin, 1969, p. 8). In the (rarely quoted) preamble of his "fourteen points" that he pronounced a few weeks later, President Wilson made a tribute to the revolutionary Russians, though he did not go as far as they did. We shall come back later to the Soviet stance on this issue.

The new diplomacy failed in its main purpose – eradicating war – and never fulfilled its promise of a better deal for weak states, but it did introduce important conceptual and normative breakthroughs and led to a number of positive changes during the interwar years. First, the new diplomacy gave an impetus to weak states and colonies in their struggle for sovereignty. At Versailles, where the peace treaty ending WWI was signed, Wilson had raised hopes throughout the colonial world with his support for self-determination. However, when it became clear that this right was meant only for European countries, some territories/countries, including China and Korea, reacted with violence and revolts in an international movement that has been labelled "the Wilsonian Moment" (Manela, 2007). Second, the new diplomacy influenced the behaviour of metropoles toward their colonies. The League of Nations' mandate system was technically limited to the former possessions of the German and Turkish empires, but it set forth a series of expectations regarding the conduct and responsibilities of imperial countries.[33] Some improvements did take place, such as Britain's adoption of the Colonial and Development Act (1928), which was replaced 11 years later by a Colonial and Welfare Act (Arndt, 1987, p. 28; Morgan, 1980). Finally, through the formation of the League of Nations, the new diplomacy put into place a trained secretariat and left an important legacy of multilateral cooperation (Clavin, 2013).

In sum, by establishing the right to self-determination, institutionalising a responsibilities/rights framework through the mandate system between strong and weak entities, putting pressure on colonial powers to pursue development policies and erecting multilateral machinery for international cooperation, the new diplomacy that emerged at Versailles paved the way for a development aid agenda.

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33   According to the formal rationale of the mandate system, Germany and Turkey had lost their colonies not because they had lost the war but because they had proven to be bad masters. In this spurious way, Versailles sought to align itself with progressive Wilsonian thinking. In fact, Germany and Turkey had not been worse masters than the Belgians and the Portuguese, but as the latter had sided with the winners, their colonies were not affected (MacMillan, 2002).

3.2.2 The new role of the state and the emergence of the development paradigm

The emergence of an official development cooperation agenda also required a change in the economic role of the state. First, wealthy states had to have the capacity to collect significant amounts of tax. Second, they had to have the will and ability to spend some of these taxes on systematic aid to independent poor countries. Third, they had to expect that such aid would help to generate development; that is, a development paradigm was needed.

On the eve of WWI, these conditions were not yet in place. Although the Great Powers were already preparing for war, the average tax intake had only increased to 12 per cent of gross domestic product (Tanzi & Schuknecht, 2000, p. 5). These relatively low tax revenues reflected the limited economic role played by the 19th-century liberal state during the rise of the capitalist industrial system. This was the heyday of the "night-watchman state", which focussed on reinforcing law and order and the protection of property rights and which flourished mainly in the United Kingdom (UK). This typical liberal state contributed little to education and practically nothing to health, pensions and other social issues. Even large infrastructure projects, such as railways, trams and metros, were undertaken by the private sector. This kind of state was not in a position to handle loans or investments, let alone systematic aid to other states. Economic relations among countries were also mostly a matter of private trade and investment, and even colonial ventures were often entrusted to private companies (e.g., the East India Company). The state itself usually stepped in only to defend its nationals' property rights when in danger, thus extending its night-watchman role to other countries such as weak Latin American ones that were easy to manipulate (Halperin Donghi, 1969; Lajous Vargas, 2012). Spending of a social or humanitarian nature, which would today be considered domestic or external aid, again came mostly from the private sector, either individuals or non-governmental organisations including foundations, which began to appear during the 19th century.

The transformation of this night-watchman liberal state into the interventionist state of the mid-20th century was driven by two factors: (1) the need to tackle the inherent social instability of industrial capitalist societies and (2) the perceived need to use the state as an instrument not only to stabilise economies but also to foster economic development and growth.

As Karl Marx argued, the emerging industrial capitalist system of the 19th century relied on historical processes that moved workers away from their traditional means of subsistence (agriculture or artisan crafts) and transformed them into wage-earners in factories and other establishments (Marx, 1976). As Karl Polanyi observed, however, this system made no provision to protect them from the vagaries of the market, which, although supposedly "self-regulating", was in fact quite unstable (Polanyi, 1944). The combination of this market-based industrial system with the night-watchman liberal state produced massive agglomerations of wealth in the midst of unemployment, destitution and dislocation, phenomena described by 19th-century authors such as Charles Dickens and Friedrich Engels. Such a productive but inherently unstable social system could hope to survive in the long run only if the state stepped in to protect the masses against this massive "market failure". To survive, industrial capitalism needed not a liberal but a social state.

The foundations of this new type of state were laid during the interwar period. Pressured by rising socialist parties throughout Europe, and in some cases by paternalist traditional forces, governments had slowly begun to increase social spending in the late 19th century. This trend was accelerated by the impact of WWI, "which changed forever the contract between citizens and subjects, and the governments that ruled over them" (Clavin, 2013, p. 13). It was further cemented in the 1930s with the measures that rescued the capitalist system from self-destruction during the Great Depression. These came in four different forms: the New Deal in the US; the Popular Fronts and labour governments in Western Europe; fascism in Germany and Italy; and more interventionist states in Latin America. The economic historian Peter Temin refers to these movements as "socialism in many countries", for in different ways, they all went against the grain of the liberal state, and involved, in varying doses, strong state intervention: planning, budget deficits, spending on new social programmes and industrial policies, protectionism and infrastructure investment (Temin, 1989; Thorp, 1984). The foundations of the welfare state that took shape after 1945 were laid in the 1930s. Once the state had accepted that generating aid for its own citizens (by redistributing tax income) was one of its basic duties, the notion that it also could and should do so for citizens of other (developing) countries could take hold. Only a social state could assume a development aid agenda.

The second driver of greater state intervention was of a "developmental" nature. From the mid-19th century onwards, states actively began to support

economic growth (a) to boost their geopolitical power and (b) to foster what came to be known as development.

Industrial capitalism emerged during the heyday of the "Great Power system", the competitive pattern of international relations that emerged from the Peace of Westphalia in 1648. As this new economic system began to demonstrate its astounding capacity to generate wealth, the link between economic and military power, which had always been important, became even more crucial. The strong independent states that fell behind in generating industrial capitalism risked falling behind in the international political arena as well. Generally speaking, industrial capitalism flourished as an endogenous system in Western European and North American countries, which by the early 19th century had already developed a network of market institutions (Pollard, 1981). But in countries that lacked this institutional framework, the challenge was much greater. If these latecomers wanted to protect their sovereignty and evade the fate of the weak, they needed an active state; the lean and liberal night-watchman state that was believed to support the smooth functioning of a self-regulating market would not do. As Alexander Gerschenkron suggested, the larger the market-friendly institutional gap, the larger the development role that the state was expected to play to close it (Gerschenkron, 1962). In reaction to the humiliation inflicted by Western powers, Japan, during the 1868 "Meiji Restoration", was the first country to implement successfully a large-scale institutional transformation from above to foster industrial capitalism. Late tsarist Russia, humbled by the West and then humiliated by Japan in the Russo-Japanese war of 1904-1905, followed a similar path, though it used the state not only to create institutions but also to manage large chunks of the economy directly (Gatrell, 1986). The Soviets, as we shall see, would go much deeper.

While aspiring strong states turned to dirigisme, established strong capitalist ones, as well as weak independent and colonial states, generally continued to be night-watchman liberal states up to the 1920s. As we have seen, the Great Depression marked the end of these laissez-faire governments and paved the way for more active social and developmental states. This was also true in weak countries. Although the latter had little to do with the outbreak of the crisis, they were particularly hard-hit. Operating within the liberal creed of "comparative advantage", weak countries had developed one-dimensional economies heavily dependent on the export of a few commodities. As the recession expanded, commodity demand and prices plummeted, and their

populations were left in misery. These countries were thus ready, and in a way forced, to embrace heterodox public policies and ideas (Thorp, 1984).

In the historical context of the Great Depression, the first building blocks of what later came to be the development paradigm and a new branch of economics, namely development economics, came into being. Policymakers and economists, influenced by John Maynard Keynes and/or the ongoing statist experiments in different parts of the globe, were arriving more or less independently at similar conclusions. Many came from the weak independent states of Eastern Europe and Latin America (Love, 1966; Arndt, 1987; Rist, 2007). They all started from the same basic idea that economic liberalism had failed to realise its promise, particularly in "weak" or "small" countries, which they began to label underdeveloped – a shift in terminology that classified countries according to their socio-economic profile rather than their geopolitical power. In their view, the state – rather than the market – should be the driving force towards development, which was now increasingly equated with industrialisation.

This new paradigm of state-led import-substitution industrialisation, which became dominant in the first decades after WWII, was by nature more receptive to the concept and practice of official development aid. In the liberal creed, from Adam Smith to Alfred Marshall, the inflow of foreign private capital played an important role in spreading market relations and wealth – a view backed by the historical experience of the US, among other countries. In this view, there was no room for systematic public development aid as different from humanitarian aid because (1) free markets were considered as allocating private capital efficiently not only within countries but also among them and (2) because night-watchman liberal states were not geared to give or receive development aid systematically. Indeed, in the liberal view, aid distorted markets (and politics) and was therefore more likely to harm development than to promote it (Bauer, 2000). In contrast, the new statist paradigm argued that underdeveloped countries suffered from a lack of domestic savings and hence needed foreign capital to supplement them. The market by itself, however, was unlikely to attract enough foreign investment. Even if it did, foreign direct (and indirect) investment did not always produce good development results. As a result, official aid was needed to counteract all these market failures (Griffith-Jones & Sunkel, 1986). In sum, the emergence of a developmental state and a development paradigm prepared the way for the eventual emergence of an aid system.

3.2.3 The rise of the USSR and "socialist aid"

The rise of the development aid agenda is also intertwined with the rise of socialism. The world order that emerged from WWI had the elements that allowed for the eventual emergence of a development aid system: a new Wilsonian pattern of international relations including a developmental state and an ideology of "development". It also included a new kind of state, the USSR, which as we saw, played a role in fostering both of these elements: Lenin preceded Wilson as a champion of self-determination, and the USSR broke with capitalism and took the developmental state paradigm to its logical conclusion (White, 1984; Gerschenkron, 1962). Although the Soviet Union kept on the sidelines of the world order worked out at Versailles and also to some extent on the sidelines of the postwar order that emerged from WWII, it was key in shaping the 20th century and the aid development system. It was a novelty because it emerged from a philosophical project aimed at rebuilding society from scratch. While ideas had played an important role in fashioning states and/or social orders before, (the role of the Enlightenment in fostering the French Revolution and the French Republic is a case in point), the radicalism of the Soviet Revolution was unprecedented (Priestland, 2009).

Lenin, the father of the Soviet project, developed his vision at the crossroads of two intellectual movements: the revolutionary ideas of the (mostly expatriate) Russian intelligentsia and the Marxism of the Second International of socialist parties (Service, 2000; Walicki, 1979; Joll, 1975; Ali, 2017). Lenin wanted to bring these two traditions together and ground in Marxism the case for a revolution that would lead to socialism in Russia. This feat would not be easy though. A keystone idea of Marx's historical materialism was that capitalism had the historical mission to develop the world's productive forces (wealth) and institutions (democracy, rule of law), preparing the stage for socialism – a superior mode of production that would eliminate the class exploitation that hitherto had been the engine to create wealth. Taken literally this meant that at the end of the 19th century, backward Russia, where capitalism was only starting to develop, did not seem ripe for socialism. Yet Lenin counted on Karl Kautsky, the intellectual heir of Marx and Engels and an authority of German social democracy, to make his case (Lenin, 1972b). Two interrelated ideas that Kautsky developed in his 1907 pamphlet "Socialism and Colonial Policy" became key to Lenin's thought and relevant to our story (Kautsky, 1978).

First, Kautsky argued that, by the end of the 19th century, world capitalism had entered a new reactionary monopolistic and colonialist phase (which he referred to as "imperialist") and had abandoned its "progressive historical mission". The times were thus ripe for socialism, which in Marxist terms was by nature an international endeavour. But where should the worldwide transition towards socialism start? Though Germany was the most obvious candidate (it was the advanced capitalist country with the strongest Social-democratic Party), Kautsky presciently suspected that in this new phase of imperialism, Russia could well become the "spark" of a world revolution (Kautsky, 1978, pp. 95-96).[34] Yet to keep within the boundaries of historical materialism, he insisted that a revolution led by social-democrats in a backward country such as Russia could only succeed if it sprawled out to other advanced capitalist states.

Second, the idea of a new reactionary and monopolistic phase of capitalism led Kautsky to revisit the colonial and national questions that were at the time matter of a vivid discussion at the Second International of Socialist Parties. Orthodox Marxists tended to justify colonialism as an expression of the "historical progressive mission" of capitalism. They even envisaged a positive colonial policy by which future socialist developed countries would keep and continue to civilise, in a gentler way, their inherited colonies (Mármora, 1978). In contrast, Kautsky argued that colonialism was not justified either under capitalism or (even less so) under socialism. Social-democrats should have no colonial policy whatsoever and should support the right to self-determination of all nationalities and colonies.

These two ideas implied an important distinctive role for socialist aid. Kautsky's point of departure was that aid was consubstantial with socialism. Unlike capitalism, which was built on competition, individualism, the profit motive and the nation state, socialism was to be based on the principles of cooperation, solidarity, sharing and an international community of peoples. The idea that a revolution in Russia could ignite socialist revolutions in advanced capitalist countries relied on this link between socialism and aid: the triumphant Russian revolutionary state would support revolutions in developed countries, which, once triumphant, would in turn help backward Russia construct socialism at home. Similarly, the idea that social-democrats

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34   The views of Kautsky on the revolutionary potential of Russia were all the more credible as they were built on insights that he quoted from Marx and Engels on the subject (Marx & Engels, 1980).

should have no colonial policy and once in power adhere to the principle of self-determination, did not mean that they should disengage with the former colonies. On the contrary, they should grant them purely altruistic foreign aid as part of what Kautsky represented as a cultural mission:

> The victory of the proletariat [in the advanced capitalist countries] will of course find the most various kinds of cultural stages in existence in the world, and this victory will not make the spread of European technology, of European science and thought amongst the peoples of the tropics unnecessary. On the contrary, it will create the conditions for their most rapid dissemination. But from this cultural mission no new relations of domination will arise. The victorious proletariat will not transform itself into the ruling class in the countries now possessed as colonies, but will forgo all foreign domination. (Kautsky, 1978, p. 119)

Kautsky, quite ahead of his time, went beyond the colonial aid paradigm and argued for aid from the developed to the independent underdeveloped countries, the principle that underpins the North-South aid paradigm that took root after WWII.

In his famous pamphlet on "Imperialism" (1916), Lenin took on board and refashioned Kautsky's views on capitalism's "new regressive phase" and its implications for socialism, the colonial and national questions and socialist aid (Lenin, 1963).[35] In November 1917, in the midst of a ruinous war, with a presumably "robust Marxist theory" in place, Lenin managed to take power. Yet the difficult part was to match the doctrine with reality: he had a hard job to put his programme, influenced by Kautsky's ideas, into practice.

As the Revolution triumphed, the Bolsheviks issued a "Declaration of the Rights of the Peoples of Russia" which gave all oppressed nations and colonies of the Empire the right to self-determination. In practice, however, the Bolsheviks did not follow through on this promise: it did not fit with the Dictatorship of the Proletariat that they imposed and in the middle of a savage civil war, it was ultimately the force of arms (rather than the ballot as Lenin had promised) that decided whether a given nation under

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35 By then, however, Kautsky had changed his views, claiming that inter-imperialist wars were no longer inevitable since imperialist states could avoid self-destruction and coalesce in a sort of "ultra-imperialist" federation to administer "agrarian" colonies and semi-colonies (Kautsky, 1970). Due to this and his lukewarm position towards the war, Lenin disparaged his "renegade" former master who, in his view, had capitulated to imperialist interests and nationalism (Lenin, 1974b).

tsarist oppression would join the new USSR or go its own way as Finland and the Baltic Republics did.[36] The Bolsheviks also tried to unleash the promised world revolution, encouraging the workers and soldiers of the other advanced (belligerent) countries to join their cause. But although they managed to inspire revolts in Germany and Hungary and had some influence in the Wilsonian movements (mentioned above) in Korea, China and India, by the early 1920s it was clear that a world revolution would not take place.

As this dream faded, the Bolsheviks had to come up with a new plan. After a short spell of "state capitalism" (the New Economic Policy), Joseph Stalin, the new leader of the USSR, decided to go it alone on the basis of an increasingly totalitarian regime (Erlich, 1960). This strategy, which was known as "socialism in one country", was un-Marxist in a double sense. Marx expected socialism to emerge from advanced capitalism and at an international level. In contrast, the socialism that the Soviets began to construct under Stalin was an alternative (non-capitalist) path to industrialisation and modernisation in a single and backward country – a sort of extreme version of the state-led growth model followed by Japan's Meiji Restoration to catch up with the advanced economies of the West. Contrary to what Kautsky and Lenin had expected, the backward USSR received no aid from abroad, yet still managed to build a sort of socialism and industrialise using its own resources (Allen, 2003; Nove, 1989). Now that it had succeeded, though at a terrible human cost, it was to become a model for other backward developing countries to copy. It was also to become – this time in tune with what Kautsky and Lenin had expected – a source of aid that would ease the way of those countries aiming to modernise and industrialise following the socialist path.[37] Soviet foreign policy was bound to be closely linked to the emerging agenda of development aid.

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36   In his texts written before and during WWI, Lenin insisted that all oppressed nations should "self-determine" if they wanted to secede or not, through free democratic referendums – quoting as an example the way Norway seceded from Sweden in 1905 (Lenin, 1972).

37   Following Kautsky, Lenin also considered that "Socialism (……) will be able to give the underdeveloped peoples of the colonies unselfish cultural aid without ruling over them" (Lenin, 1974a, p. 339).

3.2.4 The US "Good Neighbour Policy": a first try at modern development aid?

Turning to Western capitalism, the Great Depression nurtured the social and developmental state as well as the development paradigm, building blocks for the emergence of an official aid system. It was also the scene of the first proper official programme of recognisable development aid, which emerged with the US "Good Neighbour Policy" towards Latin America (Helleiner, 2014). Until the 1930s, relations between the US and Latin America had been informed by the "manifest destiny" mantra and had followed an imperial strong-weak state logic. Even Woodrow Wilson failed to practice what he later preached in Versailles. Indeed, he sent troops into more Caribbean and Central American states than any of his predecessors (Anderson, 2015, p. 8). The movement of continental cooperation that emerged with the first Pan-American conference in Washington in 1889 had done little to change this pattern (Marichal, 2002).

In 1933 Roosevelt launched his good neighbour policy, which broke with the past in two ways. First, by openly repudiating the imperialist policies of past administrations and putting into practice – as Wilson had not – a "new diplomacy" based on respect for weak neighbours, their interests and sovereignty. The change was significant. In early 1938, for example, Mexico nationalised its oil industry, harming the interests of powerful US companies – a move that, in earlier decades, would have been met with serious political and economic pressure or even military invasion. But keeping to his good neighbour policy and resisting much internal pressure, Roosevelt publicly recognised Mexico's sovereign right to nationalise its industries and expected only that the affected companies receive proper compensation (González, 1988, p. 187).

Under the good neighbour policy, the US also broke with past practices by providing its Latin American neighbours with official technical and,

more importantly, financial development aid.[38] The main instrument for this novel financial support was the Export-Import Bank of the United States (EXIMbank), which was created in 1934 in order to foster a revival of US exports, not to support the development of foreign countries (Adamson, 2005). During the Great Depression, most Latin American countries were in dire straits, but had no access to foreign capital to help them resume growth. International finance was in ruins and in any case most Latin American countries were in default to mostly US foreign private bondholders. As a result, no private capital was available. Moreover, the US government was not in the habit of lending to other governments except to support wars. Defaults on official debts and on reparations from WWI had hardened its stance in general (we will come back to this). Notwithstanding, it did change in relation to Latin America.

From the demand side, despite a long history of grievances with the US, the Latin American countries, encouraged by the good neighbour rhetoric, were not shy in requesting financial support from the US government – preferring to manage implied risk to their sovereignty rather than forgo the benefits. Their demands were backed by a number of progressive US officials and bankers ("New Dealers"), who fought to overcome the internal opposition of hardliners and private bankers to expand EXIMbank operations into the uncharted territory of development finance. They finally succeeded in late 1938 when the EXIMbank broadened the scope of its operations and supplied its first development loan to Haiti (Adamson, 2005, p. 614). From then on, the "Roosevelt administration began to extend financial assistance to the region in the form of short-term loans to support currency stabilization and longer-term loans to assist specific Latin American state-sponsored development projects" (Helleiner, 2014, p. 140).

The main driver of this paradigm breakthrough was undoubtedly the rapidly mounting foreign threat coming from Nazi Germany and its attempts to lure Latin American countries to its side (Helleiner, 2014). These official

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38 Neither state-to-state loans beyond military contexts nor state-sponsored technical cooperation to weak states were unheard of before the good neighbour policies. But they were rare. In both mechanisms the foreign private sector took the lead. For example, as soon as they achieved independence, most Latin American states began to obtain private loans, especially from British banks (Marichal, 1989). In the US, before the 1930s, private organisations such as the YMCA and the Rockefeller and Carnegie foundations were more active in supporting technical missions abroad than the US government itself (Curti & Birr, 1954).

loans, in other words, remained genetically linked to war – though now to the threat of war rather than to war itself. Nevertheless, during the New Deal, the United States had in place all the preconditions to nurture the emergence of modern development aid as argued above. It had a social and a developmental state plus a willingness to support, through the good neighbour policy, the emerging interventionist states in Latin America in their quest for development.

By supplying development aid to Latin America, however modest in scope, Roosevelt went beyond the Wilsonian paradigm that considered systematic aid only in colonial contexts. The US was thus acquiring in practice development responsibilities towards independent countries in relationships no longer framed as between strong and weak but rather as between developed and underdeveloped. In short, the good neighbour programme of financial support already operated under the conceptual framework of the coming aid system of the post-WWII era; it could thus be considered as the forerunner of modern development aid programmes.

3.3   The blueprint of a new post-WWII order

The outbreak of WWII, which would be even deadlier than WWI, starkly confirmed what had been obvious for years: the utter failure of the Wilsonian world order concocted in Versailles. Later, as the final collapse of Nazi Germany and its allies approached, the victors – mainly the US and the UK, with the USSR adopting a low profile – prepared once again for the future. They focussed on the failures of Versailles and on how to overcome them in order to construct, hopefully with better results this time, a stable, peaceful and endurable postwar order. The blueprint that they produced for this new international order aimed mainly at realising rather than transcending the goals of Versailles. Just as an agenda of systematic development aid to underdeveloped independent countries was not (and could not be) part of the Wilsonian vision, it did not figure in the new blueprint. The postwar blueprint, however, did advance the conditions and narrative for the emergence of such an agenda; especially by building on the good neighbour financial partnership through the creation of a new International Bank for Reconstruction and Development (IBRD) (Helleiner, 2014). But although this was a major stepping-stone, as we shall see, it was not until this blueprint rapidly unravelled under the weight of processes and events which the victors had failed to anticipate, that the new development aid agenda emerged.

3.3.1 The United Nations and its limited deal for weak states

This new international order was to be underpinned by three multilateral institutions designed at the United Nations (UN) conference in San Francisco (April 1945) and the monetary and financial conference at Bretton Woods (October 1944). The most important was an organisation of UN with the main task of averting another war and regulating political relations among member countries. It was meant to succeed where the League of Nations had failed and to be more progressive than the League, but without transcending its framework. The UN Charter, therefore, established more forcefully than the Covenant of the League the "equality of sovereign rights" of all states, weak and strong, and expressed the goal of defending their rights and territorial integrity, although this "equality" was subordinated to realpolitik by an all-powerful Security Council of Great Powers. The UN also went further than the League, asserting its authority over not just the colonies operating under the mandate system but all colonies. In its article 73, the UN Charter called on all UN members

> which have or assume responsibilities for the administration of territories whose peoples have not yet attained a full measure of self-government (…) [to] accept as a sacred trust the obligation to ensure, with due respect for the culture of the peoples concerned, their political, economic, social and educational advancement. (UN, 1945)

The UN, thus, made explicit what the League had left between the lines: all metropolitan powers had a responsibility to help their colonies arrive at a stage where they would be ready for self-determination. But it continued to operate within the same conceptual framework. There were dependent weak states (colonies) still unable to stand on their own which, therefore, required aid to prepare themselves for self-government; and there were independent weak states which governed themselves and, therefore, were not entitled to aid. The former, moreover, were once again divided into colonies under the direct authority of "advanced countries" and those under the (indirect) tutelage of the UN, since again under the influence of British imperial thinking, the UN prolonged the mandate regime, which was now re-baptised the trusteeship system. In short, the UN blueprint did not seek to extend the right of self-determination to all, but rather to reinforce the much-diminished legitimacy of colonialism (Mazower, 2008, 2012).

The UN Charter also went further than the Covenant of the League of Nations in explicitly covering economic and social issues and calling for

the creation of a specialised Economic and Social Council (ECOSOC). Its article 55 stated that the organisation would promote "higher standards of living, full employment, and conditions of economic and social progress and development" (UN, 1945). As the founding principle of the UN was the sovereign equality of its members, however, when it spoke about "high standards of living" and "social progress and development", it was referring to all nations, rich and poor. It did not distinguish between developed and underdeveloped countries, the typology that underpins a development cooperation agenda.[39] This typology, however, had emerged in the earlier negotiations at the monetary and financial conference at Bretton Woods, to which we now turn.

3.3.2 Bretton Woods: a milestone towards development aid

The interwar period had been plagued by all types of economic disorders: gross foreign exchange misalignments as countries unwisely returned to the gold standard and then chaotically abandoned it; disruption of trade due to increased tariff barriers; hyperinflation in a number of countries; defaults on war loans and reparations as well as on foreign private loans; and most importantly, the Great Depression. Many of these disorders might have been avoided or their negative impact strongly mitigated by international economic cooperation. The League of Nations had tried to foster such cooperation, but without a clear mandate to deal with economic issues and lacking the necessary instruments, it was unable to do much (Clavin, 2013). As the victors of WWII envisaged a new world order, they considered those omissions as serious mistakes to be avoided this time around. The UN, as the successor of the League, was endowed – as mentioned earlier – with an economic and social instrument, ECOSOC. But this was not enough. Other institutions with proper instruments to promote, and indeed force, economic cooperation, were needed. These were the International Monetary Fund (IMF) and the IBRD, which emerged from the UN monetary and financial conference at Bretton Woods.

The IMF, considered at the time by far the most important institution, was to have a substantial stabilisation fund to underpin a renewed gold standard system, to deal with current account deficits and to keep currencies stable

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39   The UN charter avoids any differentiation among countries. Only in its preamble does it refer, in a typical prewar manner, to great and small states (UN, 1945).

and avoid harsh devaluations. The IBRD was meant to support, foremost, reconstruction, which had also functioned badly after WWI. One could argue that these tasks were to a large extent about succeeding where Versailles had failed, although instead of restoring a pre-1914 liberal order, they were meant to construct an international order of so-called embedded liberalism (Ruggie, 1983).

The second task of the IBRD, however, that of supporting development, was indeed a new topic that heralded a new era. One of the purposes of the IBRD was to encourage "the development of productive facilities and resources in less developed countries" (Mason & Asher, 1973, p. 759). In this way, the Bank recognised a new category of countries with special needs. So now, in addition to small states and states that had not yet attained a full measure of self-government (i.e., colonies), the category of less developed countries had irrupted into the new postwar order and would soon displace the first two. But not right away. The mandate of the IBRD did not call for developed countries to take responsibility for less developed ones, and, as we have seen, the UN Charter adopted a few months later did not refer to less developed countries and reiterated the Wilsonian message that only colonial powers had such responsibilities. Indeed, the IBRD was to be financed by official funds from all its members (including less developed ones) as well as by private sources and had the mandate to serve not only less developed countries (a category that it failed to define) but, again, all its members. As Lord Keynes said in his introductory remarks to the discussions on the IBRD, apart from reconstruction, the Bank should help "to develop the resources of the whole world with special attention to the less developed countries" (UN, 1944, p. 85).

Bretton Woods did not mark the start of systematic development aid, but it did advance the agenda. Traditional accounts portray Bretton Woods as an Anglo-American affair, a battle between British economist Lord Keynes and Harry Dexter White of the US Treasury, focussed largely on the IMF, in which developing countries, though large in number, participated little and had less influence. In this debate, development aid – as Eugene R. Black, the legendary president of the IBRD during the 1950s put it – "was more or less an afterthought" (Steil, 2013; Black, 1960, p. 43). Eric Helleiner has recently challenged this view (Helleiner, 2014). Development, he points out, figured in the US blueprint from the very beginning and with a significant role. The same officials, led by White, who designed and implemented the good neighbour financial partnerships were behind the US proposals for

Bretton Woods. They wanted, in a way, to extend their progressive Latin American experience to the whole world. Moreover, Helleiner argues, developing countries, mostly from Latin America, had also learned from the good neighbour experience and now played a more proactive role in Bretton Woods than is usually acknowledged. Helleiner highlights particularly the role of Mexico, which chaired one of the three commissions of the conference and was represented by an articulate and combative delegation.

Although this is an important revision of Bretton Woods history, we should not take it too far. On the one hand, the New Dealers were unable to infuse as much development content into Bretton Woods as they wanted. They faced the same powerful opposition that they had faced in the US from "Wall Streeters" who now claimed that the IBRD would crowd out private banking in the lucrative markets of less developed countries. The US government, meanwhile, wanted to retain discretion to exercise its large voting power as by far the main shareholder of the new institutions. This led it to oppose a number of "constituencies in the making" – including that of developing countries – that demanded differential treatment.[40] In a discussion of access to IMF funds the US delegate Ned Brown deployed the US strategy to dilute such exceptional claims in the following way: "Where exceptions are necessary, where particular countries require additional support from the Fund, that can be given at the Fund's discretion to any extent that the Fund deems such support necessary" (Schuler & Rosenberg, 2012, p. 385). The UK took a similar position. Moreover, the new more conservative Truman administration that took over a few months after the Bretton Woods Conference further diluted the New Dealers' vision in practice.

On the other hand, the new constituency of "less developed countries" was indeed still in the making and failed to present a coherent articulate position either individually or collectively. A closer look at the example of Mexico makes this clear. Mexico championed the development mandate of the IBRD, arguing that development, a structural long-term problem, should come before reconstruction both in the Bank's mandate and title (Urquidi, 1996; Turrent Díaz, 2009). Mexico also joined others in drawing attention

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40 Besides the emergent constituency of "developing countries" that suffered exceptionally from structural obstacles, championed among others by Mexico and India, other constituencies that demanded differential treatment included nations that suffered exceptionally from the war, championed by the USSR (Katasonov, 2015, p. 431) and commodity producers that suffered exceptionally from volatile prices, championed by Brazil and Australia (Turrent Díaz, 2009; Helleiner, 2015).

to the extraordinary volatility of raw material prices and calling for special measures to address it. At the same time, however, Mexico's main objective in Bretton Woods was to advance the case for the monetisation of silver. It was for this cause – without any mention of the Bank or development – that Mexico mobilised, without success, all its scarce diplomatic resources.[41] In Bretton Woods, Mexico defended the cause of development and of "the standard of living of humanity as a whole" but did not identify itself coherently as a less developed country. It presented, thus, a proposal on the purposes of the IBRD that did not include this concept. In this sense, it represents a step backwards compared to Keynes' original formula quoted above and to the one that finally prevailed. Indeed, the Mexican delegates struggled throughout the conference to articulate their country's identity, referring more often to Mexico, in the still traditional fashion, as a small country facing great powers. Indeed, even in an international economic conference, Mexico seemed more concerned about defending its sovereignty than about obtaining economic gains from the new system.

Finally, Mexico made no attempt to join or form a constituency of less developed countries. Like the other Latin American countries, Mexico did not support India in its (failed) efforts to introduce a development clause in the purposes of the IMF. Indeed, even the Latin Americans did not form a coherent bloc at Bretton Woods. Even so, the conference served as a sort of ideological school that laid the groundwork for the Third World economic narrative that emerged years later.[42] In sum, we can still conclude with Toye and Toye, that overall, "there was little recognition of the special economic needs of (developing) countries in the UN charter itself or in the intergovernmental discussions which gave rise to its specialized agencies" (Toye & Toye, 2004, p. 26).

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41 Mexico's diplomatic archives contain a wealth of information on such efforts – wholly concentrated on the cause of silver – consisting of official letters and encounters of Mexican diplomats with their counterparts in Mexico City and abroad.

42 Developing countries were learning fast. Just a few months later at the Pan American Chapultepec Conference in Mexico City, convened to prepare a continental position at San Francisco, the Latin American countries presented a much more coherent development bloc vis-à-vis a US delegation now more heavily dominated by Wall Streeters (Figueroa Fischer, 2016).

3.3.3 The postwar blueprint and the limited role of aid

Although it led to the creation of the first multilateral development bank, the postwar blueprint adopted in Bretton Woods and San Francisco failed to include a development aid agenda because it was simply not on the horizon of its main architects. The UK and the Soviet Union were in dire straits and in need of aid themselves. The UK had emerged from the war with its eastern empire in distress and a mountain of debt not only to the US but also to many of its colonies and dominions: the ill-fated "sterling balances". Its immediate goal was to receive more financial support from the US, not to supply finance to British colonies or anybody else. For its part, the USSR under Stalin, having lost the original idealism of the Bolsheviks, had adopted a cynical and provincial "Great Power" approach to world affairs, focussing on its immediate interests and influence zone rather than on "world domination" – as US officials began incorrectly to conclude. The only power in a position to give aid, thus, was the US. While there was massive destruction almost everywhere else in the world, the US economy emerged from WWII twice as big as it was before the war, producing more than half of the world's manufactured goods. It was thus the only real donor in the short run and the only potential one in the foreseeable future.

But launching a development aid agenda was not an immediate US priority for three reasons:

- It did not have a tradition of giving aid to other countries;
- When it did give aid, it was usually for tangible objectives and not for the general aim of development; and
- Its vision of a new world order did not include systematic aid from one state to another.

As we have seen, before WWI, loans from one state to another were relatively rare. It was generally the private sector that financed governments. In the extraordinary context of WWI, however, the US government, which had become the only strong creditor nation, did offer war loans (not aid) to its allies. This created a kind of "moral hazard" that was far from evident at the time. By supplying loans to the countries that they wanted to win the war, even before joining it, the US was in a sense paying other countries to win it for them. After the war they expected, in a way, to be repaid twice: first with the product (the war effort itself) and then with the money (Keynes, 1931). When it turned out that the US allies could not pay and defaulted, the US Congress drew the wrong lesson: it passed legislation to ensure that the

"bad experience" of handing out unredeemable public loans to other states would not be repeated – a particularly ill-advised move given that Hitler was already in power and that the possibility of another world confrontation was mounting by the day (Clarke, 2008, p. 7).

This legislation tied Roosevelt's hands once WWII broke out. When the UK could no longer pay upfront for its US war imports as required by law, Roosevelt came out with a clever lend-lease scheme to gain the support of both Congress and public opinion (Truman, 1955). Lend-lease presented the US war contribution not as money but as goods (e.g., weapons), which the US would lease to its friends in need, just as (in Roosevelt's metaphor) a neighbour would lend us a hose to extinguish a domestic fire. The trick was to avoid the word "aid", which would be hard to sell. After all, the neighbour that lends a hose expects to get it back after it has been used. The general public seems to have believed this claim: in a national Gallup poll taken in February 1942, when the US had already joined the war, 84 per cent of responses expected lend-lease programmes to be repaid once the conflict was over (Clarke, 2008, p. 18). When Japan surrendered in August 1945, the lend-lease war programme, which had benefited not only the UK but also the USSR and other allies, came to a close. In the end, as US officials had known all along, the programme was almost pure aid, and a very significant one, as it played an important role in assuring allied victory, as Stalin himself (privately) recognised (Khrouchtchev, 1971, p. 271). But until the very end, the pretence of a reimbursement was maintained: with the help of a US loan and a "generous discount", the UK agreed to pay for the equipment that it had received "on lease" and that had survived the war (Roosevelt's mythical hose). However, what they paid was a token amount: 1/30th of the value of the goods received under lend-lease. At the end of WWII, thus, the US had still not fully embraced the concept of aid from one nation to another.

Once WWII ended, the US emerged once again as the only serious creditor nation in the world and was assailed on all sides by requests for financial support. In his memoirs, President Truman gives a good sense of the demands that the US was receiving, even before Germany capitulated. By the end of his first week in office, on Thursday 19 April 1945, President Truman had received the President of the Philippines, Sergio Osmeña, and the Foreign Minister of China, T.V Soong, both asking for "financial support". The next day the Secretary of the Treasury, Henry Morgenthau, reported to him specific requests from the UK, France, China, India, Mexico and Cuba (Truman, 1955, pp. 65-68). To be fair, the US greeted most of these

demands with an open and generous mind. Its economy was strong and could cope. It clearly helped, moreover, that the Bretton Woods arrangements had made the dollar as good as gold. In keeping with tradition, however, the US government continued to support outright aid only to support humanitarian causes. In 1945 and 1946 it provided important amounts to reconstruct Europe, to relieve displaced persons and refugees through the UN Relief and Rehabilitation Administration (UNRRA) and to help avoid famine in many places in the world from Europe to India. But when the requests were not for strict humanitarian purposes, it opted for loans rather than outright aid. As Truman later reflected, "Loans to some countries (..) were so essential to their survival that I felt it necessary to make them even at some risk that they would not be fully repaid" (Truman, 1955, p. 98).

Except in extraordinary circumstances, the US was not willing to soften its stance, as became all too clear when the UK government found itself in desperate need of funds after the abrupt end of lend-lease. In the autumn of 1945, negotiations began in Washington for a new US loan to the UK. Lord Keynes, the head of the British negotiating team, argued strongly in favour of generous conditions, representing the UK as the US' only true and devoted "brother in arms" (Skidelsky, 2005, pp. 793-824). But the US ruled out aid. Keynes then pushed for an interest-free loan of $5 billion. In the end, however, he only managed to obtain a $3.75 billion loan at a 2 per cent interest rate to be repaid in 50 years and with two tough conditions attached: (1) the UK would have to work with the US to forge a liberal world trade regime (which would mean the end of its imperial privileges) and (2) the UK would have to make sterling convertible in the short term. The whole affair was not only humiliating but also outright disastrous for Britain. Fulfilling the terms of the deal, the UK released sterling, precipitating a massive attack on the pound by the markets. After only two weeks, the UK government was forced to introduce controls again. By then, however, most of the loan's worth had evaporated. The whole episode showed that in 1945-1946 the US was still reluctant to hand out aid in peacetime except for strict humanitarian causes. In all other cases, it continued to play hardball.

Systematic aid from one state to another, thus, was not part of the blueprint of the new postwar order designed largely by the US and to a lesser extent by the UK. As the war came to an end, there was a clear need for grants and loans. But they were considered transitional measures, intended to reconstruct infrastructure and housing, repatriate prisoners, reallocate displaced populations, feed the hungry, etc. Once national economies were

back on their feet, the new international framework of embedded liberalism would once again allow the engines of the private sector – the free trade of goods and services and the free movement of capital – to spread wealth and welfare around the globe. In Truman's words: "Our objective is to enable the peace-loving nations of the world to become self-supportive in a world of expanding freedom and rising standard of living" (Geselbracht, 2015, p. 213). In this blueprint, support for underdeveloped countries came in only two forms: the backing that "advanced countries" were supposed to give to their colonies or trusteeships and the hard loans that the World Bank was meant to supply to independent underdeveloped countries.

3.4   The unravelling of the postwar blueprint

Unexpected events, however, soon disrupted the allies' blueprint for a postwar order and paved the way for a development aid agenda to emerge. Two processes were particularly relevant: (1) the beginning of the Cold War; (2) the acceleration of the decolonisation process and the emergence of the political south, particularly in the UN. We will now look at them in some detail.

3.4.1   The Cold War and the Truman Doctrine

As was perhaps to be expected, given the different worldviews of the USSR, on the one hand, and the US and UK governments, on the other, as well as the history of strained relations between them since the Bolshevik revolution, the wartime alliance began to break up even before its victory over the axis powers. The two sides disagreed over Soviet access to the Dardanelles, over reparations, over the fate of Japan, over German frontiers, over Iran and over how and by whom Poland, Romania, Bulgaria and other states occupied by the Soviet Red Army should be ruled after the war. These divergences, among others, would lead to growing mistrust between the US and the USSR and eventually to a definitive rupture around 1947. Neither had plans to destroy the other but both began to assume otherwise (Hobsbawm, 1996, p. 226). In short, the Cold War was very much based on mistrust and miscalculation (Judt, 2005, pp. 120-121). The Cold War, thus, was the result of a gradual process rather than of a single event. As J. L. Harper puts it, "the Cold War began in 1945, escalated in 1946, and was unofficially 'declared' in 1947 and congealed into a system in 1948-49" (Harper, 2011, p. 63).

Among the many tensions that led to the Cold War, one that was crucial for the emergence of the aid development agenda was the US aid package "to prevent Greece turning communist", launched by Truman in March 1947.[43] As we have seen, the US had provided aid to tackle specific humanitarian problems after the war. It had also issued hard loans – particularly to Britain – for other economic purposes. The Greek plan, however, was a substantial financial package that did not fit in either of these categories: it was aid that would be handed out on demand to the Greek government to fight "a communist menace". This menace had a clear military dimension, since it came from communist guerrillas with strong backing in the countryside. The Truman administration was adamant that the Soviets were actively supporting the guerrillas, which very much drove the decision to intervene as the British army left. Yet it was a mistaken view that took another step towards the Cold War. In fact, eager to respect the "influence zones" negotiated at Yalta, Stalin was pressuring the Yugoslavs (and the Bulgarians) to cut down all help to the Greeks – putting state interest before revolution (Jones, 1998, p. 136). Though they were sure that the Soviets were involved, the US government did not portray the Greek drama as a foreign-induced plot. On the contrary, while presenting the plan to Congress, Truman underlined the relation between underdevelopment and communism, and only implicitly and in passing referred to the Soviets. Thus, he sold the US package as not primarily a matter of military support but rather "of economic and financial aid which is essential to economic stability and orderly political processes" (Truman, 1947, p. 187). Economic aid was needed to combat the communist menace as the "seeds of totalitarian regimes are nurtured by misery and want. They spread and grow in the evil soil of poverty and strife" (Truman, 1947, p. 188). Communism was abhorrent to US values and undermined the very "foundations of international peace and hence the security of the United States" (Truman, 1947, p. 188). Though Truman did mention the strategic importance of Greece's location, he was not defining security in geopolitical terms. Communism could strike in any poor country, so the Greek package was likely to be the first of many. This open-ended policy to "contain communism" – partly inspired and justified by US diplomat George Kennan's long diplomatic telegram on the nature of the USSR (22 February

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43   The package also contained help for Turkey to resist Soviet pressure over the control of the Dardanelles. But Greece was the main recipient and the case that triggered the Truman Doctrine.

1946) – came to be known as the Truman Doctrine. It would underpin US foreign policy in many ways throughout the Cold War.

The Greek package had a number of implications for the future of the development assistance agenda. First, it represented a radical break with the original postwar blueprint: open-ended systematic aid from one state to another was now part of the new world order. Indeed, for the first time, the United States was willing to provide in peacetime large grants ($400 million), not meant for humanitarian, reconstruction, or war purposes, to another independent country. Second, the recipient country (Greece) happened to be an underdeveloped one. Third, the money was explicitly intended to counter the communist menace, which was represented as the result of underdevelopment (although this term was not used). The fight against communism, thus, became a struggle for development. The large scope and open-ended nature of the Truman Doctrine thus prefigured the underpinnings of the modern development cooperation agenda: aid would flow until development had been reached everywhere and the communist menace was definitively vanquished. Of course, there was an important nuance. As the objective was to contain communism rather than to achieve development, and as aid resources were necessarily limited, these were bound to be provided, in the first instance, to those countries where such a menace was imminent and had to be resisted by military means. Despite being shrouded in "developmental" rhetoric, the Truman Doctrine was bound to generate more military than economic aid, as was indeed the case with the Greek package. As we shall see, the emergence of a clear development aid agenda required delinking military and development disbursements, a process that in the case of the US, the leader of this new agenda, would not occur until the late 1950s (see Chapter 5).

Scarcely three months after Truman demanded aid for Greece and Turkey, Secretary of State George Marshall made a speech at Harvard outlining policies that would become his famous plan to support the economic reconstruction of Europe and that would depart radically from the logic of the loan to Britain just a year earlier (Steil, 2018). Marshall believed that the US had given insufficient support to Europe and had taken the wrong approach. To achieve reconstruction on a solid basis, more substantial support was necessary. And given that countries were unable to repay loans because of the "dollar gap", he believed that support should be given as pure aid within the framework of a regional programme administered by a new Organisation for European Economic Cooperation (OEEC), rather

than through separate national plans. Though the political underpinning of the Marshall Plan was less explicit than the Greek package, the policy clearly fell under the umbrella of the Truman Doctrine. Indeed, its very first allocations for France and Italy were meant to undermine the rising popularity and menace of their communist parties.

Nevertheless, the Marshall Plan diverged significantly from the Greek package. It was much larger and was even more clearly economic rather than military in character. As with the Greek programme, its main driver was politics, but instead of focussing on an immediate menace, it was more strategic: it aimed at consolidating a pro-US Western bloc in Europe as the main bulwark to contain the Soviet menace stemming from the East. Finally, and most important for our purposes, the Marshall Plan was mainly for the reconstruction of developed economies torn apart by war, while the Greek package was directed to a developing country. In its five years of operation the Marshall Plan turned out to be remarkably successful. Reconstruction turned out to be relatively easy. In contrast, Greece would continue to receive aid for many years: development (and the eradication of the "communist menace" in developing countries) would be much more elusive.

As we shall see, the Greek package prefigured the type of development aid that the US would give throughout the 1950s under Mutual Security Act agreements. Nonetheless, in terms of propaganda, the impact of the Marshall Plan on the development cooperation agenda was much greater. Regardless of its non-developmental character, it raised expectations in the developing world as to the amount of resources that could be mobilised as aid when the political will was there and what that aid could achieve. Since its implementation, calls for "Marshall Development Plans" in different contexts and regions have never really abated, though so far none have materialised.[44]

3.4.2 The process of decolonisation and the rise of the South

The allies' blueprint for a new order did not seek to do away with colonialism but rather to give it more legitimacy by submitting it to regulations and oversight. When the war ended, however, colonialism quickly began to

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44 Some recent examples of a very long series are the call of the German government as head of the G20 in 2017 for a "Marshall Plan for Africa" and the recent call of the OECD for a "Marshall Plan" to address the coronavirus crisis.

unravel. The interwar years had witnessed an upsurge of nationalism in many Asian colonies, which were inspired partly by Wilson and increasingly by communism. The outcome of WWII encouraged this trend in two ways. First, it further delegitimised the racial ideology on which the colonial venture was based. Not only had Europeans once again fought barbarously among themselves, costing the colonial world both lives and resources, but before the US entry into the war, they had been defeated throughout the Pacific by Japan – a racially non-white power. Second, the war led to the de facto liberation of several colonial territories before the US entry into the war. In many places, imperial Japan had freed Asian colonies from European rule, thus realising "the liberation of Asia" (Mishra, 2012). After the Japanese defeat, the old European masters generally attempted a comeback, but the power vacuum had given nationalists a window of opportunity to strengthen their cause, particularly in Indonesia and Vietnam.

The most important event in the decolonisation process, however, was probably the failure of the British to keep India, "the jewel in the crown", within its imperial community. After WWI, Britain had made a number of efforts to co-opt the well-educated Indian elite who had joined the Indian National Congress movement. Among other perks, it offered to involve them gradually in the administration of the country with the eventual aim of preparing India for the self-governing "dominion status" that had already been granted to Britain's white settler colonies (including South Africa).[45] Like the mandate system, now relabelled the trusteeship system, this British policy was intended to indicate that colonialism had a development mission and would eventually give way to an orderly and gradual decolonisation. This rhetoric would allow Britain to keep its worldwide sphere of influence. But the UK proved to have more power in designing the postwar blueprint than in putting it into effect.

Opposing British plans, the Congress movement radicalised its position during WWII and demanded full independence. As the war ended, the US once again hesitated (as Wilson had done) as to the right policy to follow on the colonial question. On the one hand, the UK, its main ally, was the main imperial nation in the world. Moreover, as the Cold War unfolded, the importance of colonial rule in certain parts of the world for containing communism became increasingly evident. On the other hand, as a former

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45   Among its "concessions", Britain pushed for India to have independent representation, even if still under colonial rule, both at the League of Nations and at later at the UN.

colony, the US considered itself to be a natural anti-colonial power (just as the USSR was presuming to be). Furthermore, the exclusive spheres of economic influence in colonial systems (especially in the case of the British Empire) went against the liberal order that the US was aiming to impose (Zeiler, 1999). This divided loyalty would lead the US to embrace an inconsistent policy.[46] It went along with a British-inspired pro-colonial UN mandate and in certain cases encouraged colonial powers to regain control, as with the French in Indochina. At the same time, however, it granted almost immediate independence to the Philippines in July 1946 and openly welcomed the independence of the Indian sub-continent, which came to pass on 15 August 1947.

Although independence gave way to a fratricidal partition war, given India's size, history and geopolitical importance, it shook the incipient postwar order. As soon as the UN General Assembly (UNGA) began to operate, India used its chair to undermine the UN colonial narrative, to foster decolonisation and to launch the Third World movement (Guha, 2007; Jain, 2012). Under the pressure of indigenous nationalism, the economic and moral collapse of the imperial metropolis, the de-legitimisation of the colonial venture and the vacillations of the US, a rapid process of decolonisation followed, resulting by the mid-1950s in the formal independence of almost all Asia and the Middle East.

The unravelling of the new postwar blueprint for the colonial world had clear implications for the emergence of the modern development cooperation agenda. According to the League of Nations' and more clearly, the UN's blueprints, imperial countries were responsible for providing aid to their colonies. But as we have seen, their record in doing so was rather poor. Even the UK, which was particularly interested in leaving a good legacy in India, left the newly independent country with only a handful of doctors and well-trained indigenous professionals to govern it (Drèze & Sen, 2014). With the notable exception of Mahatma Gandhi, most nationalists embraced the goal of modern economic growth, and, as the colonial system had done little to achieve it, they portrayed self-determination not only as a right but also as a condition for development. At the same time, however, they knew that they lacked the resources and means to make their countries prosper without assistance. What was to supplant the loss of colonial support,

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46 At Yalta, Roosevelt aimed at bringing all colonies under trusteeship, but faced with British resistance and Soviet indifference he dropped this initiative (Droz, 2006, p. 103).

however limited, once independence had been achieved? The emergence and consolidation of a development aid agenda would eventually fill this gap.

3.5   The emergence of a development aid agenda

3.5.1   The emergence of a development aid agenda in the UN

As we have seen, the postwar blueprint instructed the UN to promote "higher standards of living", but it did not clarify how to achieve this goal, which in the universal spirit of the UN Charter, was meant for all countries, rich and poor. Nevertheless, at its very first session (winter 1946), the UNGA took steps to advance from this vague universal objective towards a concrete agenda of development cooperation. The discussion began with a modest proposal by the Lebanese delegation, which sought more systematic access to the expertise of the UN agencies. This suggestion, which was supported by other Southern countries, led to an open discussion of the question of development (Kirdar, 1966, pp. 9-10), which resulted in the adoption of two milestone resolutions at the third UNGA (winter 1948). The first, UNGA 198(III), on the "economic development of under-developed countries", recommended that ECOSOC "give further consideration to the whole problem of the economic development of under-developed countries in *all* its aspects" (UN, 1948). This resolution brought the issue of under-development firmly into the UN agenda and constituted a further step towards dividing the world within the UN system and beyond, into North and South, developed and underdeveloped countries.

The second resolution, UNGA 200(III), on "technical assistance for economic development", launched the first comprehensive UN development assistance programme (UN, 1948). Its goal was to create an institutional umbrella to promote and coordinate technical assistance provided by its specialised bodies, as had been requested by Lebanon. Although the UN had been in business for scarcely two years, the underdeveloped countries had already managed to introduce a new area of public policy: "development cooperation". At the same time, they were very conscious of the trade-off between sovereignty and aid that this new policy was bound to produce. It is telling that even though the technical cooperation was to be supplied by UN agencies, developing countries were eager to ensure that it would not undermine their hard-won sovereignty in any way (Stokke, 2009, p. 48). Point 4d of the resolution thus stated:

> The technical assistance furnished shall (i) not be a means of foreign economic and political interference in the internal affairs of the country concerned and shall not be accompanied by any considerations of a political nature; (ii) be given only to or through governments; (iii) be designed to meet the needs of the countries concerned; (iv) be provided, as far as possible in the form which the country desires; (v) be of high quality and technical competence. (UN, 1948)

The so-called "regular technical cooperation" programmes of the UN created by resolution UNGA 200(III) were financed from the regular contributions of its members and began to operate with very modest resources. The experience proved that even without a vote in the Security Council, underdeveloped countries could influence policy at the UNGA in which they were bound to have increasing majorities as decolonisation progressed. The impact of resolutions 198(III) and 200(III) would be large. However modest its beginnings, this emerging area of public policy – development cooperation – would come to shape not only the workings of the UN but also the postwar pattern of international relations up to the present day. The modest resources mobilised by the UN regular programme of technical cooperation were soon boosted by Truman's "Point Four" programme, another milestone in our story.

3.5.2   President Truman's "Point Four"

Less than two months after UNGA approved resolution 200(III), Truman launched a worldwide development aid initiative also centred on technical cooperation: the Point Four programme named after the last of four points on foreign policy that the president made in his 1949 inaugural address (Geselbracht, 2015). Due to its scope and the fact that it came from the sole major donor of the time, Point Four is usually seen as the true starting point of the modern development aid agenda. As it almost coincided with UNGA resolution 200(III), it clearly deserves to share in the honour. First, unlike the Greek package, which sought to help one country to cope with the communist menace, Point Four was a programme directly aimed at "the improvement and growth of underdeveloped areas" (Truman, 1949). Though in some ways it continued the Truman Doctrine, Point Four was also distinct from it, and its implementation was entrusted to a new ad-hoc institution: the Technical Cooperation Administration (TCA). Second, like UN resolution 200(III), Point Four aimed primarily at mobilising technical assistance, though it also included a reference to the need to foster capital investment.

Third, Truman wanted Point Four to be a global rather than a purely US initiative. He invited "other countries to pool their technological resources in this undertaking" which must be a "worldwide effort for the achievement of peace, plenty and freedom". He called on allies to use the UN system for this endeavour as much as possible.

Although Point Four was a watershed in conceptual terms and much larger than the technical assistance programme launched by UNGA resolution 200(III), its scope and impact in practical terms were still modest. When launched in September 1950 the Point Four programme had only $27 million in funds, less than a tenth of the aid given to Greece and a pitiful fraction of the money mobilised by the Marshall Plan (Zeiler, 2015, p. 39). Moreover, it started off on the wrong foot. Not only did it take a long time to put into motion,[47] but the TCA that ran the programme was placed under the direction of the State Department, which was focussed on fighting communism and had little respect for Point Four (Geselbracht, 2015, p. 166). But it was the Korean War, which broke out in June 1950 while Congress was discussing the TCA budget, that most derailed the Point Four initiative. The Korean conflict dramatically escalated the Cold War and had a strong impact on US aid policies: the Truman Doctrine of providing military aid to allies clearly took precedence over the Point Four programme with its plea for pure development.

The fuss and propaganda around the grand new initiative of the Truman administration (the section about Point Four in the inaugural address was notably longer than the other three points taken together) contrasted sharply with its quite modest impact on the ground. As a result, although developing countries welcomed the conceptual breakthrough of Point Four, they began to become more vocal about what they really wanted. Technical cooperation was fine, but it was not enough on its own. It should come with capital as well to cover balance of payment gaps, strengthen reserves, buy investment goods, and finance the building of infrastructure. Disappointed by the Point Four programme, which paled in comparison with the Marshall Plan and even the Greek-Turkish package, many developing countries began to demand more access to capital resources, either bilaterally or in the multilateral UN framework. They were soon to articulate their demands more clearly through the Third World movement.

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47 Truman sent the bill to Congress in May 1949, but funds were not released until September 1950. By then, much of the momentum had been lost.

Another implication was that Point Four involved an inherent trade-off. By eschewing political and military objectives, the programme gained legitimacy as specifically developmental in nature. Nevertheless, the non-strategic nature of the programme seemed to mark its weakness and explain its failure to mobilise more substantial resources. Indeed, given that US foreign policy was driven by the Cold War, a programme that did not clearly fit into this agenda was bound to have limited support and be poorly funded.[48] In this situation, the US would commit seriously to a development aid agenda only under two circumstances. First, if Cold War considerations ceased to be the overall guiding light of US foreign policy. This was unlikely given that the "threat" was perceived to increase rather than subside in the following decades. Second, if a purely development aid agenda could somehow be incorporated into the Cold War narrative. As we have seen, the Truman Doctrine took a clear step towards this outcome. But as long as the US hegemon continued to perceive Communism mainly as a "military" threat fuelled by the deprivations caused by the war, rather than as a "civilizational" threat to the Western world order that it championed, the technical assistance-focussed agenda that emerged in the late 1940s would not develop into a true aid system. It took major changes in the USSR itself and, as a result, in the perceived nature of the communist threat, for this paradigm shift to take root. That is the topic of the next chapter.

3.6   Conclusions

The international relations community tends to address the question of development aid by focussing on donors' motivations (Malacalza, 2020; Pauselli, 2020; Schraeder, Hook, & Taylor, 1998). Discussions often shed light on the distinct profiles and practices of different donors (i.e., why US aid diverges from Swedish or Japanese aid) and about how the aid agenda has evolved and where is it heading. They examine why states choose to donate to specific areas or causes and how they justify these decisions to their citizens.

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48   Though its impact on the ground was limited, Point Four gave a strong impulse to the cause of technical assistance in the UN development system. The UN regular programme of technical assistance was soon to be complemented by an Expanded Program of Technical Assistance (EPTA) driven by Point Four and based on voluntary contributions. The US set an example by contributing a significant amount and then cajoled its European allies to do the same. All of them complied in one way or another (Kirdar, 1966, pp. 23-64).

These studies, however, tell us very little about how the "counterintuitive" practice of development aid appeared in the first place and how it cemented itself in the international agenda as a system. How did states come to invest resources in the citizens of other states when their main job was to care for their own? States did not start "systematic development aid" (i.e., distinct from military or humanitarian aid) because at some point in their history they found it was profitable for them to do so. Indeed, as we shall argue in the following chapters, a number of donors began to provide bilateral systematic aid almost against their will: it was the price they had to pay for being part of the postwar order in the making. To find out how the aid development practice arose and how it consolidated into an agenda in which all countries were bound to participate in one way or another, we need to move from the typical international relations inquiry to a historical one, as I have attempted to do here.

From a broad historical perspective, the rise of the modern development aid agenda can be seen as the transition from an "imperialist" paradigm of international relations in which the rich powerful countries exercise power over small weak countries, to a "post-imperialist" one in which this relation of power goes hand in hand with the responsibility of the former to provide development aid to the latter. It can also be seen as the process by which a colonial aid paradigm, in which metropolitan powers assumed responsibility for helping their colonies, transitioned to a North-South aid paradigm in which rich (developed) states assume responsibility for supplying aid to all poor (underdeveloped) countries, including politically independent ones. The colonial aid paradigm, rooted in the traditional view of colonialism as a civilizing project, formed part of the New Diplomacy articulated in Versailles at the end of WWI. In its moderate Wilsonian version, the New Diplomacy instructed metropoles to guide their (mandated) colonies towards independence – i.e., to prepare them to overcome their dependence on political tutelage and aid. In its more radical Leninist version, the New Diplomacy demanded immediate self-determination for all colonies. Rising nationalist forces in colonial countries opted increasingly for the latter. Yet the colonial powers, while assuming the colonial aid paradigm as a device to legitimise their rule, resisted self-determination.

During the interwar years, while the colonial powers maintained their stance, two historical processes (unrelated to the post-WWI order of international relations) took shape, which would eventually ease the way for the emergence of a North-South agenda of systematic development aid: (1) the

rise of social states in rich countries (with the fiscal muscle and the mandate to systematically aid their own citizens as a premise to aid "others") and (2) the rise of a worldwide aspiration to "development". WWII disrupted the colonial world. The weakened colonial powers managed to impose their will at the first UN conference in San Francisco, but it was a Pyrrhic victory. The combination of empowered nationalist elites in the colonies and empowered anti-colonial states (the US and the USSR) on the world stage delegitimised the original UN vision and eventually opened the way to massive decolonisation, first in Asia and then in Africa.

The transition from the colonial to the North-South aid paradigm still required a major conceptual leap: the developed countries had to take on responsibility for systematically aiding fully independent countries. In the aftermath of WWII, the independent weak states, increasingly recognised as developing countries, began demanding aid in UN fora where they now had a say – preferring to manage the sovereignty risk that it implied rather than forgo such aid. But everything depended on the stance of the new world powers: the USSR and particularly the US, the new hegemon in the making. The Soviet Union, a radically new state in the world order that emerged from WWI, had in principle no problem in assuming such a task: socialism was meant to be an international project based on solidarity and any state that achieved it was expected to aid the cause in other countries. In short, the USSR was ready to invest substantially in the development of underdeveloped independent nations or at least those ready to follow a socialist path, such as North Korea and China.

The idealised socialist vision was a brotherhood among socialist states that would contrast with the destructive competition among capitalist powers which sought only their own enrichment and power, and which pursued their interests by bullying weak states rather than aiding them. An exchange between Stalin and Milovan Djilas, who went to Moscow in 1944 on behalf of Tito to request Soviet support for the Yugoslav communists illustrates this view vividly. Djilas asked Stalin for a loan to buy arms that Yugoslavia would repay after the war. Stalin angrily replied:

> You insult me. You are shedding your blood and you expect me to charge you for the weapons! I am not a merchant, we are not merchants. You are fighting for the same cause as we. We are duty bound to share with you whatever we have. (Djilas, 1962, pp. 63-64)

The Soviet dictator was underscoring what he saw as the essential difference between the socialist and the capitalist approach to aid. Implicitly he was contrasting his policy with US military aid during the two world wars. It is true that the US misgivings towards state aid ran deep. The US was founded on an individualist tradition of self-help, individual merit and hard work, which was at odds with the idea of a state systematically helping its citizens, not to mention those of other countries. Unlike Europe, socialist thinking had made little headway in the US. Moreover, the US had in the 19th century embraced a stance of isolation in its international relations and had been dragged into the two global European conflicts of the 20th century very much against its will. Given these two traits together, the United States had a hard time assuming the concept of state-to-state aid even in times of war and hence opted for repayable loans rather than pure military aid – a position that undermined the fragile postwar order agreed upon at Versailles and that came back in a tamed way during WWII with the "lend-lease" schemes. In short, up to the end of WWII, the United States was particularly ill-geared to engage in an agenda of systematic aid to other states in peacetime.

The beginning of the Cold War around 1947 made all the difference. Almost overnight in its programme for Greece and Turkey and its Marshall Plan for Europe, the US under Truman showed it was ready both to abandon its isolationist tendencies and to engage in massive state-to-state aid in peacetime in order to contain what it now perceived as an existential threat: communism. Three years earlier Stalin had given aid to Tito on the grounds that they were fighting for the same cause: the construction of socialism.[49] In his conversation with Djilas, Stalin was not wrong in suggesting that the US had no equivalent cause to fight for and that even in war they could not leave completely aside their individualistic and mercantile spirit. Ironically, however, it was the threat he represented to capitalism and liberty that gave the US the reason they needed to change their position. As the literature has long recognised, the Cold War tipped the balance and paved the way for the emergence of the modern development aid agenda. In the following chapters we will see how this agenda developed into a proper aid regime with consensual common definitions, norms and good practices (Krasner, 1993).

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49 Djilas was asking for arms, but in a conversation between communists the cause went much further than the war against the Nazis. Indeed, as the Polish resistance was soon to find out, the Soviets showed no such sympathy for other non-communist Nazi-fighters. For his part, Tito was also soon to find out that the political price to pay for Stalin's "generosity" turned out to be too high to bear. Four years later, the two leaders had broken relations with each other.

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4 From an aid agenda to a North-South aid regime: the path to the DAC

Gerardo Bracho

Abstract

The previous chapter gives a broad historical overview of the origins of the development aid agenda. It shows how, during the early postwar years, a coalition of developing countries managed to bring a development aid agenda into the UN system. This chapter highlights the role of geopolitics and of the Cold War in transforming this agenda, which initially enjoyed but modest resources, into a whole-scale North-South aid regime in which all developed countries committed to aiding underdeveloped ones. While the previous chapter ends its historical narrative with US President Harry S. Truman's famous "Point Four" plea for development cooperation, this one begins in 1953 with the inauguration of President Dwight D. Eisenhower and the death of Joseph Stalin. It has two broad sections. The first shows how, under pressure from Nikita Khrushchev's "thaw" and decolonisation, the US reassessed the communist challenge and began to delink its development from its military aid and immediate geopolitical objectives. The second examines how, in response to these same geopolitical developments, NATO and the OEEC, key institutions of the Western multilateral architecture, tried (unsuccessfully) to mobilise and coordinate the main political allies of the US in a unified Western aid response. This chapter thus sets the scene for the third and last historical chapter of this part of the book, which gives a detailed account of the origins of the DAC as a club of donors and of the institutional arrangement that ultimately prevailed to organise and systematise development aid as a key part of the postwar order. Now that this order is on its deathbed and a new Cold War, in which development aid is set to play again an important role, appears on the horizon, it is more important than ever that we fully understand the history and development of this agenda.

4.1   Introduction

Development aid is a counterintuitive public policy in two ways. First, modern states are expected to support their own citizens, not the citizens of other states. Second, states are supposed to compete with other states for power and wealth in the international arena, not to allocate them a quota of their own resources and empower them. Nonetheless, by the late 1950s and early 1960s, a North-South aid paradigm, in which all wealthy countries (the North) assumed the responsibility of providing aid to all poor countries to help them develop (the South), took root.

The previous chapter traced the steps by which such a counterintuitive policy emerged as part of the postwar order. It ends in the early 1950s, when aid for development had consolidated as an agenda, but the North had still not fully emerged as a coherent constituency of donors and there was no aid regime to speak of. Matters had evolved further at a multilateral level mostly under the wing of the United Nations (UN) – in a broad sense, including the World Bank (WB). Under pressure from the constituency of developing countries in the making (the South) and boosted by US President Harry S. Truman's "Point Four" initiative, the UN fostered a narrative of development and development aid, and hosted several technical cooperation programmes. The North was already perceptible as a constituency, as all Western "developed countries" were donors to this multilateral system (those from the Communist East would join later).

At a bilateral level, however, the picture was very different. At the time there were only a few donor countries that offered significant amounts of bilateral aid and regarded themselves as full-fledged donors. They fell into two categories: i) The "metropolitan countries" that gave "aid" to their colonies under the narrative of colonialism as a "civilisation venture", as reconstructed first by the League of Nations and later by the United Nations; ii) The superpowers, the United States (US) and the Union of Soviet Socialist Republics (USSR), which were using development aid, each with its own particular narrative, mostly as a crude instrument of the Cold War: the former focussing on the countries in which communism was seen as an immediate threat and the latter focusing on its close allies, China and North Korea.

This chapter takes the story further to examine how decolonisation and profound changes in the USSR transformed and moved the development aid agenda forward. It has two broad sections. The first follows the evolution of the aid agenda under US President Dwight D. Eisenhower. In his first

term, Eisenhower continued Truman's policies of mixing development and military aid and focussing on Cold War frontline countries under the Mutual Security Act. Yet, by the beginning of his second term, under pressure from Soviet leader Nikita Khrushchev's "thaw", which changed the nature of the communist challenge from military threat to civilisation competition, as well as a militant emerging Third World and domestic criticism, the US began to delink its development aid from military assistance and immediate geopolitical objectives.

The second section looks at developments on the multilateral scene during the same period. As part of its adaptation to the new nature of the "communist challenge", the US sought to mobilise the aid of its Western allies, first by promoting new "windows" for Western multilateral aid and then by joining existing efforts to create a multilateral home to spur, regulate and coordinate Western bilateral aid. The latter effort eventually culminated in the creation of the Development Assistance Group (DAG), the forerunner of the Development Assistance Committee (DAC), itself a key institution in transforming the development aid agenda into a full-fledged international regime. The chapter closes with some conclusions that recapitulate the whole argument.

4.2   Development aid under the Eisenhower administration

4.2.1   The first Eisenhower administration: a focus on military aid

As it took office in January 1953, the Eisenhower administration reinforced Truman's policies that mixed development and military aid and subordinated the bulk of the US aid effort to immediate geopolitical objectives (see Chapter 3). Two factors account for this (Ambrose, 1984; Newton, 2011). First, the incoming president not only endorsed but deepened Truman's military strategy. After the Chinese revolution and the Korean War, the main theatre of operations of the Cold War passed from Europe to Asia, a continent with many underdeveloped countries that was at the time the poorest in the world. In keeping with the logic of the Truman doctrine, the US government gave most of its aid in the form of bilateral mutual security pacts (MSP) to those countries that had joined the frontline regional anti-communist military alliances, such as the Southeast Asia Treaty Organization (SEATO) and the Baghdad Pact (Packenham, 1973). Adopted with both

underdeveloped and developed countries, the MSPs involved both military and economic assistance (they would replace Marshall Aid in 1952). The military element, however, tended to prevail. Moreover, this approach left out most of the underdeveloped countries that were not directly threatened by communism. By 1955, six client Asian countries, deemed at the frontline of the struggle to contain communism, were receiving more than half of US military and economic assistance: Iran, Pakistan, South Korea, Taiwan, Turkey and Vietnam (Adamson, 2006, p. 55). After the end of the Marshall Plan, thus, the US began to concentrate its aid in the underdeveloped world but did so following a clear military logic. The Point Four programme, in contrast, made little headway.

Second, Eisenhower's stance on economic policy also reinforced his reluctance to move forward with the development cooperation agenda. As he took office in January 1953, he announced he would curb the "big government" policies of the previous democratic administrations. In his view, at best, these policies had been prompted by extraordinary situations – the 1930s Great Depression, World War II (WWII) and the postwar reconstruction. But now a "return to normality in the global economy was possible" (Adamson, 2006, p. 47). This normality meant a return to a more liberal environment with less state intervention, smaller public deficits, and a larger role for market forces and the private sector. Large state-sponsored aid in the form of either grants or loans did not fit with this vision. Indeed, as it presumably threatened to crowd out private investments, its positive development impact was not taken for granted. Eisenhower's aversion to the aid agenda seemed deeply rooted.

Nonetheless, Eisenhower would eventually change gears after much international and domestic pressure. After keeping a low profile during his first term in office, he radically changed his position towards development aid during his second term, which started in January 1957. The main cause of this volte-face was a shift in the USSR, which, after the death of Joseph Stalin, had begun to adopt a friendly stance towards the emerging developing world and to engage in the development aid agenda, hitherto monopolised by the West.

4.2.2 External pressure to change: the USSR as a competitive emerging donor

The USSR emerged from WWII in a new shape: not the isolated pariah it had hitherto been, but despite colossal war losses, it was now a military and industrial power and a key UN member. Soon, however, in Stalin's clutches, it was isolated once again. By 1947 it had fallen out with the Western powers and the Cold War had begun. Moreover, the Soviet Union had practically no friends in the emerging Third World. Stalin, who had a dualistic view of friends and foes (other nations were either communists or enemies), famously dismissed Third World leaders such as Jawaharlal Nehru in India and Sukarno in Indonesia as "imperialist lackeys" (Berliner, 1958; Walters, 1970, p. 27). He also shunned the UN, which he deemed an "American organisation". Finally, relations with the socialist bloc were not going well either. Stalin had broken up with Yugoslavia and had strained Soviet relations with the European satellites and with China – so much for the expected Brotherhood of Socialist States (Deutscher, 1974, p. 29; Ulam, 1968). Nonetheless, this estrangement was somehow subdued by aid, which as Karl Kautsky and Vladimir Lenin had expected, soon became an instrument to cement the emerging socialist camp (see Chapter 3).

In the early postwar years, the USSR was still in self-reconstruction mode and, far from giving aid, it extracted resources from the countries where it had troops and which would become its satellites (foremost among them East Germany), mostly as war reparations (Berliner, 1958; Central Intelligence Agency [CIA], 1955). By late 1947, however, as the Iron Curtain fell, the USSR signed trade and aid agreements with its Eastern European allies and two years later it created the Council for Mutual Economic Assistance (COMECON) to organise the socialist camp as a coherent common economic space; a sort of Soviet economic and political response to the Marshall Plan, although the aid provided could not match US aid in terms of volume or generosity (Cerda Dueñas, 2018; Lorenzini, 2014, 2019). Soviet aid came mostly in the form of soft long-term loans quoted in roubles that functioned as deferred barter deals: the recipient countries were granted immediate access to a specified volume of Soviet goods (usually capital goods) and were expected to pay back, also in goods, both the capital and the annual interest (normally of 2 per cent) usually within 10 years (CIA, 1955). These barter deals, quoted at world prices, also had the function of promoting trade among the partners. Finally, there was also mutual technical and scientific cooperation among COMECON members.

The USSR came closer to the development aid agenda when Stalin began to supply aid to North Korea and especially to China, both communist but also poor developing countries. Four months after taking power in 1949, Mao Zedong negotiated with Stalin a "Sino-Soviet Treaty of Friendship and Alliance", which included the promotion of trade, and Soviet military and civilian aid (Stalin & Mao, 1949). Most Soviet aid to China followed the same procedure used with COMECON countries though at a lower interest rate to reflect China's developing country status. Its overall aim was to support the emergence of an industrial centre in northeast China (Aleksandrova, 2013). The Korean War, however, derailed this strategy, and by 1950 most Soviet aid had switched to military hardware.

Stalin died on 5 March 1953, and a swift process of destalinisation ensued, first under collective leadership and then under Khrushchev, who emerged as leader in 1955 (Carrère d'Encausse, 2006; Deutscher, 1971; Taubman, 2003). In the period known as the Thaw, Khrushchev brought an end to Stalin's totalitarian regime and one-man rule, gradually transitioning towards a more open and tolerant policy and a more consumer-friendly economy. This did not mean the end of one-party rule or of the commitment to Marxist-Leninist ideology and goals, but it was an attempt to give existing real socialism a more attractive and humane face. The Thaw at home came together with a Thaw abroad (Fursenko & Naftali, 2006) aimed at ending the isolation of the USSR. Its mantra was "peaceful coexistence", which did not aim to end the rivalry between the two superpowers but rather to change it from military to peaceful competition in the economic and cultural realms. Khrushchev was keen that this new position reflected the interests and potential of the Soviet Union. In relation to the West, the USSR remained backward in every aspect, including its military. But by the early 1950s, the country was experiencing impressive growth and technological progress. If history was really on the side of communism – as the Marxist Khrushchev believed – the USSR, expecting to maintain its high rates of growth into the future, was bound to win in a "fair" game. The breathing space of peaceful coexistence would allow it to demonstrate the superiority of the socialist system as an alternative and more just model of development (Khrushchev, 1959). Khrushchev was turning Leninism on its head: socialism did not need war (which had become unimaginable) but rather peace to prevail.

The post-Stalinist ideological stance developed hand in hand with a pragmatic approach geared at ending the isolation of the country. The most important step was to work towards a détente with the West, which would

allow it (among other things) to channel military resources to civilian use. This would not be easy. Distrust of the USSR was deeply entrenched in the West and with hardliner John Foster Dulles as US Secretary of State, détente was bound to advance slowly, if at all. Furthermore, several sharp disagreements remained, particularly regarding the future of Germany. The USSR also tried to improve its relations with the socialist camp. In 1955, Khrushchev and his prime minister Nikolai Bulganin visited Belgrade and made peace with Josip Broz Tito. There was also an attempt to improve strained relations with the Eastern European countries by giving them more leeway to follow their own policies (Ulam, 1968, p. 548).[50] The idea was to create something more akin to the "socialist community" of countries that Lenin and Kautsky had envisaged, rather than the subjugated bloc that Stalin had created (Deutscher, 1974). Finally, in 1954 Khrushchev also visited Beijing to improve relations with Mao. The Korean War was now over, and the new Soviet leadership was ready to renew and boost Stalin's aid programmes and give full support to China's industrialisation through its first five-year plan (1953-58). Though Soviet and COMECON allies' aid to China is today underrated, contemporaries had no doubt at the time that China's first five-year plan was giving impressive results and that the role of socialist aid was key to reaching them.[51] As a 1955 CIA report concluded, "Without Soviet equipment and technical aid, the progress which has been made under the First Five-Year Plan, would have been impossible" (CIA, 1955, p. 67).

Finally, the post-Stalinist leaders radically changed their policy towards the emerging Third World: indifference or hostility gave way to friendliness, collaboration and support. To overcome political and economic isolation, they tried to improve relations and establish new friendships wherever they could, from India to Paraguay. In coordination with their communist allies, they oiled their overtures with offers of development aid, under the same conditions as their earlier aid to socialist countries: technical and scientific

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50 The situation in the region was so bad that three months after Stalin's death a rebellion broke out in Eastern Germany. The new Soviet troika in power violently repressed it. The episode accelerated a more lenient approach in the other "popular democracies".

51 Politics is behind such understatement: from Mao onwards, Chinese accounts naturally damp the contribution of a former ally turned foe, while most Western accounts pretend that China started from zero (or below zero) when market reforms began in 1978. For a traditional account of the USSR as "stingy" with China, see Ulam (1968). For new Russian accounts see Romanova (2018), Aleksandrova (2013) and Miasnikov (2009).

cooperation combined with long-term "deferred barter" concessional loans, also aimed at fostering trade. The COMECON donors, and China, had their own interests to defend and did not just follow orders, as the concept of the Soviet bloc implied (Lorenzini, 2014; US State Department, 1958, p. 6). The Soviet-led programme, which started in 1954, expanded rapidly to reach committed loans of around $1.6 billion by 1957, covering 16 countries, mainly in Asia, but also in Europe, (North) Africa and Latin America (Berliner, 1958, p. 57). This new friendly stance toward the developing world was reinforced with a new policy of engagement towards the UN, which, as its membership grew, was becoming less attached to the United States and closer to the cause of the Third World (Rubinstein, 1964).

Soviet-led development aid could not match that supplied by the United States, let alone that of the Western world. Yet the US establishment was taken off guard by what it soon labelled the Sino-Soviet economic offensive in the less developed countries (Berliner, 1958; US State Department, 1958). It was concerned about two aspects of the economics of Soviet aid. The first was its rapid rate of growth. By 1956, only two years into the programme, Soviet aid to those 16 countries amounted to one third of the US aid that year to the same countries and in 1957, it had risen to two thirds, an impressive achievement (Berliner, 1958, p. 59). The second factor was the perception that Soviet aid had a number of economic advantages. Although it came in the form of loans, while US development aid was given to a large extent as grants, Soviet interest rates were below those offered by both the WB and the Export-Import Bank of the United States (EXIMbank), the agency that up to 1957 handed out US aid loans. Furthermore, the barter component could be a real advantage. Developing countries often had difficulties in generating foreign exchange. They complained that their exports (mostly commodities) suffered from low and widely fluctuating prices and had limited access to the markets of developed countries. As the USSR was usually happy to get almost any type of domestic goods as loan payments, the savings in terms of hard currency were often considerable. Finally, Soviet aid, unhindered by rules governing private intellectual property, often carried real and generous transfers of technology (see Chapter 8). At a more general level, many in the US feared that Khrushchev might be right after all: that however repellent they were to western values, communist authoritarian regimes had advantages over liberal ones in harnessing economies and generating growth. The Soviet economic offensive looked impressive.

4.2.3   Soviet aid and the emerging Third World

The US government was also concerned about the political impact of Soviet aid. Although the new Soviet leaders were trying to rebuild their relationship with the entire Third World, they concentrated on countries with major geopolitical significance: the newly independent nations in Asia. These were governed by bourgeois nationalists, who would become leaders of the emerging Third World movement and who leaned towards a neutral stance in the Cold War. The new Soviet government abandoned Stalin's rigid differentiation between good (communist) nationalists, such as Mao and North Vietnamese leader Ho Chi Minh, and bad (bourgeois) nationalists, such as Nehru and Sukarno. Their commonalities – an anti-colonialist/anti-imperialist stance, a desire to consolidate their recently-gained sovereignty and to achieve "self-reliance", and the use of the state as a tool for development – were now considered more important than their disagreements about Marxism-Leninism or about a capitalist state-led versus the Stalinist path to development. It was in these countries – namely India, Indonesia, Egypt, Syria and Yugoslavia – that the USSR and its allies concentrated around 80 per cent of their development aid (Berliner, 1958, p. 33). This helped the USSR to reduce its economic isolation and to gain key allies to give credibility to its "peaceful coexistence" strategy. The Soviets adopted a friendly stance not only towards the Asian countries that had recently gained independence but also towards the nationalist movements striving for independence, mostly in colonial Africa, although they were careful not to undermine their détente efforts with western colonial powers.

The benefits were mutual. The newly independent countries valued their recently acquired sovereignty and welcomed the arrival of a new source of economic and political support that would reduce their dependency on their former masters. Moreover, the risk of exchanging one dependency for another was dampened because the USSR said it was giving aid without political strings attached, a claim that the US State Department considered at the time to be basically true (US State Department, 1958, p. 9). Moreover, unlike the US and the WB, which carried out rigorous appraisals of the economic viability of the industrial projects they financed, the Soviets imposed almost no economic conditions. Finally, Soviet aid enhanced the relative power of developing countries, since they could play one set of donors against the other – and they did.

Nobody welcomed the new post-Stalinist Soviet stance and Soviet aid more than Nehru, one of the founding fathers of the Third World movement (Pandey, 2001). Nehru had been advocating for peace, the de-polarisation of the Cold War and non-alignment since the late 1940s and early 1950s. In a way, the new Soviet leadership was buying into Nehru's paradigm (Pandey, 2001, pp. 382-383; Prashad, 2007, p. 46). From a purely economic point of view, Nehru hoped for a socialist future for India. Though he abhorred the Stalinist model, he welcomed Soviet aid and access to the Soviet planning experience as he prepared India's own second five-year plan (Guha, 2007). Soviet relations with India, which flourished after Stalin's death, benefited from the strong Soviet-China tandem of the early post-Stalin era.[52] Though China and India were natural competitors in Asia, they had commonalities to build on: both were developing countries that shared values and aspirations as well as a recent history of imperialist humiliation. In 1954, Chinese premier Zhou Enlai and Nehru signed the Five Principles of Peaceful Coexistence, which would serve as a model to regulate relations between Southern countries. The following year, Nehru and Zhou, together with Sukarno and Gamal Abdel Nasser of Egypt, played a central role at the historic Bandung Afro-Asian Conference, the cradle of the political Third World and the non-aligned movement (Conte, 1965; Guitard, 1965; Prashad, 2007; Tan & Acharya, 2008). The Bandung declaration condemned colonialism, neo-colonialism and racism and called for the full respect of sovereignty and self-determination, for world peace and the end of Cold War bipolarity and, finally, for a fairer world economic order. In a world built on a centre/periphery logic in which ties between southern countries were conspicuous by their absence, Bandung aimed at promoting all types of South-South links: cultural, technical, political and economic. It generated the "Bandung spirit" still alive in the South-South cooperation tradition. At the same time, it welcomed the aid flowing from outside the region (i.e., from both the West and from the communist East) and recognised that for those that had received it, this assistance "had made a valuable contribution to the implementation of their development programmes" (Bandung, 1955). It did not portray this aid (as it would later) as the postcolonial responsibility of the North (Conte, 1965, p. 309). The USSR did not qualify as an Asian

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52   Thus by 1954, only one year after Stalin's death, the Indian Embassy in Moscow was reporting a dramatic enhancement of relations between India and the USSR on all fronts: from economics to internal politics and from education to culture (Foreign Ministry of India, 1954).

or as a developing country and was not invited to Bandung. Nonetheless, it clearly benefited from it. Although the Bandung declaration was not the anti-Western tirade that many, particularly the US State Department, feared (it denounced "all types of colonialism" including implicitly the communist one), it centred its criticism on the West (Conte, 1965, p. 315).

The Bandung declaration revealed how much the Soviet international agenda converged with that of the emerging Third World movement. Both were committed to peaceful coexistence and against imperialism and racism, and both were in search of a fairer international economic order. Developing countries complained of highly volatile commodity prices and called for multilateral agreements to stabilise them (Conte, 1965, p. 310), and the Soviets were eager to free themselves from the trade and capital restrictions that Western powers had imposed on them since the late 1940s. Indeed, the Thaw was about leaving behind not only political but also economic isolation.

As can be seen, the two processes – the Third World movement and the Soviet Thaw – were all the more challenging because they tended to reinforce one another. The Third World movement sought to promote decolonisation and to achieve both independence and development. The USSR had adopted a political narrative that was sympathetic to the Third World, and the Soviet model represented a strategy for promoting rapid industrialisation and modernisation in societies with weak markets and institutions – the very factors that defined underdevelopment. This message was reinforced by the emerging field of "development economics", which focussed on the specific problems of underdevelopment and strongly emphasized the importance of planning and state intervention, the underpinnings of the Soviet model. In short, thanks to the economic and political offensive of the post-Stalinist leadership, the communist camp seemed in a strong position to gain from the approaching decolonisation in Africa. The international pressure on the US government to organise a proper response to the challenge mounted by the day.

4.2.4   Domestic US forces demand change from military to development aid

Scarcely two years after Stalin's death, the Soviet Thaw was making key friends in the Third World and a good impression on world public opinion. Yet Eisenhower saw no need to adapt his strategy. Following Foster Dulles'

lead, he continued to downplay changes in the Soviet Union and resented rather than understood neutralism. He focussed on military aid and lean budgets and hoped that markets would take care of development. But other quarters in the US did pay heed. Various academic circles began to push for the US to play a more active role in the development cooperation agenda, particularly the Centre for International Studies at MIT, where two of its researchers, Max Millikan and Walt Rostow, became the champions of development aid at the time (Pearce, 2001; Rostow, 1985). In 1957 they published "A Proposal: Key to an Effective Foreign Policy", which made the case for clearly separating development from military aid and "in participation with the other developed nations (...) give assurance to every underdeveloped Free World country that it can secure as much capital as it can use productively" – the universe of beneficiaries included neutral countries and excluded only a few communist ones (Millikan & Rostow, 1957, p. 56). A couple of years later, Rostow published his influential "Stages of Economic Growth" developing the economic argument underpinning the "Foreign Policy" proposal. "Stages" stated that underdeveloped countries suffered from a chronic savings gap, which in the short run could be filled either by "tyrannical Soviet methods" or, in a liberal context, by Western aid. Eisenhower's reliance on the market to resolve the issue would not do. To stress that his prescriptions were intended as an alternative to the Soviet model, Rostow gave his book a peculiar subtitle: "a non-communist manifesto" (Rostow, 1960a).

These ideas had a strong impact on the US Democratic Party. By the mid-1950s, democrats were increasingly criticizing Eisenhower's Cold War policy and its passive approach to development aid. Senator John F. Kennedy, with advice from Rostow, began to prepare a bill to substantially increase aid to India.[53] It was crucial to demonstrate that a democratic India, following a state-led but not a communist path, could do at least as well as China, the other Asian giant. As the CIA put it:

> If China can accomplish a sharp rise in per capita income and show substantial economic progress, the impact of this success will be felt throughout Asia. The Sino-Soviet economic relations will play an influential role in determining the future of the Communist system in all Asia as well as in China. (CIA, 1959, p. 2)

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53 Once in the Oval Office, Kennedy would become the US President most committed to development cooperation, with Rostow occupying important official positions throughout his administration and beyond.

Democrats were not questioning the focus on the Cold War. On the contrary, they argued that to rise effectively to the challenge posed by the Soviets, the US should embrace a new policy of development aid. The paradoxical conclusion was that because the Republican government was focussed on the military or war dimensions of the Cold War, it was actually losing it. The battle should be won on the very terrain to which Khrushchev had moved it: the dissemination of economic and cultural ideas in the Third World backed by development aid. The extraordinary events of 1956 gave a strong impetus to all these trends. First, the 20th Congress of the Communist Party of the Soviet Union (CPSU), in which Khrushchev denounced Stalin's crimes and made a strong plea for peaceful coexistence and for the possibility of many, including non-violent, paths to socialism, made the Soviet challenge to the Western development model more attractive and credible – although later in the year the Hungarian clampdown dampened this effect.[54] Second, the Suez crisis marked the fracture of the Western alliance and the USSR's replacement of the US as the donor that would build the Aswan Dam – the paradigmatic project that would establish the geopolitical importance of pure development aid (Beliakova, 2017). Finally, 1956 was a US election year. Eisenhower, a war hero and fatherly figure, remained hugely popular and easily won again. A new mandate gave him the opportunity to buy into the narrative of the Democrats on foreign aid and to begin his second term with a fresh start in this key part of his foreign policy.

4.2.5   The second Eisenhower administration: from military to development aid

With the extraordinary events of the previous year in the background, in January 1957 Eisenhower began his second term in office. Surrendering to the evidence and to the pressure and arguments of the Democrats and some European allies, he belatedly recognised the nature of the evolving international conjuncture and began a major reform of US aid policy. As Michael Adamson puts it:

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54   The Soviet clampdown on the Hungarian revolt – an uprising tragically encouraged by the more lenient Soviet stance towards the satellites and moreover by the 20th Congress – was not a step back towards Stalinism but rather a sign that the USSR was not ready to lose its geopolitical grip over Eastern Europe. Destalinisation continued under Khrushchev and gathered speed at the 22nd CPSU Congress in 1961. It was partially reversed when he was thrown out of office (Deutscher, 1971).

> Moscow's economic initiatives concentrated minds within the administration. Yet only after considerable delay – well into Eisenhower's second term in fact – did top American officials conclude that expanding the U.S. foreign aid programme to include economic grants-in-aid and "soft" loans was an appropriate policy response. (Adamson, 2006, p 56)

Not that Eisenhower took Khrushchev at his word: still under the spell of Foster Dulles, Eisenhower believed the Soviet military threat had not disappeared but was rather compounded by charm and an economic offensive focussed on the emerging Third World. As a State Department report put it: "the new tactic, economic penetration, is the most dangerous of all" (US State Department, 1958, p. 1). To counteract this new tactic, as Rostow and Millikan had been arguing, more development aid, given broadly and not only to close US friends, was needed. The alarm caused by the Soviet launch of Sputnik, the world's first artificial satellite, at the end of 1957 helped to hasten the shift. By 1958 the process was accelerating: Eisenhower seemed to have assumed the Democratic development agenda in full.

The new policy aimed at increasing US development aid without sacrificing military expenditure and creating a number of new institutions (or "windows") to channel it. The first, which Eisenhower announced at his inauguration speech, was the creation of a development loan fund. Its purpose was "to make loan capital available for economically sound projects in 'friendly' underdeveloped countries at lower rates and over longer repayment periods than were possible from other sources" (Packenham, 1973, p. 57). Up until then most US capital for development was channelled through the US EXIMbank, not really geared for the purpose. The loan fund also had a mandate to encourage US foreign investment in underdeveloped countries.

To implement the policy change, a new set of US officials was needed. Though hardliner Foster Dulles remained as Secretary of State in Eisenhower's second term, new personnel came in at other important levels. Rostow considered that

> (at) the heart of the matter was the quiet withdrawal from the Washington scene in 1957 of those who had ardently opposed programmes of economic aid over the previous three or four years and their replacement by men of cautious but different views". (Rostow, 1960a, p. 365)

The departure of two officials was particularly important: undersecretary of state Herbert Hoover Jr, who was widely seen as the main internal obstacle to a more active development policy, and John Hollister, head

of the International Cooperation Administration, the precursor of the US Agency for International Development (USAID). Although Hollister was in charge of the US agency responsible for economic assistance he was, according to Rostow, "explicitly dedicated to the reduction of foreign aid" (Rostow, 1960a, p. 364). The arrival of new, more open-minded officials was crucial – most notably, Douglas Dillon, who returned to Washington in 1958 from being the US ambassador in Paris to occupy high posts at the State Department and who would become a driving force in the creation of the DAG and the Organisation for Economic Co-operation and Development (OECD).

4.3   In search of an institutional home for Western aid

4.3.1   In search of better burden sharing in the Western postwar order

By the end of the decade, the US strategy of increasing its development aid without sacrificing military expenditure abroad began to fall into trouble. The US economy had emerged from WWII with more than half the reserve stocks (gold and foreign exchange) in the world, and by 1949 had two thirds of them (OEEC, 1959). But from 1949 on, in practically every year, the US economy generated a balance of payments (BoP) deficit. Though the US economy produced robust current account (and trade) surpluses, these were more than compensated by transfers of capital abroad: loans, investment, and aid. The resulting BoP deficit was seen, for a time, as a rebalancing act necessary to restore the Western economic order, to better redistribute monetary reserves, to relaunch worldwide growth and to tackle the Soviet challenge. By 1958, however, with the US economy in recession, the BoP worsened sharply: while capital continued flowing abroad at a similar pace, the current account deteriorated abruptly. The next year, the unthinkable happened, and the US trade and current account itself went into the red, causing panic in Washington. If the BoP deficit continued to rise, the health of the monetary system established at Bretton Woods and the hegemonic role of the US in the Western postwar order would be at risk. The fiscally conservative Treasury sought to curb US expenses abroad, but the State Department was reluctant to cut military and development aid. There seemed to be just one solution: to keep US expenditure under control by inducing Western allies to pay a larger share of the costs of maintaining the Western

postwar order. Arriving at a more or less explicit burden-sharing scheme would be critical to contain both the Soviet economic offensive and the mounting BoP deficit.

Western Europe had by then largely recovered from the war, was growing steadily, and had as a group a BoP surplus. They had the means to contribute more. But what sort of contribution should the US expect from its allies and how should it apply pressure? To start with it began by opening new multilateral windows. As we saw in Chapter 3, in the early postwar years, fostered by developing countries, the emerging development aid agenda found its natural multilateral home in the UN and its agencies. The Cold War, however, soon began to get in its way. Developing countries were fond of the UN programmes of technical cooperation – mostly given through the expanded programme of technical assistance (EPTA). Yet, not least impressed by the scope and impact of the Marshall Plan, they soon began to pressure for a multilateral window that would provide them with much-needed capital – the ingredient for development that, Rostow declared, was really lacking (Rostow, 1960b). From the developing country point of view, the WB had two flaws: driven by "profitability", its loans were scarce and expensive, and being a shareholder-dominated organisation, the voice of underdeveloped countries counted little.

Thus, in the early 1950s, joined by several small and not so small developed countries, (the Netherlands, Norway, but also France and Canada), a solid group of developing countries strove to create a substantial Special Fund for Economic Development (SUNFED) hosted by the UN. Discussion on the subject stretched on for years at the UN General Assembly (UNGA) and at the UN Economic and Social Council (ECOSOC). But the main prospective donors, the US and the UK, resisted. They were weary of empowering the UN – increasingly shaped by Third World and communist ideology and interests – in the business of fashioning and supplying large amounts of aid.[55] Without the major Western donors on board, this much-coveted initiative could only go so far. In the end, in 1958 the UN agreed to adopt a more modest proposal backed by the US to create a United Nations Special Fund – a sort of "mini SUNFED" (Bhouraskar, 2007; Kirdar, 1966; Stokke, 2009). The UN Special Fund was the US political response to developing country pressure. At the same time, the US recognised that the problem

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55 An erratic Soviet Union first opposed SUNFED, but then in the wake of its new foreign policy from 1955 it enthusiastically embraced it (Rubinstein, 1964).

identified by the champions of the SUNFED was real: the World Bank was not channelling required capital resources to the countries most in need. To tackle this, at the September 1959 meeting of the Bretton Woods institutions, the US proposed to build the International Development Association (IDA) as a soft window within the World Bank – though IDA would not become operational until 1961 (Mason & Asher, 1973). At around the same time the Eisenhower administration gave the green light to the creation of the Inter-American Development Bank (IDB) – an old Latin American demand (Helleiner, 2014).

More Western multilateral aid was fine, but from the US point of view, not nearly enough. To begin to really "share the burden" of development aid with its Western allies, the US needed them to substantially increase their bilateral efforts and hopefully to coordinate them to better tackle the Soviet challenge. It did so by putting bilateral pressure on the most relevant players – starting, as we will see, with Germany. But this was deemed insufficient. Hence the idea of setting up another type of multilateral body: one that would not function as another window to distribute funds, but as a space to boost, discuss, plan, regulate and coordinate the bilateral aid contributions of the Western allies. In fact, a sort of Western Donor club – something similar to what the Soviet Union was thought to have with its COMECON allies. Indeed, since the mid-1950s, there had been a number of official initiatives to create a home for Western development aid, notably from Belgium, Germany and Italy (DDF, 1959a; Erhard, 1959).[56] The US, however, had not supported them. Now by the mid-1950s it was warming to the idea, which crystallised in its quest to create the DAG. Among those initiatives, the ones brewed at the North Atlantic Treaty Organization (NATO) and the Organisation for European Economic Co-operation (OEEC), organisations that were to play a key role in the origins of the DAC and the OECD, are the most relevant to our story. It is thus worth considering their attempts to capture the Western aid agenda in some detail.

4.3.2   Steering the Western development aid agenda at NATO

NATO's efforts to capture the Western aid agenda, under the umbrella of its Article 2 championed by Canada, which called for creating an

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56   European statesmen, including the Italian Giuseppe Pella (FRUS, 1958) the Belgian Pierre Wigny (DDF, 1959a) and lately the powerful German Economic Minister, Ludwig Ekhardt had come with their own ideas on the subject (Erhard, 1959).

"Atlantic Community" beyond the military sphere, properly began at the December Ministerial Council Meeting of 1955.[57] On this occasion, after warning about the perils of the new Soviet economic offensive in the Third World, the Italian delegate, Foreign Minister Gaetano Martino, proposed that members coordinate their aid to countries "in the grey zones that exist between the Western world and the Soviet world. [...] We are the best placed for giving it to them and we will miss our task if we let the Soviets take our place" (NATO, 1955, p. 4). Although Martino did not make concrete proposals, it was clear that he wanted to give NATO a central role in this agenda. His idea was taken up formally at the next NATO ministerial in May 1956 but received scant support. Countries such as Norway and the Netherlands wanted to maintain the development agenda in the UN (NATO, 1956a). But it was also vetoed by the US and the UK, who feared losing flexibility and autonomy in their foreign policy. It was fine for NATO to document and analyse the Soviet economic challenge but not to coordinate the Western response.

The May NATO meeting did not reach a conclusion but did establish an ad-hoc committee of "Three Wise Men" led by Lester Pearson, the Canadian foreign minister, to look with more detail into Article 2 matters, including development aid. Echoing the discussions at the Council, its report concluded that "NATO [was] not an appropriate agency for administering programmes of assistance for economic development, or even for systematically concerting the relevant policies of member nations" (NATO, 1956b, p. 19). But worried about the negative effects that the Suez conflict could have on NATO, the report did give the Secretary General greater powers to push his initiatives and mediate among members. Paul Henri Spaak, who became NATO's Secretary General in early 1957, would take the report as his mandate (Spaak, 1971). Convinced that only NATO could adequately face the Soviet economic challenge, Spaak assumed "extraordinary powers" to bring the organisation closer to the aid development agenda. Under his supervision, the secretariat produced regular reports on the Soviet bloc's aid programmes and on the underdeveloped world, supported the creation of a working party on Africa and even generated its own calculations of the size of Western aid. He was not ready to give up.

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57   For the rationale and story of NATO Article 2 see Milloy (2006).

4.3.3 Attempts to bring the Western development agenda into the OEEC

The OEEC also began its bid to host Western aid in 1956. It had been founded in 1948 with a clear mandate: distributing the US Marshall funds among its 16 original European members (Barbezat, 1997; Steil, 2018). Aid was thus in the DNA of the organisation, but it was aid for the postwar reconstruction of Western Europe. Development aid was not in its mandate. By the mid-1950s, however, it had successfully reached its main objective – postwar reconstruction – and was looking for new tasks to broaden its portfolio; it was particularly interested in development aid. In its Sixth Annual Report in 1955, the OEEC dedicated three chapters to the "underdeveloped countries or areas", which it divided into three groups: i) overseas territories of OEEC members; ii) underdeveloped OEEC member countries; and iii) other underdeveloped countries beyond the OEEC area (OEEC, 1955). At the time, the OEEC had practical experience only with the first category through its Overseas Territories Committee (OTC), in which only metropolitan countries were full members (Hongler, 2019). But France and the UK were reluctant to give the OEEC and the OTC too much access or power over their colonial affairs (Schreurs, 1997). In contrast, the OEEC had little experience with the second group of countries (underdeveloped OEEC members) from a development perspective. The 1948 OECC Convention considered all members equal. Yet a number of them (e.g., Greece, Iceland, Ireland, Italy (due to its poor South) and Turkey) had been increasingly demanding, with some success, to be recognised as "underdeveloped" so as to receive special treatment.[58] Finally, the OEEC had practically no experience with the third group, the independent underdeveloped countries outside the OEEC area, which was not surprising as they were beyond its mandate. Now this 1955 OEEC report argued that the OEEC had an entry point to deal with them: this third group of countries also received development aid from OEEC members. Indeed, it was time to start regarding all three groups of countries as "underdeveloped" (with the common problems of poverty, low productivity, high export dependency on a few commodities, etc.) and as such entitled, in the emerging North-South divide, to development aid.

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58   Portugal was a curious exception. By per capita income or industrialisation levels it was in fact a developing country. But as it was a metropolitan country with colonies, it was not treated as such. The old colonial trumped the new North-South typology.

Several months later, René Sergent, the newly-elected Secretary-General, proposed that the OEEC look systematically at the "relations between member countries and third countries", which included the trade agenda and development aid: "European countries and particularly those whose economic development is most advanced, cannot stand aside from a task of economic solidarity which is becoming increasingly urgent and in which they are increasingly able to participate" (OEEC, 1956a, p. 9). He thus asked the OEEC Council to identify ways "to coordinate efforts to improve conditions in underdeveloped areas, in consultation with the associate members" (i.e., Canada and the US). Sergent was hinting at forming a European Development Agency or a European donors' club at the OEEC, in which associated members would be "consulted". The Italians supported him, arguing that aid from OEEC members "would be all the more effective if it were carried out under the sign of European cooperation" (OEEC, 1956b). But once again Norway and Sweden argued that the UN was the appropriate forum for this agenda; while Greece and Turkey complained that the OEEC should start by taking proper care of its own underdeveloped members. Sergent was also unable to convince the three most important powers, the UK, France, or the US. The first two were reluctant to surrender sovereignty over their external affairs, and the US, which was not a full member of the OEEC, would not support an exclusively European initiative on such a sensitive political issue. Nevertheless, the Americans did back two less consequential initiatives presented by Sergent: i) a project dealing with the OEEC's own underdeveloped countries and ii) a mapping exercise on Western aid (OEEC, 1956b). The first resulted in pioneering intellectual work and practical initiatives to promote development in Turkey, Greece and (Southern) Italy. The second aimed at producing the first serious multilateral statistical report of the emerging aid industry (OEEC, 1956c).

The secretariat presented the second draft of the statistical report in 1957. Yet several OEEC members opposed its publication: some were unhappy with its findings, while others felt it was getting in the way of the UN. When the OEEC decided to produce its report in February 1956, the UN had no statistics on development assistance. A year later at the 11th session of the UN General Assembly the UN Secretariat received the mandate to generate a study of public aid (United Nations, 26.02.1957); this was due to an initiative of Canada and Norway, which later became among the most

vocal countries in opposing the publication of the OEEC report.[59] In sum, to Sergent's chagrin, the OEEC was not invited to coordinate (European) Western aid and indeed was not even allowed to generate data about it. The OEEC statistical report was never published, but Sergent did not give up and continued to attempt to capture the Western aid agenda for the OEEC.

4.3.4 Western aid in the late 1950s: the first (unpublished) OEEC report

The unpublished OEEC report on aid flows, which was finalised in late 1957, gave a telling picture of Western contributions to development – a concept that included all types of public and private flows of financial and physical resources (excluding trade and military aid) from Western rich nations to developing countries (OEEC, 1957).[60] By 1955, the contributions of OEEC donors, including its associated members, that would reasonably count today as bilateral official development aid amounted to a modest $2.1 billion (around $21 billion today). Furthermore, between 1952 and 1955, the US had each year supplied on average slightly more than half of this aid. Taking out Canada the remaining 47 per cent came from Europe. Even in 1955, 91 per cent of European bilateral aid was generated by countries

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59 The UN statistical yearbook of 1958 presented aid statistics for the first time (UN, 1958, Tables 159,160 & 16).

60 To build its report, the OEEC first had to answer some basic questions. What was aid and how to identify recipient and donor countries? There were no consensual answers at the time and in dialogue with OEEC members and associate members, the Secretariat had to come up with its own. The report defined aid as a flow of financial or material resources – as in technical cooperation or food aid – through "transactions that make a net addition to the resources of underdeveloped areas (over and above what they produce and what they secure through trade) for at least a minimum period" (OEEC, 1957, p. 5). It referred to them as *contributions to development* (not aid), public and private, leaving out two types of flows which presumably made no such contribution: military aid, and loans with a maturity of less than five years -– as these were thought to support consumption but not long-term development. Official contributions could be channelled bilaterally or multilaterally. To identify the recipient countries, the report departed from the UN "working list" of developing countries, leaving out the few that recognised themselves as communist (Kirdar, 1966, pp. 1-5). It also excluded the OEEC "underdeveloped members" list, though contrary to the UN list, it included Japan. Conversely, the report considered as donors all other OEEC members and associated members, leaving out the European communist countries and the British Dominions, Australia, New Zealand and South Africa, which the UN considered "developed". These definitions and concepts were to underpin future DAC reports for many years to come.

with direct overseas responsibilities: 65 per cent from France, although its figures were quite probably overstated; 16 per cent from the UK and the remaining 10 per cent from the minor colonial powers (Belgium, Italy, the Netherlands and Portugal). This bilateral aid pattern showed that even if the North-South aid paradigm had made strong inroads in policy discussions, particularly at the UN, Western European donors were still far from putting it into practice. Despite massive decolonisation in Asia (Mishra, 2012), the old colonial paradigm continued to dominate the practice of European development aid. Aid was primarily given by colonial powers to colonies, now concentrated in Africa, and to a lesser extent to ex-colonies. Resistance to abandon the colonial aid paradigm came from several directions. As countries became independent, support from their former metropoles could fall dramatically or even disappear (e.g., Indonesia). Colonial powers, moreover, were reluctant to let other countries become involved in their colonies and showed little interest in other countries. As Marc Dierikx put it in the case of the Netherlands: "To give aid to countries with which the Netherlands had no constitutional ties was initially far from self-evident to policy makers" (Dierikx, 2008, p. 224). Finally, OEEC members without colonies were hesitant to commit (beyond their modest contributions to UN institutions) to helping countries with which they had no constitutional ties. As they had not conquered anyone, they did not feel obliged to help anybody either – an argument that eventually converged with a narrative emerging from the South which portrayed development aid as compensation for past exploitation.

The belated survival of the colonial aid paradigm meant of course that the "others", the non-imperial European Countries were doing very little. The OEEC report showed that by the mid-1950s, Western European countries without "colonial responsibilities" (eight in all) counted for only around 4 per cent of Western bilateral aid and 9 per cent of that stemming from Europe.[61] They generally supplied modest amounts of official funds mainly or only through multilateral contributions to the UN technical assistance programmes and to the World Bank. Almost a decade had passed since Truman's plea and even if in theory they accepted the new North-South paradigm, they had done little to acquire a donor profile. Among them, West Germany, once again Europe's economic engine, and enjoying mounting BoP surpluses, stood out.

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61 They were: Austria, Denmark, Italy, Luxembourg, Norway, Sweden, Switzerland, and West Germany.

4.3.5   A window of opportunity to push the aid agenda at the OEEC?

Since the mid-1950s, the US had shunned several initiatives to create a multilateral home for Western aid, yet by mid-1959, under the enhanced pressure of an increasing BoP deficit and the Soviet economic offensive, officials at the State Department were thinking again. They wanted multilateral machinery to coordinate Western aid and to mobilise the almost non-existent bilateral aid of the Western emerging donors, above all Germany – as the unpublished OEEC report documented. Probably the time had come to support Spaak or Sergent and lodge the Western aid agenda either in NATO or the OEEC. NATO seemed at the time even less fit for the job – as the US was now fully engaged in differentiating its development from its military aid. But regarding the OEEC a window of opportunity might have opened up.

After a decade of existence, by early 1959 the OEEC had few things left to do and was in full-blown crisis, caught in the midst of a feud between Britain and France (Camps, 1964; Glauque, 2002; Winand, 1996). In 1956, the UK, privileging its special relationship with the US and the Commonwealth, had shunned the Treaty of Rome establishing the European Economic Community (EEC). To undermine the EEC project, the UK pushed at the OEEC (where they had a dominant position) for a European free trade area (FTA). In theory, the smaller EEC (with six members) would fit into the broader FTA (16 members) and coexist peacefully with it. In practice, however, the FTA was likely to undercut the EEC, opening the way for an alternative sort of European Union based at the OEEC with the UK in the lead. Ultimately, the British strategy failed. In contrast with Germany and the Benelux countries which were better disposed towards the British initiative, the last unstable governments of the French Fourth Republic went along reluctantly with negotiation of an FTA. De Gaulle's return to power in early 1958 radicalised the French stance (Bozo, 2012; de Gaulle, 1970). He now wanted an EEC clearly led by France to be the engine of Europe and for that it was better to keep the UK at bay. At the December 1958 meeting of the OEEC, the French acrimoniously withdrew from FTA negotiations (Griffiths, 1997). With the FTA dead, in June 1959 the UK, joined by six allies (Austria, Denmark, Norway, Portugal, Sweden and Switzerland), launched an initiative to create a rival European Free Trade Association (EFTA), giving rise to what became known as the "imbroglio" between the

"Six (of the EEC) and the Seven (of the EFTA)". Soon Western Europe was divided in two trading blocs, and the OEEC in disarray (Cahan, 1959).

The US had a double stake in this European family dispute. Tensions between the Six and the Seven could undermine Western European political cohesion and the Atlantic military alliance. If the dispute were resolved, however, a trade deal between the two blocs could hurt US exports to Europe at a moment when the US was desperate to bring down its BoP deficit. Ultimately, the US sided with France rather than the UK, its traditional ally. It had supported the European project all along as key to overcoming the calamitous French-German rivalry, and the rapprochement of these countries had materialised at the EEC rather than the OEEC, which now seemed hollowed out. The crisis of the OEEC was indeed opening a window of opportunity to reshape the organisation in a way that would allow the US to help solve the Six and Seven imbroglio in an "acceptable" way, and maybe also, to address the need for a multilateral home for Western aid. These will be the topics of our next chapter.

4.4   Conclusions

The previous chapter began with the League of Nations, which, building on the view of colonialism as a "civilisational venture", established a colonial aid paradigm in which so-called metropolitan countries acquired responsibility for developing the colonies the League had entrusted them with. In this chapter we carried forward the story of how under the double impact of decolonisation and the Cold War, this colonial narrative was transformed into the modern North-South aid paradigm in which all rich states (redefined as developed nations) assumed responsibility for providing aid to all poorer ones (redefined as underdeveloped nations). The story of this transition is one of how and why, during the early post-WWII era, these two different types of countries began to fully assume their new "counterintuitive" identities, as recipients and donors.

On the one hand, poor and weak but proud, old and new independent sovereign countries, assumed themselves to be recipients of development assistance with the "right" to receive aid from their former metropolitan masters or from powers that had traditionally bullied and oppressed them. Their leaders were generally painfully conscious that this position endangered their hard-won sovereignty. Yet under the spell of the emerging development paradigm and committed to developing their countries, they

saw no choice but to manage this contradiction as best as they could. Nobody embodied this dilemma better than Nehru, who being conscious "that gift(s) of this kind do create a sort of obligation", insisted on India's right to development aid without any strings attached (Pandey, 1976, p. 320). Chapter 3 illustrated various milestones in the process by which the South constructed its identity: the Latin American demand for an Interamerican Development Bank in the 1930s; the striving for a Global Development Bank at Bretton Woods and the demand for technical cooperation early on at the UN. This chapter took the narrative further, describing the efforts of Nehru and his allies to create a "non-alignment" movement aimed at putting the emerging Third World in a better position to achieve two conflicting objectives: receiving aid from both the West and the Communist East while maintaining their sovereignty unhindered. In a significant way, all these efforts culminated in the transformation of the UN from an institution that had originally rationalised colonialism and its aid paradigm, into a bastion of decolonisation and of the Southern perspective within the new North-South aid paradigm (Mazower, 2009, 2012).

On the other hand, wealthy states, which did not have a tradition of providing systematic civilian aid to other independent countries, assumed the role of developed countries and donors of development aid. Chapter 3 explored the different perspectives of the three types of great powers as they transitioned toward the North-South paradigm. The first, the imperial countries, adapted relatively easily to a donor identity, which they saw as a continuation of their colonial responsibilities. The second, the Soviet Union, also made the transition relatively quickly, deploying its internationalist and altruistic socialist narrative to assume a distinctive donor identity. The third, the US, followed a more convoluted path, as the new role went against the individualist narrative of self-help upon which the country was founded. As we have seen, the Cold War was the catalyst that transformed it from a generous provider of temporary humanitarian assistance into a supplier of massive military and civilian aid to contain Communism.

This chapter took the story of the emergence of the North as a constituency of donors a step further. First, it showed how the geopolitical stakes of the emerging development aid agenda rose sharply as the Soviet Union, now fully recovered from WWII and freed from Stalin's tyranny and dogmas, began to court the emerging Third World, offering it political support and generous economic assistance. Second, the chapter focused on the reaction of the US hegemon to this so-called Soviet economic offensive. This response had two dimensions: a domestic one, by which the US sought to

delink its development aid from its immediate geopolitical objectives, and a multilateral one, by which it sought to organise and broaden the scope of all Western aid.

With the latter project, the US aimed not only to give more coherence to the bilateral aid already given by its Western allies but also, and perhaps more importantly, to boost this aid by broadening the list of Western bilateral donors and the scope of Western aid. There was in fact a fourth group of wealthy Western countries that the UN recognised as developed and that contributed to the World Bank and to the UN technical cooperation programmes. But these countries had no clear geopolitical interest in the emerging Third World and had not yet fully assumed a donor identity. By the late 1950s, the US aimed at creating an institutional home for Western aid — a search that disqualified the UN which included Communists – as an instrument for mobilising the key players of this fourth group: Germany, Italy and Japan. This chapter ends by exploring the vicissitudes of this search and sets the scene for the next chapter, which deals with the origins of the DAG, the forerunner of the Development Assistance Committee of the OECD (DAC), the club where the (Western) developed countries acquired a common identity as donors (the North).

Our story in this and the previous chapter is about how the historical interplay of different types of state actors, their actions and ideas, underpinned the rise of the modern development aid agenda. These actors were not only structurally unequal but the aid relation itself also introduced more unequal power into the mix, as the donors had the upper hand. Thus, although the Southern countries were far from being passive players with aid pushed down their throats – as post-colonial literature often implies – their capacity to shape the agenda was limited. The interplay within the emerging North, among different types of donors, and mostly between the superpowers, the US and the USSR, had a greater impact on the development of the agenda. Like many other international agendas of the period, development aid was a child of the Cold War. This is clear at various points in our story, including in the following chapter, in which the US, seeking to organise and invigorate the aid efforts of the emerging donors of the West in order to contain the impact of the emerging donors of the Communist East, propelled the creation of the DAG-DAC, where most of the postwar aid regime developed. Sixty years later, this North-South postwar aid regime is on its last breath. Several factors account for its malaise, but one in particular stands out: its incapacity to co-opt a new wave of emerging donors, this time coming from the South and led by China (Bracho, 2015).

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Gerardo Bracho et al.

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5 Diplomacy by stealth and pressure: the creation of the Development Assistance Group (and the OECD) in 51 days

Gerardo Bracho

Abstract

The DAC came into being in March 1960 as an independent body known as the Development Assistance Group (DAG), which joined the OECD when the latter became operational in late 1961. Its creation constitutes a milestone in the construction of the postwar aid paradigm and architecture: the DAC defined the concept of official development assistance (ODA), designed many of the norms and standards of the aid industry and consolidated the community of the North versus the South in the postwar world order. Notwithstanding, the history of its origins has remained understudied. This chapter, based on primary sources, seeks to close this gap and to give historical context for the chapters that follow. It has three sections. The first traces the drivers behind the plan, sponsored by US Undersecretary of State Douglas Dillon, to create a club of Western donors; to mobilise and coordinate western aid to confront the "Sino-Soviet economic offensive" and distribute the aid burden more equitably among Western allies. This section also analyses why and how this plan became intertwined with the project of carving out a new Atlantic organisation out of the OEEC (the future OECD) and of placating an intra-European feud between rival groups led by the UK and France. The second section traces day by day the hurdles and adjustments that Dillon's plan underwent as it passed through Washington's power corridors, bilateral meetings in the main European capitals, a NATO ministerial gathering, and a summit of the leaders of the four Western powers in Rambouillet. This process, driven by adroit diplomacy that combined stealth with sticks and carrots, took only 51 days to reach its port. Contrary to how it is usually portrayed, and despite the short time-span, nothing in it was uncontroversial, least of all its aid scheme, which encountered resistance from all fronts: underdeveloped countries, the UN, the World Bank and most importantly, the prospective members of the DAG itself. Some feared that the US would use the DAG as an instrument to control their relations with the emerging Third World, while others were reluctant to assume a full-fledged donor identity. The third section provides a brief epilogue that ties up a number of loose ends in the story and offers some conclusions.

5.1   Introduction

This book is about the Organisation for Economic Co-operation and Development (OECD) Development Assistance Committee (DAC) and its contribution to the development cooperation agenda. Yet little is known about the origins of the DAC itself, a topic that has received little scholarly attention. This chapter seeks to close this gap and to give historical context to the chapters that follow.

Today, the DAC is one of a large number of committees and bodies of the OECD. When it first emerged in March 1960, however, it was an independent body known as the Development Assistance Group (DAG). It began to operate more than a year before the birth of the OECD. The DAG became the DAC when the OECD became operational in September 1961. The creation of the DAG is closely intertwined with the process by which the Organisation for European Economic Cooperation (OEEC), a regional European body, transformed itself into the OECD, an Atlantic organisation with full United States (US) and Canadian participation. In most accounts, the main driver of this transformation was the intra-European feud that developed in 1959 between the six-member European Economic Community (EEC) led by France, and the seven-member European Free Trade Association (EFTA), led by the United Kingdom (UK) – all of them OEEC members. Historians of these events have generally focussed on this conflict, known as the "Six and Seven imbroglio", and represented it as a (minor) chapter in the construction of Europe. In this narrative, the creation of the DAG is no more than a footnote.

This chapter, on the contrary, tells the story from the perspective of the aid agenda, although it also touches on the trade issues with which it was intertwined.[62] It departs from the end point of Chapter 4: US President Dwight D. Eisenhower's decision during his second term to demilitarise US aid and to launch a number of multilateral initiatives to promote the development aid agenda. In the autumn of 1959, the State Department began searching for "machinery" to increase and coordinate Western bilateral aid, especially from the emerging donors of the time (i.e., Germany, Japan and Italy) in order to reduce the mounting US balance of payments (BoP) deficit and to

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62   For the story of the creation of the OECD as part of the construction of Europe, see Camps (1964); Milward (1984, 2002); Giauque (2002) and Winand (1996). For the same story from an OEEC perspective, see Griffiths (1997) and Schmelzer (2017); for an exception that takes the aid perspective, see Esman & Cheever (1967).

deal with the Soviet economic offensive in the context of an upcoming new wave of decolonisation. The DAG was expected to become this machinery.

This chapter puts the record straight on several issues. Contrary to what the literature typically suggests, the US initiative that led to the DAG met with considerable resistance: it faced competition from established multilateral organisations that promised to provide similar services – the North Atlantic Treaty Organization (NATO), the OEEC and the World Bank (WB) – and faced more or less veiled opposition from a number of countries, including those that the US invited to join the group. My research also questions the established narrative according to which the aid initiative played only an ancillary role in the reorganisation of the OEEC and the search for a solution to the feud between the Six and the Seven. It is true that the Europeans generally considered aid as a minor part of the US policy "package" and focussed mainly on their intra-European spat, but for the US it was of utmost importance. Moreover, the initiative met with resistance from within the US government, a fact that the literature has almost entirely ignored. The Treasury Department opposed the State Department plans and made numerous attempts to derail them. It was Eisenhower's veritable infatuation with the aid agenda during the weeks that this infighting was taking place that ultimately shifted the balance in favour of the State Department. Yet he took this decision only after the Western leaders met in Rambouillet, on the outskirts of Paris. In the end, contrary to what the official history states, inter-departmental infighting in Washington rather than high-level diplomacy in Paris decided the fate of the OECD and the DAG. In this respect, the midwife of the OECD was the aid agenda rather than the trade imbroglio.

The present chapter focusses on the process that led to the creation of the DAG (and the OECD), not on the workings of the DAG itself. The first section presents the three-pronged plan to deal with aid, trade and the fate of the OEEC devised by US Under Secretary of State, Douglas Dillon, the "hero" of our story, who opted for a middle road between rival French and British proposals. The second section traces almost day by day the hurdles and adjustments that Dillon's plan underwent as it passed through Washington's power corridors, bilateral meetings in the main European capitals, a NATO ministerial gathering, and a summit of the leaders of the four Western powers in Rambouillet. The process took only 51 days (24 November 1959 to 14 January 1960) and involved much stealth diplomacy plus some diplomatic pressure. In the end, a "select group" of European countries,

together with the US and Canada, agreed to create the DAG, to organise a special trade group to deal with the European feud and to transform a regional European organisation into an Atlantic one led by the US. A third brief section provides an epilogue, an ''aftermath'' that ties up a number of loose ends in the story and some conclusions.

Dillon's remarkable achievement opened the way for the consolidation of the EEC and the construction of Europe. It inaugurated a new era of transatlantic economic relations and created the body that forged the norms and practices of the postwar development aid system. To reconstruct Dillon's journey, I consulted primary sources in Paris, London, Washington and, of course, the ubiquitous Internet. But Dillon's personal papers at the Kennedy Library in Boston turned out to be the key to solving some of the most intricate mysteries of this story.

5.2   The birth of the plan to create the DAG (and the OECD)

5.2.1   France and Britain: contrasting solutions to the OEEC's future

Throughout the summer and autumn of 1959, Dillon grappled with three lingering issues in his Western European dossier (see Chapter 4 and CDD [C. Douglas Dillon personal papers], 1959; FRUS [Foreign Relations of the United States], 1959, 24 November). First, he wanted to find a way to spur Western development aid to shift some of the burden from the US. This was key to both the political imperative to contain the Sino-Soviet economic offensive and the economic necessity to reduce the mounting US BoP deficit. Second, Dillon needed to defuse the intra-European feud between the EEC Six and the EFTA Seven, without sacrificing US interests. This Six and Seven imbroglio was tearing apart the OEEC, to which all 13 countries belonged (Cahan, 1959). Thus, the third issue of his dossier was how to sort out the crisis of the OEEC.

To resolve these issues, Dillon entered into dialogue with France, which led the EEC, and the UK, which led EFTA; both of them being at the same time the other major Western donor players in the aid development agenda. The French view was put forward forcefully, albeit semi-officially, by Jean Monnet, the architect of the European movement (Duchêne, 1994).

Although he had strained relations with French President Charles de Gaulle, Monnet had a strong influence in the French cabinet and good relations both with Dillon (a Francophile and former US ambassador to France) and John Tuthill, the number two at the US Embassy in Paris. Tuthill embraced (and even helped to radicalise) Monnet's stance, becoming, along with trade expert John Leddy, one of Dillon's key associates throughout the venture (Tuthill, 1987, 1996). In diagnosing the situation, Monnet echoed the American narrative: the US BoP deficit and more generally the Western postwar order had reached a stage that called for more economic cooperation between North America and Europe. The OEEC, Monnet believed, was not the right place to facilitate that, as it was rejected by France and the US was not even an OEEC member.

In June, Monnet presented Dillon with a note suggesting that the US should join a revamped OEEC led by an "Action Council" comprising four permanent members (US, Canada, the EEC and the UK) and one or two "rotating members" representing the rest of the OEEC membership (Duchêne, 1994, pp. 322-333). This Council would deal with trade, development aid and broader issues of transatlantic economic cooperation. After consulting with Tuthill, Monnet raised the stakes in a second memo to Dillon in late July. Now the Action Council would be an organisation in its own right with the same four permanent members, but the two rotating members would represent "small and developing countries". In this new scheme, the US would not need to join the OEEC, which would remain a regional body with little relevance that would eventually wither away.

The British approach was very different. The UK had the OEEC in its grip and wanted to revitalise and save it. Not surprisingly, a key ally in this endeavour was the OEEC secretariat itself. They shared the US and Monnet's diagnosis of the international economic situation: the Western economy now required more transatlantic cooperation to deal with the issues at hand. But they considered the OEEC as the right institution for the job. If the US engaged more actively with the organisation – they argued – the French would eventually do so as well. To entice the US to participate more, the secretariat and the UK were aiming at an OEEC ministerial council meeting by the end of the year which would explore the "new themes" that the secretariat proposed the organisation should deal with in the coming years (CDD, 1959, November 17, November 20). These themes were strategically chosen to reflect US priorities, starting with its BoP deficit. The ministerial thematic sessions would encourage Europeans to end discrimination against

US exports and to boost their supply of development aid (OECD, 1960, January 8a). In the British proposal, the US was not expected to join the OEEC (the British did not want to forfeit their leading role in the body) but rather to activate its slumbering associated status, which in practice gave it more power and say than most of the OEEC's formal members.

Dillon listened to both the French and the British but clearly sympathised with the former. The French lobby was reinforced when Tuthill, Monnet's friend, left Paris in September to join Dillon's staff in Washington. Not long afterwards, Tuthill presented Dillon with another memo, which proposed getting rid of the OEEC and replacing it with a new organisation "with different personnel" (Tuthill, 1987, p. 18). Although Dillon was largely convinced, he could not follow this advice as the US Treasury had ruled out the creation of any "new machinery" and the elimination of the OEEC would be a complex venture that would face much resistance. It was also impossible, however, to adopt the British proposal of more active US participation in the old OEEC. Dillon was not willing to put the Western aid agenda in the hands of the OEEC, where the US was not a formal member. Moreover, the US had taken the side of the EEC in the European trade imbroglio and he could not let his French allies down. In the end, therefore, Dillon opted for a midway formula: the US (hopefully followed by Canada) would join the OEEC as a full member, but the OEEC would be transformed into a new organisation. Tuthill despaired when he learned that Dillon wanted to join the hopeless organisation that he and Monnet wanted to undermine. His boss had misunderstood their scheme, he complained to Leddy (Leddy, 1987). Yet, by chance or intuition, this formula proved magical and eventually allowed Dillon to overcome some of the many political obstacles he encountered down the road.

5.2.2 The 24 November memo and the solution of a revamped OEEC

In a memorandum dated 24 November, meant for the US president and signed by his boss, Secretary of State Christian Herter, Dillon presented his plan for dealing with the three issues of his European economic portfolio: the conversion of the OEEC into a new organisation (the future OECD) with full US and Canadian membership, which would handle the Western aid problem, the trade imbroglio and offer a way out to the ailing OEEC – killing three birds with one stone as it were (FRUS, 1959, November 24).

Although Herter was a weak Secretary, Dillon was a strong Undersecretary with direct access to the US president. He would keep tight control of the agenda throughout.

The memo starts by spelling out the two urgent challenges, beginning tellingly with the aid issue:

> The first is: how can we mobilise the energies and resources of the other industrialised countries to assist the development of Asia, Africa, the Near East and other development-hungry parts of the Free World? The enormous task of developing these areas must go forward or we will, in the end, lose out to the Communists. The United States cannot provide the needed capital alone. On the other hand, Western Europe and Japan, because of the great improvement of their monetary reserves – the reverse of the large payment deficits of the United States – are now financially capable of mounting a sizable effort which could powerfully assist our own, thereby greatly adding to the overall strength and cohesion of the Free World. What steps can the United States take to enlist the full cooperation of Western Europe and Japan in making this effort? The second problem is: how can we help to redirect the emerging trade rivalries within Western Europe into constructive channels? […] Otherwise, the antagonisms between the Six and the Seven might develop into a trade war which could gravely divide our NATO partners on political and security issues. (FRUS, 1959, November 24)

Dillon then argued that a new "revitalised" and "reorganised" OEEC, "appropriately renamed to avoid a purely regional connotation", with full US and Canadian membership and "with some sort of participation" from Japan, should take on these two urgent tasks. Following Monnet's idea, Dillon proposed a limited Steering Group that would keep control of the revamped OEEC, which would itself have modest powers: "A reorganised OEEC should not go beyond the adherence to general objectives, undertakings to discuss and the provision of information". The US Congress would not accept more than this. Dillon's proposal was meant to stay within the boundaries of the Treasury's veto on creating "new organisations": it involved joining or rather upgrading the status of the US in an existing one. An enclosure in the 24 November memo identified the shortcomings of the current multilateral architecture to deal with the tasks at hand. It argued that the General Agreement on Tariffs and Trade (GATT), with its broad membership, was not the proper place to deal with the Six and Seven imbroglio. Regarding the aid initiative, the World Bank was inappropriate "because it [was] a lending institution rather than a policy organisation", and because the management

was "too powerful"; while the United Nations (UN) was "obviously unsuitable because of its unwieldy structure, the character of governmental representation, and the presence of Communists". (Intriguingly, Dillon failed to mention NATO, which, as we have seen, was also vying for the aid agenda.) The enclosure argued that a revamped OEEC would offer a space "for harmonising development assistance policies among the industrialised countries", a mechanism to induce the Europeans to create proper "national lending institutions (now almost lacking)" and a "suitable forum for the discussion of basic policies to guide development lending". Dillon closed his message by suggesting that President Eisenhower announce the proposed policy package in his next State of the Union message scheduled a few weeks later – quite a bold proposal given that the US was not even a member of the organisation it wanted to rebuild (FRUS, 1959, November 24).

5.2.3   Shortcomings of the 24 November memo: "On s'engage et puis on voit"

The memo and its enclosure were slim and gave little detail. It seems that Dillon and his colleagues had not yet developed a coherent plan and many questions remained, especially regarding the aid initiative. A major one was one of "composition": regarding the concordance between means and ends, especially on the question of aid. Acknowledging that he had no room to create new international bodies, Dillon aimed at taking over the OEEC, a large bureaucratic organisation with 20 members and associated members. But was this a proper forum to discuss his aid agenda?

Dillon wanted a body to discuss aid practices, but also to mobilise and hopefully coordinate "the resources of the other industrialised countries" not only to alleviate the pressure on the US BoP, but also to better meet the Soviet challenge. Yet many OEEC members were unwilling to engage in the latter task. This was clearly the case of the "neutrals". But even countries that were not neutral (including Canada and Norway) were wary of basing development aid on a Cold War logic and considered it a UN agenda item (see Chapter 4). Other OEEC members, moreover, were classified as underdeveloped and thus also excluded from Dillon's formula of "industrialised countries". Although it was only implied in his memo, Dillon was opposed to discussing issues related to global coordination and supply of aid with recipient countries, both for political reasons and because they were bound to use the forum to try to push for aid for themselves as

Turkey and Greece regularly did at NATO and the OEEC. There were at the time a few so-called "aid consortia" administered by the World Bank which brought together the donors of a group of countries with the authorities of the recipient country. The Colombo group of Commonwealth countries, in which the US participated, worked on this basis at a regional level. Dillon, however, did not want to reproduce the emerging North-South divide in the aid scheme he was proposing.

Finally, the colonial question, although not mentioned in the memo or the enclosure, was also relevant. The US position on this was clear in principle but ambiguous in practice. The Union of Soviet Socialist Republics (USSR) had supported nationalism and independence movements in colonial countries and sought to gain influence in newly liberated ones (see Chapter 4 and Berliner, 1958). At the beginning of the postwar era, the US was against colonialism for moral and historical reasons but also because colonialism systematically discriminated against US capital and trade. Nevertheless, its main postwar partners in the struggle against communism were (declining) colonial powers: the UK and France. The US was at pains to show sympathy to (moderate non-communist) anti-colonial movements, crucial in its political battle with the USSR, without alienating its main allies. Its main challenge was how to deal with France, which had a terrible image in the Third World but was a key Western ally in the crusade against communism. General de Gaulle's announcement on 16 September 1959 regarding the independence of Algeria, however, made it easier for the US to embrace France (de Gaulle, 1970). It also eased the way for Dillon's proposal. The concept of a donor club that seemed to take the aid agenda away from the UN and that included retrograde imperial powers was bound to encounter opposition. The fact that France seemed to have crossed the post-colonial Rubicon was helpful, but other lesser imperial powers remained problematic. Portugal still openly defended colonialism, and although Belgium had also accepted in principle the independence of its African territories, it had a particularly bad image as a brutal coloniser (Hochschild, 1998). The reputational damage caused by such countries outweighed the benefits they could bring. Yet they were also OEEC members.

If neutrals, aid recipients, and small colonial powers were left out, very few of the 18 OEEC members qualified for the group that in the new OEEC would deal with aid. In fact, Dillon seems to have been thinking from the beginning of only four of them: France, Germany, Italy and the UK. It was unclear, however, that even these four would agree with Dillon's

proposal. As discussions on the Special United Nations Fund for Economic Development (SUNFED) and at NATO showed (see Chapter 3), the UK was close to the US on aid matters, but it had its own "global interests" and might resist the sort of geopolitical "aid coordination" that the US seemed eager to promote. France had been more reluctant to allow the US into what it considered its own Francophone space (i.e., the newly independent Morocco and Tunisia). Determined to protect this space, the last governments of the 4th Republic had floated a number of initiatives to reform the international aid architecture, including a plan to create an "Agency for World Economic Development", which Christian Pineau, the French minister of foreign affairs, had presented at the same 1956 NATO ministerial meeting which discussed the Italian initiative to bring the Alliance into the aid agenda (see Chapter 3; NATO, 1956). But while the Italians called for a Western counter-offensive to Soviet aid at NATO, the "Plan Pineau", which was to be hosted by the UN with funds from both the US and the USSR, aimed at depoliticising the development cooperation agenda, going beyond the opposition between the two blocs. This would generate a better geopolitical climate for France to maintain its post-colonial influence in the Francophone area. The Plan Pineau failed to gain support in NATO or even at the UN and both superpowers shunned it (Pineau, 1965, pp. 145-146). Undeterred, however, soon after he returned to power, de Gaulle began to float his own multilateral aid initiative in which, in contrast to Dillon's, as in the Plan Pineau, the Soviets appeared once again as partners rather than enemies (de Gaulle, 1970, pp. 236-237).[63]

In short, the US was set to have a hard time dragging its main allies, particularly France, into a body intended to coordinate Western aid to help face the Soviet challenge. Dillon seemed on better ground, however, with his other objective: boosting Western aid from the emerging non-colonial powers. Both the UK and France supported the idea of bringing in the latter in the hope of channelling a good part of the new resources towards their own ends. Italy had been an enthusiast promoter of multilateral Western aid schemes, driven in part by its reluctance to establish a strong bilateral programme of its own. In contrast, Germany, the main target of Dillon's plan, was not against "contributing more" though it was not clear to what

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63   In its quest for multilateralism, Italy supported somewhat awkwardly both schemes: bring NATO to coordinate the Western aid development agenda, but also cooperate in this same agenda with the USSR. As we shall see, these two options were discussed in the NATO ministerial of December 1959 (CDD, 1959, November 23).

extent it would accept being put on the spot. Finally, Dillon wanted to bring three entities into his aid club that at the time were not even members of the OEEC: Canada, Japan and the European Commission (EC).

Dillon's ideal Western donor club thus included eight entities: four OEEC members (France, Italy, West Germany and the UK), two OEEC associate members (Canada and the US) and two non-members (the EC and Japan). The plan was problematic not only because it excluded 14 OEEC members but also because, as we shall see, none of the six countries included in Dillon's list seemed ready to endorse his whole plan. Sensing the weaknesses in his aid proposal, Dillon gave as little detail as possible and presented it as part of a package tied to his initiatives on trade and the OEEC, the questions most important to his European allies. His strategy would be effective, as we will see: in just 51 days, Dillon managed to obtain the support of his government and all OEEC members. It is to this extraordinary and mostly untold diplomatic saga that we now turn.

5.3 Putting the plan in motion in 51 days

5.3.1 Dillon's feud with the US Treasury (25 November-6 December 1959)

Dillon started his 51-day saga on the wrong foot. The 24 November memo to the President claimed that the proposal had been approved by Robert Anderson, the powerful Secretary of the Treasury. In fact, Anderson had seen the memorandum only on 25 November and did not like it (CDD, 1959, November 25). During a phone call with Dillon on 30 November, he tore apart the memo, expressing concern about the US becoming a full member of the OEEC, an idea that "would get a very cold reception by Congress" and questioning whether a revamped OEEC was the right forum for trade (CDD, 1959, November 30). He preferred for the World Bank to handle the aid agenda while the OEEC could be used "to stimulate the participation of European countries for the development of underdeveloped countries" – as OEEC Secretary-General René Sergent was arguing. Dillon tried to placate Anderson by downplaying his own proposal as "exploratory" and by assuring him that he would hold off on it until Christmas, after President Eisenhower had returned from his "goodwill world tour" scheduled from 3-23 December. "We will have all the time in the world to work out a

definitive thing when he gets back," Dillon said. Anderson was not reassured and began to lobby against Dillon's memo (CDD, 1959, November 30).

On 2 December, Anderson produced his own memo to prepare President Eisenhower for his conversations on development aid with European leaders during his world tour (FRUS, 1959, December 2; Kaufman, 1982, p. 184). His note started from the same underlying economic rationale as Dillon's memo: the Western European countries now had the means and should spend more on bilateral development aid, building their own domestic institutional frameworks to do so. This would help to bring down the US BoP deficit and to achieve "the Free World's political objectives in the less developed areas". Not surprisingly for a Treasury memo, the discussion focussed mainly on the first point, detailing the international reserves and financial capacity of France, Germany, Italy and the UK. It concluded that Germany and Italy were in a better financial position to increase their aid than the established colonial donors, France and the UK.

The memos of Dillon and Anderson differed in two ways. First, Anderson did not believe that the US needed a new multilateral body to spur European aid (FRUS, 1959, December 2). At the time he was suspicious of this or any other initiative to create new multilateral bodies for two reasons. The first was a public one: such bodies tended to be expensive and thus bad for the US BoP. The second, was a more reserved but not less powerful one: these institutions tended to infringe on domestic power, and he was not willing to sacrifice any of his own prerogatives. Thus, in his view, the US should extract more European aid through bilateral pressure; hence the need for information on the Europeans' financial situation to cajole them. Anderson warned Eisenhower against the calls for coordinating Western aid that might come from Italy and Germany, which he portrayed (correctly) as manoeuvres, especially by the former, to avoid undertaking more bilateral responsibilities. Although Anderson did not mention Dillon's memo, which was already on the President's desk, his rejection of "coordination" seemed "friendly fire" against it. The second difference concerned the Western European donors that the US should target. As we saw, Dillon reduced his list to the four main European powers. Anderson agreed that the US should start by putting pressure on these four, but unlike Dillon, his ultimate target group included all European donors. This second difference reflected the different priorities of the Treasury and State Departments. If the goal was to increase non-US foreign expenditure to help bring down the US BoP deficit, the aid effort of every European donor country, however small, was relevant.

If on the contrary, the objective was to (also) address the Soviet challenge, then not all were equally welcome.

The first difference between the two memos reflected Anderson's desire to keep foreign expenses down but also a reluctance to negotiate US economic policies in multilateral settings. Were Dillon's proposal to prevail, Anderson would lose room for manoeuvre both with the other OEEC member countries and the State Department, which was bound to run the US mission to the revamped organisation. Paradoxically, he had a better opinion of the OEEC than Dillon and in particular of its new economic policy committee which had taken such a favourable stance towards the US in the BoP deficit saga, as he mentioned in his memo to Eisenhower. Yet echoing the position of the UK and the OEEC Secretariat, Anderson saw no need for the US to join the OEEC; playing a more active role as an "associate" member would suffice. Between the State Department and the Treasury, the President faced a difficult choice.

5.3.2   Dillon's trip to Europe: (7-14 December)

The British, who had the permanent chair of the OEEC, scheduled their "ground-breaking" ministerial meeting for December 1959 but were later forced to reschedule it to 14 January 1960 (CDD, 1959, November 20). Dillon, who had already made his travel arrangements, decided to go ahead with his scheduled trip and use it to gauge the reaction of US allies to his proposal (CDD, 1959, November 17). On 7 December he was off to Europe. To keep his agreement with Anderson, Dillon was expected to focus on trade and aid, while keeping to himself his concrete proposal of the US joining a new OEEC. Not surprisingly, he had no intention of keeping his promise. On the contrary he used the trip, which included stops in London, Brussels, Bonn and Paris, to lobby for and refine his vision. As Dillon immediately realised, his European counterparts were obsessed with the Six and Seven imbroglio. They were hardly willing to talk about anything else. This allowed Dillon to concentrate on the trade feud and to talk less on aid, and thus keep the inconsistencies and controversial parts of his aid plan out of sight. At the same time, he took the liberty to float, according to his audience, different versions of his proposal of a "revamped OEEC" as the proper machinery to tackle both issues.

In London, on 8 December, Dillon met twice with Derick Heathcoat-Amory, the Chancellor of the Exchequer, to discuss mainly aid – as in Britain the

Treasury was the leading body on the subject (FRUS, 1959, December 9, 1959, December 9a). Heathcoat-Amory agreed to the idea of a reorganised OEEC with increased US participation (Dillon said nothing about US membership) to put pressure on Germany and coordinate Western aid; though at a macro policy level, since as Dillon explained, the World Bank would continue to coordinate aid in specific countries and projects through its consortia. Heathcoat-Amory also agreed on "excluding non-industrial OEEC countries" (i.e., developing countries) from the table, but was "concerned about associating Japan with the OEEC group owing to European trade problems with Japan" – a reaction later echoed by the Germans and the French. In London, Dillon also met with Foreign Minister Selwyn Lloyd and Prime Minister Harold Macmillan, both of whom focussed on the Six and Seven imbroglio over which, if not "bridged", the British feared catastrophic consequences (FRUS, 1959, December 9b). "NATO cannot continue on that basis" expostulated Lloyd during his meeting with Dillon (FRUS, 1959, December 8).

On 10 December, Dillon left for Brussels, where he met Walter Hallstein, the head of the EC (FRUS, 1959, December 10). Regarding aid, Dillon mostly discussed the emerging agenda of "European aid" launched by the group of Six (DDF, 1959, November 21). The next day in Bonn, he met with Chancellor Konrad Adenauer and the main figures of the German government (FRUS, 1959 December 11, December 11a). In contrast with his previous meetings, Dillon focussed more on aid. Adenauer said that Germany was indeed prepared to do more for less-developed countries to counter "the Soviet threat" (FRUS, 1959, December 11). Nevertheless, Finance Minister Franz Etzel claimed that Germany was already doing a lot, with its assistance "approaching one per cent of its gross domestic product (GDP), as compared with only slightly more than one per cent for the United States" (FRUS, 1959, December 11). Days later, at the Western summit, Adenauer would repeat this claim, which was at odds with US assumptions and, as we saw in Chapter 4, with the unpublished OEEC study of 1957 (OECD,1957, December 12; DDF, 1959, December 19-21, p. 764). It suggested that Germany was using a broad and self-serving definition of aid that included flows such as short-term (commercial) loans, export credits and reparation payments. Germany's "extravagant claim" only reinforced the need for a body to deal with Western aid and to define it more coherently. Dillon wisely avoided an argument with Etzel and once again withheld the

details of his donor club scheme, pointing simply to a "reorganised OEEC" as the vehicle for such coordination (FRUS, 1959, December 11).

On the evening of 11 December, Dillon arrived in Paris. On aid, which did not figure much during the conversations, France agreed on the need to increase the German contribution, although it was hesitant on the need for an institutional home for Western aid. In any case, Maurice Couve de Murville, the French foreign minister, warned, such a body should "not engage in detailed planning regarding aid" (FRUS, 1959, December 13b). Dillon's multilateral aid plan aimed at competing with the Soviets differed fundamentally from de Gaulle's approach of collaborating with them. But given that Dillon, as in his previous meetings, was presenting his aid initiative as part of a "package", the French were happy to acquiesce in principle, to gain the goodwill of the US side in the other subjects that they found more pressing (the trade and OEEC issues), while at the same time advancing their red line: keeping aid as a French sovereign policy.

Although Dillon spoke little on aid in Paris, it was here, teaming up with his French friends including Monnet, that his plan to create what came to be the OECD and the DAG took definitive shape (DDF, 1959, December 12, December 14; Griffiths, 1997, p. 244). Dillon assured them that the British and his other interlocutors had welcomed the concept of more active US involvement in a "deeply reorganised OEEC", although he had been giving this formula different meanings in different contexts: from the US being more active as an associated member in a reformed OEEC to joining a completely new organisation as a full member. Although his 24 November plan had been significantly inspired by the Monnet-Tuthill tandem, Dillon was now to find out how exactly the French considered such deep reorganisation of the OEEC, with full US membership, should come about. To cut the links with the past as much as possible, the French insisted that the reorganisation should take place outside the OEEC (even in physical terms) and that it should be carried out by a transitional ad hoc body composed of OEEC countries without the involvement of the OEEC secretariat. The goal, as Couve de Murville put it to Dillon, was that "the OEEC should not transform itself" (FRUS, 1959, December 13b). Furthermore, as the reconstruction of the OEEC would take at least 18 months, and the issues at hand (aid and trade) could not wait, this same ad hoc inter-governmental body should also temporarily deal with them. By creating new machinery (a revamped OEEC) that would take time to set up, the US proposal had overlooked a

"time gap" that the French were now spotting. Dillon was happy to adjust his plan accordingly.

A final French proposal rounded out the plan. On the last leg of his goodwill tour, Eisenhower was to attend, with Macmillan, de Gaulle and Adenauer, a summit of Western leaders in Paris. Its main objective was to prepare a future East-West summit with Soviet leader Nikita Khrushchev. But the Western leaders were also expected to discuss some Western economic issues (such as the Six and Seven imbroglio) so the summit represented an opportunity to authorise the creation of such an ad hoc body (CDD, 1959, November 27; FRUS, 1959, December 2). This was a more legitimate way of launching the plan than the unilateral declaration in Eisenhower's State of the Union address proposed in Dillon's initial memo.

Dillon's "deal" with the French, however, rested on shaky pillars. First, he had broken his promise to Anderson in two ways: he had not only committed the US to joining the new OEEC as a full member but also agreed that the initiative was to be announced not in Washington but in Paris. He had thus to start by convincing his own people: Herter, his boss; Anderson, his nemesis, and most crucially, the president. Then, together with the French, he had to cajole the British and the Germans. Finally, he had to define the mandate, agenda and composition of the ad hoc body. As the Western Summit was to begin on 19 December, he had just a week to sort all of this out.

5.3.3 Seeking support from Herter, Anderson and Eisenhower (13-17 December)

On the morning of 13 December, Dillon met with Herter, who had just arrived in Paris to participate in a NATO ministerial meeting and in the Western Summit and presented him with a memo detailing his deal with the French (FRUS, 1959, December 13c). Stretching the truth, Dillon claimed that the Europeans had agreed to "reorganise the OEEC" with "full US participation". Then, he noted that the French insisted that this reorganisation should happen "outside the OEEC" and that the task would be given to an "ad hoc group" of member countries, later known as the "Special Economic Committee" (SEC) (FRUS, 1959, December 13c). Dillon and his French counterparts had not discussed the exact composition of the SEC. In principle, if its main mandate was to "reorganise the OEEC", all 20 members and associated members of the organisation should be entitled to participate. But Dillon thought that such a large group would be unwieldy, impractical

and too close to the OEEC itself. He thus proposed to Herter a group including "the countries presently represented on the Executive Committee of the OEEC and a representative of the Commission of the EEC". Though this Committee had 11 members, the list he included with haste in the memo mistakenly comprised only nine countries – Belgium, Denmark, France, Germany, Italy, Switzerland, Turkey, the UK and the US – as well as the EEC, who together "would have the public task of reorganising the OEEC but could also iron out the problems of the Six and Seven.[64] Since this list did not correspond to his ideal aid group, Dillon left the aid question out of his memo. Finally, the memo recommended "a joint decision of the heads of government" rather than the "unilateral announcement" initially proposed (FRUS, 1959, December 13c). Herter concurred and later that day, Dillon closed the deal he had reached with Couve de Murville, who offered to produce a first draft of the summit communiqué (DDF, 1959, December 14). The next day, Dillon flew home but left Tuthill behind to push the proposal in Paris.

Back in Washington, on 15 December Dillon approached Herter again with mixed news: Anderson had agreed for the summit to announce an initiative on trade (FRUS, 1959, December 13c, note 1). But he continued to oppose the idea that the US should join a revamped OEEC and was against the summit making any commitment on Western aid. In his next move, Dillon appealed directly to the US president. On 16 December, he sent a telegram to the "Des Moines" the US cruiser that was carrying Eisenhower through the Mediterranean on the last leg of his goodwill tour:

> As a result of my discussions in Europe last week I have become more than ever convinced that we must launch a new initiative to find a constructive solution to the growing trade rivalries in Western Europe and to mobilise the energies of the industrialised countries in a concerted effort to help the less developed areas. (FRUS, 1959, December 13c, note 2)

Dillon went on to argue that the approaching Western Summit was "a great opportunity" to launch such an initiative. For the moment, of the two issues pending, Dillon focussed on getting Eisenhower's green light on aid, because Anderson mainly objected to the US joining the OEEC, a topic he preferred not to mention. In this, Dillon was right: the president had softened towards the aid agenda during his visits to India, Afghanistan, Pakistan, and other

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64 The memo mistakenly included Turkey but failed to include Canada, Portugal and Greece. This mistake was later corrected (FRUS, 1959, December 13c).

developing countries during his goodwill tour (Ambrose, 1984, pp. 552-553). Eisenhower sided with Dillon and agreed for the summit to promote initiatives on aid and trade – another victory, although the feud between State and Treasury was still not over.

5.3.4 Hammering out the Summit communiqué with France (14-17 December)

Shortly before leaving Paris, Dillon had alerted the French to Anderson's opposition to joining the OEEC (Archives Nationales France [ANF], 1959). Though unhappy with the news, the French foreign ministry reacted swiftly and a day after Couve de Murville met Dillon, they produced a first draft of the summit communiqué (CDD, 1959, December 16). Keeping within the constraints imposed by Anderson, the draft said nothing about the reconstruction of the OEEC, but it also failed to mention aid, limiting the job of the SEC to sorting out the European trade imbroglio. The French had reasons to omit aid. Dillon had spoken little on the subject and what he had said conflicted with de Gaulle's own initiative to remake the aid architecture. They could not understand how the SEC proposed by Dillon (i.e., composed of the executive members of the OEEC), could deal with a global agenda: the underdeveloped countries would not be happy, neither would Japan. Dillon looked at this first draft, complained that aid had been taken out and demanded it be put back (CDD, 1959, December 16).

The French sent a new version to him in Washington two days later (16 December). They had brought aid back into the draft communiqué (CDD, 1959, December 16). But since they were still convinced that Dillon's proposed SEC could not effectively deal with the issue, they now proposed to change the composition of the SEC itself, making it more global in reach. They did not, however, propose a list of countries or a formula as to how to produce such a list. With time running out and the Western Summit set to open in just three days, they preferred to kick the can down the road. Thus, their second draft announced an SEC comprising an undefined group of "interested governments and economic organisations" with the specific members "to be chosen by the Four Powers at a later date" – a formula that, from the French perspective, had the extra advantage of not mentioning the hated OEEC at all (CDD, 1959, December 16). Dillon was furious with this "open-ended" SEC.

> The changes proposed would quickly lead to a world economic conference [...] it is certain that we would be besieged by requests for an invitation from virtually all the countries in the free world [...] we would, in short, have a conference on our hands with nothing to say or do. (CDD, 1959, December 16)

He urged his team in Paris to bring back the original formula in which the SEC was composed of the countries in the OEEC Executive Committee. The French acquiesced but would later continue their efforts to derail Dillon's aid plan.

5.3.5   Bringing the British into the picture (14-19 December)

Dillon and his French allies now had to win the support of the two other participants in the Western Summit: the UK and Germany. On 14 December, in Paris, Tuthill met Lloyd, the British foreign minister, whom he found "in a highly emotional state with respect to the designs of the Six" (DCER [Documents on Canadian external relations], 1959b). Lloyd had obviously heard rumours that Dillon had sold out to the French. But when the British formally joined the communiqué negotiations a couple of days later, they found that matters were not as bad as they seemed (SWISS, 1959, December 23). Anderson's refusal to allow the US to join the OEEC was undermining the coherence of the Dillon-French plan, but also making it easier for the British to acquiesce. Indeed, if the US did not join but rather participated more actively in the OEEC, the organisation would emerge stronger from the whole exercise, as the British, and the OEEC secretariat, had been striving for. At the same time, the British knew that the French would not discuss the Six and Seven imbroglio at the OEEC. They thus understood that another body was needed and endorsed the initiative to create the SEC with a mandate to deal with trade and aid – assuming the latter was part of a package. Furthermore, they were pleased that the SEC would be composed of member countries of an OEEC body and that it would likely convene on the eve of the OEEC ministerial meeting, to presumably report back to the OEEC. As we have seen, the Dillon-French plan had referred to the OEEC for practical purposes: to legitimise the composition of the SEC and thus to put it in a position to better destroy the OEEC and rebuild a new organisation from its ashes. But now, thanks to Anderson, the British were turning this narrative on its head and representing those references as a sign of how much the Western powers valued the OEEC. The only British objection to the SEC was its composition: Sweden, which had been

playing a leading role in the construction of the EFTA, should be included (SWISS, 1959, December 23). The French and the Germans (who had also joined the negotiations) agreed but demanded in return the inclusion of the Netherlands (DDF, 1960a). Thus, the SEC would now consist of 13 OEEC members plus the EEC commission: Belgium, Canada, Denmark, France, Germany, Greece, Italy, the Netherlands, Portugal, Sweden, Switzerland, the UK and the US. Instead of smashing the OEEC, as the French had hoped, the Western Summit now seemed poised to endorse it.

5.3.6 Discussions on aid at the Council of Europe (14 December)

As Dillon was leaving for the US, a plethora of diplomats and officials, including Secretary Anderson, were arriving in Paris to attend meetings at the Council of Europe (CoE) on 14 December, NATO on 15-17 and 22 December, the Western European Union (WEU) on 17 December, and the Western Summit on 19-21 December (Camps, 1964, p. 242). Many expected to hear what Dillon had concluded from his much-publicised European tour, if not in the meetings themselves at least in the corridors (Britain-US agree, 1959; Europe's trade problems, 1959; European trade problem, 1959; L'Atlantique se rétrécit, 1959; Pierre, 1959; Granger Blair, 1959).

The Council of Europe meeting included 15 OEEC members: all of the Six and Seven (except Portugal), plus Greece, Ireland and Turkey. The Council was not an economic organisation, but it had a broad mandate to foster peace and unity in Europe and, as the feud among the trading blocs was clearly putting this in danger, the agenda focussed naturally on the Six and Seven imbroglio (CoE, 1959). After heated deliberations in which nothing was said about the Western Summit, the ministers adopted two amendments to a resolution presented by Sweden in the name of the EFTA countries. The first, put forward by France, aimed at involving the US and Canada in discussions of trade, and the second, proposed by Greece and Turkey, called for "concerted European action" and "effective aid" to underdeveloped European and non-European countries. Interestingly, no effort was made to bring aid into an Atlantic perspective as the first amendment did with trade. This sort of double standard on the issues of trade and aid reflected the Eurafrican spirit of the Council of Europe, which saw development aid not as an instrument against communism, but rather as a way to consolidate Europe as a third alternative world power (Hansen & Jonsson, 2015). It

prefigured some of the resistance that Dillon was to face down the road in bringing his aid concept to life.

5.3.7 Confusing the Canadians (14 and 17 December)

While the Council gathered the Europeans, Tuthill briefed the Canadians (DCER, 1959b,). He did a lousy job. Instead of faithfully exposing Dillon's plan he put forward Monnet's and his own version of it. Unwittingly, he managed to convince the Canadians that the US was seeking to create a new Atlantic organisation to deal with trade, aid and maybe other issues, which would inevitably rival the GATT and the World Bank, or even replace them. Canada had been the champion of NATO's Article 2 which called for building an "Atlantic community" beyond the military (see Chapter 4). But it should be careful what it wished for: this version of the cherished Atlantic community threatened to cut Canada off from other producers of raw materials and leave it at the mercy of a coalition of the industrial lobbies of the US and Europe. After receiving the report on Tuthill's brief from the Canadian Embassy in Paris, and alarmed by its content, the foreign ministry in Ottawa demanded more information.

A second report dispatched directly to the Canadian prime minister two days later, instead of correcting its bias, reinforced Tuthill's message: the new organisation proposed by the US State Department "would be expected to replace the OEEC; it is not clear however whether all OEEC countries would be expected to join" (DCER, 1959c). This report was based on added information, including from Anderson, who in a conversation with Canadian Finance Minister, Donald Fleming, had portrayed Dillon as a sort of French puppet. The Canadians saw many flaws in the scheme: it would face opposition from the underdeveloped countries and had a questionable legitimacy that "would be certain to arouse the concern and anxiety of countries not included". Moreover, such an "exclusive" proposal would be a precious gift to the Soviets, who might capitalise on this discontent by "propos[ing] a world economic conference, something they have often suggested in the past" (DCER, 1959c). Though in later briefs the Americans tried to correct the message, the Canadians remained concerned that an exclusive and problematic new Atlantic organisation was in the making.

5.3.8 Anxiety at the OEEC

By late November, OEEC officials were quite pleased with how matters were going. Almost a year after the debacle of the December 1958 ministerial, finally another OEEC ministerial meeting would convene in a few weeks and the Americans had agreed to participate at a high level, represented by Dillon. Deputy Secretary-General John Flint Cahan was not shy in assuming a good deal of the credit: "The Americans have now agreed after six months or so of continuous pressure by the secretary-general and myself, to take a hand in this affair [the issues of the Six and Seven and of the OEEC], and Dillon is going to London on 7 December and will subsequently come to France" (OEEC, 1959, November 26). But as Cahan was writing this optimistic message from Paris, matters were going strangely awry in Washington. OEEC Secretary-General Sergent was lobbying in the US capital and had success with Anderson and other interlocutors, such as senator Jacob K. Javits, but not with Dillon (CDD, 1959, November 30). Sergent then requested a space in Dillon's European schedule but was rebuffed (CDD, 1959, December 1). It all sounded very troubling. Cahan was boasting that he and Sergent were behind Dillon's trip, and yet the Undersecretary seemed prepared to meet everybody to talk, among other issues, about the OEEC and its future, except the OEEC Secretariat.

Finally, probably under pressure from the Treasury, on 12 December Dillon agreed to make room in his agenda for a meeting with a group of high-level OEEC officials – Sergent, Hugh Ellis-Rees (the OEEC chair) and Roger Ockrent (the chair of the OEEC Executive Committee). They tried to win Dillon's support for their latest ideas on the future of the OEEC (FRUS, 1959, December 13a). They hardly mentioned the Six and Seven imbroglio, which the OEEC had fostered, but rather focussed on what they saw as American priorities: the OEEC as the place to deal with the US BoP problems and also the place to deal with development aid. They emphasised that the OEEC "had considerable experience and developed techniques" acquired with its own underdeveloped members. Recognising the political dimension of the aid agenda and as if pre-empting Dillon's possible objections, Ockrent mentioned that NATO "could provide political impulse but not implementation". In this vision, the "OEEC was Article 2 of NATO in operation with neutrals added" (FRUS, 1959, December 13a). The OEEC officials implied that to implement this vision, there was no need for the US to join the organisation, and even less to radically reconstruct it. The current "associated status" coupled with some political will seemed more than

enough. Dillon was not sympathetic and said little: he had been nurturing very different ideas of how to deal with the OEEC and with Western aid. The next day he gave Couve de Murville a grim account of the meeting: "The OEEC is dead. I met the people of the OEEC at their insistence. In half an hour, it was done. They had nothing to say and left. I didn't want to meet them" (DDF, 1959, December 14, p. 727). Dillon was of course exaggerating to please his French interlocutors – and he was careful enough to omit such lines from the US minutes of the meeting (FRUS, 1959, December 13a). Yet Dillon must have scarcely reassured the OEEC secretariat that the rumour that he – a well-known Francophile – was conspiring to liquidate their organisation and create a new one from its ashes was unfounded.

5.3.9 NATO: confusing signals but still aiming to capture the aid agenda

By late 1959 NATO also expected to profit from US public intentions to increase economic engagement with Europe. Fearing that the Soviet economic offensive was gaining the upper hand, NATO Secretary-General Paul-Henri Spaak aimed at transforming the organisation's governing Council into a sort of directorate that would effectively coordinate the broad Western response – a directorate of 15 rather than the "triumvirate" that de Gaulle had been striving for. In his address to a NATO parliamentarians' conference in November 1959 that carried the telling title "Hesitation in the West", Spaak made a plea to "restore order in the economy of the entire free world" by coordinating the Western economies with "intelligent planning" (Spaak, 1959a, p. 21). Though he felt that NATO should have a say in restoring order in all international economic areas (including trade), Spaak focussed on what had been his priority and what seemed then a low-hanging fruit: development aid. However, the NATO Secretariat had learned something from its first failed attempt in 1956 to capture this agenda (see Chapter 4): it now fully recognised that "any attempt to make NATO into an operating agency and countering Soviet economic penetration would have disastrous psychological repercussions in underdeveloped countries; for the same reason even the fact that the subject is discussed at all in NATO should be kept strictly secret" (NATO, 1959, October 8, p. 11). Thus, Spaak decided to team up with Sergent and propose the OEEC as the agency to operationalise NATO's secret decisions on how and where to deliver Western aid (CDD, 1959, November 30a). They had what seemed an attractive proposal that would strengthen ties between the two Paris-based organisations which

already collaborated regularly and were sometimes even looked after by the same diplomatic personnel – as was indeed the case for the US.

But precisely when the odds were looking good for this plan, Dillon was deciding to take a path that ignored both the existing OEEC and NATO. By mid-November, Spaak was also lobbying in Washington but had no more luck with Dillon than Sergent had (CDD, 1959, November 30a). To make matters worse, bad news came from Paris. Commenting on a NATO paper, the US State Department had sent the NATO secretariat a clear message: "We do not think that NATO should formulate a common Western economic policy towards underdeveloped areas. Part IV [of the NATO paper in question] in our opinion, implies the development of such common policy in NATO" (NATO, 1959, November 26, p. 1). Despite these clear signals, Spaak was not deterred and prepared for battle at the upcoming NATO meeting.

5.3.10 NATO ministerial meeting (15-17 December)

The NATO ministerial meeting had been rescheduled to 15-17 December to take place before the Western Summit – with an extra session on 22 December to discuss its results. Its main purpose was to provide a space for the three Western allies of the Second World War (WW2), the US, the UK and France, to consult on four topics that they would discuss later with Khrushchev: disarmament, Germany, East-West relations and "aid to underdeveloped areas".[65] The French saw development aid as an olive branch in East-West relations and a way to cooperate with the Soviets. But Spaak, once again attempting to bring the aid agenda into NATO, tabled a note for discussion that represented aid as a way "to strengthen the position of the free world" – in other words, a mechanism to compete with the USSR (NATO, 1959, December 4). These two visions could in theory coexist: the Western countries could coordinate their aid among themselves while also, as de Gaulle had been proposing, cooperating with the USSR on certain specific aid projects. However, as they were underpinned by opposing principles (cooperation and competition) they were likely to appear as incompatible alternatives, and they did. Reviewing the international situation during the first session of the meeting (15 December), Fatin R. Zorlu, the

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65 The summit with Khrushchev would group the allies that had won WW2, so both West and East Germany would be excluded. Yet, given the agenda, the Western allies had invited the German Federal Chancellor to their own Western summit. This was thus to happen with varying formats of three (the WW2 Western allies) and four (the Western leaders).

Turkish foreign minister, lambasted the French initiative as "extremely dangerous" (NATO, 1959, December 15). He then requested more Western donor cooperation within "the NATO framework". To Spaak's satisfaction, Zorlu's points resonated with a good number of delegates.

After a day dedicated to internal military issues, the meeting on 17 December returned to the East-West agenda to deal, among other things, with the French aid proposal (NATO, 1959, December 17). Spaak encouraged delegates to follow Zorlu's example and evaluate this proposal not on its own merits but in relation to his own project of organising Western aid through NATO to better compete with the Soviets. Belgium, Greece and Turkey backed his views and only Norway, a UN enthusiast, expressed some opposition. Then Giuseppe Pella, the Italian foreign minister and Spaak's close ally, although not chairing the session, took the liberty of presenting the conclusions that had emerged from the discussion: while there was clear opposition to working with the Soviets on development aid, there was a consensus on bringing NATO into the aid agenda, with "close liaison with the OEEC in this field" (NATO, 1959, December 17, p. 38). Spaak endorsed Pella's conclusions: NATO should be the secret political brain, and the OEEC the technical executor of a common Western development aid policy. The latter could not take on both jobs because it included "countries that have a different political position" (i.e., the neutral countries) (NATO, 1959, December 17).

There was, however, no "general agreement" on NATO taking over Western aid as Pella and Spaak were disingenuously claiming. Knowing that in a couple of days the issue was to be decided in a very different way at the Western Summit, the four great powers had avoided the discussion, allowing their "small allies" to build castles in the air. Without their support, the Council could not endorse Spaak's position. At the last moment, US Secretary of State Herter took the floor to acknowledge that the initiative of cooperating with the Soviets had not gathered consensus. Yet he did not support the Spaak-Pella tandem and suggested that it was for the permanent delegates to continue discussing what, if anything, NATO should do about Western aid and other economic issues (NATO, 1959, December 17). Spaak then dropped his idea of settling the issue at this meeting but made sure to include Herter's suggestion in the press communiqué of the meeting.

Spaak had reason to be pleased with the results of the NATO ministerial: the meeting had neutralised the French proposal while furthering his own plan.

Most ministers left convinced that discussions of the Spaak-Pella initiative on Western aid would continue in parallel both at the next OEEC ministerial meeting in January and at the NATO Permanent Council. They were heading for a shock.

5.3.11 Western Summit (19-21 December)

On 18 December, Eisenhower arrived at the port of Toulon in Southern France on the last leg of his goodwill tour (FRUS, 1959, December 18). He had agreed to Dillon's proposal to use the upcoming summit to launch fresh initiatives on trade and especially on aid. Now Herter, who was to be with the president throughout the Western Summit, would try to win his support for the third point of Dillon's 24 November memo: joining the OEEC. Anderson, however, remained opposed. Although he would not participate at the Summit meetings, Anderson was to stay in Paris in close contact with the president. Not surprisingly, being the President's favourite, Secretary Anderson prevailed (Ambrose, 1984, pp. 545-546): Eisenhower kept within the original compromise between State and Treasury to leave the issue of joining the OEEC for later deliberations back in Washington. But if the US did not join the OEEC or create a new organisation, the SEC would be reduced to an intergovernmental talk-shop, which might work for trade but not for what Eisenhower himself wanted on aid.

On 19 December, the summit opened in Paris at the Elysée Palace with a first meeting of the four heads of state: Adenauer, de Gaulle, Eisenhower and Macmillan (DDF, 1959, December 19-21). Echoing the French narrative on multilateral aid, de Gaulle proposed that the West collaborate with the USSR on specific regional projects, for example "an agency to develop the Nile valley" (DDF, 1959, December 19-21, p. 750). Eisenhower and Macmillan agreed, essentially out of courtesy, not to let the summit start on the wrong foot, since they would soon start to question de Gaulle's vision of cooperating with the Soviets. Mimicking developments at the NATO ministerial, Eisenhower took the opportunity to link the conversation with the issue of Western aid.

> Irrespective of the fact that Russians want or not to cooperate with the West, the underdeveloped countries represent to the free world a challenge that must be tackled by mobilising other nations such as Italy and Belgium. [...] we should foresee a functional and territorial repartition [of Western aid] and eventually envisage to use organisations such as the OEEC. (DDF, 1959, 19-21 December, p. 751)

In this first exchange on Dillon's agenda, Eisenhower was putting forward Anderson's position: it was the (old) OEEC, with the US as associated member, that should take care of Western aid. For the moment he avoided mentioning the main target of "burden-sharing" (i.e., Germany) and oddly referred to Belgium, which did not fit with Dillon's vision. De Gaulle, who did not think that Eisenhower's initiative contradicted his own plan of cooperating with the Soviets, agreed "on the need of western countries organising to help the underdeveloped countries and avoid giving the impression that they are competing among themselves in the field" (DDF, 1959, December 19-21, p. 751). In contrast with what had happened at NATO, the initiatives of the West on cooperating or competing with the Soviets on aid were running parallel rather than in opposition to each other.

Discussions were continued in the afternoon, this time with foreign ministers and other staff joining the four leaders. After presenting the results of the morning discussions, de Gaulle invited Eisenhower to give more details on "the organisation of (western) development aid". The US president clarified that "his intention was not to create a new organisation, but to confide this matter to the OEEC, which the USA, Japan and Canada could join for this purpose" (DDF, 1959, December 19-21, p. 764). Probably after consulting with Herter, now present in the room, the US president was now moving from Anderson's position to Dillon's. But he only went halfway, with an awkward formulation that tried to establish Dillon's aid group while keeping within Anderson's restriction of not creating new organisations or joining the OEEC. Dillon did not accept the existing OEEC as the place to deal with western aid because the US had to lead in this agenda and was not a full member. Eisenhower was now proposing that it could become so, although only for this particular issue. Moreover, he wanted the same status for Japan and Canada.[66]

Prime Minister Macmillan then took the liberty of summarising three proposals put forward up to that point (DDF, 1959, December 19-21, p. 764): i) assigning "the OEEC with the inclusion of a number of countries" to deal with the issue of Western aid; ii) mapping Western aid to know who is doing what; iii) cooperating with the USSR on aid. The first point captured Eisenhower's awkward proposal, which fortunately nobody requested to be unpacked. The second was a task needed to underpin Eisenhower's ideas

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66 This was an arrangement that eventually worked for Japan, but that, at least for Dillon, was not on the cards for the US and Canada.

on organising Western aid, which Macmillan insisted should be done by the OEEC. With this apparently innocuous proposal, the UK wanted to ensure that whatever happened with US ideas on Western aid, the OEEC would have a stake in the aid agenda. It was only in this session and in its discussion on aid that the issue of the OEEC came up during the summit.[67] The third point was de Gaulle's initiative to cooperate on aid with the USSR. In a reversal of his earlier openness to the idea, Eisenhower said that he was "not inclined to associate with the Russians from the start on this matter" (DDF, 1959, December 19-21, p. 764). Indeed, not even Macmillan, the champion of appeasement with Khrushchev, supported de Gaulle on this point – although the stubborn General retained his right to suggest it to the Soviet leader himself (de Gaulle, 1970). After Macmillan's impromptu summary, de Gaulle raised a fourth issue – Germany's contribution to Western aid – ironically addressing Adenauer as "my very prosperous friend" (FRUS, 1959n, December 19). The Chancellor replied that Germany was ready to do more but claimed once again that Germany's "effort" already amounted to 1 per cent of its GDP, not far below America's 1.4 per cent (DDF, 1959, December 19-21, p. 764). The leaders would not engage in a technical discussion on this issue which only highlighted again the need to arrive at a consensual definition of aid.

The next day, the summit, now at Rambouillet outside Paris, opened with a meeting of the three leaders who were to encounter Khrushchev: Eisenhower, de Gaulle and Macmillan (Michel Debré, the French prime minister, would join them later). The format recalled the infamous Triumvirate to "rule over the free world" that de Gaulle, in a secret memo, had proposed to create with the US and the UK soon after he took office in September 1958 (Bozo,

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67 A number of events contributed to the myth that the decision to create the OECD was taken at this Summit. Herter's "sanitised" telegram to the State Department reporting on this second session is an important one – as a comparison with the much more detailed French version of the same conversation reveals (FRUS, 1959, December 19; DDF, 1959, December 19-21). The American version, in a consistent way, gives the impression that the talks were not only focussed on aid but on "economic questions" in general, so that when Eisenhower mentioned that the US could join the OEEC, it was not only to deal with aid (as Japan eventually did) but with the broader set of economic issues that the OEEC dealt with. Herter's record does create the impression that, at least in this part of the summit, Eisenhower squarely mentioned the US intention of joining "a new" OEEC. As we know, however, at that point the United States had not taken such decision. Herter had a clear motive to massage the record to make the president look more coherent and aligned with the State Department than he really was at the meeting.

2019). Although *les Anglo-Saxons* had rebuffed and exposed his proposal, on this occasion de Gaulle not only convened the *troika* but suggested that it should meet regularly to discuss "matters of common interest outside and transcending NATO" (Macmillan, 1972, p. 106). Macmillan nodded in favour, although he was astounded to see that Eisenhower, who in his view, "acted more or less on impulse and not on advice", not only agreed, but proposed a mechanism to put de Gaulle's idea into practice (Macmillan, 1972, p. 106). The President suggested a "tripartite machinery to operate on a clandestine basis" composed of one or two men from each country to meet regularly in London (FRUS, 1959, December 20); a sort of watered-down version of the derided triumvirate. After this bold start, the leaders turned to the standard issues of the East-West agenda (Germany, Berlin, Khrushchev's character and "real intentions") before landing, once again, on development aid. Debré pointed out that the Soviets had a "subversive" plan to take advantage of the decolonisation of Africa and that many African leaders were poised to fall into their trap (DDF, 1959, December 19-21, p. 767). He then moved to Western aid claiming that it was paramount for the US, France and the UK, to come up with a strategy to counteract the Soviets, while at the same time avoiding competing among themselves as donors. De Gaulle joined in with a clear stark statement on Francophone Africa:

> There is no disaccord in principle between France and the United States on the point that these peoples had to take their destinies in their own hands. But there are financial, cultural and economic links between them and France. It is in their interest and that of France to not break those links. All these countries are in need of the aid that Paris offers them. All the same, the Americans think that they will replace France in these regions. It is a mistake. Such a replacement would not last long and, if the Western countries that have strong ties with these or other African peoples witness the break of such links, it will be all Africa that at the end of the day risks to slide into communism. (DDF, 1959, December 19-21, p. 768)

To this bold statement, Eisenhower retorted: "the United States have enough engagements in other places {not} to want to compete with France in Africa". But de Gaulle remained unconvinced: "The Americans do it because they think there is a void in Africa". This led to a discussion of several specific cases where the US had moved into "French territory": Tunis, Morocco and Guinea (DDF, 1959, August 19, August 27). Eisenhower said that the US had been "obliged" to do so because France had insufficient resources. De Gaulle accepted that "it was normal for the US to help them, but on condition to do it in agreement with Paris" (DDF, 1959, December 19-21, p. 768).

Macmillan, who had kept silent thus far during this intense debate, joined in to support de Gaulle: the UK, he said, faced similar problems with its colonies that were soon to become independent, such as Nigeria and Kenya. Eisenhower pointed out that when countries became independent, they sought aid from Washington rather than London or Paris. For Macmillan, however, it was "precisely for this reason [that] it [was] important to create a mechanism of trilateral cooperation. A system of reciprocal consultation that will allow us to evaluate the risks of blackmail or of sliding into the East" (DDF, 1959, December 19-21, p. 769). The three leaders agreed that this sort of cooperation to coordinate development aid from a geopolitical perspective should be one of the main tasks of the triumvirate that de Gaulle had proposed at the beginning of the meeting. De Gaulle justified the scheme claiming that the presence in NATO and other multilaterals of "a large number of little countries" had "the effect of perturbing the great nations that have worldwide responsibilities" (DDF, 1959, December 19-21, p. 769).

The troika session, allegedly the most consequential of the summit, was the last to deal with development aid in a comprehensive way. The topic came up again briefly in the afternoon session of 20 December, when de Gaulle again pressured Germany for a greater aid effort. Adenauer pointed to the need for coordination in order "to avoid that all western countries precipitate themselves to aid the same developing country" (DDF, 1959, December 19-21, p. 776). As Germany lacked the "geopolitical responsibilities" of France and the UK, Adenauer saw aid coordination in a more politically neutral way. His conception was closer to the modern concept of "aid harmonisation" enshrined in the OECD Paris Declaration on Aid Effectiveness (2005) and far removed from the triumvirate vision that his interlocutors had endorsed in his absence.

The next day, 21 December, the four leaders endorsed a special communiqué on the economic situation, which underscored the need to take collective measures on Atlantic trade and Western aid (SDB [State Department Bulletin], 1960a). Most importantly, the communiqué endorsed the convening of an "informal meeting to be held in Paris in the near future…to consider the need for and methods of continuing consultations dealing with" aid and trade. The meeting would bring together a group of 13 countries (i.e., the SEC) comprising members of the EEC and members of the OEEC Executive Committee or the OEEC Steering Board of Trade. In keeping with Anderson's red line, the communiqué said nothing about the fate of the OEEC. This meeting was subsequently set for 12 and 13 January 1960.

The western leaders had spoken much about aid. In contrast they gave little attention to the Six and Seven imbroglio – the other substantive theme of Dillon's agenda that had taken the lion's share of his discussions in Europe. The summit was about worldwide East-West geopolitics and aid fitted in a way that the regional European trade feud did not. Moreover, of the four leaders, only Macmillan saw it as a priority – understandably so, since while the US supported the Six, the UK considered itself as the first victim of the formation of the EEC. The few conversations on trade followed the same pattern: Macmillan raising his worries on the pernicious political impact of Europe's division into trading blocks, and the other three leaders striving to reassure him. Thus, they all easily agreed on giving the SEC a mandate to deal with trade and seek a bridge between the blocs.

The Western Summit had been convened to discuss East-West relations. It was expected to also deal with some internal Western issues, but on the sidelines. Thus, the decision to convene a mysterious and exclusive group of 13 countries with a vague and apparently broad mandate to deal with international economic issues, which were relevant to every country in the world, came for many of them as a shock.

5.3.12 NATO ministerial meeting reconvenes (22 December)

The next day, 22 December, the NATO ministerial meeting reconvened for a last session (NATO, 1959, December 22). Couve de Murville assumed the thankless task of briefing his colleagues on the outcome of the Western Summit as regards both: the East-West political and the Western economic agendas. He made a lousy job of it. On the political agenda, his briefing reinforced the small NATO members' feeling, based on the text of the NATO Political Communiqué, that consultations at the first leg of their ministerial had been a farce (which was basically true). It also created a suspicion (again, partly true), that the summit had endorsed the creation of a directorate, *à la* "de Gaulle" which together with the Soviets, would "rule the world" without accounting to anybody. As a result, a group of NATO small members, backed by Spaak and including Belgium, Canada, Greece, Italy, the Netherlands and Turkey, literally rebelled against the four Western powers (FRUS, 1959, December 26).

The discontent over the East-West political agenda had a "mixed impact" on the way that NATO delegates received the unexpected summit communiqué on economic matters (FRUS, 1959, December 26). On the one hand, the

utmost danger of a "directorate" absorbed their attention and anger. On the other, the way that the Great Powers had handled the economic agenda seemed only to reinforce the sense that NATO Article 2 and its call for "wide consultations" among members was a dead letter: why had the Western powers not even informed them that the Summit was set to take action on this second economic agenda? Regardless of the flawed process, however, small NATO members were open to an initiative that might finally solve the Six and Seven trade feud. Matters were different with development aid. The subject had been widely discussed in NATO where there had been strong support for two positions: first, for eschewing cooperation with the Soviets and, second, for empowering NATO (in tandem with the OEEC) to coordinate Western aid. Regarding the first point, Couve de Murville put forward once again the French approach: "we should try to find some means to escape the confrontation between the East and the West" (FRUS, 1959, December 26, p. 4). He was not only blatantly ignoring the opinion of most small NATO members, but also giving the wrong impression that the other great powers had agreed with such an approach – as he was talking on behalf of all four of them. Couve de Murville said nothing regarding the role of NATO on aid, yet the summit communiqué itself suggested that the Great Powers had all along had a different proposal on which they had not consulted with the other members of the Alliance. Nevertheless, although Spaak and Minister Pella were truly dismayed, as development aid was not a crucial issue for most of the small powers, delegates basically let this grievance pass. What they most reacted to, however, was what they pictured as the bizarre composition of the SEC. It was difficult to understand why it included 13 instead of all 20 OEEC members and associate members. To recall, the 13 were: Belgium, Canada, Denmark, France, Germany, Greece, Italy, the Netherlands, Portugal, Sweden, Switzerland, the UK and the US, leaving out Austria, Ireland, Spain, Turkey, Iceland, Luxembourg and Norway, the latter three also being NATO members. Couve de Murville, of all people, cynically tried to reassure them by claiming that the SEC had a limited mandate and would have no effective power. They were not reassured: the SEC appeared to them as a mysterious body that had come to life with a severe legitimacy deficit that would not be easy to erase (FRUS, 1960, January 11).

At the end of the day, however, convinced or not, the disgruntled ministers had little choice but to surrender to realpolitik and adopt a typical NATO communiqué that brushed all these problems under the carpet and "welcomed the constructive decisions" of the Western leaders (SDB, 1960b).

5.3.13 Overcoming Anderson's opposition to US in a revamped OEEC (23-29 December)

Back in Washington, Dillon must have been pleased with the outcome of the summit in Paris, although he still faced major obstacles down the road. First of all, he had to overcome Anderson's opposition to the US joining a revamped OEEC. On 23 December he called Secretary Herter, saying it was time to settle once and for all the issue of joining a reorganised OEEC and asking whether "there has been any further talk of its inclusion in the State of the Union message" (CDD, 1959, December 23). Herter replied that he had made some progress with the US president in Paris but warned: "Anderson still doesn´t want us to join anything". Next, Dillon called Eisenhower speechwriter Malcolm Moos, his close ally at the White House (CDD, 1959, December 23a). Moos assured him that during the goodwill tour he had "spent six hours with the President", who "had bought this thing" (Dillon's Plan), "was very happy with (it) and didn't want everybody trying to rock it around" (CDD, 1959, December 23a).

On 28 December, Dillon again called Moos, who informed him that Anderson was still "dead set against any mention of membership" in the presidential address (CDD, 1959, December 28). Dillon insisted that he needed a clear signal "for negotiation purposes" as he had summoned the ambassadors of the three European Western powers on 31 December to discuss the forthcoming SEC meeting. Moos urged him again to personally "nail it down" with the president (CDD, 1959, December 28). Fortunately, Dillon had a chance to do just that. The following day, 29 December, a group of officials from the Defence and State Departments, together with members of the Presidential Science Advisory Council, were to meet Eisenhower in Augusta, Georgia to discuss disarmament (FRUS, 1959, December 29). Dillon joined in. As a good omen, when the party arrived in Augusta, Eisenhower met them with a sermon on his "new commitment" to development aid:

> The most critical question before us is what the rich countries are going to do with their wealth. The underdeveloped countries need the help we can give and I am convinced that we will go down within a short span of time if we do not give them this help […] If we cannot get a great number of the new countries committed to our side, the UN may soon be stacked against us. (Ambrose,1984, p. 553)

After the discussions, Herter, Dillon and General Andrew Goodpaster, Eisenhower's Staff Secretary, stayed behind to brief the president on his

upcoming trip to Latin America. Again, before getting into the subject, the president came back to his new obsession: "we must get into the State of the Union message something making clear that the wealthy nations must exert great effort to help the less developed nations to advance" (FRUS, 1959, December 29a). Though we lack direct evidence, there is no doubt that the issue of the OEEC was also discussed and that at least for the time being, Dillon and Herter managed to move Eisenhower more clearly to their side. Indeed, later that day, the President spoke on the phone with Anderson and told him that there was no danger for the US in joining a revamped OEEC, which would be a consultative body that would not impinge on US prerogatives.[68] In any case, judging by what he told the Western ambassadors a couple of days later, Dillon left Augusta reassured that he would have the president's full backing in the end.

5.3.14 London and Paris: discussing the role of the SEC and aid (22-31 December)

While Dillon fought Anderson in the US, the British and the French were seeking to define their own positions towards the SEC and to gain their allies' support for them. The domestic infighting in Washington, which had been kept remarkably secret, had muddied the waters. While the British, led by the Treasury and the Board of Trade, sided with Anderson, the French, led by the Foreign Ministry, took Dillon's side. Neither knew for certain who would prevail in the end. Moreover, the Americans had said almost nothing about their aid scheme. There was much confusion. As Herter, once back in the US, told Dillon: "the interesting thing about the atmosphere over there was that the British thought it was all a French plot and the French thought it was all a British plot" (CDD, 1959, December 23).

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68   This phone call, retrieved from Eisenhower's papers, is registered by Burton Kaufman, who quotes the President telling Anderson that in the revamped OEEC, "each country would have to determine for itself its policies and intentions so that he will not be duplicating or competing" (Kaufman, 1984, p. 187). Kaufman argues that Anderson was reluctant to join the OEEC due to his unwillingness to assume directives that the OEEC had taken in relation to trade and capital movements. As we shall see, the US was indeed not willing to assume any decisions taken by the OEEC – as Spain that had just joined had to do – and Dillon was clear on this point. Rather, as we have said, on top of budgetary considerations, Anderson was mostly unwilling to lose any of his own prerogatives to a new multilateral body.

On 20 December, as the summit closed, Prime Minister Macmillan noted in his diary: "There was left a certain doubt as to how far these talks [on economic policies] would be within OEEC. But we got substantially what London wanted" (Macmillan, 1972, p. 108). He did not perceive any lingering danger for the OEEC. On the contrary, he thought the summit had endorsed it. Further, he was not even sure whether the SEC was to be considered an OEEC body or not. Two days later, Stewart Crawford, the alternate British representative to the OEEC, briefed his EFTA colleagues on the same lines (SWISS, 1959b). First, he assured them that the US was not in a position to join the OEEC in an electoral year. Nonetheless – he explained – the US wanted to tackle the aid and trade issues from a position of equality, thus the need for the SEC where it would be a full member and not only an associate one as was the case in the OEEC. Agostino Soldati, the Swiss Ambassador to the OEEC, interpreted Crawford's words as a clear indication that – at least for Dillon and the British – the SEC "would not supplant the OEEC and become the embryo of a new Atlantic organisation" (SWISS, 1959b). Moreover, Crawford assured his colleagues that the SEC would report its decisions to the OEEC ministerial meeting, implying that it would be subordinated to the OEEC. Yet all this, Crawford warned, did not mean that the French had given up on their designs to undermine the OEEC. Though there was no immediate danger, it was necessary "to remain vigilant" (SWISS, 1959b).

The French had a very different interpretation of the Western Summit and the function of the SEC. They took for granted that, whatever the wording of the communiqué, Dillon would prevail in the end and the US would soon join a revamped OEEC. On 23 December, Couve de Murville sent a telegram to the key French ambassadors in the Western world, confiding to them "for their personal information", that it was "implicitly admitted" that if the OEEC were to survive at all, "it will have to be radically transformed in terms of its name, its structure and its personnel" (DDF, 1959, December 23, pp. 790-91). The SEC would launch the reorganisation of the OEEC. Yet it was to be a sovereign intergovernmental body that would not report to the OEEC. To support his case, Couve de Murville referred to the telegram in which he had informed the ambassadors of the deal he had reached with Dillon at their 13 December meeting in Paris. In other words, Couve de Murville was suggesting, that contrary to appearances, the deal with the Americans was on (DDF, 1959, December 23, pp. 790-91).

Although the French and British were at odds on trade and the future of the OEEC, they were much closer on aid. At the summit with Eisenhower, Macmillan and de Gaulle had teamed up to complain that the US was using development aid to encroach on their spheres of influence in the Third World. They agreed to create an instrument for pressuring the laggards – especially Germany – to give more aid. But they worried that the US would try to go a step further into "burden sharing" and from there, in Spaak's terms, to dominate the new system and use it as a geopolitical tool to coordinate Western aid. In any case, the Americans had said little on their aid initiative, and while the French waited for them to flesh out their ideas, the British tried to guess at the US positions and to prepare proper responses (TNA [The National Archives of the UK], 1959a).

This job fell to Sir Denis Rickett, a senior official from the British Treasury and its representative to the World Bank. In a perceptive memo he wrote in late December, with his apolitical Treasury hat on, Rickett argued that one possibility was that the "new Western Forum" (i.e., the SEC) would give rise to an operational body, a sort of "Atlantic Fund for aid to the underdeveloped countries" (TNA, 1960, January 1). At the other extreme, another possibility was that it would give way to a consultative body, which on the basis of mapping and exchanging information on Western aid, would prepare exercises of "confrontation" (i.e., peer reviews as then carried out by the OEEC) that could serve to "put pressure on the laggard countries, particularly Germany" to give more aid. Finally, the Atlantic group could also deal with a third type of task: generating norms, definitions and best practices to regulate Western aid in order to increase efficiency and avoid disloyal competition among Western donors. He did not say so explicitly but gave two concrete examples that pointed to this latter function: the issue of tied aid (the US policy of tying the loans of its Development Loan Fund [DLF] to help bring down the BoP deficit was seriously affecting British exports) and the issue of the terms of development loans (tying long-term loans, as the US did, blurred the difference between aid and commercial loans).

Rickett considered that these three types of jobs were relevant (TNA, 1960, January 1). But was a "new body" really needed to do them – as the US was arguing? If it worked as an agency, the new body would enter into ruinous competition with the World Bank; it could try going into the business of creating norms and best practices, but again, the World Bank, with its expertise and the possibility of generating exclusive spaces for donors to

discuss issues such as tied aid, was already well suited for this. Only if the new group engaged in generating data and organising mapping and confrontation exercises would there be no overlap with the functions of the Bank; although Rickett implied that the Bank or the OEEC could also do this. In conclusion, the leading British expert on development finance saw no need of another Western-dominated aid organisation, and if one had to be created, Rickett wanted the Bank to be invited into the scheme and take a leading role.

Finally, mirroring the French opinion when drafting the summit communiqué, Rickett could not understand how the SEC was fit to tackle the aid agenda. As Dillon had told Heathcoat-Amory, the idea was to create a donors' club (FRUS, 1959, December 9). But if so, not all relevant donors were included in the SEC (Japan was lacking, for example) while – as another British memo highlighted – Greece, an aid recipient, was (TNA, 1959a). It was clear that the SEC, by composition, was geared to deal with the Six and Seven imbroglio. But then why give it another task for which it was clearly unsuited? The British awaited with some apprehension more details on Dillon's aid club.

5.3.15 US shows its cards: Dillon's meeting with ambassadors of the three Western powers (31 December 1959)

After meeting Eisenhower in Augusta, Dillon, back at work in Washington, was reassured that matters were going his way. On 31 December, he asked Eric Hager, the new legal advisor at the State Department, to consider the legal implications of full membership in a "new organisation to succeed the OEEC" (CDD, 1959, December 31). Tentatively labelled the Organisation for Economic Cooperation (OEC), the new body would be open to all members and associated members of the OEEC plus the EEC and Japan (though the latter "on an associate basis" to discuss aid matters only) and would be basically a "consultative and recommendatory" body. It would keep only a few regional "operational activities" that the OEEC still had (i.e., on monetary and nuclear power matters) in which the US would not participate. An exception would be the technical assistance programmes for underdeveloped members which it would be happy to join. Further, Dillon told Hager that the State Department was having second thoughts on the OEC's attributions on trade (CDD, 1959, December 31). It vacillated between giving it a diminished trade role and leaving trade out altogether.

This vision of an organisation with two tracks, one consultative and another with operational powers, was to be coupled with a governance structure that gave the US maximum power. The US would have permanent membership in a small "Executive body" *(*as proposed by Monnet) that would guide a Council in which all members were represented. This vision was geared to accommodate expected objections from several quarters: the US Congress and Treasury, both eager to protect their constitutional powers; the small European countries, which valued the OEEC and the underdeveloped OEEC members, worried about losing their "privileged" status. The idea of reducing or eliminating the OEC mandate on trade, however, would go well with France and Canada, but badly with most of the rest, including some EEC members. It would remain a contested issue to the end.

Later that day, Dillon received the ambassadors of France, Hervé Alphand, and Germany, Wilhelm G. Grewe, along with Samuel Hood, the British Chargé d'affaires, to brief them on his vision of the SEC. He expected the convening powers to arrive in Paris "with their views as coordinated as possible" (TNA, 1959b; DDF, 1959, December 31). To start with, Dillon had a new key message to convey: the US wanted the SEC to deal not only with trade and aid but also with the future of the OEEC. The summit communiqué had not mentioned this, but the SEC's vague mandate left open a window that the US would exploit to argue that it had. However, Dillon stopped short of announcing that the US would in fact join the OEEC. In his view, the process should run as follows: the SEC should nominate a small committee of "three or at the most four wise men" to produce "a study of possible reorganisation of the OEEC" (TNA, 1959b). The wise men, representing the US, EFTA, the EEC and other OEEC members, would produce a "draft charter" for the new organisation. If, after consulting "all interested parties", they failed to arrive at an acceptable conclusion, "it would be necessary to think again" (TNA, 1959b). Eisenhower, it seems, had given Dillon the green light to launch a process but not to prescribe its outcome. This implied a major victory over the Treasury, but also suggested that Anderson was still not completely done with.

In outlining how the new OEC would operate and which themes it would tackle, Dillon closely followed the script of the memo he had just sent to Hager, with one major exception: to avoid upsetting the British, he judiciously kept to himself his doubts on the convenience of the OEC dealing with trade. Now assuming that the new OEC was to be a reality, the SEC came out not as the mysterious, stand-alone body that some feared, but

an interim body set up to work until the OEC was ready. This would take at least 18 months, during which time the SEC and the OEEC would co-exist. Dillon expected the SEC to have "periodic meetings" in "consultation with other interested governments" to discuss trade (DDF, 1959, December 31). On aid, however, he had another surprise: as the composition of the SEC was not fit to deal with the matter, it would appoint a "sub-committee of seven or eight members" of actual and prospective suppliers of aid, presented as loans for development (TNA, 1959b). He said little, however, on this group's prospective functions.

Hood stayed after the meeting and tried to elicit more information on the subject of aid from Leddy, who was evasive and said little on the rationale of the scheme. Nonetheless he gave out more information on expected membership: in addition to the Big Four (France, Germany, UK and US), Japan should "associate with the group", while Italy and Canada should join, and "maybe some others" (TNA, 1959d). Leddy thus gave away Dillon's ideal composition of eight members. To avoid getting bogged down in discussions over their aid initiative, the Americans were still following their strategy of giving slim details about it. The priority for now was to ensure that the SEC would acquiesce in the formation of a development group with the right composition as part of a package, and then let this group later decide what it should actually do.[69]

5.3.16 British and French reactions to Dillon's announcement (1-10 January 1960)

The summit communiqué suggested that Anderson had prevailed, but Dillon was now officially telling the Western ambassadors a different story. The British were shocked, and the French reassured. Hood reported to London that the US was launching a formal process to see if they should join the OEEC but had still not decided to do so. Nonetheless, full US membership now seemed the most likely scenario, so the British began to prepare for it. In contrast, in his report to Paris, Ambassador Alphand failed to convey Dillon's hesitation and took his brief as a confirmation of what Couve de Murville had told him days before: the Dillon-French plan was indeed on track (DDF, 1959, December 31).

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69 Apparently to avoid upsetting the German Ambassador, Dillon did not mention the main explicit driver of the agenda: boosting the aid of the European laggards.

As both Britain and France now assumed that the US would join the OEEC, the battle between them shifted to the process and the outcome. Their motivations and basic objective were the same as they had been at the beginning of our story: the British wanted to preserve the old OEEC, not least as a forum to construct a UK-led Europe, while the French aimed at transforming it radically, to ensure it would not undermine the consolidation of the EEC. They just adapted their tactics to the new scenario. The French continued to insist that the OEEC reorganisation "should not take place within but outside the OEEC" (DDF, 1960a, p. 14). The British, on the contrary, considered that any reorganisation should be carried out with the consent and guidance of the OEEC ministerial council (TNA, 1960, January 7). In the new scenario, the SEC was to be a transitory body and coexist with the OEEC for at least 18 months. Although Dillon had said nothing about how the two bodies would relate to each other, the British expected the OEEC to continue to operate normally and sought to protect it by making the SEC dependent on its services (giving it, for example, as Macmillan had suggested at the summit, the task of mapping Western aid). France, however, wanted the OEEC secretariat to be kept at arm's length from the SEC.

Moving to substance, the British argued, in keeping with the summit proposal, that the SEC should focus on building a bridge between the Six and the Seven and that the new OEC should keep its broad mandate on trade (TNA, 1960, January 7). The French, in contrast, were radicalising their position on trade to ensure that the "American initiative" would "make the whole affair of the great (European) free trade zone area get lost in the sands" as Couve de Murville put it (DDF 1960a, p. 13). On 5 January, Couve de Murville sent Dillon a message suggesting that the SEC should focus on broader issues rather than on the Six and Seven feud and in so far as it took on the latter, it should look at "other initiatives" on the table such as the "Contact Commission" proposed by the EEC[70] (DDF, 1960b). Later, Couve de Murville suggested removing trade from the new organisation's portfolio

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70   In late November at an EEC ministerial, the EEC Commission proposed the creation of a "contact commission" between the Six and the Seven to deal with "practical issues" that were bound to emerge in the trade among the countries of the two blocs. It was meant to have a limited technical mandate. The SEC, in contrast, was meant to deal with an overarching macro bridge between the blocs. The EFTA countries saw the Contact Commission as a diversion, which Couve de Murville was bringing onto the SEC agenda to muddy the waters.

altogether. At the same time, knowing that France's EEC allies were in many respects fond of the old OEEC, Couve de Murville complemented this destructive stance in relation to trade, with a more moderate one regarding the shape of the new OEC as a whole. Like the British, he would also support Dillon's two-track vision of the future organisation, meant to keep some of its European regional activities alive (DDF, 1960a, p. 14).

London and Paris reacted more in tandem to Dillon's plans on aid. The British were relieved to hear that the US was thinking of a "donor club to discuss aid". This, to Rickett's relief, seemed to rule out the creation of an "Atlantic Fund". They were also satisfied that Greece, a developing country, was out of the picture. Both the British and the French agreed with Dillon's basic proposal that there was neither the time nor the proper conditions to begin negotiations on the objectives and activities of the aid subgroup. Dealing with trade and the fate of the OEEC was already a tough job. Yet both were suspicious of the composition of the aid group that Dillon was suggesting. Their fears seemed to be materialising: the criteria for membership (neither robust nor clear) seemed skewed to produce a group geared to achieve American Cold War objectives. Dillon wanted for now to get his club approved with the right composition. The British and French would try, for now, to discreetly subvert it.

The British agreed to a donors-only subcommittee but did not want "to limit it to eight members only" (TNA, 1960, January 7). A Western donors' club should also include "donors or potential donors from other parts of the world" (TNA, 1960, January 7, p. 3). Thus, while they initially approved the American proposal to bring Japan into the picture strictly for aid issues, they wanted this status to be extended to their Commonwealth allies Australia and New Zealand. The Australians, alarmed by rumours that a new transatlantic trade organisation was in the making, had already approached both the US and the British demanding to be allowed into the SEC, at least with "observer status", but the Americans had rejected the idea (TNA, 1960, January 14a). The British now offered Australia and New Zealand membership in the aid subcommittee (TNA, 1960, January 19, January 23). Australia was interested in trade but did not see itself as a donor country. New Zealand also declined. When their attempts to expand the subcommittee failed, the British reversed their position on the inclusion of Japan, which would only reinforce the US position on aid and bring trouble into the trade agenda, as the British doubted the Japanese could be invited into one agenda but not to the other (TNA, 1960, January 8, January 21).

The French also tried to compromise the US aid proposal. On 5 January, Couve de Murville told Dillon that Switzerland and Sweden should also participate in the aid group (DDF, 1960b, p. 18). He made no effort to justify the choice of these two neutral countries, but the message was clear: their presence would help to de-politicise the aid subcommittee. It seems that the Quai d'Orsay made no effort to contact Sweden or Switzerland, which would have most probably rejected such an invitation. Nonetheless, Couve de Murville tried to spread the rumour that they were among the countries "that had been named" to integrate the aid club (DDF, 1960c). It was probably also not a coincidence that on 4 January, *Le Monde* came out with a note echoing a recent article by Ludwig Erhard, the powerful German deputy chancellor and economy minister, which had warned against the West manipulating aid for economic or political gains (Ne cherchons pas, 1960). As we have seen, the Germans and Erhard in particular, had been arguing for "apolitical coordination" of Western aid, which suited the French just fine.

5.3.17 Apprehension in the multilateral world (22 December 1959-7 January 1960)

The Western Summit had been convened to deal with East-West relations. The unexpected communiqué on economic issues and the developments that followed took the world by surprise. Eric Wyndham White, the Executive Secretary of the GATT, Spaak, the NATO chief and Eugene Black, President of the World Bank, all worried that the new organisation would encroach on their territory. The UN secretariat also voiced much concern.

No multilateral organisation, however, was as apprehensive over what was going on as the OEEC itself. As we saw, even before the Western Summit, Dillon's opaque behaviour had been a bad omen. Then the communiqué sent a troubling message: it summoned an exclusive group of OEEC members (i.e., the SEC) to meet on the sidelines of the OEEC ministerial meeting, not only to discuss the European trade imbroglio with the North Americans – as the French would not do so at the OEEC – but to also deal with "aid for development" and probably other economic issues. Moreover, there was no hint as to how the SEC would relate to the OEEC. Nevertheless, the communiqué said nothing about the fate of the OEEC itself, which somehow the secretariat found reassuring. On Christmas Eve, Deputy Secretary-General Cahan captured this cautious optimism in a note on the "OEEC in 1960". Although he expressed doubts about the SEC with its "ill-defined

constitution, no clear powers and very little in the way of a mandate", he felt confident that "if we are mentally alert and agile, we can take advantage of the opportunities that will undoubtedly be offered to us early in the New Year" (OEEC, 1959b).

The New Year brought new surprises, though not by any means those that Cahan had expected. News of the meeting between Dillon and the ambassadors spread rapidly among Washington's diplomatic community and soon reached OEEC headquarters: the SEC was to deal not only with trade and aid but also with the future of the OEEC. The worst-case scenario – the destruction of the OEEC – seemed back on the table. Francis Black, an official at the OEEC mission in Washington, did his best to warn the Secretariat in Paris about what was brewing (OEEC, 1960, January 8). The picture he painted was alarming: the US was to join the OEEC, which would be rebuilt from scratch "along the lines inspired by Monnet". Moreover, the US wanted to entrust aid to a "small subgroup of capital exporters", which would likely foil Sergent's attempts to gain the Western aid agenda (with or without NATO) for the OEEC. On trade, Black reported that the SEC would deal not only with the Six and Seven imbroglio but also with other unspecified themes, which might overlap with the issues that the Secretariat planned to address in the coming year. In short, Black warned, the SEC meeting was set to hollow out the forthcoming OEEC ministerial meeting, which ironically had been expected to mark the revitalisation of the organisation. In this dire scenario there was, however, one comforting message: the British had assured him that "agreement to the agenda suggested by the US in no way implied acceptance of whatever proposals the US may advance". Indeed, the UK and EFTA countries (most prominently Sweden and Switzerland) were determined to "defend the OEEC" (OEEC, 1960, January 8).

Alarmed by Black's memos, Sergent began to fight for his vision and his own position. In a 6 January memo entitled "the new OEEC", he asked his closest collaborators to envision a reformed OEEC Convention and/or a new one, which complied with three principles: (i) the French should not find any trace of the OEEC; (ii) the Americans should be able to participate in the activities that interested them (i.e. trade and underdeveloped countries) without blocking others; and (iii) "in spite of appearances", the new organisation should resemble as much as possible the old one and should especially avoid the dismissal of staff. "I might be enouncing incompatibilities", he added with dry humour, but the whole point was that the reformed or new convention "should be ratifiable" (OEEC, 1960, January 6). A second task

was to find a new name for the organisation avoiding four words: Atlantic, Europe, Free and Trade. Sergent was following the "Gattopardo" axiom: change everything so that everything can stay the same; or as he put it, if the "habit makes the monk, let's concentrate on the habit" (OEEC, 1960, January 6).

5.3.18 Apprehension in the bilateral world (22 December 1959-7 January 1960)

Aware of the confusion they had created, the Western convening powers had to brief their allies and explain to third countries what the SEC was supposed to be about. A natural division of labour among them ensued, drawn informally on geopolitical lines. At their meeting in Washington, Dillon told the European ambassadors that "neither the South Americans nor Japan seemed to have worries on the Paris meeting" (DDF, 1959, December 31, p. 810). He was being too optimistic since both would soon express concerns. Dillon also said that "the Australians and New Zealanders have manifested themselves but seemed happy to stay informed". Again, he was being disingenuous, since as we saw they had both wanted to join the trade discussions but had been refused.

France, with the support of Germany, was expected to deal with the members of the EEC, while the UK took care of EFTA. The point for both was less to brief their allies than to win them over to their respective positions for the coming battles in Paris. The British had no problem with this: the EFTA members were all behind the idea of "protecting the OEEC" and of creating a bridge between the Six and Seven. If anything, the British faced the challenge of containing the belligerency of some of their EFTA allies, especially Switzerland and Sweden, which had good reasons to worry about where the story that had begun with Dillon's trip to Europe would lead. As neutrals, they feared the political implications of an Atlantic institutional arrangement that would likely be perceived as the civilian arm of NATO. Moreover, as small countries with limited institutional capacity, they valued the recommendations and analyses of the OEEC and wanted to preserve the organisation as it was as much as possible. Finally, as much of their foreign trade was with EEC countries, they were indeed desperate for a substantial "bridge" between the Six and the Seven.

The Swedes and Swiss, however, were not particularly well-informed – not surprisingly, since the infighting in Washington had made the US position

incoherent and difficult to grasp. Dillon had met them on 12 December in Paris (FRUS, 1959, December 13). They had asked for his help in bringing the EEC countries back to the FTA negotiating table. Not surprisingly, Dillon was evasive and did not commit. Later on, although they were not privy to discussions at NATO, on 22 December Stewart Crawford, the British chargé de affaires in Paris, had briefed them and the other EFTA members on the outcome of the summit with a soothing message: the OEEC was not in danger and the SEC would remain a harmless talk-shop (SWISS, 1959a). At the same time, based on "his own sources", Agostino Soldati, the Swiss permanent representative to the OEEC, on 23 December presented his authorities in Berne with his own analysis of the situation, from which a very different picture emerged. Soldati said the SEC was indeed set to be the embryo of a new Atlantic organisation on the lines conceived by Monnet, which would work closely with NATO (SWISS, 1959b). When in January the news spread that the Americans wanted the SEC to deal also with the future of the OEEC, Berne concluded that Soldati's, rather than Crawford's, analysis was the right one. Confusion similarly reigned in Stockholm. On 7 January, Black informed Sergent from Washington that "the Swiss and Swedes are rather alarmed" at the course that the SEC was taking. "They had originally agreed to be present simply because it promised some opportunity of discussing the Sixes and Sevens, but they now consider that many extraneous subjects have been included" (OEEC, 1960, January 7). In another message the next day, Black stated that "Stockholm today sent a blast to the Embassy here and the Ambassador is in State this afternoon to deliver a protest at the vitiation of the OEEC. [...] The Swiss have indicated their disapproval less formally" (OEEC, 1960, January 8). A stark opposition was forming among the Swedes, the Swiss and the OEEC Secretariat against the US plan, which was seen as set to destroy the OEEC to give way to an exclusive Atlantic organisation (the economic arm of NATO), though at the same time, somewhat contradictorily, devoid of deciding power, "making us all associated members" as Black described it.

Meanwhile, France sought to gain the support of the EEC members. On 7 January, the EEC permanent representatives were to meet in Brussels to discuss the upcoming SEC meeting. George Gorse, the French EEC delegate, was to brief his colleagues on the latest developments in Washington and to lead the discussion (DDF, 1960b). He was expected to win his colleagues over towards French positions, yet none of the EEC allies had the same aversion that France had to the OEEC or towards the concept of a European

Free Trade Area. Couve de Murville, therefore, instructed Gorse to avoid discussing the merits of the OEEC and to portray his arguments as flowing from US positions or EEC proposals, rather than from the views and interests of France. With this shrewd tactic, Gorse seems to have done a decent job (ANF, 1960, January 7). The German delegate supported him completely, and the Benelux countries made few objections. Only the Italian delegate made some really challenging remarks.

Of all Western allies, the Italians were among the most troubled by the whole affair. To start with, they had not been invited to the Western Summit and Dillon had not met them during his European visit. The latter incident should not have been a problem, as Eisenhower began his goodwill tour on 3 December in Rome. The rub was that he had unwillingly misinformed his hosts; adopting Anderson's narrative on how to organise Western aid, the US president agreed with Italian foreign minister Pella that the OEEC was the appropriate framework to deal with the subject (FRUS, 1959, December 5). [71] Pella had been supporting Sergent and Spaak in their efforts to bring the OEEC (with NATO's support) into the Western aid agenda and was clearly happy to have the US on board (CDD, 1959, December 9). "The meeting of the OEEC scheduled for January would provide a helpful opportunity to explore this possibility" he replied (FRUS, 1959, December 5). A few days later, on 7 December, it was Couve de Murville's turn to visit Pella in Rome (DDF, 1959, December 7). He was taken aback by Pella's enthusiasm for the OEEC and the claim that Eisenhower had supported the Italian initiative to empower the OEEC on aid. Couve de Murville said nothing but took note.

A week later, Couve de Murville was agreeing with Dillon in Paris a very different script for the OEEC and for Western aid (FRUS, 1959, December 13). He also agreed to keep the Italians in the loop, but presaging trouble, he preferred to procrastinate and present them with a *fait accompli*.

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71 An Italian delegation had visited Washington in late September 1959. On that occasion Pella presented Eisenhower and Herter with his vision on how to bring the Western aid agenda forwards – the so-called Pella plan (see Chapter 4). Pella wanted "to create regional groupings of countries" with representatives of donors and recipients, a scheme that sounded like the Colombo Plan or the Consortia organised by the World Bank. Eisenhower was sympathetic: these views fitted well with the US intentions to better share the burden of Western aid. Though he did not commit to the Italian proposal, Pella left the White House reassured. A few weeks later, in Rome, he came back to his scheme but now identifying the OEEC as one of the regional organisations he had mentioned in his Washington September meeting.

Pella thus arrived at the December multilateral meetings in Paris not only unaware of what the Americans and the French had in mind, but worse, with the idea that they would support or at least not oppose his own views. At the NATO ministerial, he was the most vocal supporter of linking the aid agenda to the OEEC and to the military alliance (NATO, 1959, December 17). It was only through the summit communiqué of 21 December that Pella found out that the Great Western powers had, from the beginning, a very different plan. He had made a fool of himself.

As might have been expected, the Italians now overreacted: if they had been not only ignored but "coyly misled", it was because there was surely something big to hide; for example, that France was conspiring with the US to undermine the EEC – as they came to seriously fear (FRUS, 1960, January 10). Belatedly, the French tried to tame the Italian fury. On 4 January, the Quai d'Orsay instructed its embassy in Rome to underplay the offence: the special role of the convening powers had come to an end and the SEC, in which the Italians would be full members, was set to take over. Moreover, the French ambassador was to offer the injured Pella the chair of the SEC meeting (ANF, 1960, January 4).

These and other overtures had some effect, but the Italians were still angry. At the 7 January meeting, Attilio Cattani, the Italian permanent representative in Brussels, complained of the lack of transparency of the whole procedure, which in his view, revealed "a grave gap in the functioning of the communitarian instances in a problem of the utmost importance" (ANF, 1960, January 7). Then Cattani moved to aid, an issue that, following the French line on the subject, Gorse had carefully evaded. As we have seen, Italy had been a champion of creating a western home for development aid. Yet now with both the OEEC and NATO seemingly out of the picture, it was shifting its support to the recently created framework for an EEC common aid policy. Cattani encouraged his colleagues to infuse energy into this new area of communitarian work (ANF, 1960, January 7). Furthermore, he warned against "bilateralising" and politicising the aid agenda – although this latter remark conflicted squarely with Italy's position at NATO. In this oblique way, the Italians were expressing their reservations towards Dillon's aid initiative, which they quite correctly understood as a politicised multilateral scheme to boost Western bilateral aid.

5.3.19 Coping with Canada (14 December-11 January)

Canada, the other middle-sized Western power involved in the agenda, also presented problems. On trade, Canada had a peculiar profile: by income per capita it was a developed country, yet, like a typical developing country, it exported almost exclusively commodities. Like the Americans, the Canadians saw with apprehension the rise of trade blocs in Western Europe and wanted the GATT involved in any Atlantic deal; in particular because the GATT included developing countries with which Canada could join forces to defend the cause of commodities. This export profile led the Canadians to make the case – earlier and more forcefully than others – for linking trade and aid. Access to markets on fair or favourable conditions was already aid of sorts, and developing countries needed to export in order to pay back the loans they received as aid (DCER, 1960, January 6). Canada had supported the SUNFED initiative and, in order to keep the aid agenda firmly in the UN, it had resisted the attempts of both the OEEC and NATO to encroach on it. Finally, the Canadians were not particularly worried about the crisis in the OEEC. In short, Canada would not be an easy nut to crack.

In the informal "outreach" agreement among the four convening powers of the SEC, Canada was to be approached by both the UK and the US. Tuthill of the US State Department had already given the Canadians a misleading brief in Paris during the December meetings (DCER, 1959b). Further, it was through the UK that Canada first learned about the US plan that Dillon had disclosed in his meeting with the ambassadors. The Canadians thus received another idea that also turned out to be misleading: the US entrance into the OEEC was not a foregone conclusion but only a possibility. The notion that the US domestic feud was still not resolved led them to conclude that the SEC (with its aid subcommittee) may indeed not be a transitory body, but as Tuthill had told them, an embryo of one or more Atlantic organisations. In this fanciful scenario – written down in a memo by Jack H. Warren, Canada's assistant deputy trade minister – the "Wise Men" were set to "consider the need of a new organisation or organisations in the field of trade and aid" (DCER, 1960, January 6). Canada, however, saw no need for any new organisation on trade or aid and felt that the reorganisation of the OEEC was best left to the OEEC Council itself – as Anderson and the British, with whom they explicitly sided on this, had argued from the start (DCER, 1960, January 5). In Warren's interpretation, the wise men group, at least for the short term, was not needed; the US should call off its (so far private) intention to create it, while letting the SEC and its aid subgroup

work as informal intergovernmental bodies (i.e., talk-shops). If at some point the need to institutionalise them arose, the wise men initiative could then be revived (DCER, 1960, January 6).

Dillon knew that the Canadians had serious concerns and was keen to meet them before the SEC meeting, so he invited them to Washington (Leddy, 1987). Even if they managed to convince the Americans to put aside their wise men initiative, the Canadians needed to define their own position in relation to the "informal" bodies on trade and aid that the SEC would create under the authority of the Western Summit. On trade, the Canadians' main objective was to ensure that the GATT would become a member of the SEC (TNA, 1959d; DCER, 1960, January 6). Dillon himself was warming to the idea of inviting the GATT to participate in the SEC, though not in its inaugural meeting. Regarding aid, however, there were major disagreements. When the British informed the Canadians of the US initiative to create a subgroup of donors, their immediate reaction was that "the subcommittee should include recipient as well as donor countries" (TNA, 1960, January 4). Nonetheless, the British did their best to convince them that "if recipient countries were represented on the subcommittee, it would become unmanageable and might detract from the main objective which, in our view, is to stimulate advanced countries to greater effort" (TNA, 1960, January 4).

Britain's endeavours produced some results. In preparing their meeting with Dillon, the Canadians decided to take a more flexible position. They agreed with the creation of a subgroup of donors, mostly to push the Germans to give more aid, (they themselves were doing enough) but would insist on certain caveats. First, they concurred with the idea that the group should be an informal consultative body focussed on exchanging information rather than supporting concrete aid projects. They further sensed that, however informal, the developing countries would quite probably not welcome such a group, so much explanation on its mandate and purpose would be needed. Moreover, if it were eventually necessary to institutionalise it, then it would "seem desirable to include a qualified representative of the less-developed countries" (DCER, 1960, January 6). Most important, the group should not engage in "burden sharing" or in any type of "coordination" of Western aid. Even if Canada had no visible geopolitical agenda, it had similar reservations to Britain and France on the real purpose of such a group or on what it could easily become: an instrument of (American-led) political coordination of Western aid. Canada would not welcome a restriction on its "freedom of action in this field" and did not want "undesirable pressures to alter the

pattern of (their) aid" (DCER, 1960, January 5a). The Canadians foresaw, for example, that the group might want them to deviate some Canadian aid from their Commonwealth fellow countries to NATO members such as Greece and Turkey. Indeed, Canada had already rejected the idea of NATO taking over the Western aid agenda and suspected that the US aid scheme was trying to bring it back under another format (DCER, 1960, January 5a).

On 6 January, a group of high-level Canadian officials headed by Donald Fleming and Gordon Churchill, the ministers of finance and trade, arrived in Washington to meet with Dillon and Anderson (DCER, 1960, January 8). With Anderson in the room, Dillon could not openly explain that the SEC and the aid subcommittee were meant to be "transitory bodies" that would eventually dissolve into a revamped OEEC with full membership of the US (and hopefully Canada). Nevertheless, he did his best to convince his guests that these bodies were necessary and that they would not evolve into distinctive Atlantic organisations as the Canadians feared. The latter focussed the discussion on trade and the GATT, their main concerns. Dillon explained that the GATT was not geared to deal with "the Six and Seven problem". Therefore, an informal body like the SEC was needed but this would not put the GATT in danger. As a goodwill gesture, he said that the US would "re-examine" the idea of including the GATT in the SEC meetings. This concession seemed partially to work, because when the discussion turned to aid, judging by their talking points and preparatory memos, the Canadians took a softer position than they originally intended. Although Fleming "doubted whether any group selected among the capital lending countries could produce any valuable results" and warned that it would be "almost impossible to devise any common yardstick for assessing aid contributions", he still conceded that the group might be useful as a forum to "exchange information". At this point, the meeting paused for lunch, and Fleming had a private meal with Anderson. When he returned, he reverted to the radical tone of the Canadian talking points: he hardened his opposition to "a new permanent organisation for either trade or aid", rejected the US initiative of the wise men group and argued that if the OEEC needed to reform, this "could be done by the OEEC itself" (DCER, 1960, January 8). Anderson had probably encouraged his Canadian colleague to stick to his guns and reject Dillon's plan: the feud between the Treasury and the State Department – he must have told him – had not been decided and the US president himself would very soon confirm this.

5.3.20 The Presidential address: muddying the waters (7 January 1960)

Eisenhower was to give his annual State of the Union speech the next day, 7 January (Eisenhower, 1960). In his 24 November memo, Dillon had proposed that Eisenhower use this speech to announce unilaterally his three-thronged plan on aid, trade and the remaking of the OEEC. Instead, the Western Summit, a much more legitimate group, had assumed this role, but due to Anderson's resistance, its message had been ambiguous and had created much confusion. Now, with only five days before the opening of the SEC, it seemed likely that the president would clarify the US position.

Eisenhower dedicated a good part of his speech to international affairs and a full fifth of it to development, his new passion. He insisted that development aid was geopolitically crucial as decolonisation forged ahead. But as the US now faced an unsustainable BoP deficit while its allies had reconstructed successfully, a collective effort of the western "industrial countries" to share the aid burden was in order. When he arrived at the crucial issue of the machinery for coordinating aid, however, the speech lost punch. Eisenhower recognised the need for a "meeting ground [...] for those nations which are prepared to assist in the development effort". Yet he said nothing specific on this "meeting ground" and came up with a disappointingly modest initiative: "Because of its wealth of experience the Organisation for European Economic Cooperation could help with initial studies. The goal is to enlist all available economic resources in the industrialised Free World, especially private investment capital". This was almost word for word the proposal that the British had been urging as a way to endorse Sergent's efforts to capture the aid agenda for the old OEEC. Eisenhower did not refer to the forthcoming SEC meeting, leaving room for speculation on what the US official position would be. Nonetheless, his positive reference to the existing OEEC seemed to suggest that Anderson had prevailed in the end.

5.3.21 The reception of Eisenhower's message (8-9 January)

Dillon had said one thing in confidence to the ambassadors on 31 December. A week later, Eisenhower was publicly saying something quite different. This cacophony muddied the waters and confused the situation further. A day after the State of the Union address, the OEEC Council had its first meeting of the year (OEEC, 1960, January 18). Following its odd practice, the

Council again avoided discussing head-on the forthcoming SEC meeting and its relation to the OEEC ministerial. At the same time the agenda included a final item in which John McCarthy, Director of the Office of Economic Affairs at the US Mission to the OEEC and NATO, was to comment on the State of the Union message that Eisenhower had given a day before. McCarthy read aloud the excerpt quoted above where the president referred to the OEEC. He then commented that it was "significant both from the angle of timing in relation to the forthcoming meetings and from the angle of substance in that (the Presidential discourse) showed the high regard that the United States authorities placed on the value of the OEEC" (OEEC, 1960, January 18). McCarthy's intervention was noted but no further discussion ensued. It must have been hard for OEEC ambassadors to relate what Eisenhower and McCarthy were saying with the rumours floating around on the position that Dillon, the Francophone, was expected to take at the upcoming SEC.

Others were taken aback by Eisenhower's intriguing statement. The same day as the OEEC meeting, in a telegram from Washington to the OEEC headquarters in Paris, Black wondered how to reconcile Dillon's aid subgroup with Eisenhower's reference to the OEEC "help[ing] with the initial studies" (OEEC, 1960, January 8). Indeed, Eisenhower's apparent endorsement of the OEEC did not fit with the narrative Black was passing on to Paris based on his sources at the State Department. In an article on the presidential address in the *New York Times* ("The US Seeks to Share Foreign Aid Burden"), the reporter E. W. Kenworthy showed similar confusion (Kenworthy, 1960). He concluded that the OEEC was to become the "common meeting ground for the nations prepared to help in the development effort" that the president had called for. The SEC was only a few days away and the presidential address, instead of clarifying the situation, increased the tension and confusion.

5.3.22 Preparing the SEC: accommodating the British (11 January 1960)

During the week of 11 January 1960, Paris was again to host a series of multilateral meetings (Une semaine de diplomatie, 1960). The EFTA and the EEC countries were to meet separately to harmonise their positions for the SEC meeting and the OEEC ministerial. On Sunday 10 January, accompanied by Assistant Treasury Secretary Thomas Graydon Upton and his close assistants, Leddy and Tuthill, Dillon once again left for Paris.

As usual he issued a press release stating the purposes of his trip: the first was to attend the SEC meeting to discuss "possible methods of continuing consultations" on multilateral trade and development aid and the second to represent the US at the OEEC ministerial meeting. He said nothing about revamping the OEEC (SDB, 1960c, p. 139).

On 11 January, joined by Warren Randolph Burgess, US Ambassador to NATO and the OEEC, Dillon visited the UK Embassy. He arrived just as the EFTA delegates were leaving, and Heathcoat-Amory received him with a message he had just been given by his EFTA guests: "the small countries would be horrified if they were omitted from any continuing body or any body to replace the OEEC" (FRUS, 1960, January 11). Switzerland, Sweden and Ireland (not an EFTA member) were particularly alarmed. Though some details are missing as to how and when it actually happened, by the time he was sitting in the British Embassy as head of the US delegation, Dillon had finally overcome the internal opposition from the Treasury. He could now defuse the misunderstandings floating around and explain that his "long range plan was to propose the reorganisation of the OEEC in such a way as to allow the US to participate as a full member" (FRUS, 1960, January 11). As it happens, Eisenhower had given Anderson the somehow petty satisfaction of not mentioning the US intention to join the OEEC in his State of the Union, while siding with Dillon in the end. Such "reorganisation", Dillon went on, would not liquidate the existing OEEC; and the US would not participate in "the purely European operations", which "could continue as at present under the general umbrella of the OEEC" (FRUS, 1960, January 11). In other words, the SEC and its aid group would be transitory bodies that would join a reorganised OEEC, not embryos of new organisations. All this was in line with what Dillon had told the ambassadors on 31 December, but further developments had muddied the waters and Heathcoat-Amory was glad to hear Dillon's message: "I am greatly relieved by our talk; now I can see more daylight" he said (FRUS, 1960, January 11).

The long-range plan was about reorganising the OEEC. The immediate concern for now was the procedural decisions regarding the three bodies that the SEC was meant to put in motion the following day. First, the wise men group to study the reorganisation of the OEEC. The British and the Americans agreed that it should have three members: representatives from the EEC and EFTA and a third for the "others" but reserved in fact for the US. The second was the group on trade. Dillon kept to his proposal to assign the SEC's 13 members for the job, although he acknowledged that "US

views are not entirely settled" (FRUS, 1960, January 11). The British, in contrast, had second thoughts about the SEC as its composition was biased toward the Six. They presented a new proposal to create a group of eight to deal with trade: three each from EFTA and the EEC, one from the US and an extra one for the "other" OEEC members. The two parties agreed to disagree on its composition.

The third issue was aid (and the subgroup that should deal with it) which was both Dillon's and Eisenhower's thematic priority. As he knew the US proposal was controversial, Dillon maintained a low-key approach: "This problem is not as pressing as trade […] the countries who participate should be those that are making or will make a contribution over and above their Bank and IDA contributions" (FRUS, 1960, January 11). Heathcoat-Amory observed: "(Your) formula (makes) it unnecessary for the 13 to specify which countries would participate. (I) hope there (is) a way to get the main creditor countries together without nominating them". Paul Gore-Booth, from the UK foreign ministry, added: "the Turks say they know about aid – being recipients – and therefore should participate" (FRUS, 1960, January 11). The British were hinting that there were problems with Dillon's proposed composition of the aid group, yet decided to focus on the case they most cared about: Japan. If the aid group were to merge into the new OEEC, it would be awkward to have Japan in a "European organisation" (revealing, probably unconsciously, how little Gore-Booth expected the OEEC to change) where it would not be welcomed in trade discussions. Sensing that if he cooperated here he would get full British support for his aid group, Dillon conceded that it was "not necessary to cross this bridge today" (FRUS, 1960, January 11). He would try to do so later.

After revising the agenda, Heathcoat-Amory had a final important and sensitive question: "What would happen if some countries objected to the proposals?" (FRUS, 1960, January 11). Dillon's answer was telling and simple: "Those agreeing could proceed with the understanding that the others could join later if they so desired" (FRUS, 1960, January 11). Though convened by the Western powers, the SEC was an informal group without a clear mandate and of course no rules of operation. Yet the message from the US was clear: its proposals would be discussed and could be modified and adjusted but not discarded or vetoed. It was diplomacy by force. The choice was to join or be left on the sidelines. Heathcoat-Amory did not comment and the meeting ended with both delegations apparently satisfied: the British sensing that the worst case scenario was off and the Americans considering

that they had managed to bring the US' most powerful potential opponent to their side.

5.3.23 The first session of the SEC, 12 January

On the morning of 12 January both EFTA and EEC countries met separately to fine-tune their positions at the coming meetings. At the same time, the US delegation received Joseph Luns, the Dutch foreign minister, one of the few important players with whom Dillon had not met during his European trip (FRUS, 1960, January 12). Though an EEC member, The Netherlands was close to EFTA and the OEEC and could therefore play a mediating role between the Six and the Seven. Moreover, after Italian Foreign Minister Pella declined the chairmanship of the SEC conference, the convening powers agreed to offer it to Luns (DDF, 1960d, p. 28). Dillon briefed him on the US plan, following closely his script with Heathcoat-Amory the previous evening. Luns focussed mainly on one issue: the fate of the old OEEC. Although he acknowledged that the OEEC "was not quite up-to-date" he was opposed to "killing a lame bird even before the egg is hatched" (FRUS, 1960, January 12). Dillon reassured him that there was nothing to worry about.

In the afternoon, the SEC gathered at the old Hotel Majestic, in Paris' 16th arrondissement with ministers from 13 countries (Belgium, Canada, Denmark, France, Germany, Greece, Italy, the Netherlands, Portugal, Sweden, Switzerland, UK and US) plus the Secretary-General of the European Commission (ANF, 1960, 12-13 January).[72] After Couve de Murville opened the meeting, Luns, rapidly elected as chair, passed the floor to Dillon, who began: "I wish to thank you, Mr Chairman and the members of the Special Economic Committee for this opportunity to present the views of the United States regarding the major tasks to which my Government hopes this Committee will address itself" (SDB 1960c, p. 140). Dillon was finally giving an official name to the "13-plus body" that had stirred so much controversy during the past weeks. Though he grounded the initiative in the Western Summit communiqué, he left no doubt that he was speaking only on behalf of the US government. Dillon went on to explain that the Western powers had convened the SEC because there were no existing international

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72   The summary records of the SEC meetings come from the French National Archives presented in French and translated by the author.

institutions, including the OEEC, that could effectively deal with the issues at hand; not only those of trade and aid, which he had mentioned dozens of times, but also a third one that he presented as: "finding the best mechanism for continuing international consultations on major economic problems". By "inventing" this third task, Dillon was shrewdly trying to represent the reconstruction of the OEEC that he was about to announce as also emerging from the communiqué.[73] At the same time, he could not but recognise that the process he was presenting as clear and transparent had in fact generated much anxiety and confusion as well as many false hypotheses:

> We have been aware during the weeks following the communique of December 21 that many countries were uncertain as to what the United States had in mind (…). We have heard, on the one hand, that our objective was to weaken the EFTA, on the other, to weaken the EEC, and finally that we might be desirous of establishing some sort of directorate to make decisions for others. (SDB,1960c, p. 143)

Dillon was now going to explain the real objectives and plans of the US, which in contrast to these wild rumours would seem sensible and reasonable. He began with trade, the issue the Europeans cared most about. Keeping his growing scepticism to himself, he insisted on the need to heal the division in Europe, while respecting GATT rules. In his view, the SEC could do this well. The other issue that most ministers were keen to discuss was that of the fate of the OEEC. Under the umbrella of looking for "machinery" to facilitate long-term cooperation on "major economic issues" (his third task), Dillon argued that the best option was that of "revitalising and broadening the work of the Organisation for European Economic Cooperation through the establishment of a successor organisation in which the United States could become a full member" (SDB, 1960c, p. 141). He then described his plan for a group of three wise men who would report to the 20 governments concerned – not to the SEC 13. The successor organisation would "continue

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73 Dillon expected to eventually base the revamping of the OEEC on the text of the short final paragraph of the communiqué. Now, reckoning that it was not enough as it stood, he misquoted it. That paragraph had given the SEC a mandate for searching "a method of continuing consultations" to deal with "the above-mentioned problems"; that is, the trade imbroglio and development aid. This wording seemed to simply recognise that one round of informal consultations would not be enough to deal with the two issues at hand. Dillon, however, turned this into a mandate for finding a mechanism to deal with "major economic problems", a much more suitable wording to launch the reform of the OEEC – which at the time did not deal with aid to non-member countries yet tackled a much wider set of issues than trade.

to perform certain functions that are purely European in character and in which our participation would not be appropriate" but would also take on new tasks such as "promoting the economic development of the less developed areas" and "assuring stability and growth in the world economy". Notably, he did not mention trade (SDB, 1960c, p. 141).

Moving on to aid, Dillon repeated the by then well-known US narrative: given its new position of wealth (and the US BoP deficit) Western Europe needed to play "an increasing role […] in the provision of development assistance" and should team up with the United States "in this common endeavour which is so vital to the preservation of freedom" (SDB, 1960c, p. 141). Although he began by referring to Western Europe, he rapidly narrowed the concept to its "capital-exporting nations"; that is, those "in a position to make an effective long-term contribution to the flow of funds to the less developed nations" (SDB, 1960c, p. 143). To achieve "better coordination", these capital-exporting nations, should gather temporarily (while the issue of the OEEC was settled) in a "Development Assistance Group" (DAG, a name that stuck) and operate in an informal manner, consulting if needed other "national or international institutions", such as the World Bank and the OEEC. Although Dillon implicitly referred to the Cold War, he tried to dispel the notion that this would involve the sort of (political) coordination that the US allies dreaded: "We do not envisage that the development assistance group should attempt to engage in a 'burden sharing' exercise or seek to reach decisions on amounts of assistance to be provided to specific countries or areas" (SDB, 1960c, p. 144).[74] If any particular subgroup of DAG members wanted to coalesce in order to aid a particular area, they could turn to the "good offices of the World Bank" and initiate a "consortium". Coordination was needed "to discuss the most effective methods of mobilising national resources for development assistance as well as providing such assistance in the most useful manner"; in other words, to encourage greater volumes of aid and to make it more effective. The DAG would be run informally without the need of "any special international staff" but it could make use of initial studies by the OEEC secretariat to map the emerging aid industry – the proposal that Eisenhower had taken from Macmillan. Toward the end of his comments, Dillon made a statement that he would later regret. Neglecting the advice of the British, but probably with the idea of deterring any country that was

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74 In conveying Dillon's statement to their Commonwealth partners, the British delegation underlined the phrase on burden sharing and amounts for specific areas, which they considered very important (TNA, 1960, January 14, p. 2).

not explicitly invited, he named the so-called capital-exporting countries that in his view should made up this group: Canada, France, Germany, Italy, the UK, the US, and the EEC Commission (SDB, 1960c, p. 144). As he had promised Heathcoat-Amory, Dillon did not mention Japan. When he finished, evening had set in, and Luns postponed the discussion until the next day.

5.3.24 The second session of the SEC (13 January)

In its second session on 13 January, the SEC was to discuss and adopt resolutions on Dillon's three points. As expected, Max Petitpierre, the Swiss foreign minister and Gunnar Lange, the Swedish trade minister, led the opposition with support from their EFTA colleagues.[75] They did so in a spirit that Dillon described as one "of jealousy and petty animosity" (FRUS, 1960, October 15). Heathcoat-Amory played the difficult role of pretending to keep his commitments to his EFTA allies, while in fact pushing them towards more moderate positions that Dillon would accept.

As anticipated, the OEEC and the trade dossiers took up most of the meeting. In his speech, Dillon had praised the "good work" of the OEEC and presented his view of a two-track organisation with European functions in which the US would not participate. Yet Petitpierre and Lange seemed unconvinced that the Monnet scenario of "smashing" the OEEC was really off the table. They wanted more reassurance that the OEEC would be preserved. In their view, the US should join the existing OEEC rather than a "successor organisation", which would essentially mean a "new organisation", and the process to accommodate the US (and Canada) into the OEEC should thus be described as a "reinforcement" rather than a "transformation" or even a "reform" (SWISS, 1960; ANF, 1960, January 12-13). As these pro-OEEC sentiments were later supported not only by other EFTA members but also by EEC members (Luns, for example, said that he "would like to preserve the organisation untouched"), Dillon acquiesced in a more OEEC-friendly narrative, avoiding the words "new" or "successor" and mentioning only "organisational arrangements". In truth, how far the new organisation would resemble the old one depended on decisions that would be taken later. But he did not bow to the EFTA countries' demand that the OEEC be allowed to reorganise itself. This was, as we know, a French-American

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75 Petitpierre's first statement in full is reproduced in SWISS (1960).

red line from the start. Couve de Murville, who had judiciously evaded the discussion on the merits of the OEEC, came to the rescue: the US was not a full OEEC member and would only participate in the reorganisation process on an "equal footing" if it took place outside the OEEC (ANF, 1960, January 12-13). Dillon assented, insisting on his proposal of an ad hoc group of 20 (G20) countries, which finally prevailed.

A final issue regarding the reorganisation of the OEEC was the group of three wise men, which in Dillon's agreement with Heathcoat-Amory would include representatives of the US, plus France for the EEC and Britain representing EFTA. Understandably, many small countries did not welcome this formula of "great powers" and proposed to expand it. Petitpierre demanded a fourth slot for the neutrals – to be represented by Austria – to help dissipate the danger of the new OEC becoming the civilian arm of NATO (ANF, 1960, January 12-13). The EEC countries, however, rejected his proposal as it would give the EFTA an extra representative and an advantage over the EEC. Then, Evángelos Avéroff-Tosítsas, the Greek foreign minister, demanded the place for his country, claiming that the *developing countries* should have their voice heard too (ANF, 1960, January 12-13). The matter of this fourth slot was left for the G20 to decide later.

Regarding the trade group, Petitpierre and his EFTA allies demanded that it should have one clear objective: bridging the gap between the Six and the Seven (SWISS, 1960; ANF, 1960, January 12-13). This was not hard to concede: the approved mandate of the group underlined the European trade feud "as a matter of priority" – which implied that it could also take other matters on board. The EFTA allies also sought to limit the group, as Amory had alerted Dillon, to eight or nine countries rather than the contentious thirteen members of the SEC. As Couve de Murville and Dillon had lost interest in bridging the divide between the Six and the Seven and were conscious of the SEC's legitimacy gap, they were in truth ready to compromise on this procedural issue. But Lange, probably misinterpreting the situation, put forward a third option, which ultimately prevailed. He proposed to involve officials of all 20 interested countries (another G20 for trade), a formula that would be more legitimate but also highly impractical. Indeed, to the satisfaction of Couve de Murville and Dillon, it would be unlikely to achieve anything at all. To "satisfy" the Canadians, who in stark contrast with what they had said privately to Dillon a few days earlier were now supporting him on every issue, the GATT was invited to participate as a regular member in the trade group – although as we know Dillon and

Couve de Murville in fact agreed with the idea. Finally, the status of the EEC Commission created some last moment frictions. Dillon and the EEC members argued that it should participate as a full member not only in the groups on trade and aid but also in the G20 in charge of the reconstruction of the OEEC. The EFTA members resisted the inclusion of this new regional group, which, in their view, had no obvious right to participate in these intergovernmental bodies (especially in the G20 that would revamp the OEEC) and which gave an extra voice to EEC members. Under pressure from Dillon and Couve de Murville, however, they ultimately yielded (ANF, 1960, January 12-13).

The final point to resolve was the aid subgroup. In his introductory speech, Petitpierre did not object to its creation but showed no interest in having Switzerland join (SWISS, 13.01.1960). Perceiving correctly that the Americans were particularly keen on this initiative, Lange and Petitpierre attempted to blackmail them, conditioning the creation of the aid subgroup on the resolution of the conflict between the Six and the Seven: Europe needed to put its own house in order before helping the developing countries.[76] This shoddy proposal, however, did not receive further support and was simply ignored, but the incident would not be forgotten (SWISS, 1960; ANF, 1960, January 12-13).

With the exception of France, which avoided the subject, the countries that Dillon had invited to join the aid group – Britain, Canada, Germany and Italy – expressed willingness to do so, though adding their own suggestions. Britain proposed involving the International Bank for Reconstruction and Development (IBRD) in the process and asking the OEEC secretariat to help with needed studies. Canada said that the DAG should be merely consultative and underscored the link between aid and trade: "More than financial assistance, the developing countries prefer to receive a boost for their exports. The developed countries have the obligation to open their markets equitably" (ANF, 1960, January 12-13). Finally, Avéroff-Tosítsas spoke again from the "perspective of a developing country". He warned that the aid initiative "presented some weak and dangerous features" (ANF, 1960, January 12-13). One of them, echoing the Canadians, was that it left aside the question of trade. Another was that such a group was likely to cause

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76 Ironically enough, Petitpierre used the same type of argument that the US (and Britain) had used against the SUNFED, when they said no aid programme was possible until the end of the arms race liberated resources for aid.

suspicion in public opinion: "If the group is to be created, it should tackle its work without adopting formal resolutions that will inevitably give rise to erroneous interpretations in the press". This turned out to be a prescient comment.

When the meeting moved to discuss the resolution on aid, the American proposal was the only one on the table, but an amendment introduced by Germany aimed at broadening the mandate of the group to "other means of assistance" beyond the US focus on long-term loans. Dillon accepted the German amendment and also the replacement of the term "coordination" (of aid) with the weaker phrase "cooperation" (among donor countries). But after he finished speaking, something quite unexpected happened. José Gonçalo Correia de Oliveira, the Portuguese foreign minister, took the floor and demanded full membership for Portugal "due to its African responsibilities" (ANF, 1960, January 12-13). Moreover, he requested that the word "bilateral" be supressed from paragraph 1. This was a terrible blow to Dillon's aid initiative: Portugal was in reality a poor developing country in need of capital itself and at the time, the guiltiest colonial offender of all, as it was not willing to make any concessions to the decolonisation movement in motion. In his position as chair, Luns, trying to help Dillon, pointed out that "the aid given by a country to its overseas territories does not seem to respond to the criteria proposed by the United States" (ANF, 1960, January 12-13). But Correia de Oliveira insisted: "Portugal could give aid to whichever country, if that appeared necessary after a general evaluation of needs and resources". If there were a "burden sharing" exercise, Portugal, a poor country, would come out relatively well in the effort (i.e., the percentage of GDP going to aid) it was making – as the unpublished OEEC study had already shown (see Chapter 4 and OECD, 1957). Dillon found himself in a bind. Although he sympathised with Luns' point, he could not say so openly, because the UK and France would not want their aid to their "colonies", which made up the bulk of their contributions, to be overlooked. Moreover, after all the concessions that EFTA members had made on the other topics, it would be difficult to rebuff one of its members now. Indeed, EFTA colleagues from Britain and Switzerland quickly voiced support for Portugal's motion. Then, quite unexpectedly, Luns in his capacity as the Dutch delegate, changed his position and supported Portugal. Dillon had no choice but to concede: "(we) do not object to Portugal's participation in the works of this group if its government deems it complies with the necessary requirements" (OECD, 1957). Furthermore, he agreed to include Portugal's amendment

to replace the concept "bilateral flows", which implied only international transactions that might not apply to colonies, with flows "in addition to (the) contributions to international organisations". The question now seemed settled, but then Avéroff-Tosítsas chipped in: "Is it really necessary to adopt this resolution at all? The Special Economic Committee has no special competence in the matter. The donor countries could simply coordinate their actions among themselves" (OECD, 1957). He had a point: the small group of willing Western donors did not need the SEC or any multilateral body to organise themselves. Moreover, the SEC seemed destined to wither away after just one session, leaving open the issue of to whom (if anyone) the DAG should report. As his previous intervention revealed, Avéroff-Tosítsas was wary of involving Greece in the emergence of an exclusive donors' club. Dillon saw here a small window of opportunity to call the whole affair off and to rethink the project. He asked whether the delegates had "any observations to make in relation to Avéroff-Tosítsas's intervention". But, as nobody supported the Greek minister's point, the resolution on the DAG was adopted with Portugal as a full member. Dillon might have hoped at that point that he would be able to make the Portuguese retract later. But a final incident complicated this scenario. Jacques Van Offelen, the Belgian Minister of Foreign Trade, took the floor and requested "some time for reflection. We too, due to our African responsibilities, will maybe ask to join the group that is being created" (OECD, 1957). And a few hours later, just as the meeting was closing, the Belgian delegation officially asked to be included in the DAG. The SEC adopted its resolution to create the DAG with these two unwelcome members. With the adoption of this agreement and the two others regarding trade and the revamping of the OEEC, the three problems identified in the State Department's 24 November memo had finally been resolved. After 51 days, Dillon had reached his port.

5.4 Epilogue, aftermath and conclusion

5.4.1 Epilogue

5.4.1.1 The end of the Special Economic Committee

The SEC membership of 13, "an unlucky number", as Finance Minister Fleming described it to the Canadian parliament, had started on the wrong foot and was leaving the scene prematurely and unceremoniously (EABC,

1960, p. 558). As its legitimacy had been contested from the beginning, its members were painfully conscious that they needed to keep the excluded OEEC members properly informed, especially now that the SEC was to deal with the fate of the OEEC. During the 12-13 January meeting, delegates stripped the SEC of each one of its functions. Dillon proposed to give aid to a smaller "subcommittee" and the task of reorganising the OEEC to an ad hoc group of all 20 countries (G20). He still wanted the SEC to deal with trade, but that role was assigned to another future G20 ad hoc trade committee. By the end of the meeting, thus, the only plausible task left for the SEC to do was to supervise the work of the DAG that it had created; yet to retain the infamous SEC only for this job made no sense – as Avéroff-Tosítsas had suggested – and the US, taking advantage of the situation, sponsored a resolution that did not put the DAG under the tutelage of any superior body. Thus, the DAG came to life as a stand-alone body. Nonetheless, the question of its "proper" relations with the G20 and the OEEC, when this became the OECD, would soon come up.

Before closing shop, the SEC had to pass on the baton to the 20 governments before the formal opening of the OEEC Council. The SEC had run late into the night, and the OEEC Council had been originally scheduled for the next day in the morning, so in order to make room for the consultation with the group of 20 governments, Luns proposed to postpone the OEEC Ministerial Council to the afternoon. After the motion was silently adopted, the SEC closed its session at 1.25AM. It would never meet again. [77]

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[77] The infamous SEC and its history began both to be misinterpreted and forgotten as soon as it closed shop. This, at least partly, deliberate process, followed two routes. First, by hiding the SEC behind the G20. Though, as we shall see, the intergovernmental G20 that met immediately afterwards submissively endorsed what the SEC decided, official statements soon began to give the impression that it was the latter, much more legitimate, body which had taken the decisions to create the OECD and the aid and trade groups. Second, by hiding the SEC behind the OEEC. In this second route, the SEC is portrayed as an OEEC body and thus the DAG as an OEEC committee. This "mistake", that persists to this very day, in effect hollows out the history of the origins of the OECD and the DAG, which as we have seen, was to a large measure driven by the obsession of France and the US of *not* allowing the OEEC to reform itself. The "DAC in dates" by former DAC chair Helmut Führer, first published in 1994 is a gem for anyone interested in the history of the DAC. Yet it commits this mistake and has contributed to passing it on (Führer, 1994).

5.4.1.2 The meeting of the 20 governments (morning of 14 January)

At 11a.m. on 14 January, the 13 SEC ministers met with ministers of the other seven excluded OEEC members in a meeting of 20 high government officials plus the EEC at the OEEC headquarters at la Muette in Paris. Heathcoat-Amory, elected chair, began by underlining that the meeting "was not [..] a Council of the OEEC" and that its purpose "was to receive an account of the deliberations of 13 of the governments on the two previous days" (TNA, 1960, January 14a). Luns then presented the results of the SEC and passed the floor to Dillon, who began by apologising: "there was no intention on the part of any of us […] to proceed further without full consultation with all OEEC governments" (SDB, 1960c, p. 145). After deliberating on the need for more cooperation within the free world on aid, trade, and the promotion of economic growth he closed by asserting: "subject to the approval of our Congress, the United States [is] ready to assume active membership in an appropriately reconstituted organisation." In the meantime, he said, the OEEC should "proceed vigorously and creatively with the significant work before it" (SDB, 1960c, p. 145).

Soon afterwards Heathcoat-Amory, in a hurry, proposed that the group approve the resolutions of the SEC, starting with aid (TNA, 1960, January 14a). Yet Zorlu, the outspoken Turkish Foreign Minister, was not ready to do so: even if the objective of the aid group was to increase the amount of foreign assistance, the problem, Zorlu said, "had political implications and the group had made no provisions for consultation with underdeveloped countries". He thus proposed to amend the aid resolution in two senses. First, to include "certain underdeveloped members of the conference" (i.e., G20) if not as "full members", at least as some sort of permanent consultants – he was standing by what Turkish diplomats had said to the British as the latter had informed Dillon. Second, to make the aid group "report to the 20 governments". The great powers were expecting a swift, short G20 meeting, to legitimise the decisions of the SEC and now Zorlu, who had led the revolt at the NATO ministerial, was creating trouble again. Heathcoat-Amory, nuancing his former position, now claimed "that it was not in order for the meeting of 20 to alter resolutions taken by the 13". Dillon nodded. Avéroff-Tosítsas came in to support Zorlu, asserting that the "13 were all present and might well alter their own decision". He seemed however to overlook that the SEC had already decided to publish its resolutions. Indeed, while the "consultation" at the G20 was taking place,

the midday issue of *Le Monde* appeared with the SEC resolutions published verbatim (Les résolutions de la réunion, 1960). Time was running out, and Luns and Pella came in to rescue Dillon's plan: no "formal documents" were really necessary, the DAG should just take Zorlu's points into account, which were in any case to be recorded in the minutes of the meeting. To strengthen his argument and take advantage of the situation, Pella came with his own advice to the DAG: "the group should not consider itself too closely tied to bilateral aid". He hoped that the group would look for formulas by which aid could be accorded multilaterally (TNA, 1960, January 14a). Zorlu, though still worried over "the psychological impact of the resolution", accepted Pella's points "as to form and content". Heathcoat-Amory then declared the aid resolution approved.

After these turbulences, the meeting went smoothly. In contrast with the supposedly "less controversial" aid issue, the G20 endorsed the SEC resolutions on trade and the reconstruction of the OEEC almost without discussion. In truth, the excluded seven had no choice but to take the G20 meeting as a briefing rather than a true consultation and in the end "agreed" with everything that the SEC had decided hours before.[78] They were allowed to make only one real decision: to designate the fourth member of the wise men group. On Zorlu's advice, they backed Avéroff-Tosítsas and chose Greece (TNA, 1960, January 14a).

5.4.1.3 The OEEC Council (afternoon of 14 January)

After a break for lunch, the 20 ministers met again, but now in their capacity as delegates to the OEEC ministerial council meeting (OEEC, 1960, February 3). This time, the OEEC secretariat was present and the US and Canada attended as associated members. After a year of misfortunes, Sergent and his staff had pictured this council as the point of departure for the revival of the OEEC. Yet they had been rudely left out of the two meetings where the fate of their organisation had been decided, and their own "path-breaking" council had been unceremoniously chopped to half a day. They were downhearted (Griffiths, 1997, p. 245). Though rumours of

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78   In another letter to Eisenhower, Dillon said nothing of Zorlu's insurrection and claimed that a cordial mood had prevailed and that "there was general satisfaction that an important forward step had been taken". In his rosy version, "the 20 OEEC governments (had) approved all the recommendations of the committee of 13 without change" (FRUS, 1960, January 15).

a French-American scheme to destroy the OEEC had provoked a vigorous reaction to save it, the organisation could hardly continue with "business as usual" – as Dillon had deceptively suggested. The ministerial meeting was supposed to focus on a vision for the OEEC's work in 1960 and into the new decade ahead (OECD, 1959b). Yet, in its rushed decision to reorganise the OEEC, the SEC had shifted the discussion of the future from the Council to four wise men and an ad hoc group of government officials. The secretariat had continued with its grand vision of having its "path-breaking council" while in a matter of weeks, the circumstances had changed radically. The result was therefore an awkward, unusual and short council meeting.

Looking into the future, the ministerial meeting, also chaired by Heathcoat-Amory, was to discuss three themes: the international economic situation, trade and development aid (OECD, 1960, January 8a). The first stemmed from the work of the new Economic Policy Committee that focussed on the US BoP deficit problem (OECD, 1959a). The American and the German delegations, although representing economies at the two extremes of the BoP spectrum, put forward a statement welcoming an "exchange of views concerning ways of achieving closer harmonisation of economic policies" (OEEC, 1960, February 3a). This would be essential to promoting "a steady growth in production as a whole and in employment, while maintaining financial stability and avoiding disequilibrium of the balance of payments" (OEEC, 1960, February 3a). In the discussion that followed, everybody, including Petitpierre and Lange, praised the Secretariat, supported this workstream and adopted the American-German statement as a Council resolution.

The meeting then moved to trade. Here the Secretariat was in a dilemma. Up until then it had focussed on two issues: reducing trade quotas among members (since tariffs were dealt with by the GATT) and fostering a European FTA. Now intra-European quota liberalisation was almost complete, and the French were preventing the OEEC from dealing with the Six and Seven feud and/or reviving FTA negotiations. Sensing that it no longer had a role, the OEEC Secretariat wanted to move beyond Europe into Atlantic and indeed global trade and to work on this together with the GATT (OECD, 1960, January 8b). With this strategy in mind, it was now asking European ministers to endorse its vision and extend their trade concessions (on quotas) to non-OEEC members, starting with the US. Dillon (and others) supported this initiative, which was well aligned with the overarching narrative of the need to reduce the US BoP deficit. But the French muddied the waters

(OEEC, 1960, February 3). Undersecretary, Olivier Wormser, standing in for Couve de Murville, who patently snubbed the Ministerial, came in with a long procedural tirade on the complications of the OEEC teaming up with the GATT, which had a different membership and different form of voting.[79] This was a foretaste of what France would be pushing for: take the OEEC out of trade altogether, be it European, Atlantic or global. Harsh battles lay ahead on the new OEC attributions on trade.

Finally, the ministers moved on to development aid. Since 1956, Secretary-General Sergent had wanted to capture the emerging western aid agenda for the OEEC but had failed due to US resistance. By late 1959 the US had changed its stance and was now seeking machinery for Western aid coordination. Oblivious of Dillon's plans to create a DAG and revamp the OEEC, Sergent had planned to use this ministerial to profit from the new US stance and finally capture (in tandem with Spaak) the western aid agenda for the (old) OEEC. It was now too late to change gears; carrying on as if nothing had happened, he had circulated among the ministers a note on "help for underdeveloped countries", which set out his vision of what the OEEC should do in this new agenda (OECD, 1960, January 8c). This remarkable note began by recognising that industrialised countries could help underdeveloped countries in "three ways": by supplying them with capital; by sharing "technical knowledge and administrative experience"; and through trade by opening their markets to their exports. It then described how the OEEC had been supporting its own underdeveloped members in these three areas. The time had come, he argued, for the OEEC to expand its reach to all underdeveloped countries. Paragraph 11 presented an ambitious list of measures and activities including: boosting OEEC members' aid; removing restrictions on developing countries' exports; encouraging private foreign investment in developing countries; policy advice "designed to give economic and financial stability to their economies"; "technical and educational assistance"; and finally, a grand scheme in which the OEEC ("in conjunction, where appropriate with other international organisations")

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79 Couve de Murville's snubbing was quite offensive. The UK had postponed the OEEC ministerial from December to January to ensure his participation (CDD, 1959, November 11). Now, although a couple of hours earlier he had participated at the SEC and the G20, Couve de Murville was making a point of not attending the OEEC ministerial.

would become a kind of clearing house for aid demand and supply.[80] Paragraph 12 – echoing Macmillan and Eisenhower – proposed a mapping of aid to "update" the unpublished exercise of 1957 (OECD, 1960, January 8c).

The problem, of course, was that just a couple of hours before the Ministerial, all OEEC members had endorsed Dillon's own plan for development aid, which was incompatible with Sergent's grand vision. The SEC had created the DAG to deal – at least for the time being – with development aid, putting the OEEC Council in an awkward situation on the matter. Moreover, Dillon did not agree with Sergent's vision. He wanted the DAG to focus on a narrower concept of aid (mainly grants and long-term loans), was suspicious of linking aid and trade and did not appreciate Sergent's "clearing house" idea. As a preventive measure, the Americans had teamed up a few days before with the British and arranged an informal meeting of permanent representatives of key OEEC members to pass the message that the agendas were overlapping and that in the forthcoming meeting, ministers should abstain from discussing the forward-looking paragraph 11 of Sergent's paper.[81] So when the issue of aid came up for discussion, Sir Hugh Ellis-Rees, the permanent chair of the OEEC, warned delegates that the paragraph "had not all been agreed by all delegations" and focussed instead on paragraph 12 and the mapping of aid (OEEC; 1960, February 3). Dillon echoed him. Heathcoat-Amory then attempted to close the session, but refusing to yield to the Anglo-Saxon heavy-handed approach, as he had done at the G20 meeting, Turkey's Zorlu, chipped in again; this time to invite the Council to "start at home" and adopt a programme – proposed by Sergent – in support of the OEEC underdeveloped members. Not surprisingly Avéroff-Tosítsas, his ally in this "developing country" constituency in the making within the organisation, once again supported him. Yet, as had happened in the morning, after some pressure and weak reassurances, Zorlu gave in: it was simply not the time for the OEEC, in transition to become another

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80 This type of scheme had been proposed by Max Millikan and Walt Whitman Rostow a couple of years earlier in their influential foreign policy "proposal" (Millikan & Rostow, 1957).

81 I have not found the exact date or circumstances of this meeting to which Ellis-Rees referred a couple of times in his intervention. The item does not appear in the formal agendas, either of the Council or of the Executive Committee at that time so it seems to have been an informal or an extraordinary meeting.

organisation, to commit to new projects, still less in a new area.[82] In the end, the Council agreed to undertake the mapping exercise proposed in paragraph 12 and postponed all further deliberations on development aid until "the reorganisation of the organisation had been further advanced or completed". The statistical work that the Council had approved remains to this day the main output of the DAC.

At the outset, Dillon had launched his three-pronged agenda on the basis of trade and aid and had left the "broad coordination of macroeconomic policies" as the exclusive portfolio of the Treasury, somehow in the background. Fifty-one days later, joining the French, he had lost faith in the idea of the new OEC dealing with trade and now wanted the DAG/ DAC (rather than the new OEC) to tackle aid. Thus, more by default than by design, "economic growth" became early on the main priority of the new organisation, as Matthias Schmelzer has so well described (Schmelzer, 2017). The trade imbroglio was the original driver of Dillon's project. Aid, which was to be passed unnoticed, thanks to Eisenhower's belated infatuation with the agenda, became the catalyst that allowed the project to triumph. In the end, however, "economic growth" would be the main concern of the new organisation. Aid would also be a priority, but it was to be dealt with by a special, restricted body, hosted by the OEEC but not clearly subordinated to it.

5.4.2   The aftermath

Our story ends with the decision of the SEC in the early hours of 14 January to create the DAG, reorganise the OEEC and create an ad hoc trade group. The story of the DAG itself, which from March 1960 to September 1961 had five meetings before joining the new OECD as the Development Assistance Committee (DAC), is beyond the scope of this essay. Nonetheless, in this last segment, I will give a brief overview of how some of the main issues of our story were eventually dealt with and/or resolved.

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82   As a follow-up to his concerns at the G20 and the OEEC Council, on 15 January Zorlu met with Dillon, who assured him that the DAG would have a "rather limited job" (FRUS, 1960, February 20, note 2).

5.4.2.1   Composition of the DAG/DAC

The Americans were furious at having Portugal as a DAG member. They blamed the British for the gaffe and demanded that they should persuade the Portuguese to step down immediately and "voluntarily" (TNA, 1960, February 2 & 3). The British had supported the Portuguese initiative in order to have an EFTA ally in the DAG and as a way to subvert the US DAG vision. Soon, however, due to the reputational costs it entailed, they also considered it had been a bad idea.[83] Nonetheless the British insisted that it was too late to backpedal and that the Americans would just have to live with it. The inclusion of Belgium, moreover, complicated the matter. Portugal stayed, although it eventually left the DAC in the mid-1970s in the wake of a domestic revolution that ended its colonial rule. It then joined the list of DAC aid recipients, where it should have been placed from the beginning given its level of development. Portugal returned to the DAC in 1991 after joining the European Union in 1986.

As he had promised Heathcoat-Amory, Dillon did not mention the issue of Japan at the SEC, but back in Washington he launched a diplomatic campaign to include the Asian country as a founding member of the DAG (ANF, 1960; February 2; NARA [National Archives and Records Administration], 1960, February 2 & 2a). As we saw, the British were against, but if Japan were to join, Australia and New Zealand should do so too. So, once again they tried to bring their Commonwealth allies into the picture, but again to no avail (TNA, 1960, January 23, February 5). Most other DAG members had similar reservations, but they all eventually surrendered to American pressure on the condition that Japan would be a DAC but not an OECD member (NARA, 1960, February2 & 2a). Japan participated as full member at the first meeting of the DAG that took place in Washington in mid-March 1960. Like Australia and New Zealand, Japan was more interested in participating in a trade forum (Europe was imposing high tariffs on its "low wage" products) than in joining an "aid club". Indeed, like other DAG members, the Japanese were suspicious of US motives: they did not want the Americans to interfere

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83   In 1967 Esman and Cheever put the issue of such reputational costs like this: "Portugal's inclusion serves to associate DAC members with a past that many developing countries resent and with continuing policies in Africa that they will not accept" (Esman & Cheever, 1967, p. 150).

with their aid policies in their own Asian backyard (ANF, 1960, January 1).[84] Nonetheless, they were not in a position to oppose; in any case their DAG membership eventually eased their way into the OECD, which they joined in 1964.

The unwelcome membership of Portugal and other small colonial powers (the Netherlands joined the DAG by its second meeting in Bonn) created an image problem for the DAG. But by eroding the strict conditions for membership that the US had originally proposed, it had the positive effect of helping to open the DAG/DAC to all western donors, large and small. Once the intention of "politicising" the DAC had been diluted, it was easier for neutral countries to join in: Sweden and Austria joined the club in 1965 and Switzerland in 1968. With the entrance of Australia in 1966 and New Zealand in 1973, the DAC became a truly western donor club constructed on a North-South paradigm (Carroll, 2017).

5.4.2.2 DAG/DAC image problem and its relations with the UN

The DAG confronted much opposition in its early days. The other multilaterals did not appreciate its encroachment into "their agendas"; recipient countries, including members of the OEEC, feared the creation of a "capitalist club" that would close ranks against them, and neutrals feared the politicisation of the aid agenda (FRUS, 1960, February 20). To counteract such perceptions, the US and its allies took a series of actions. To start with, they agreed on having Egidio Ortona, the Italian Ambassador to the UN, as chair of the first DAG meeting in Washington in March 1960 (TNA, 1960, February 5). This was another gesture towards the aggrieved Italians but also an attempt to enlist the respected Ortona as an ambassador for the DAG at the UN. Ortona was not particularly happy with the job (Ortona, 1986). He had his own problems with the DAG concept and got more worried when, preparing himself for the meeting, he heard what high-level UN officials had to say about it. There were general concerns, though Paul Hoffman, the respected US head of the new UN Special Fund, went so far as to consider

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84 The Japanese were not in a position to reject the US offer to join the DAG which in any case they saw as a first step to join the OECD as they desired. Nonetheless they approached the French (and maybe others) to discuss their fears regarding US political intentions (ANF, 1960, January 29).

the DAG a "fatal error" (Ortona, 1986, p. 372).[85] The DAG, the critics said, had a colonialist aura and excluded developing countries. Moreover, it left the UN completely on the sidelines. In the end, Ortona served not only as an ambassador for the DAG at the UN but also as one for the UN at the DAG.

Weeks later, in early July, Dillon went personally to Geneva to make the case for the DAG (and the OECD) at a ministerial meeting of the UN Economic and Social Council (ECOSOC) convened to deal with "the world economic situation" and "the economic development of underdeveloped countries". In his inaugural speech, Dag Hammarskjöld, the UN Secretary-General, pointed to "the new efforts [..] made among some of the major economic powers to consult among themselves and to coordinate their action in trade and assistance" (UN, 1960). He warned, however, that if these bodies did not work "within the wider framework of the United Nations organs, they would not achieve their maximum results and might even have deleterious effects". Dillon was not a fan of the UN but he wanted to defuse tensions about the OECD (that could rival the UN) and the DAG (ANF, 1960, August 1). Dillon recognised that the DAG was one of these "restricted bodies", which provided a space for "capital export countries" to discuss informally how to mobilise greater amounts of aid for development without engaging in "specific operations", but he insisted that it would not compete with but rather "complement and strengthen existing institutions". Then, reversing the narrative he had deployed at the SEC, Dillon argued that the main problem of developing countries was not the supply of foreign capital but an inability at the domestic level to utilise it effectively. He thus invited the UN to participate at the next DAG meeting on "the pre-investment type of technical assistance" – a theme in which, Hammarskjöld had just claimed, the UN excelled. To crown his performance, Dillon also announced the US

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85 Philippe de Seynes, undersecretary-general of the UN, who also complained bitterly to Ortona, was reported to have commented: "it [is] quite dangerous to convene the clergy and the nobility in the absence of the Third State" (ANF, 1960, February 5, April 8).

intention to expand its funding to UN development operations in newly independent countries, as Hammarskjöld had also demanded.[86]

Finally, President Kennedy's initiative to create a "Development Centre" the following year, formally tabled at the DAG's fifth meeting in Tokyo (July 1961) should also be seen in part as an attempt to reduce opposition. In contrast with the rest of the OECD, the Centre would host researchers from underdeveloped countries and "stimulate contacts and the exchange of information and ideas among the industrialised and the less-developed countries" (NARA, 14.06.1961; Maddison, 2002). By incorporating the developing world in a way that the DAC did not, this initiative was expected to be "of considerable use in garnering and strengthening public support for the development function of the OECD" (NARA, 1961, June 14). The Centre came into operation in early 1963 and has functioned since then as the window of the OECD to the outside developing world.

5.4.2.3 DAG/DAC as an instrument for geopolitical coordination

NATO Secretary-General Spaak wanted his organisation to coordinate Western aid to help contain the Sino-Soviet economic offensive in the Third World. NATO had put in place a burden sharing for military spending and hoped to carry out a similar exercise for the Western aid effort. Dillon agreed with Spaak on the need for Western aid "machinery" to help contain communism but did not see NATO as the solution. His answer was the DAG. Although he was careful not to frame his proposal under this controversial geopolitical perspective, it inevitably raised suspicions. A mapping of aid

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86 Diplomacy, not least by Dillon himself, seems to have helped "deactivate" the feared revolt against the DAG at the UN. Indeed, developing countries seemed to have reacted more passively than expected to the creation of the DAG. Dillon claimed early on to have briefed the Latin Americans on his plans, who had not complained (TNA, 1959b). Further, a long State Department memo on US involvement in Africa, informed that Africans had not reacted to the first DAG meeting in Washington in March 1960 (FRUS, 1960, March 30). Finally, except Afghanistan and Bulgaria, both in the Soviet sphere of influence, no other developing country reacted negatively (nor positively for that matter) to the creation of the DAG at the ECOSOC July 1960 discussions; though, at this first "ministerial" ECOSOC meeting, only one representative of a developing country (Venezuela) was represented at ministerial level (ANF, 1960, August 1). The developing countries started early on in Havana (on ITO discussions) and Bandung to consolidate as a "constituency", yet it was not until the first UNCTAD in 1964 that they managed to do so more coherently.

was needed to push the European laggards to give more aid – an initiative which everyone agreed with. Yet this mapping could easily become the first step of a burden sharing exercise and, further, to the feared geopolitical coordination of western aid. As we saw, to push his DAG initiative through, Dillon explicitly ruled out "burden sharing" at the SEC; and the issue did not come up in the first three DAG meetings.

Meanwhile, Spaak made a last, one could say, "post-mortem" attempt to capture Western aid for NATO. After the disheartening NATO ministerial of 1959 and an even worse ministerial for him a year later, he tabled his resignation as Secretary-General in December 1960. The DAG was already out there, but Spaak still hoped that before leaving his post, he could win his bid before the OECD came into operation. On 13 February 1961 he wrote a long personal letter to newly-elected President Kennedy – "the political testament he bequeathed to NATO" – in which he acknowledged that most members "would rather see this agenda entrusted to the OECD" but pointed out that the neutrals would be unlikely to "take part in measures to counteract the policies of the Communist block" (Spaak, 1971, p. 351). Spaak insisted: "For myself, I have always believed NATO to be the right place" (Spaak, 1971, p. 351).[87] A few weeks later, he left the military alliance and re-joined the Belgian government.

Kennedy seemed unconvinced by Spaak's recommendations. But he took on board Spaak's arguments, which reinforced his own views. Indeed, the new US administration started with brio and attempted to inject a geopolitical dimension into the DAG's agenda in a way that Dillon never dared to do explicitly. George Ball, who succeeded Dillon as Undersecretary of State, incited the group at its fourth meeting (London, March 1961) to adopt what would become its founding manifesto: the "Common Aid Effort" (FRUS, 1961, March 28).[88] This first ever resolution called on DAG members to boost their aid and to reach consensus on "the principles on which governments might most equitably determine their respective contributions to the common

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87 Spaak includes the text of this letter in his memoirs (Spaak, 1971 pp. 343-353). He went on: "The more NATO is treated as a purely military organisation, the weaker it would be – at least in Europe. The organisation would, on the other hand, be vastly strengthened if it were allowed to play its part in the solution of the most vital issue of our time – that of the underdeveloped countries" (Spaak, 1971, p. 351).

88 In an unusual way Kennedy kept the Republican Dillon on as Secretary of the Treasury, aiming to ensure, among other things, that any eventual feuds with the State Department would not be as destructive as they had been under Eisenhower.

aid effort" (Führer, 1996, p. 11). This was of course the re-introduction of the much-dreaded "burden sharing agenda". The US deepened its offensive at the fifth meeting (Tokyo, July 1961) by proposing that the DAG should, "on demand", organise "consortia" of donors to coordinate aid to specific countries or regions (NARA, 1961, June 15). This was another task that Dillon had promised that the DAG would not do as this was World Bank territory. Even more polemically, the US presented a "draft proposal" of a burden-sharing scheme that aimed at a collective target of 1 per cent of gross national product (GNP), which would not only include development aid but also "military contributions" (NARA, 1961, June 16 & 29). The idea was to arrive at a figure of the "total effort" that each DAG member should make. From here, the next logical (and most dreaded) step would be for the DAG to "suggest" how such effort should be deployed to contribute to protect the western postwar order from the Sino-Soviet threat. The burden-sharing proposal not only went against Dillon's explicit assurances but by mixing military and development contributions, it also meant a large step backwards in the evolution of the aid agenda – see the progressive move towards the de-militarisation of aid during Eisenhower's second term in Chapter 4. The DAG passed the matter to the DAC, which created a working group to look into the burden-sharing issue, but most DAG members dragged their feet and the US initiative vanished quietly (NARA, 1961, July 13). Ball later saw his attempt to empower the DAG in this way as misguided and naïve: "If Macy's does not tell Gimbels, France will never tell America the details of its aid to the African Francophone countries" (Ball, 1973, p. 196). Once the DAC turned out to be of little help to his political agenda, Ball lost interest in it. "The DAC remained little more than a secretariat scrambling to accumulate and publish such statistics of national foreign aid contributions as it could come by" (Ball, 1973, p. 196). It was thanks to this more technical, boring and apolitical stance, however, that the DAC managed to attract the neutrals,

keep more credibility, work better for development and survive the end of the Cold War.[89]

5.4.2.4   Relations between the OEEC/OECD and the DAG/DAC

As we have seen, one of the immediate problems that Dillon and his allies had to deal with was how the DAG would relate to the G20 and to the OEEC Council. Later they would need to determine how the DAC would relate to what was to be the OECD. As we saw, the DAG was born as a stand-alone body. In fact, early on in the game, the British considered the possibility of keeping it as such, and not making it join the new OEC. Yet as the US was resolutely against, they soon dropped this idea (FRUS, 1960, February 20). Though standing alone, the DAG took the reasonable decision (recall Zorlu's position at the OEEC Ministerial Council) to inform the G20 in charge of the reorganisation of the OEEC of its doings, not to report to it.

The relations of the DAG with the OEEC were more problematic. The DAG did not have a secretariat of its own, yet expected to use that of the OEEC and that of the World Bank as well. The DAG would strive to guide the mapping of aid that the OEEC had been instructed to do and to command other work from it. Frictions between the DAG and the OEEC Council soon appeared. These relations improved decisively when in July a ministerial of the G20 agreed in principle on a convention for the OECD and named a new interim Secretary-General for the new organisation, who a couple of months later replaced Sergent as head of the OEEC: the Danish former minister Thorkil Kristensen (OECD, 1960, July 23). The G20 ministers appointed Kristensen as head of both a new committee created to conclude the reorganisation of the

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89   The "coordination agenda" did not die away completely and in the 1960s (and later too) there were attempts to coordinate DAC members' aid operations at country (Colombia, Tanganyika) and regional levels (Latin America, East Africa). These exercises, however, did not fit within any grand Western geopolitical aid strategy as the early Kennedy administration briefly contemplated and were more in the limited terrain of World Bank consortia – which created interinstitutional problems with the Bank. Yet even at this modest dimension, coordination was not easily forthcoming. As Seymour J. Rubin, who served as US DAC delegate between 1962 and 1964 asserted, all these exercises generated limited disappointing results, yet he remained convinced that the DAC was "uniquely fitted for the shaping of free-world policy toward individual developing countries. If it tries to explore American and French and Japanese and Canadian aid policies towards Indonesia or Tanzania, it might encounter rough sailing. But the voyage will suit the purpose for which the vessel is designed" (Rubin, 1966, pp. 145-146).

OEEC and the OEEC Council. Moreover, the OEEC Council and the DAG came to an agreement on the "use" of the OEEC secretariat and Kristensen began to attend DAG meetings (OECD, 1960; July 27, November 25). Sergent was not far from the truth when he suggested that the French-Dillon strategy was about keeping "them", that is the high levels of the Secretariat, not so much the OEEC itself, on the sidelines: "Don't you know that all this exercise has been rigged as an attempt to get rid of us?", he wrote bitterly to Cahan in a personal letter (OEEC, 1960, February 9). Indeed, with Sergent and Cahan gone, the OEEC under Kristensen began to have an active role in its own reform, diluting the differences between the British and the French visions of how the reorganisation of the OEEC should come about.

On the long-term question of the relationship between the DAC and the OECD, the Americans, mostly with British support, promoted a number of institutional arrangements both at the DAG and at the G20 that would insulate the DAC as much as possible from the OECD governing Council (TNA, 1960; September 17; ANF, 1960, April 8).[90] The first, already adopted by the G20 in July 1960, was to give the DAC the unusual "power to make recommendations on matters within its competence to countries on the Committee" without requiring the endorsement of the OECD Council (OECD, 1960, December 14, p. 31). A second measure was to provide the DAG and future DAC with a full-time chairman (meant to be an American financed by the US) and a vice-chairman (meant to be French). This also distinguished the DAC from most other OECD committees. A permanent chair went hand in hand with permanent delegates also based in Paris.

These measures were complemented by the creation of two new bodies also dealing with development that would take some of the pressure off the DAC. The first was a Committee on Technical Assistance with a mandate to design and operate programmes for the benefit of the underdeveloped

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90 By February 1960 – after the stance that Greece and Turkey had taken at the Paris discussions – the Americans were adamant that the future DAC, "has to have a large autonomy to avoid the veto of the European underdeveloped countries" (ANF, 1960, February 16). On the other hand, the inclusion of the "bad" small colonialist countries and difficulties to advance the burden-sharing agenda, prompted the US to change its position towards the OECD neutral countries joining the DAC: from suspicious silence to explicit welcoming – a stance that by late 1961 aligned the US with other DAC members (NARA, 1961, November 16-17). During the first DAG meetings, the French, in particular, continued to insist on bringing countries like Sweden and Switzerland into the club, but with no success (ANF 1960, February 20, March 3). In the end, it would be the neutrals that resisted joining the DAC, rather than the DAC closing the door on them.

member countries (and regions) of the OECD. This was a response to the call for "special treatment" from Turkey and Greece. In return, the DAC, which in principle would not deal with OECD developing countries, expected to be spared their criticism and demands. The second was the Development Centre, which as we mentioned, functioned as the window to developing countries. In contrast with the DAC, these two "development" bodies were open to all OECD members.

In sum, the DAC was born as a special OECD body with its own chairman, a right to pass resolutions without the endorsement of the Council and a very different composition from that of the OECD: 11 members of the OECD were not members of the DAC (Austria, Denmark, Greece, Iceland, Ireland, Luxembourg, Norway, Spain, Sweden, Switzerland and Turkey), while Japan was a member of the DAC but not of the OECD. At the same time, the DAC secretariat (the OECD Development Cooperation Directorate) was under the supervision of a powerful OECD Secretary-General, who in turn reported to the OECD Council. To this day, these intricate institutional arrangements, whose rationale and/or origins are often forgotten or misunderstood, while creating tension and confusion, also bring certain advantages of autonomy and independence.

5.4.3   Conclusion

The birth of the OECD from the ashes of the OEEC is often presented as a non-event, almost as a mere "change of name", and in keeping with this downplaying, the aid initiative is portrayed as the "least controversial" part of an already inconsequential US policy package.[91] This view goes hand in hand with the image of both the OECD and the DAC as ineffectual, bureaucratic talk-shops.[92] This chapter has given a very different picture. The US initiative of transforming the OEEC (of which the US was not

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91   In his compelling story of the evolution of Western monetary regimes in the postwar era, Yanis Varoufakis gives one line to the transformation of the OEEC into the OECD which he dismisses as a "change of name" – even if such a transformation represents a key stage in the evolution of the US BoP deficit at the heart of his story (Varoufakis, 2017, p. 57). While in her classic book on the construction of Europe, Miriam Camps claims that "the least controversial of the United States proposals was that on aid" (Camps, 1964, p. 246).

92   Schmelzer documents these views without echoing them (Schmelzer, 2017, p. 26). See also Duchêne on Monnet's losing interest in the OECD, which did not follow his design and he viewed as "another inter-governmental talking-shop" (Duchêne, 1994, p. 324).

even a member) into the OECD came to fruition in only 51 days, an extraordinary feat by today's standards. This does not mean, however, that it was uncontentious. This short timespan rather reflected the hegemonic power of the US at the time. It also showed Dillon's adroit use of stealth diplomacy, "an act of rare statesmanship", as Esman and Cheever rightly called it (Esman & Cheever, 1967, p. 57). Even if the OECD did not become the "supranational Atlantic body" that Monnet and the pro-European lobby of the State Department had hoped (an arrangement that the US Congress would never endorse), it marked a watershed in the construction of the Western postwar order. First, by closing the OEEC for good, the OECD opened the way for the EEC to achieve the cherished construction of Europe. The EFTA was neither expected nor equipped to play such a role, and indeed, even before the OECD came into operation, the British were abandoning it and knocking on the door of the EEC – although only to find out that de Gaulle would not let them in (Giauque, 2012; Gladwyn, 1972). Moreover, the OECD heralded a new era of transatlantic economic relations in which the US would no longer act in splendid isolation as it had done before. By the late 1950s, the US had become a structurally "deficit economy". The Bretton Woods rules that – contra Maynard Keynes – the US had promoted, placed the burden to adjust on the deficit countries (Sapir, 2013; Steil, 2018). The US hegemon, however, was not willing to inflict austerity on itself, so it put pressure on its allies to reduce their surplusses by boosting their foreign aid, opening their markets to extra-European imports, and later, by revaluing their currencies. The OECD would provide a perfect forum for conveying this type of message and, more broadly, for developing and promoting the paradigm of capitalist economic growth (Schmelzer, 2017).

As we have shown, the creation of the DAG was controversial. The literature has recognised that Dillon's aid initiative generated uneasiness among developing countries and UN agencies – as we have documented here (Hongler, 2017; Schmelzer, 2017). But it has generally failed to acknowledge, however, that it also raised objections among the western donor community in the making that it was targeting. By the late 1950s, the transition from a colonial to a North-South paradigm of international relations was under way. All the western countries that the UN classified as "developed" had acquired, in principle, the responsibility of aiding all developing countries: they all contributed, however modestly, to the development aid schemes of the UN, including those of the World Bank (see Chapter 3). Yet few of the countries that had no "colonial responsibilities" had assumed themselves

as donors in a more practical and tangible way: most of them lacked meaningful programmes of bilateral or regional aid and had no intention to build them. The DAG was part of a cluster of multilateral institutions designed to cajole them and to hasten the transition from the Colonial to the North-South paradigm, focussing precisely on bilateral aid. Its task was not easy since not a single Western developed country seemed fully committed to Dillon's original concept: an exclusive donor group geared at boosting and coordinating Western bilateral aid, not only with developmental but also with political objectives in mind. Some were reluctant to fully embrace the new North-South paradigm and to go beyond their (modest) multilateral contributions. Most of those which had not been formally invited to join the DAG in the first place, were happy to stay on the sidelines. Others were more open to fully embracing the new North-South paradigm but feared that the US would use the DAG to interfere with their sovereign aid policies. Ironically, Portugal, the only country that invited itself to the DAG, did so for the wrong reasons: it sought to beef up the colonial aid paradigm that the DAG was determined to lay to rest.

To cajole the chosen countries into the DAG, the US used its usual bilateral weight as well as a shrewd strategy of presenting its aid initiative as part of a policy package that included proposals to tackle the trade imbroglio and the revamping of the OEEC. These countries acquiesced and joined. But by resisting the US vision from within, they prevented the DAC from seriously delivering on Dillon's priorities. The failure to arrive at a burden-sharing scheme weakened its role in both "boosting" and "coordinating" Western aid. Although Western aid did go up in the years that followed the creation of the DAG/DAC, it flattened for the rest of the 1960s, the "first development decade" (Rubin, 1966, p. 83). At the same time, increasing tensions between de Gaulle's France and the US ensured that the DAC would not get far with its "coordinating agenda". These tensions seemed also to have buried the "trilateral scheme" that the Western leaders had agreed on in Rambouillet. As a result, the US continued to rely on bilateral pressure (i.e., mainly on Germany) to influence the destination of its allies' aid. France would use the European umbrella to try to exercise a similar influence in favour of the Francophone area in Africa (Hansen & Jonsson, 2015). In sum, in its early days, the DAC did not deliver either in coordinating or in providing a lasting boost in aid volumes.

Nonetheless, the DAC succeeded in other, unexpected ways. During the discussions that led to the creation of the DAG, a number of important

themes emerged which Dillon had not prioritised, yet which would become the backbone of the new club's agenda. First, the need for a common and solid definition of aid and the terms on which it should be supplied. Germany's own rosy account of its aid contributions raised the alarm: without a common aid definition no burden sharing or even peer pressure would be on solid ground. Early on, the US, wanting to short-circuit the discussions, expected the SEC to endorse its idea of equating official bilateral aid with public grants and long-term loans. Germany blocked this route: the DAG should also deal with other types of aid. During these early discussions, other countries (and the OEEC secretariat) expressed the need to connect aid with trade – as the Soviets were doing at the time with some success (see Chapter 4). Yet this path did not prosper either. When it came into being in late 1961, the DAC inherited these discussions and decisions from the DAG, and made the search for a sound definition of aid a guiding light of its activities for the years to come. By 1969 the DAC had finally adopted a solid definition of official development aid (ODA), grounded on "flows" of (financial, physical and human) resources and on budgetary effort (see Chapter 6). This has served development well, although one might wonder if a broader definition of official aid that included "policies" – starting with trade as many suggested at the time – would not have served it better (Bracho, 2018).

Second, the need to define good common practices and fair norms for Western aid. As we have seen, the British were at the time deeply troubled by the US policy of tying the loans offered by the DLF to acquiring US products. They perceived the US tied aid policy as unfair and distorting competition. Although they first considered that the World Bank could deal with tied aid, the British soon switched to consider that the DAG was the proper forum to deal with this and other similar issues, such as how to deal with export credits. The DAC would not become the place to coordinate Western aid against Soviet competition, but rather the place to regulate competition within the realm of Western aid.

Third, at a broader geopolitical level, the DAC became a powerful instrument to consolidate the emerging North-South aid paradigm. Classified as developed countries by the international community and being members of the OECD and thus subject to its peer pressure, the neutrals and all other "small developed" countries gradually joined the DAC, which with the later addition of Australia and New Zealand, by the late 1970s became the club of all Western developed countries, large and small, with responsibility for

providing development aid. Joining the DAC brought the obligation to create national institutions to design and provide bilateral aid. Donors could no longer simply outsource their development aid to the multilateral system as some had been doing. From the early 1960s a number of domestic aid institutions, many of which survive to this day, were created. DAG/DAC membership played a crucial role in promoting this trend.

Finally, as a club of donors, the DAG/DAC immediately sought to make its members' aid more effective in generating development. In this respect it became a club presumably guided by the interests of the developing countries. At the same time, it also consolidated as a club vis-à-vis these countries, which since the Bandung Conference of 1955 had also been organising themselves in a process that led to the creation of the G77 group of developing countries at the first UNCTAD meeting in 1964 (Hongler, 2017). The problem, of course, was that the donors' interests often diverged from those of the developing countries. During the heated debates on aid during the 1959 NATO ministerial meeting, Pierre Wigny, the Belgian Foreign Minister, forcefully presented this dilemma:

> Industrially-developed and underdeveloped countries (have) different interests; the former aimed at liberating trade, the latter desired protection. Developed countries favoured a competitive economy; underdeveloped countries sought technical and financial aid. Developed countries wanted to keep the price of raw materials down to a minimum, and underdeveloped countries to stabilise them. More diametrically opposed positions could not be imagined. (NATO, 1959, December 17, p. 13.)

In this framework, the DAC was there not only to listen and try to align itself to the demands of the developing recipient countries, but also to defend the interests and views of its members vis-à-vis the countries it was mandated to help. The following chapters will throw some light on how the DAC has managed this tension at the heart of the development aid agenda during its 60 years of existence.

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Dramatis personae

Adenauer, Konrad. German Chancellor.

Alphand, Hervé. French Ambassador to the US.

Anderson, Robert. US Secretary of the Treasury.

Avéroff-Tosítsas, Evángelos. Greece, Foreign Affairs Minister.

Black, Francis. OEEC representative in Washington.

Burgess, Randolph. US Ambassador to OEEC/NATO.

Cahan, John. OEEC Deputy Secretary-General.

Cattani, Attilio. Italy, delegate to EEC.

Churchill, Gordon. Canada, Trade Minister.

Couve de Murville, Maurice. France, Foreign Affairs Secretary.

Crawford, Stewart. UK Deputy Ambassador to OEEC.

De Gaulle, Charles. President of France.

Debré, Michel. France, Prime Minister.

Dillon, Douglas. US Undersecretary of State.

Eisenhower, Dwight. US President.

Ellis-Rees, Hugh. Chairman of OEEC Council.

Erhard, Ludwig. Germany, Deputy Chancellor.

Etzel, Franz. Germany, Finance Minister.

Fleming, Donald. Canada, Minister of Finance.

Gore-Booth, Paul. UK Undersecretary for Foreign Affairs.

Gorse, George. France, delegate to EEC.

Hager, Eric. US State Department. Legal advisor.

Hallstein, Walter. President of the EEC.

Heathcoat-Amory, Derick. UK, Chancellor of the Exchequer.

Herter, Christian. US Secretary of State.

Hood, Samuel. UK, official, Embassy in US.

Javits, Jakob. US, New York, Senator.

Khrushchev, Nikita. Leader of the USSR.

Lange, Gunnar. Sweden, Trade Minister.

Leddy, John. US State Department. Dillon's assistant

Lloyd, Selwyn. UK, Foreign Secretary.

Luns, Joseph. Netherlands, Foreign Affairs Minister.

Macmillan, Harold. UK, Prime Minister.

Maudling, Reginald. UK, Head, Board of Trade.

McCarthy, John. US, official, Embassy to OEEC.

Monnet, Jean. Pro-European French statesman.

Moos, Malcolm, US, official, White House.

Ockrent, Roger. Head of OEEC Executive Committee.

Ortona, Egidio. Italy, Ambassador to UN.

Pella, Giuseppe. Italy, Foreign Minister.

Petitpierre, Max. Switzerland, Foreign Minister.

Rickett, Denis. UK, Director External Finance.

Sergent, René. OEEC Secretary-General.

Soldati, Agostino. Switzerland, Ambassador to OEEC.

Spaak, Paul-Henri. Secretary-General of NATO.

Tuthill, John. US State department, Dillon's assistant.

Upton, Thomas. US Assistant Treasury Secretary.

Wormser, Olivier. France, Undersecretary Foreign Affairs.

Zorlu, Fatin. Turkey, Foreign Affairs Minister.

6 The evolution of aid statistics: a complex and continuing challenge

William Hynes and Simon Scott

Abstract

The OECD DAC Secretariat started regular collection of statistics on resource flows to developing countries in 1961. But it was not until February 1969 that the DAC invented the statistical concept of official development assistance (ODA). ODA emerged, almost by accident, as a by-product of the need to exclude commercial export credits from the DAC's Recommendation on softening the terms of aid. Just 20 months later, in October 1970, the United Nations established an ODA target of 0.7 per cent of donors' national income, largely superseding its earlier 1 per cent target for total official and private flows. The essential features of ODA – a principal developmental motivation, an official character and a degree of concessionality – remained unchanged for over 40 years, although reporting rules were progressively updated to cover emerging forms of aid. Since the early 2000s, pressure to reach volume targets has encouraged DAC members to liberalise ODA rules, and since 2014, this process has accelerated to the point where ODA has lost much of its coherence as a statistical measure.

6.1 Introduction

Given the diversity of interests and objectives at play in the field of development cooperation, the need for basic qualitative norms and common disciplines has long been recognised (Wood, 1994). The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) has been the forum in which development agencies have agreed on these norms and disciplines. Its central contribution has been the definition and collection of data on official development assistance (ODA), which have provided the basis to improve policies and set targets for increasing aid efforts (OECD, 1992).[93]

Section 2 of this chapter examines the origins and evolution of the ODA concept, drawing on archival resources and the thoughts and recollections

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93 Several studies suggest that this form of target-setting has helped increase overall levels of ODA (Kharas, 2010).

of key OECD staff, past and present.[94] Section 3 briefly considers wider measures of official support for development in which the DAC has been involved. Section 4 focusses on a raft of changes which the DAC has introduced into the ODA measure since 2014, and their impact on its fundamental nature as a gauge of fiscal effort in favour of development.

6.2 Origin and nature of the concept of ODA

The statistical measure of ODA was invented almost by accident – as a by-product of DAC efforts in the 1960s to soften the terms of aid. It first emerged as a definite entity when the 1969 revision of the DAC's Recommendation on Financial Terms and Conditions excluded export credits from its coverage. But refining it into a true statistical quantity – one that would capture development flows extended at concessional terms – would take a further three years.

6.2.1 The origins of ODA

The DAC's collection of statistics on resource flows to developing countries had its origins in US-inspired attempts to share the burden of development assistance. The Common Aid Effort agreed by the members of the Development Assistance Group (DAG, forerunner of the DAC) in March 1961 set the stage by recognising the need to help the least developed countries (LDC) help themselves through increasing economic, financial and technical assistance, and by adapting this assistance to the requirements of the recipient countries (OEEC, 1961). This cause was taken up by the DAC in the newly-formed OECD from late 1961 with the aims of expanding the flow of resources to LDCs, improving the terms and conditions of aid, and increasing its developmental effectiveness (OECD, 1985, p. 45).

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94   Aside from official OECD papers and memos, this paper also draws on statements of key Secretariat staff now deceased including Helmut Führer, Jack Stone, and Bevan Stein. Helmut Führer was Director of the Development Co-operation Directorate from 1975 to 1993. Jack Stone, head of the Financial Policies Division from 1967 to 1971, played a major role in perfecting the definition of ODA and promoted the Expanded Reporting System as the first international database on loans to developing countries. Mr Stone's successor was Bevan Stein, who held the post for 25 years until his retirement in 1996. Mr Stein oversaw the refinement of the ODA concept through DAC decisions on the counting of administrative costs, aid to NGOs, and forgiveness of military credits (OECD, 2011, pp. 7-8).

"Resource flows" covered several types of finance including grants, loans, export credits, mixed credits, associated finance, and private investment. During the 1960s, the disparate nature of these flows came to be increasingly recognised. Calls for a more specific measure of concessional flows came from DAC members, particularly those who provided a large share of grants in their overall flows. At the same time, developing countries were pressing for increased concessional financing, notably at the first ministerial meeting of the Group of 77 coalition of developing countries (G77), at Algiers in 1967, when they called for "a separate minimum target (…) for the official component of aid flows" (OECD, 2011, p. 5).

In its earliest years, the DAC focussed largely on softening the terms of aid, and a prime use of the statistics was to establish benchmarks for donors to increase the share of grants and very soft loans in their aid programmes (see Scott, 2015, pp. 2-9). It agreed a first Resolution on aid terms in 1963, and then a detailed Recommendation on Terms and Conditions of Aid in 1965, under which the donors providing loans at hard terms would make efforts to reach at least the DAC average on loan maturities, interest rates, and grace periods (the grace period was taken to be the span between the loan commitment and the first repayment date).

Yet progress on softening terms was slow, and the Second United Nations Conference on Trade and Development (UNCTAD II) in New Delhi in 1968 issued a call for "Improving the Terms and Conditions of Aid". Controversy at that meeting was mitigated by the OECD countries pointing to an upcoming review of the 1965 DAC Recommendation on Terms. All DAC members had agreed that they should strive for softer terms, especially to meet the urgent needs of those LDCs with the severest economic and debt-servicing problems.[95] They also agreed to better harmonise aid terms directed towards particular groups of developing countries in different debt

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95   The 1965 Recommendation on Terms stated that DAC countries should relate the terms of aid on a case by case basis to the circumstances of each less developed country or group of countries (OECD, 1965, p. 118).

servicing situations (OECD, 1968a).[96] In this, they recognised that official support was the only part of overall resource flows that was subject to direct government control, and that efforts to stimulate private capital flows were of a very different character from those resulting in the disbursements of official resources (OECD, 1970, p. 134).

When the DAC came to revise the 1965 Recommendation on Terms after UNCTAD II, it realised that a key difficulty in realising softer overall terms was the use of official funds provided by export credit agencies lending at close to commercial terms. Including these near-commercial credits inevitably hardened the overall terms of official flows (OECD, 1968a). With the focus on softening terms, rather than increasing volume, the opportunity arose of excluding export credits from the Recommendation. A crucial breakthrough emerged when the German delegation stated that it would only be able to accept the new Terms Recommendation if it were clearly understood that export credits offered by its Kreditanstalt für Wiederaufbau (KfW) fell outside its applicability. The German argument was that there was no government control over these transactions, which were largely financed through borrowing from the capital market and should, therefore, be regarded as private transactions (OECD, 1969b).[97] The United States and Canada hastened to add that, if German export credits were excluded, this should also apply to the transactions of their own export credit agencies.

In this way the 1969 "Supplement" to the DAC Recommendation on Terms and Conditions of Aid came to exclude export credits altogether, and thus to create ODA almost accidentally, by splitting official flows:

> The objectives of the Recommendation apply to official development assistance, which is intended to be concessional in character. In addition,

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96   The DAC Working Party on Financial Aspects discussed categorising countries according to their need for concessional finance considering the amount and terms of existing debt, probable duration and level of future assistance requirements, relative per capita income, resource endowments, growth prospects, and finally performance. However, data problems made such a categorisation difficult and responding to self-help efforts posed a problem – should strong performers receive harder terms? The conclusion was that the only rational way to take self-help into account was through the volume, not the terms of aid (OECD, 1968b). Furthermore, the "need" factors should provide the basis for a common judgement on the terms, including the possibility of a mix of hard and soft aid, as appropriate to each less-developed country or group of countries (OECD, 1965, p. 118).

97   The Pearson Commission report in 1969 also took a generally dim view of export credits and urged donors to avoid excessive use of them for projects of low priority.

however, export credits have become of increasing importance as a source of finance and have contributed to the indebtedness problems of a number of developing countries. DAC members, therefore, agree to review more fully, in consultation with other interested Committees of the OECD, the differences in their basic approaches to export credits, whether official or officially guaranteed, and their relationship to aid and development considerations. (OECD 1969, p. 268)

However, some DAC members considered that it would be unfortunate to exclude all similar schemes, which, while technically export credits, constituted an essential part of their development assistance effort. Edgar Kröller of the OECD Development Co-operation Directorate (DCD) later questioned why

> …our hearts seem suddenly to harden when we look at export credits. Their subsidised softness does not make us feel better because they are "trade-oriented"… and still, our export credit friends claim a number of reasons which assure us that their flows are development-oriented". (Kröller, 1985)

To resolve the matter the committee instructed the newly-created Ad Hoc Group on Statistical Problems to arrive at a definition and identification of ODA.[98]

6.2.2   The ODA concept of concessionality

ODA was conceived as a measure of concessional financial flows, i.e., transactions that gave something of value away. These would mainly be grants, but the question arose which loans should be included. By 1972, the DAC had developed a specific numerical test to determine which loans would have their flows counted as ODA.

While the creation of a clear concept of ODA through the exclusion of export credits was a major step forward,[99] it would take more than three more years before a minimum level of concessionality would be specified for a loan to count as ODA (see Scott, 2015, pp. 11-20).

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98   The use of the term "assistance" signalled a move away from the more neutral terminology of resource flows.

99   Recommendations by the Ad Hoc Group were accepted apart from the fact that the United Kingdom reserved its position on the proposal to exclude military export credits, largely because of a reference to their not contributing to development, although the UK recognised the need for complete credibility of DAC statistics.

The level of concessionality was measured in terms of a loan's "grant element". The grant element was a mathematical estimate of the softness of a loan taking account of its interest rate, grace period, and maturity.[100] After lengthy debate in both the Working Party on Financial Aspects and the new ad hoc group on statistical problems, the DAC reached agreement in 1972 on a minimum grant element of 25 per cent for ODA loans. This was to be calculated using a fixed discount rate of 10 per cent, regardless of loans' duration, currency or other parameters. Loans meeting this test would be reportable in donors' actual "capital flows": this meant reporting the actual amounts disbursed, and then recording actual return flows of loan principal as negative ODA. Interest would be ignored in the calculation of "net ODA"; this meant that the overall net flow on a loan that had been fully disbursed and then fully repaid would be zero.

However, "the discussion on the appropriateness of this measure has never ended" (OECD, 1992, p. 3). In the early years, criticism was directed mainly at the 25 per cent grant element threshold, considered as too low. The United States had advocated a 50 per cent threshold, and Denmark, Norway and Sweden thought that 35-40 per cent was the minimum acceptable. The 25 per cent mark was only agreed subject to a provision "to review the suitability of this figure in the light of the first year's experience" – whereupon it remained in place for over 40 years. In later decades, the arbitrariness was regretted, rather than the rate itself. Edwin Kröller of the Secretariat lamented that even an ultra-development-oriented loan with a 24.99 per cent grant element would not be permitted to "enter the aid Olympus in order not to mar the purity of those already present there" (Kröller, 1985).

Still later, controversy came to focus on the use of the fixed 10 per cent discount rate. This had been explained as a reasonable proxy for the opportunity cost to the donor of making funds available for aid instead of domestic public investment. A relatively high rate might also better reflect benefits to recipients – who often have high borrowing costs – than a rate based on the donor's cost of funds. Jack Stone (head of the DCD financial policies division from 1967 to 1971) told one of the authors of this chapter

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100 A loan's "grant equivalent" represents the advantage it confers (if any) compared to a market terms loan. To find a loan's grant equivalent, one discounts its expected repayment stream by the market rate of interest (taken to be 10 per cent in 1972). If the discounted repayments total less than the face value of the loan, then the difference is the loan's grant equivalent. Its grant element is its grant equivalent as a percentage of the loan's value. For details and examples, see Scott, 2017.

that he had always favoured a high discount rate because of the priority it gave to longer-term loans. In any case, the 10 per cent rate did not seem excessive in the early 1970s, when inflation was on the rise and regional development banks were having to pay 8.5 per cent or more to raise lending capital (Scott, 2015, pp. 19-20).

By the end of the 1980s, however, global interest rates and inflation had fallen substantially, and the 10 per cent discount rate came under renewed pressure. The fundamental test for ODA's "concessionality in character" had always been that its terms would need to be "significantly softer than the terms available for commercial transactions with less-developed countries such as guaranteed private export credits" (OECD, 1970, p. 152), and in 1989 a new way emerged of estimating these terms precisely. The source was the OECD itself, which agreed a new "Arrangement on Guidelines for Officially Supported Export Credits" that introduced market-based differentiated discount rates (DDRs) in order to compare the terms of financing offers expressed in different currencies.

At the time it was suggested that the DAC should also review the 10 per cent discount rate, but this proposal was ultimately rejected on the grounds that differentiation raised conceptual difficulties and that computational complexities would be costly in resources (OECD, 1992. p. 3). In 2002, the possibility of changing the 10 per cent discount rate was again discussed. Views ranged from retaining the status quo, through a lower fixed rate, to flexible rates related either to domestic interest rates in the currency concerned, or the likely rates that the borrower might otherwise pay (OECD, 2002). Some members considered the use of the DDR to be cumbersome and feared that the public would find it difficult to accept – since the same loan could be ODA-eligible at one time but not another, or ODA-eligible in one country but not another. The 2003 and 2004 DAC senior-level meetings (SLM) briefly considered the option of adding a simple interest rate ceiling of 75 per cent of the relevant DDR, but again the proposal failed to find consensus in the DAC (OECD, 2004).

Viewed in the light of the near-zero interest rates prevailing in major currencies since the global financial crisis of 2008 (and earlier in Japan), the persistence of the 10 per cent discount rate may seem puzzling. However, it should not be forgotten that the DAC had from the outset encouraged its members to provide assistance at softer terms than the minimum threshold of 25 per cent, and that the burden of the pressure on members to soften terms

was intended to be carried by the DAC's Recommendation on the Terms and Conditions of Aid, rather than by the ODA definition itself. The 1972 agreement on the ODA definition was in fact taken within the context of a revised Recommendation which tightened control over loan terms, and these disciplines were tweaked again in 1978, raising the grant element target for each DAC member's total ODA programme from 84 per cent to 86 per cent, with higher sub-targets maintained for the LDCs (Führer, 1996; Scott, 2017).

6.2.3 The ODA concept of developmental intention

Apart from concessionality, ODA transactions also had to have a developmental motivation. In the 1970s and 1980s, questions arose as to which types of aid could be considered as sufficiently developmental. In the end, the DAC ruled that the costs of administration and aid propaganda, and some of the costs of students and refugees in donor countries, could be included. The relative generosity of these rules provoked criticism from civil society, and in the early 2000s the DAC Secretariat responded by developing a narrower measure of "country programmable aid".

The element of the ODA definition that has been most open to interpretation is its requirement that a transaction have as its "main objective" the "economic development and welfare of developing countries". The archival records are replete with requests from members for rulings on the ODA eligibility of expenditures as diverse as aid to resistance movements in Angola,[101] pensions for former colonial officers,[102] and compensation for the expropriation of assets through nationalisation. The rulings were essentially advisory, and often surprisingly generous. However, there are several substantial areas in which reporting rules took considerable time to coalesce, or where there has been protracted controversy about developmental motivation.

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[101] These expenses reported by Norway for 1972 in Portuguese Guinea and Angola were accepted. The precedent of Sweden's contributions to hospital building in North Vietnam suggested that non-recognition of the political standing of a recipient by countries other than the donor does not destroy aid intention (Stein, 1972a). The primary concern of the DAC Secretariat was that if the matter of eligibility were raised in the DAC, they could be sure of a vigorous reaction from Portugal.

[102] Pension payments only concerned the United Kingdom and they amounted to $40 million in 1972. Stein had no hesitation in considering these flows development-oriented (Stein, 1972b).

6.2.3.1 Administrative costs

DAC members confirmed their agreement in principle in 1971 that the administrative costs of operating aid programmes should be recorded, and further decisions were taken in 1974 and 1979, but it was not until 1982 and after the completion of a methodological review that reporting was stabilised. Thus, while administrative costs were considered a legitimate expense because "they are development motivated and are part of the official aid effort", it took time to ensure adequate reliability and comparability of coverage on this item (OECD, 1982). Indeed, the data found under the specific reporting line provided could never be comparable, since they only represented the residual administrative costs "not already included under other ODA items as an integral part of the costs of delivering or implementing the aid provided" and would therefore vary depending on the degree to which each donor separated out administrative items, or buried them within project and programme budgets.

6.2.3.2 Imputed student costs

Imputed costs to the education budget of foreign students in the donor country were originally dismissed. Moreover, the DAC Secretariat was unequivocal, that on the basis of the tests for ODA, these costs should not be reportable as a DAC flow.[103] The reasoning was that for most if not all countries, the intake of students from developing countries was a response to general political considerations or policies related to the educational system, rather than a specific concern to foster development (Stein, 1991). Despite the apparently weak case for it, in 1984, on the proposal of Australia, the inclusion of imputed costs of students from developing countries in ODA was accepted in principle, and rules were agreed for inclusion in the next round of statistical reporting directives, eventually issued in 1988.

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103 In the early 1970s, Belgium, Austria and Germany submitted proposals to the Working Party on Statistical Problems under which their imputed costs for developing country university students could be recorded as ODA. The Working Party rejected these proposals because imputation was involved (Stein, 1982). Stein in his files stated that it seemed "that this topic will be with us for some time and will not go away."

6.2.3.3   In-donor refugee costs

In-donor refugee costs (for sheltering and training refugees arriving in the donor country), although humanitarian in motivation, do not have a development orientation.[104] Refugee costs in developing countries were accepted without question as legitimate ODA, e.g., "funds for refugees for camps in Thailand" or expenses on nourishing "boat people" while they were at sea (Stein, 1980). But the eligibility of expenditure for refugees on the donor's territory was more difficult to justify. In 1980 while it was considered praiseworthy from a humanitarian point of view, this was not considered to be aid in the sense of ODA.[105] However, in 1988 rules were agreed on the reporting as ODA of the first-year costs of sustaining developing country refugees who arrived in donor countries. Doubts, however, continued about the legitimacy and credibility of this expenditure as aid and in 1994 then DCD Director Bernard Wood proposed unsuccessfully to abolish it. A further review in 2000 also did not result in abolition (see OECD, 2005, and OECD, 2006).

6.2.3.4   "Developmental awareness"

After agreement on the 0.7 per cent ODA/gross national income (GNI) target at the United Nations (UN) in 1970, there was a surge of interest in promoting aid, especially in Nordic countries, and later in the Anglosphere. The job of raising consciousness among the civilian population was largely devolved to aid agencies themselves, several of which were legislatively obliged to restrict their spending to ODA-eligible items. Pressure thus grew to count the costs of aid propaganda as ODA, and this was agreed in 1979.

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104   In the early years, donors either did not always report or attempt to report such expenditures or did not challenge the refusal of the DAC Secretariat to include them in ODA; e.g., in the late 1960s, Switzerland accepted a Secretariat determination that funds spent by the Swiss government to settle Tibetan refugees in Switzerland should not be recorded as ODA (Stein, 1980).

105   The reasoning was based on a lack of developmental motivation. A somewhat analogous case occurred during the Gulf War. Ireland and Sweden claimed humanitarian activities connected with the war in Iraq were eligible for inclusion in ODA, citing the example of a field hospital for wounded soldiers. This expenditure would be in a developing country, for the benefit of developing country nationals. Taking the ODA definition literally, it is hard to see how they could not be recorded as ODA. However, there is a specific ban on counting assistance to the military forces of developing countries. For further information on the ODA boundary in this field, see OECD (2007).

However, the expenditure is clearly domestic and does not have any effect on developing countries, except in as much as it conditions the public to accept higher future levels of aid spending.

It will be observed that all four of the above items were open to objection not just on the ground that they did not promote development, but also that they did not involve a transfer of resources to developing countries. This became a major theme in civil society criticism of the ODA measure, some examples of which are given below in section 4. Reactions in the DAC Secretariat varied. In the late 1980s and early 1990s Stein and his colleagues made proposals, discussed in section 3 below, to purify ODA and relegate doubtful items to a new, broader measure. These having failed, from the early 2000s, the late Brian Hammond, who had succeeded Stein as head of the reporting systems division in 1996, developed the new measure of country programmable aid (CPA). CPA was conceived as the portion of aid that donors programme for individual countries, and over which partner countries could have a significant say. Finalised in 2007 in collaboration with DAC members, CPA is "much closer to capturing the flows of aid that go to the partner countries than the concept of ODA" (For details see OECD, 2019b). It leaves out not only in-donor costs for students, refugees, administration and propaganda, but also unprogrammable items such as debt relief and humanitarian aid.

6.3   Measurement beyond ODA

While some critics found ODA rules too permissive, others felt that an excessive focus on ODA was leading to neglect of other flows that contributed to development but did not meet ODA criteria. Over the years, numerous proposals emerged for measures of developmentally relevant flows that were wider than ODA but narrower than total official and private flows for development. Among the categories that survived were official development finance (ODF) and associated financing. The latest, still evolving suggestion is for a measure of Total Official Support for Sustainable Development (TOSSD).

In most of the controversies outlined so far, the argument was about whether the ODA rules had been drawn too generously. There was, however, always a counter-movement in favour of a more inclusive approach, typically focused on setting up a new measure that would have broader coverage. The sections

below discuss some proposals that have received significant attention in the DAC.

6.3.1   Total official development finance (ODF)

In the early 1980s, DAC Secretariat officials considered development motivation to be so central that they introduced the concept of ODF, which combined DAC members' ODA, their non-concessional development lending, and all development flows from multilateral agencies that are development-oriented, regardless of concessionality.[106] ODF was to be measured only in terms of the resource inflow into each developing country, not by DAC donor, and so no attempt was made within it to impute the spending of multilateral agencies back to the donors financing the agencies.[107] Combining concessional and non-concessional funds under ODF had obvious merits for analysing resource inflows and for budgetary planning, and Stein suggested that in the longer term, it might lead to the creation of another, more realistic target than 0.7 per cent of GNI (Stein, 1985).[108] Stein's suggestion had merits but came perhaps before its time. Some Secretariat officials had misgivings about essentially treating non-concessional loans from multilaterals in a similar fashion to ODA just because they were developmentally motivated. The debate did, however, help to bring out the need to distinguish between charitable, humanitarian forms of aid, and truly developmental, growth-oriented aid (Kröller, 1985).

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106 Stein also proposed official development funding in 1980, measured as the sum of ODA and official loan moneys or subsidies blended with ODA (in any form – and members would be invited to report which) and discounted by 15 per cent. Analysis would then be of additional resources secured, the geographical distribution of grant elements (for commitments), and gross disbursements of ODF. The longer-term policy use of the total would be to examine terms differentiation at official development funding level – which Stein suggested *is* the right level if one considers that the clientele for ODA should be essentially restricted to the poorest countries; while middle-income countries' needs should be met essentially by ODA-style projects at less-than-ODA concessionality (Stein, 1981).

107 Imputation was later frequently used for other purposes, e.g., to calculate performance against the UN target for ODA to LDCs of 0.15 per cent of donors' national income.

108 Stein felt that the credibility of the 0.7 per cent target was being eroded with every new year that passed, with actual performance irremediably stuck at about half the target.

6.3.2   Associated financing

During the 1980s, concern grew about the use of ODA or other official funds to gain commercial advantage for donor countries. This could be done by various means, including tying procurement to donor country firms, or subsidizing export credits. To restrain these practices, the DAC agreed Guiding Principles for the Use of Aid in Association with Export Credits and Other Market Funds in 1983 (OECD, 1983a, 1983b), and then widened the coverage of these principles with a set of DAC Guiding Principles for Associated Financing and Tied and Partially Untied Official Development Assistance in 1987. These resulted in a new statistical concept of associated financing, defined as financing that associated any two of the following: ODA; other official flows (OOF) that met the ODA grant element test; and officially supported export credits, other official flows or other funds with a grant element of less than 25 per cent. "Association" meant that the financing formed a package such that the recipient country could only access the concessional part if it accepted the non-concessional part, which could include private finance. This effectively produced a new statistical concept, the "associated financing package", data on which were collected and provided an insight into donors' excursions into "mixed credits", whether offered in separate components or "pre-blended" into a single transaction.

6.3.3   Conflict, peace and security expenditure

The rapid proliferation of peacekeeping activities in the early 1990s led some of its members to suggest that the DAC would marginalise itself by narrowly focusing on primary development motivation. In particular, the United States argued that the Committee's attention instead should be "global, focussing on aid requirements that maximise security as well as economic development and welfare, while also addressing humanitarian cases" (OECD, 1992). A few years later, in the post-9/11 world, security became an even more pressing issue with acceptance of the notion that development, conflict prevention, security and peace are interdependent. Most security spending remained outside ODA, but the DAC reporting directives were amended to allow as ODA technical cooperation and civilian support to security system reform and several other defined items of expenditure in the areas of conflict, peace and security (see also Chapter 12). Moreover in 2006, there was agreement that 6 per cent of DAC members' multilateral contributions to UN peacekeeping would be categorised as ODA (OECD,

2011, p. 6). This has since been raised twice and now stands at 15 per cent, but of specified peace operations only.

6.3.4   Global public goods

The end of the Cold War provoked soul-searching in the development community about the basic rationale of aid. This provided an opportunity to reconsider the ODA definition. Finland suggested adding to the existing ODA concept a broader concept of concessional resource flows for development, humanitarian or environmental purposes. Stein once again suggested a new concept for dealing with this challenge to ODA. He proposed tightening up the ODA definition and complementing it with a new measure of total concessional contributions (TCC) by each donor to developing countries. TCC would be the sum of ODA, which would now be more rigorously defined, and additional concessional benefits (ACB). In particular, ODA would henceforth exclude debt reorganisation, internally paid subsidies in associated financing packages, imputed student costs, and possibly in-donor refugee costs. ACB would cover those contributions that did not represent an actual flow of resources to developing countries as well as items which fell outside the remit of development cooperation policies as such, but were clearly of benefit to developing countries (examples were the Global Environment Facility [GEF] and the First Account of the UN Common Fund for Commodities) (Stein, 1991).[109]

This, however, did not lead to a new statistical concept but rather to revising ODA to include the bulk of contributions to the GEF, as well as funding for democratic development, demobilisation efforts and development-oriented action to combat narcotics (OECD, 1993). Not for the first or the last time, proposals to keep ODA tightly focussed but develop a broad new complementary measure resulted only in a creeping extension of ODA coverage.

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109   The Secretariat also proposed retaining the pure ODA concept and adding a new concept they called "Aid for Global Environment, Peacekeeping and Countries in Transition" (OECD, 1993).

6.3.5 Total Official Support for (Sustainable) Development

A by-product of the debates about concessionality which flared up again after 2010 and which are briefly described below was renewed interest in a broader measure of official support for development. In addition to the proposals just discussed, this had also been urged from outside the DAC. In 2006, Carol Adelman of the Hudson Institute started publishing an annual Index of Global Philanthropy that proposed a focus on total net country effort, including private flows (Hudson, 2006).[110] Three years later Jean-Michel Severino and Olivier Ray (2009, p. 17) proposed a measure of global policy finance, while Italy proposed a "whole of country approach" to development finance measurement at the 2009 G8 meeting in L'Aquila.

Finally, in 2012 the DAC high-level meeting (HLM) undertook that the DAC would "elaborate a proposal for a new measure of total official support for development" (OECD, 2012). Progress was slow, so that the 2014 HLM could only

> agree to continue to develop the new statistical measure, with the working title of Total Official support for Sustainable Development (TOSSD)… [to] potentially cover the totality of resource flows extended to developing countries and multilateral institutions in support of sustainable development and originating from official sources and interventions…" (OECD, 2014)

By early 2016 some impatience was creeping in and this time the HLM set a deadline "to further develop…a proposal for a comprehensive TOSSD measurement and monitoring mechanism for endorsement at the DAC Senior Level Meeting in October 2016" (OECD, 2016a). However, that meeting again brought no decision and "The Chair concluded the discussion by noting that agreement on the TOSSD measurement framework would need to be reached by the international community in the coming year" (OECD, 2016b). In fact a first set of rules was not agreed until 2019 (OECD, 2019a).

The slow progress on TOSSD may have been partly the result of the extensive consultations undertaken, which represented a new effort by the DAC to involve developing countries in the definitional work through an international task force. But some developing countries also seemed to fear that a focus

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110 Looking at data for 2003, Adelman claimed that ODA represented just 14 per cent of total US economic engagement or 'international giving' and that remittances, private capital flows, aid provided by foundations and churches etc. significantly exceeded ODA.

on TOSSD might undermine the primacy of ODA, the concessional part of official flows which since 1969 had been the accepted measure of donor development effort. These fears may have been exacerbated by the DAC's own actions, described below, which in recent years have gradually voided ODA of its concessional character.

6.4   ODA's identity crisis, 2014-?

By the early 2000s, DAC members were almost exclusively concerned with the volume of ODA, rather than with softening its terms. This led some of them to report loans extended at market interest rates as ODA, which seemed contrary to the spirit of the ODA definition. That definition came under increasing pressure, and in 2014 the DAC fundamentally changed the nature of ODA by deciding to record loans' "grant equivalents" instead of their actual outflows and reflows of cash. Only gradually did the Committee realise that "grant equivalent" methodology would also be needed for all other forms of aid. By the end of 2018, they had failed to agree on these methodologies, but introduced grant equivalent reporting for loans to governments anyway, based on a complex methodology that allowed the inclusion of non-concessional loans. This required substantial changes to the ODA definition, which had been stable since 1972. The essential ODA characteristic of concessionality seemed to be disappearing.

From its earliest years, DAC work reflected a tension between improving the quality or the quantity of aid. In the 1960s, quality had priority, with successive Recommendations on Terms pressing donors to give more grants and softer loans. But in the 1970s and 1980s, after most members adopted the 0.7 per cent of GNI target for ODA, volume became more important. The Terms Recommendation, last revised in 1978, was by the 1990s becoming a historical curiosity, although it was virtually universally observed by 2000.

By the new millennium, quantity had far more political salience than quality. The 2002 UN International Conference on Financing for Development in Monterrey, Mexico devoted very little attention to aid quality, but it became a "bidding war" on aid volume between the United States and the European Union; the EU subsequently promised to reach the 0.7 per cent target for the bloc as a whole by 2010.

Aid quality – at least in terms of financial "softness" – had begun to suffer, and civil society critics were rejecting various parts of the DAC rules

on ODA accounting as too liberal. Kunibert Raffer in 1996 mercilessly attacked the ODA rules then in place and their implicit monopoly on aid measurement, charging that the DAC had over-counted its own efforts while minimising those of the Soviet Union (Raffer, 1996). Robrecht Renard and Danny Cassimon later suggested that debt relief should only count as ODA if had been likely that the loan would have been repaid (Renard & Cassimon, 2001). In 2005, Romilly Greenhill and Patrick Watt of ActionAid again criticised the full nominal accounting of debt relief, as well as technical assistance and transaction costs within ODA. All told, they claimed that only 39 per cent of the reported ODA total could be regarded as "real aid" (ActionAid, 2005): they dismissed the rest as "phantom aid". Also in 2005, David Roodman of the Center for Global Development developed the Commitment to Development Index (CDI) in which reported ODA figures were adjusted down to "net aid transfers" by deducting interest and debt relief (Roodman, 2012). In 2007 Homi Kharas singled out for criticism the counting of expenditures that did not necessarily translate into funds available for development projects and programmes (Kharas, 2007).

Yet under the pressure created by their own aid volume commitments, DAC members were unlikely to agree to any proposals to tighten ODA reporting rules. Instead, the incentives were driving them to count yet more, and a new opportunity for this soon opened up. In the wake of the 2008 global financial crisis, interest rates fell to all-time lows, meaning that even non-concessional loans – those involving no donor subsidy or sacrifice – would meet the long-standing ODA test of a 25 per cent grant element at a 10 per cent discount rate.

Several donors started counting unsubsidized loans as ODA, leading to public controversy. The London *Guardian* reported: "Value of aid overstated by billions of dollars as donors reap interest on loans" (Provost & Tran, 2013), and the NGO group Eurodad amplified this criticism in a detailed paper (Eurodad, 2014). In a letter to the *Financial Times*, a former DAC Chair, Richard Manning, severely criticised the OECD for accepting these loans as ODA, specifically complaining that "OECD documents show that in 2011 France, Germany and the European Investment Bank reported more than $2.5 billion of loans made at interest rates well above their borrowing costs" (Manning, 2013). These three members were in fact counting so many unsubsidised loans that their total grant elements were rapidly falling towards the minimum specified in the Terms Recommendation, with France sinking beneath the 86 per cent threshold from 2010.

The DAC was torn between its members' desire to report elevated ODA/ GNI ratios, and the mounting criticism that they were already counting too much. The 2012 HLM "kicked the can down the road" on this issue by promising to "maintain the definition of ODA, and only attempt to clarify the interpretation of loans that qualify as ODA". Yet by 2014 the pressure to count more was too great. The HLM of that year agreed to a radical overhaul of the basic ODA concept. It decided that, from 2019 data on 2018 flows, the headline ODA measure would not be of "net flows" but of the flows' "grant equivalents" (see section 6.2.2 of this chapter for an explanation of the grant equivalent.).

Measuring the grant equivalent of aid directly was an old idea – older than ODA itself, as it had first been suggested in 1963 (Scott, 2017). And variations on it had recently resurfaced (Chang et al, 1998; Burnside & Dollar, 2000; Hynes & Scott, 2013). Yet in the 1960s the DAC had roundly rejected grant equivalents to measure aid, pointing to the difficulties of identifying the correct discount rate, the impossibility of applying the concept to equity investment or private flows, and the fact that the grant equivalent was "an entirely notional figure [which] does not correspond to an actual flow of funds or of goods and services" (Scott, 2017, p. 14).

Nevertheless, the 2014 DAC HLM

> decided to assess concessionality based on differentiated discount rates, consisting of a base factor, which will be the IMF discount rate (currently 5 per cent), and an adjustment factor of 1 per cent for upper middle income countries (UMICs), 2 per cent for lower middle income countries (LMICs) and 4 per cent for least developed countries (LDCs) and other low income countries (LICs)…To ensure that loans to LDCs and other LICs are provided at highly concessional terms, only loans with a grant element of at least 45 per cent will be reportable as ODA. Loans to LMICs need to have a grant element of at least 15 per cent, and those to UMICs of at least 10 per cent, in order to be reportable as ODA. (OECD, 2014)

The resulting discount rates of 6 per cent, 7 per cent and 9 per cent were high, given the international interest rate environment, and could only be justified as reflecting major default risks. Yet counting these risks in the ODA amount reported upfront logically required eliminating the reporting of any actual forgiveness of bad loans. The HLM appeared to acknowledge this by stating that "We have therefore agreed that the rules on reporting ODA debt relief will need to be updated to rule out double counting". Yet when the new

system came into effect in 2019, no agreement had been reached on new debt relief reporting rules, and the old ones remained in place.

But debt relief was far from the only type of aid that needed rethinking under a grant equivalent system. By 2016, the DAC HLM also recognised that it needed to:

- "work with DFIs to determine the appropriate discount rates [so that equity investments could be] counted on a grant equivalent basis";
- find "differentiated risk premia (which could vary by country income group) for [loans to] the private sector";
- elaborate "a recommendation on whether loans to the private sector should be exempted from a threshold";
- identify "a method for reporting on reimbursable grants [on a grant equivalent basis]"; and
- "formalise the grant equivalent methodology to be applied on public guarantees, and on guarantees other than credit guarantees" (OECD, 2016).

In other words, by 2016, the DAC realized that grant equivalents were a different statistical *quantity* from flows, and that they would have to recast ODA reporting rules for every type of non-grant flow. The ODA definition, unchanged since 1972, was altered towards this, but in the event, the task proved too difficult, and by the end of 2018, no agreement had been reached on new grant-equivalent approaches for reporting equity investments, loans to the private sector, or reimbursable grants. Instead the DAC decided that all these instruments, as well as debt relief, would continue to be reported as they had been under the flow system, thus reneging on its own 2014 and 2016 undertakings. "Retaining the old system" even included, for loans to the private sector, reporting the loans on a "net flows" basis using the 25 per cent threshold and 10 per cent discount rate – tests which the DAC had abandoned in 2014 as outmoded.

This left ODA rules in a state of disarray. It was mixing statistical quantities – grant equivalents with net flows. Repayments on ODA loans to the public sector were being ignored – since only the grant equivalents of new loans were now reportable – but repayments from the private sector were still

being counted as negative ODA. Five different fixed discount rates[111] were being used to calculate the grant elements of different classes of loan, but none of them reflected the market rates that alone would produce an accurate grant equivalent estimate. In fact, many reported "grant equivalents" were illusory, as the loans involved were at market rates of interest. Debt relief reporting was double-counting risk by first factoring it into upfront grant equivalents, and then reporting it again if it materialised and resulted in loan forgiveness.

Underlying these anomalies and inconsistencies was donors' drive to maximize reported ODA, regardless of whether the underlying transactions were truly concessional. The new grant equivalent method clearly exaggerated the concessionality of loans to the official sector, while loans to the private sector were still being assessed on parameters that had already been recognised as too generous in 2014. Meanwhile, the 2016 HLM had decided that concessionality should not be required even in principle for transactions with the private sector (OECD, 2016a, p. 6).

Whether ODA could survive without a credible test of concessionality seemed doubtful. ODA had been invented to capture only the concessional part of official flows, and the UN volume targets for total ODA and ODA to LDCs became meaningless if donors could meet them from purely commercial transactions. By early 2020 the situation had generated consternation in the specialized aid press (Oxfam, 2018; Bissio, 2019), though institutional resistance from the UN and other international bodies was yet to emerge.

6.5   Conclusions

Fifty years after the invention of ODA, it has lost much of its identity and is fading back into the "total official flows" concept from which it emerged. Its essential requirement of concessionality has almost disappeared, a victim of donors' perceived political need to meet ODA volume targets at the expense of their now almost forgotten terms targets.

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111 5 per cent for loans to major multilateral agencies, 6 per cent for loans to regional agencies and upper-middle income countries, 7 per cent for loans to lower middle-income countries, 9 per cent for loans to low-income and least-developed countries, and 10 per cent for loans to the private sector in any country. The corresponding five thresholds are 10 per cent, 10 per cent, 15 per cent, 45 per cent and 25 per cent.

Will this situation lead developing countries to demand a new measure that captures real donor financial effort? A hint of such a demand is emerging in the process to develop a new measure of Total Official Support for (Sustainable) Development (TOSSD), which as noted above, has included developing country representatives. For while TOSSD is designed to capture all official and officially-supported financing for sustainable development, its rules divide it into "concessional" and "non-concessional" parts using the IMF/World Bank threshold of a 35 per cent grant element against a 5 per cent discount rate – a far tougher and more realistic benchmark than any of those now used in the ODA definition (OECD, 2019a). TOSSD also eschews grant equivalents and reverts to the traditional practice of measuring actual financial flows, both gross and net. So, might "net concessional TOSSD" become the basis for a new and more credible measure of aid effort, close to ODA's original concept? Only time will tell.

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7 Putting the "D" into OECD: the DAC in the Cold War years

Richard Woodward

Abstract

This chapter charts the Development Assistance Committee's (DAC) Cold War history. During this period the DAC established much of the institutional and intellectual scaffolding of international development cooperation. Moreover, participation in the DAC also orchestrated a quiet revolution in the identities of its members, forging them into an imagined community of donors in which the supply of development assistance came to be seen as a routine function of modern industrialised states. Although the Cold War provided the overarching backdrop, the chapter also teases out some of the other key features of the landscape inhabited by the DAC and how they constrained and enabled its influence. These include the North-South orientation of development cooperation, the hegemonic role of the United States, disagreements among member states, and the DAC's relationship with other component parts of the Organisation for Economic Co-operation and Development (OECD).

7.1 Introduction

That governments of more advanced states should supply official development assistance to their less fortunate counterparts was, by the end of the Cold War, a widely accepted international norm. By 1990, the field of international development cooperation was likewise characterised by shared definitions about what constitutes development aid (and what does not), agreed principles about how much aid government should provide, to whom and on what terms, common systems to measure, compare, and evaluate aid-giving by states, and surveillance systems to assess whether states were complying with their international aid obligations. In 1960, none of this existed. That the post-Cold War world was bequeathed such sophisticated aid architecture owed a substantial debt to the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD).

The DAC's "role (along with that of the Bretton Woods institutions) in establishing and consolidating the international development field is

undisputed" (Esteves & Assunção, 2014, p. 1777). Yet surveys of global development governance have tended to neglect or downplay the DAC. Barring a recent renaissance of interest (see, for example, Ruckert, 2008; Schmelzer, 2014, 2016; Hongler, 2017; Mahon, 2017), there were few serious studies of the DAC in the Cold War period beyond those commissioned by the OECD or written by sympathetic insiders (Rubin, 1966; Esman & Cheever, 1967; Ohlin, 1968; Führer, 1996). Even specialist texts on the OECD have, with some creditable exceptions (see Mahon & McBride, 2008; Carroll and Kellow, 2011, 2017; Schmelzer, 2016; Leimgruber & Schmelzer, 2017; Woodward, 2021), marginalised discussion of the "D" in "OECD".

This chapter charts the DAC's Cold War history and teases out some of the underlying factors conditioning its influence and performance. Unlike its more illustrious counterparts, such as the World Bank (WB) and the International Monetary Fund (IMF), the DAC did not possess an operational mandate. Instead its main achievement in the Cold War era was establishing the institutional and intellectual scaffolding of international development cooperation. At the start of the Cold War, debates about bilateral development assistance were in their infancy. As one of the first international organisations on the scene, and the only one devoted specifically to development *assistance*, the DAC wielded appreciable influence over the nascent field of international development cooperation. In its inaugural decade, debates in the DAC promoted converging views among members about the nature of the development problem and the role of international development cooperation in addressing it. This common front permitted the DAC to become a caucusing group for so-called Western interests in broader international meetings. The DAC's perspectives were underpinned by the elaboration, refinement, and dissemination of a shared language to understand, and statistical norms to quantify, aid, most notably official development assistance (ODA). Steps were also taken to ensure that the DAC's abstract and theoretical knowledge translated into concrete action to enhance the effectiveness of development assistance. Formally, this involved adopting guidelines, standards and benchmarks against which the performance of each member's development assistance programmes would be judged through ongoing surveillance and regular peer review. As the testimony of senior figures reveals, however, it was by virtue of the everyday process of officials applying lessons learnt from their counterparts in Paris that the DAC's doctrines leached into national and international policy-making (Flood, 2011). Collectively these developments orchestrated

a quiet revolution in the identities and imaginations of member states and their societies. By the end of the Cold War, participation in the DAC had forged its members into a donor community where the supply of development assistance was seen as a routine function of modern industrialised states (Schmelzer, 2014).

Although it provided the overarching backdrop, Soviet competition was not the only feature of the landscape the DAC inhabited. First, the DAC embodied the predominantly 'North-South' organisation of international development cooperation. Despite some engagement with non-DAC donors, most notably the Union of Soviet Socialist Republics (USSR) (Hynes & Trzeciak-Duval, 2015) and the Arab world (Hynes & Carroll, 2013), the DAC customarily talked about rather than to non-members, not least those to whom aid was disbursed. Second, despite undergoing a relative economic decline, the United States (US) played a hegemonic role in the DAC. The most outward manifestation of this was the DAC chair, a position bankrolled by the US and held throughout until 1999 by a US national. In addition, the DAC was the only OECD committee with a full-time chair who was not under the OECD Secretary-General's administrative supervision. The DAC chair was also permitted to present their views without the OECD Council's prior approval, prompting one observer to quip that the incumbent was "in but not quite of the OECD" (Rubin, 1966, p. 80). This, together with a membership at variance with that of the OECD including, uniquely, the European Union (EU) as a full member (Verschaeve & Orbie, 2015) highlights a third feature: the DAC's intra-organisational relationships. Many of the OECD's development-related undertakings occur outside the DAC. Similarly, many of the themes explored in the DAC, including trade, agriculture, taxation, public governance and the environment, intersect with or impinge upon the territories of other OECD committees.

7.2   DAC's first decade – putting the "D" in OECD

As Gerardo Bracho's contributions to this volume demonstrate (Chapters 4 and 5), the DAC emerged against a backdrop of intensified Cold War enmity. Spearheaded by the US, the desire to insert a "D" into the newly instituted OECD arose out of anxieties about the "Soviet economic offensive" (Thorp, 1957). The OECD would secure Western economic growth by coordinating its reactions to the business cycle. Meanwhile, to offset the expansion of Soviet and Chinese assistance, the DAC was to boost Western aid volumes

to dissuade developing countries from drifting into the communist orbit. By the end of the 1950s, however, the limits of US hegemony were becoming apparent. The building of the postwar liberal international economic order had subsidised their allies' recovery. Nonetheless the costs involved were sapping American preponderance and contributed to the emergence of a budget deficit that threatened the long-term viability of the Bretton Woods system of international monetary management. The US saw the DAC as a venue where these issues could be confronted simultaneously. Through the DAC, the US hoped to inspire developed countries to share the burdens of international economic management by elevating their assistance to developing nations. Helpfully, this would also have the effect of increasing the capital exports of surplus countries such as Germany and Japan thereby alleviating the US balance of payments (BoP) position and the strains on the Bretton Woods system.

At the fourth meeting of what was, at this point, still the Development Assistance Group (DAG) in London in March 1961 the then members (Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, Portugal, the United Kingdom (UK), the US and the European Economic Community [EEC]) endorsed the Resolution on the Common Aid Effort. Deriving from the DAC's mandate (OECD, 1960), this document neatly encapsulates the agenda pursued by the DAC during the Cold War years. Specifically, the resolution notes that members commit to "make it their common objective to secure an expansion of the aggregate volume of resources made available to the less-developed countries and to improve their effectiveness" and agree that such assistance would be most beneficial if "provided on an assured and continuing basis". Accordingly, members agreed "that the common aid effort should provide for expanded assistance in the form of grants or loans on favourable terms", to "periodically review together both the amount and the nature of their contributions to aid programmes", and to enunciate "principles on which governments might most equitably determine their respective contributions" (OECD, 1961a).

Despite US support and a consensus adopted in the Common Aid Effort about the overarching agenda, the DAC's initial outlook was inauspicious. The DAC's external environment was poisoned by institutional jealousies and disagreements. The World Bank, for example, had concerns that this upstart organisation would trespass on its agenda. Elsewhere the United Nations (UN) Secretary-General, reflecting the disillusion of developing countries, inveighed against the location of the centrepiece of international

development cooperation at what was perceived as a rich countries' club (Therrien, 2002). There was also dissension inside the OECD. Neutral states including Switzerland and Sweden were anxious about the entanglement of development with the Cold War. Greece and Turkey, two OECD members who at this point were aid recipients, were irritated by their exclusion from the DAC. These sores were ultimately soothed by the OECD becoming a venue for defusing East-West tensions and the agreement to set up aid consortia for Greece and Turkey within the OECD framework. Divergence among members about the DAC's purpose also plagued its formative years. Whereas most members envisaged a DAC that would deal with, and possibly syndicate loans to, individual countries, the former colonial powers, France, Belgium and the United Kingdom, pushed for a narrow donors' club. Eventually this latter view prevailed, and the DAC became an exclusive forum where Western donors could coordinate their views about development problems, nurture best practices to solve them, and present a united front in the other international organisations charged with stimulating development.

The need for a place where Western donors could harmonise their posture assumed greater importance following the first UN Conference on Trade and Development (UNCTAD) in 1964. At this meeting, the OECD countries were ambushed by demands from developing countries for reforms to the global trade regime and greater benevolence in development assistance. The unity of the developing countries stood in stark contrast to the deep divisions among the OECD members, especially on questions of trade (Garavini, 2012, pp. 30-44). UNCTAD was a bruising experience for the OECD but, in anticipation of further showdowns with the newly assertive developing world, injected fresh impetus into the DAC as a forum where donors could iron out their differences (Ohlin, 1968). The DAC had created a working party on UNCTAD issues but, as Patricia Hongler's (2017) archival research reveals, this body convened only three times prior to the conference and produced vague results. In the aftermath of UNCTAD, the working party became the fulcrum of DAC efforts to counteract the proposals from developing countries by brokering consensus among DAC members so as to allow them to speak with one voice in future confrontations. The fallout from UNCTAD also highlighted the impediments arising from the dispersal of development issues across OECD directorates and the incongruence between OECD and DAC membership. Many of the topics broached at UNCTAD related to trade and fell within the purview of the OECD Trade

Committee rather than the DAC. Almost from the outset the DAC members had been asked to "consider how the relationship of trade to aid can best be dealt with and in what forum" (OECD, 1962b, p. 29) but in practice the need to ponder them jointly posed strains on the OECD bureaucracy. In particular the Trade Committee was generally the preserve of officials from trade ministries and frequently promoted views, for example on trade preferences and export credits, at variance with those possessed by their colleagues responsible for development. At times the discrepancies between the membership of the DAC and the OECD impaired the working group's effectiveness because not all parties to the Western Group in UNCTAD participated in the DAC (US State Department, 1965). Nevertheless, the OECD's superior research capacity and its flair for nurturing consensus played an important role in subduing subsequent attempts by developing countries to advance alternative development blueprints (Toye, 2014).

7.3   Defining the "D" in the OECD

In addition to the haggling over the DAC's overall direction and an increasingly inhospitable international environment, the incipient institution faced other pressing problems. Before the DAC could seriously engage with its brief of coordinating attempts to expand, enhance the effectiveness of, and ensure an equitable burden of international aid it first had to confront some important preliminary puzzles. Specifically, the DAC needed to hammer out a consensus on the nature and meaning of development, a shared vocabulary to describe and comprehend development issues, and mathematical methods to measure development assistance and render it internationally comparable.

Taking its lead from the OECD Convention's injunction to "contribute to sound economic expansion in member as well as non-member countries in the process of economic development" (OECD, 1961b), economic growth was a common denominator in the DAC's definition of development throughout the Cold War. Reflecting the tenor of the times, in the 1960s the DAC largely conceived development in terms of rising per capita income levels deriving from economic growth. Like the other international development institutions, the DAC was in thrall to modernisation theories touting industrialisation as a prerequisite for economic growth. The traditions and primitive institutions of pre-modern societies were viewed as serious impediments to industrialisation. The transition to industrial modernity would require enormous capital injections but it was recognised

that private financial markets alone "could not adequately serve all of the needs of handicapped countries" (OECD, 1985, p. 13). As well as narrowing the yawning chasm in the flow of resources needed, in the Cold War context subsidised financial assistance from DAC members could be used to anchor developing states to Western routes to modernity grounded in capitalism and democracy. Towards the end of the 1960s modernisation theory came under attack within and without the OECD from those who posited that economic growth was not delivering improvements in human welfare. From the mid-1970s, the DAC flirted with the basic needs approach, which paid greater attention to poverty alleviation. Nonetheless, as the communiqué to the 1977 DAC high level meeting (HLM) made clear, the underlying premise was unaltered, with members emphasising "that concern with meeting basic human needs is not a substitute for, but an essential component of, more economic growth which involves modernisation, provision of infrastructure and industrialisation" (OECD, 1977). Spurred especially by the US and the UK, the DAC became an outrider for the neo-liberal insurgency of the 1980s, providing empirical support for the work of the World Bank and prioritising assistance aimed at strengthening enterprise and providing institutions for the market. Adopted under the rubric of the Washington Consensus, the extension and intensification of privatisation, liberalisation and marketisation signified a discernible change in policy prescription. Yet, the ultimate purpose of these policies was unchanged. The 1989 "Development Cooperation Report", published less than one month after the fall of the Berlin Wall, highlights the centrality of "improved economic growth as the indispensable basis for broader achievements" (OECD, 1989).

Whatever the definition of development, financial resources would be essential. Reflecting the OECD's faith in market-oriented solutions the DAC was keen to stress the private sector's role in endowing these resources. Equally the DAC was mindful that private capital was no panacea and, in certain circumstances, may exacerbate underdevelopment. To reflect the extra risks, private investors would demand higher interest rates to support schemes in developing countries. These risks are most pronounced in the poorest and least developed countries. Concomitantly they would be denied access to affordable private finance or, where it was forthcoming, face crippling debt service costs. Private investors looking to maximise their returns likewise have little incentive to support vital public infrastructure projects. Indeed, the profit motive may induce them to back ventures that are socially, environmentally and financially unsustainable. Development

assistance was regarded as a "catalytic and supplementary resource" (OECD, 1985, p. 32): catalytic because it would 'crowd in' private finance by ameliorating and sharing the risks of developing country investment and supplementary insofar as it would bridge the gap between the financial needs of developing countries and what private lenders would supply.

Concurring that expanded financial assistance was necessary was only the starting point, however. To ensure its effectiveness and equitable burden-sharing, the DAC first had to concoct a uniform definition of what constituted development aid. Elsewhere William Hynes and Simon Scott (2013; see also this volume Chapter 6) have dissected the sometimes tortuous process by which the DAC, in 1969, settled on the definition of ODA that confines it to those financial flows which possess a primarily developmental motivation, official character and are awarded on concessional terms. The DAC's definition of ODA soon acquired wider acclaim when in 1970 the UN, upon the recommendation of the Pearson Commission appointed by World Bank President Robert McNamara, adopted a target, applying DAC ODA definitions, that donors should provide aid equivalent to 0.7 per cent of their gross national income (GNI).

Most of the DAC's members acquiesced in the UN target, but meeting quantitative goals could not guarantee that aid would contribute effectively to development. To this end, through its many working groups and member submissions, the DAC distilled the collective experiences and perspectives of its participants into a suite of best practice guidelines and standards. All of the DAC's guidelines take the form of 'soft law', in other words mechanisms that are not legally binding, but which members feel constitute a strong moral imperative to follow, of varying levels of formality. By the Cold War's conclusion only four DAC benchmarks had been codified into official OECD legal instruments; the remainder took the form of principles, codes of conduct, databases and policy statements. Collectively these declarations form a doctrine of development assistance that has exerted a subtle discipline over the trajectory of global development governance.

These standards find their way into national policy through a mixture of peer learning and peer pressure. The DAC's various meetings and working groups repeatedly brought together bureaucrats responsible for development assistance at the national level. These encounters allowed officials to glean lessons about the practical implementation of development assistance policies through exchanging information and experiences with their

foreign counterparts. These interactions, alongside the regular publication of comparative statistics about the benevolence (or otherwise) of national aid efforts, equipped them with the ammunition required by domestic aid ministries to safeguard and preferably augment national aid allocations. Nonetheless, the peer review process is the most renowned mechanism through which the DAC seeks to induce members to apply its corpus of norms and standards. Galvanised by its aspiration to secure a more equitable distribution of development assistance, the US provided much of the impetus behind the proposals, ratified in January 1962, to institute an annual aid review (OECD, 1962a). The peer review process entails the systematic evaluation of a donor's assistance programme in the light of DAC's goals and benchmarks. Beyond identifying aspects of state practice that depart from agreed goals and expectations and generating pressure to rectify them, the peer reviews were another opportunity to pinpoint best practice, share know-how and reinforce aid coordination. As the Cold War progressed, the peer reviews expanded thematically and diminished in regularity in response to the DAC's growing membership and compilation of visions, indicators and benchmarks. After peaking at 0.54 per cent of GNI in 1961, the proportion of ODA drifted steadily downwards to around 0.33 per cent of GNI throughout the 1980s (OECD, 2011). The palpable failure of the DAC and the majority of its members to attain the 0.7 per cent target elicits questions about the potency of the peer review process. Still, the members did gravitate towards some of their other targets. For instance, members worked hard to soften the terms of aid to developing countries, setting a target in 1972 of giving 84 per cent (increased to 86 per cent in 1978) of ODA in the form of grants rather than loans. By the end of the 1960s, grants had dropped to around 60 per cent of aid but these targets were, collectively at least, being met by the Cold War's end. Moreover, those close to the process insist that peer reviews provided a crucial conduit through which DAC pronouncements, often requiring onerously won reforms that were otherwise vulnerable to sacrifice, became hard-wired into the circuits of domestic development institutions and policy (Manning, 2008). All the same, achieving serious progress required the stars to align with the most promising constellations, entailing peer reviews interacting with pre-existing domestic reform agendas.

Arguably, the failure of the DAC or its members to reach numerical targets or rid countries of the scourge of underdevelopment was less important than the fact that they glimpsed this as something they *ought* to be doing. As the 1985

"Development Cooperation Report" noted "official development cooperation was conceived as a temporary, transitional feature of international relations a quarter-century and more ago. Today it is established as a regular function of governments…generally accepted as an indispensable expression of humanitarian concern and collective responsibility" (OECD, 1985, p. 32). Networking at the DAC had abetted the transformation of a loose coalition of countries making nebulous pledges about benevolence towards the less fortunate into "a community of aid donors, sharing a more or less coherent doctrine on aid questions" (Schmelzer, 2014, p. 172; see also OECD, 1985, p. 32).

The emergence of an imagined community devoted to development had important practical repercussions. In particular, the DAC expedited the constitution of a host of new actors in the field of development cooperation. When the DAG commenced operations, development assistance was a fringe activity whose administrative structure was rudimentary and scattered across many government departments. By the early 1970s, all DAC members had a dedicated ministry or department responsible for aid administration. DAC membership was instrumental in this rationalisation of domestic aid infrastructures. The exigencies of the DAC peer review process forced states to formulate a coherent national aid policy to defend in an international forum. Through this process, and the considerable cross-departmental coordination it necessitated, states were educated about the rationale for housing the aid bureaucracy in a single location. This, in turn, bolstered the hand of these officials in petitioning for additional development assistance (see Schmidt, 2003). Beyond the state apparatus the DAC's effects percolated into their wider societies. By increasing the visibility of development issues, the DAC also helped to constitute a range of other actors and constituencies that would lobby for development cooperation. Domestic actors were an important secondary audience for the DAC's outputs. Parliamentarians and civil society organisations seized upon DAC reports and peer reviews to highlight ways in which governments were departing from international norms and best practices. Indeed, this ability to 'shame' governments ultimately gave the DAC's surveillance some purchase. Increasingly it is recognised that states' behaviour is governed, at least in part, by a logic of appropriateness that obliges them to align their behaviour with the conventions and expectations prevailing in the community to which they purport to belong. To conserve their reputation as virtuous community members, states are anxious to avoid criticism by the DAC. The claim is not that this miraculously promoted a

scrupulous adherence to the DAC standards, but rather that the conduct of states is tempered by their perception of what constitutes legitimate donor behaviour.

7.4 Enlargement

As the Cold War progressed, the DAC's membership and remit swelled steadily, bringing fresh opportunities and challenges. The accessions of Norway (1962), Denmark (1963), Sweden (1965), Austria (1965), Australia (1966), Switzerland (1968), New Zealand (1973), Finland (1975), and Ireland (1985) almost doubled the DAC's membership. The DAC nevertheless remained a close-knit community bound by a common mission. For most of these countries, which were already OECD members, the path to DAC membership was relatively straightforward. The exceptions were Australia who, emulating Japan, used the DAC as a stepping-stone to enter the wider organisation and New Zealand, whose engagement with the DAC and the OECD grew until it joined both simultaneously. Whereas most OECD members, the United States especially, could see the value of binding Japan into the Western bloc they were less enthused about Australia and New Zealand (Carroll, 2017). In addition to fears that their applications for OECD membership might lead to a slew of other such requests, Australia had not always toed the Western line in UNCTAD, much to the US' chagrin. For their part, the two Australasian countries equivocated about OECD membership, hoping instead to steer a middle way between the 'rich country club' and the developing world. When this position proved unsustainable, not least as most developing states perceived them as developed countries, Australia and New Zealand started to take a keener interest in OECD membership.

Internal fissures within the government made Australia's route to OECD membership a protracted affair. While the Treasury and the Department of External Affairs broadly supported an Australian application to the organisation, the prime minister and the Department of Trade were against it. Those opposing membership feared that it would lead to pressure on Australia for unwelcome policy changes, including in the realm of development assistance. In particular, Australia had concerns about coming under pressure to escalate its aid flows and that Asian countries which were the targets of its exports might dislike its OECD affiliation (Carroll & Kellow, 2017, pp. 50-60, 156-57). Despite persistent ministerial disagreements about whether OECD membership was in Australia's national interest

the Cabinet granted permission for an application to the DAC in 1965. This decision reflected a number of practical and policy considerations. Firstly, Australia's aid performance outshone that of many DAC members, both in scale and concessionality. Secondly, the DAC's importance as a venue for coordinating aid policy had been heightened by UNCTAD and Australia wanted its interests represented in any future Western consensus. Thirdly, DAC membership would serve to raise the profile of Australia's aid programme and enable it to coordinate its assistance with other aid donors. Finally, Australia's officials would be inculcated into the OECD way of working, gaining valuable insights for any prospective application for full membership. As Peter Carroll and Aynsley Kellow (2017) have demonstrated, participation in the DAC revealed to Australian officials the primitive nature of their aid infrastructure and furnished them with ideas about how to bring development assistance into the mainstream of economic policymaking. Australia's generally positive experience in the DAC liquidated the remaining domestic resistance to full OECD membership, which it acquired in 1971.

New Zealand's journey to DAC and then full OECD membership followed a similar track. Internal divisions within the government again featured prominently. For the Treasury and the Department of Agriculture and Commerce, associating with the OECD had obvious benefits, not least that it would facilitate stronger relationships with countries, especially those of the EEC, where the bulk of New Zealand's exports were destined. Initially these arguments were outweighed by the anxieties of the Departments of External Affairs and Industry and Commerce who feared that this would burn their bridges with UNCTAD and the G77. Again, the rift between the developed and developing world after UNCTAD tilted the balance in favour of aligning with the OECD with which New Zealand started to build an ad hoc relationship. The DAC, which a representative of New Zealand's Paris embassy had been attending as an observer since 1962, was a key part of this. Seeing that Australia had not been forced into a drastic overhaul of its aid policies removed some of the last obstacles to New Zealand's application and it joined both the DAC and the OECD in 1973.

While the enlargement of DAC membership slowed in the 1970s the same could not be said of its remit. As the previous section details, the DAC initially concentrated on scoping out aid concepts, contriving statistical frameworks and conventions to render member performances internationally comparable, and elucidating systems to monitor and review the efficacy

of national aid efforts. Although these would remain the apotheosis of the DAC's work, it nevertheless started to pay greater attention to a broader range of development cooperation policies and issues, a fact reflected by changing the nomenclature of the Development Assistance Directorate to the Development Co-operation Directorate (DCD).

Aid effectiveness was integral to the DAC's mission from the outset (OECD, 1962b, p. 41) but the growing attention paid to aid quality in the 1970s brought it to the fore. The DAC's own evaluation of development assistance noted that too often aid was well-intended but ineffective in the sense that projects did not deliver their intended outcomes or had unforeseen side effects (OECD, 1972, 1980, Chapter III). For example, precious aid was wasted on poorly conceived public infrastructure projects and competition among donors for attractive projects, while the dissemination of new technology often exacerbated income disparities by concentrating gains in the hands of those most able to exploit it. Practical experience demonstrated that ODA was only as effective as the institutional and administrative milieu in which it operates. Unleashing the full power of ODA required the administrative and institutional shortcomings of developing states to be surmounted. Therefore, often at the behest of the HLM, the DAC dwelt on identifying the conditions for aid effectiveness. The result was a compendium of good practices for areas including aid coordination with developing countries, project appraisal, technical cooperation, programme assistance, women in development, assessing the environmental impact of development projects, procurement practices, evaluating development assistance and tied aid (OECD, 1992).

The DAC also delved more deeply into affairs, including agriculture, energy, education, health, fertility, migration, ecology, and public administration, which were the terrain of other OECD committees. This reflected the aid effectiveness agenda but also calls from the OECD Council for the organisation to take a more holistic view of development cooperation. The DAC was asked to identify pertinent development issues and invite other competent bodies of the OECD to investigate development matters falling with in their remit. Nonetheless such interdisciplinary work brought additional challenges, not least the insertion of ideas from policymakers for whom development was not the primary concern. For instance, almost from the outset the DAC had engaged with the topic of tied aid, the provision of loans and grants conditional on goods and services being procured from the donor. This issue swiftly became entangled with the supply of export

credits, subsidised financial support given by governments to entice foreign buyers to purchase goods from their domestic firms. Advocates claimed that blending tied aid and export credits brought commercial benefits to rich nations and developmental benefits to their poorer counterparts by reducing the costs of buying goods, thus allowing aid budgets to stretch further. Critics meanwhile suggested that this was nothing more than a predatory form of trade finance that reduced the real cost of aid to the donor and distorted development objectives. Within the DAC these matters were first the preserve of the Working Party on Terms of Aid and, from 1964, the Working Party on Financial Aspects of Development Assistance. Rather than officials from the domestic aid bureaucracy, representatives from finance and trade ministries, who prioritised commercial success over aid and development, often populated this working group. In any case, the main responsibility for export credits in the OECD has since 1963 lain with the Trade Committee's Expert Group on Export Credits and Credit Guarantees, again "bringing into play in the development aid arena a wider range of actors from domestic trade departments, treasuries and export credit agencies" (Carroll & Kellow, 2017, p. 171). As the Cold War progressed, development did become a permanent part of the agenda of almost all OECD committees and directorates. Equally, although this issue remains under-researched, the different communities of influence that swarmed around the different committees undeniably complicated the DAC's mission.

7.5   Conclusion

Throughout the Cold War, the DAC "provided a forum for coordination of all matters related to development cooperation" (de Renzio & Seifert, 2014, p. 1861). When the Berlin Wall fell in November 1989 the field of international development cooperation was replete with references to the ideas, statistics, standards, and solutions pioneered by the DAC. By acting as a hub for national and international aid agencies and personnel it fuelled the emergence of a community of states and societies devoted to boosting official development assistance. In some respects, the most important legacy of the DAC's Cold War activities was that it had instigated a community which regarded aid-giving as, in the words of the first OECD Secretary-General Thorkil Kristensen (1962, quoted in Schmelzer, 2016, p. 227), "a normal and stable function of an industrial state". In short, during the Cold War the DAC, in conjunction with a wider ensemble of international development organisations, prescribed the prevailing development paradigm.

Furthermore, with the DAC country share of ODA regularly exceeding 90 per cent and seldom dropping beneath 75 per cent, they had the financial wherewithal to realise it.

The enlargement of the DAC's membership and agenda had little effect on its outlook and character. While the DAC began to rove over a wider area, its fundamental philosophy was consistent and drew upon that prevailing within the OECD as a whole. Namely, the solution for underdevelopment lay in sustainable economic growth underpinned by a commitment to democratic and market modes of governance. Furthermore, well-designed and coordinated ODA could play a crucial role in hastening these outcomes in countries where they could not otherwise be attained by private sector resource flows alone.

Undoubtedly the DAC's Cold War influence was at its zenith during the 1960s, when its role in defining development and the budding field of development cooperation was arguably as important as that of more renowned institutions such as the WB and the UN Development Programme (UNDP). Thereafter the DAC receded into the background such that, by 1975, Camps (1975, p. 29) asserted that the World Bank was providing "much of the necessary research, coordination, setting of standards, goals etc. that came mainly from the DAC a decade ago". Nevertheless, the foundations laid during DAC's inaugural decade, plus its ongoing research and surveillance, preserved its status as an authoritative development actor. Indeed, it was this authority that would, in the 1990s, become the basis for the DAC's biggest post-Cold War achievement: providing the founding vision and articulation of what would become the UN Millennium Development Goals (MDGs), resetting the prevailing global frame of reference on development from the Washington Consensus to human development-based poverty reduction, leaving no one behind, and the preservation of environmental sustainability (see Chapter 10).

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8   The donor that came in from the cold: OECD-Russian engagement on development cooperation[112]

William Hynes and Alexandra Trzeciak-Duval

Abstract

Soviet, later Russian, relations with the Organisation for Economic Co-operation and Development (OECD), notably its Development Assistance Committee (DAC), have oscillated over the decades, along with profound shifts in the world economic balance and in the relative strength of the Soviet/Russian economy. During the Cold War, the Soviet Union rejected Marshall Plan aid, but later sought to join the OECD. While the OECD could have been a place to pursue East-West economic interests and mutual benefits, political tensions limited the scope for collaboration. Towards the end of the Cold War, the Soviets sought increasing cooperation and this continued into the 1990s, when the OECD played a key role in supporting the former Soviet Union countries, especially the Russian Federation, and aiding their transition to a market economy. The Russian Federation became an accession candidate to the OECD in 2007, although this process was postponed in March 2014 because of political tensions related to Ukraine. This postponement does not preclude continued collaboration, including development cooperation.

Development cooperation has been an area of both competitive and collaborative relations between the Russian Federation and OECD members. The DAC has its origins in attempts inspired by the United States (US) to counter the perceived threat of communist Soviet influence through aid by expanding and improving the collective aid effort of the West. The DAC collected statistics on Soviet bloc development assistance, the accuracy of which was always disputed, and succeeded in promoting only limited in-country coordination between the Soviet Union and western donors. During the late 1980s, this began to change as the Soviets struggled to maintain their development programmes and sought increasing cooperation.

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112   This chapter is based on an earlier version published as a discussion paper by the Institute for International Integration Studies at Trinity College Dublin and in Russian by the International Organisations Research Journal (IORJ) of the National Research University Higher School of Economics, Moscow.

Thereafter, DAC members became donors to the former Soviet Union. Some 30 years later, the Russian Federation straddles a unique middle ground between developed and developing countries and has a re-emerging aid programme. This chapter reviews Soviet/Russian-DAC cooperation and suggests a 21st-century Russia-DAC relationship that will enhance development outcomes, at long last keeping a re-emerging donor out of the cold.

8.1   Introduction

On 30 September 1961, the Organisation for European Economic Co-operation (OEEC), which had been created to administer the Marshall Plan providing aid to Western Europe following the devastation of World War II (WWII), went out of existence, to be replaced by the Organisation for Economic Co-operation and Development (OECD).[113] All original OEEC European members plus Canada and the United States (US) – and Japan three years later – became OECD members. Economically, within 10 years OECD countries produced two-thirds of the world's goods and accounted for more than 80 per cent of world trade. Politically, the OECD "stood as a colossal (…) challenge to Soviet and Chinese Communism" (Sullivan, 1997, p. 33).

The OECD's founding convention of 1961 laid out the broad aim of effective engagement with non-members, including developing countries, industrialised countries, other international organisations and interest groups, especially in the pursuit of economic development. The nascent intergovernmental OECD, with its committee structure linked to key areas of government policy-making, provided a propitious context for the integration of the Development Assistance Committee (DAC).[114] Its creation coincided with the priority accorded to development by newly elected US President

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113   The Marshall Plan is the short name of the European Recovery Programme. It was named after US Secretary of State George Marshall and his Harvard address of June 1947. Marshall aid was the economic and technical assistance given by the US to Europe under the Marshall Plan.

114   The perceived economic prowess of the Soviet Union in the early 1960s and the challenge this posed to the West's dominance in aid were critical factors that gave rise to the Common Aid Effort of the DAC's predecessor, the Development Assistance Group (DAG), set up on 13 January 1960. It became the DAC within the newly established OECD in September 1961.

John F. Kennedy. At the time, 85 per cent of western aid, defined as the voluntary transfer of resources from one country to another, was provided by France, the United Kingdom (UK) and the US. Both wider burden-sharing and an increase in volume were desirable. Germany and Japan rose to the challenge and took on increasing shares of the aid burden. DAC members' portion of resource flows to developing countries by then accounted for more than 90 per cent of the global total.

Surprisingly, the Soviet Union expressed an interest in joining the OECD during a foreign ministers' meeting of the Ten Nations Committee on Disarmament in Geneva in April 1960. Given that the Soviets were not members of the OEEC, and not wanting to discriminate against the rest of the world, the French could not accept Soviet membership. Furthermore, the French government considered that the Soviet Union did not play the trade game under the same rules as western countries. The United States largely concurred with this assessment, considering Soviet policy aims incompatible with those of other OECD members and suspecting that their motive for joining was "deliberately to obstruct the attainment aims of the organisation" (US State Department, 1960). Even if the Soviet Union was acting in good faith, the US believed that the Soviet economic system, both in theory and in practice, precluded genuine cooperation based on common principles and purposes of economic activity. For the time being, the door to the OECD – although not necessarily to the DAC – was closed to the Soviets.

The DAC has a long record of constructive engagement. It has attempted to expand the flow of resources to least developed countries (LDCs) from its members as well as non-members, to improve the terms and conditions of aid, and to increase its developmental effectiveness (OECD, 1985). In its 60 years of existence, the DAC has made significant progress on these core objectives. Over time, its members, together with the DAC chair and secretariat, have fashioned a process that, without trying to force common policies, promotes them and considers broad as well as regional and sectoral development issues, with members candidly critiquing one another and the secretariat joining in, evaluating members' assistance programmes individually and jointly (OECD, 1985).

The history of the DAC reveals useful experiences in interacting with non-members. It shows that the Committee, or at least certain members, has generally been open to outside perspectives, whether it was analysing the particular problems of developing countries or engaging non-DAC members

including the Soviet Union and Arab donors, and more recently China. The China-DAC Study Group, for example, was formed in 2009 to share knowledge and exchange experiences on promoting growth and reducing poverty in developing countries, under the key principle of facilitating mutual learning on poverty reduction (OECD, 2015). There were frequent efforts to reform the DAC to include the views of developing countries, although with varying results. As recognised by Edward Mason and Robert Archer (1973), "in terms of equality between recipient and donors, the DAC led the way when it invited Thai officials to all sessions of the country meeting on Thailand in 1962." In contrast, in the 1970s members strongly rebuffed DAC Chair (1974-79) Maurice Williams's suggestion of three reviewers – two from the DAC and one from a developing country – for peer reviews. It seemed that the DAC was not ready to accept Third World review of members' aid programmes.

What the OECD today calls "engagement" has always been at the heart of the DAC's work. Indeed, the very establishment of the Committee was about spreading the burden of assistance, through the common aid effort, to new donors – especially Germany and Japan at that time (Wheeler, 2013). By spreading the aid effort, the rationale – at least for the US – was also to counter Soviet bloc influence in the Third World. Throughout its history the DAC has succeeded in widening participation in the aid effort, cutting across political and geographical lines.

Engaging the Soviet Union in the aid effort posed particular challenges, however. The Cold War impeded serious cooperation until the 1980s, when a growing openness from the Soviet Union created opportunities for collaboration. Later, the former Soviet Union became an aid recipient before the emergence of the Russian Federation and the gradual return of the Russian aid programme. Reviewing Russian-DAC engagement both informs current efforts to engage non-DAC donors and highlights the limitations of global-level collaboration in development, while indicating where progress on specific issues can be made.

This chapter reviews the limited but still revealing interaction over the years between the DAC, the OECD secretariat and Soviet, later Russian, providers of aid. It discusses the connections established between the DAC and non-members and illustrates the rise, fall and renewal of engagement. It highlights that engagement, including with the Russian Federation today, must be based on a substantial agenda such as statistical cooperation,

genuine mutual learning, co-financing of projects, sharing of country-level appraisals and joint evaluations, and that the secretariat plays a useful role in informing and sustaining cooperation, provided the membership mandates such a role. The chapter suggests that the experience with the Soviet Union and the Russian Federation can inform today's efforts to engage China, India and other emerging actors, as shifting wealth and economic gravity stimulate new flows and types of development cooperation. It also suggests that DAC members' interest in non-DAC donors is fickle and tends to wane as non-DAC flows become less significant: this calls for the DAC to adopt a strategic perspective and greater continuity in future engagement efforts. Finally, the chapter argues that stronger cooperation between the Russian Federation and DAC donors would enhance development outcomes. The DAC is a useful vehicle to achieve that goal.

8.2 DAC-Soviet relations

8.2.1 Competition and cooperation, 1948-88

During the Cold War, tensions between the East and West seemed to make cooperation and coordination on development assistance unlikely. In fact, sharp differences emerged over the world's first major aid programme. The Soviet Union rejected Marshall Plan aid partly because of the provision of economic assistance to Germany. The Soviets had concerns about the influence of aid on the domestic affairs of other countries and urged greater transparency about the amounts provided to the different European countries. The US ignored these concerns and began providing Marshall aid in 1948. The OEEC was established to administer the assistance and to promote intra-European trade and European integration; it was the forerunner of the OECD.

Competition in the field of development cooperation intensified in the 1950s. John Foster Dulles, US Secretary of State, supported a long-term aid programme to "counter Soviet penetration of the Middle East and South Asia" (Schmidt, 1956). The US State Department estimated that Soviet aid was small relative to the volume of its own assistance. While the United States provided $20.3 billion to less developed areas between 1954 and 1959, it estimated the Chinese-Soviet bloc provided just $3.8 billion (US State Department, 1960).

However, there was increasing competition, and Soviet bloc aid to LDCs was increasing and reaching into new areas such as Africa and Latin America, "establishing beachheads in Western spheres of influence" (US finds West outdoing, 1960). In the early 1960s, it was believed that Soviet economic prowess challenged the West's dominance in aid. Despite early successes, Soviet aid was "reduced and more pragmatic" through the 1960s and '70s as DAC donors scaled up. In fact, some estimates suggest that Soviet aid peaked in 1960. For the Soviets, the instability of post-colonial regimes made economic aid an increasingly risky investment (Lawson, 1988). Victor Lasky (1965), in a largely anecdotal account, claimed that Soviet aid was about as ineffective as the American programme and beset with many similar difficulties.

Others such as Marshall Goldman (1962) offered partial support for Soviet aid, indicating that the Soviets had learned much in the early days of their programme and by the mid-1960s were moving away from "economically useless stadiums and hotels and wherever possible encouraging projects which have more economic rationality, including some that are financed on purely commercial terms." By the 1970s, the commercial interest of Soviet aid was apparent and used, according to the Central Intelligence Agency (CIA, 1974), to "protect their commercial and long-term economic interests." This included the formation of joint industrial and commercial ventures with LDCs. For instance, this commercial motivation for economic aid was highlighted by the large communist credits to Argentina, intended to correct the imbalance in Soviet and East European trade with Argentina (CIA, 1974). Some countries, including Burma (now Myanmar), found the cost of Soviet bloc goods high and the quality poor.

Meanwhile, the US ushered in a new era of economic cooperation among the western powers through the formation of the OECD and in the sphere of development through the Development Assistance Group (DAG). The objective of the new DAG was to increase the volume and effectiveness of western aid.

The US and other western powers cooperated on aid issues through the DAG, but the exact nature of that cooperation was debated. Within the US government under President Kennedy, the State Department favoured a serious coordination of aid policies and programmes via consortia. The Treasury was more conservative and opposed a committee which would discuss particular problems or areas. The State Department felt that this

position limited the activities of the DAG to a "sterile discussion as to which countries should make a greater effort" (Kennedy administration, 1981). The Kennedy administration moved quietly to reverse these limitations. The OECD would be useful in cases where it was necessary for the western powers to take large-scale actions to counter the aid efforts of the communist powers – the Aswan Dam in Egypt, finally built using Soviet aid, as US and other western donors failed to act together, was an example where efforts by a western consortium might have proved useful and pre-empted the Suez Canal Crisis of 1956.

The DAG and the DAC, its successor from 1961, did not become an instrument in coordinating the western aid effort but ultimately converged on a narrower set of objectives focussed on monitoring aid statistics and encouraging more effective aid practices. Nevertheless, the widespread recognition of the DAC's pre-eminence in these activities was a good basis for engaging new donors. When the US considered asking the Soviet Union to collaborate in the coordination of aid in the OECD, this was again rejected. OECD Secretary-General (1961-69) Thorkil Kristensen commented that the capitalist and communist systems were so radically different that he did not see "any possibility of the Eastern bloc countries joining in the aid efforts" (Jones, 1963). However, he did say that if the systems of the two areas became more similar over the next decade, there might be a possibility of joint efforts.

Some countries were uneasy about the role of the DAC as an instrument in the Cold War. Sweden and Switzerland initially refused to join for fear it would contravene their neutrality. These fears eventually subsided and, in the mid-1960s, as part of a US initiative, the OECD sought to be a place where Cold War tensions could be defused with East-West cooperation on issues such as trade, tourism and technology.[115] Yugoslavia had observer status from the creation of the OECD until the dissolution of the country in 1992, and Romania and Czechoslovakia, both members of the Council for Mutual Economic Assistance (COMECON), investigated the possibility of attaining associate status.[116]

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115 Indeed, a 700-page report was published on Soviet technology policy by the OECD's Industry Committee. The Soviets showed an interest in the organisation's staff work on technology. The report suggested increasing incentives for scientific development but cautioned that centralised planning imposed limits on the efficiency of Soviet research.

116 COMECON (1949-91) was an economic organisation of Eastern bloc countries under the leadership of the Soviet Union.

Although the DAC kept track of Soviet donor activities, it also fostered some in-country cooperation between Soviet and western programmes in a few places such as Pakistan and Afghanistan. In the late 1960s, the foreign ministries of some DAC members were eager to explore informal cooperation between the DAC and the Union of Soviet Socialist Republics (USSR) as well as Eastern European countries. DAC Chair (1967-74) Edwin McCammon Martin discussed this suggestion with the US government in February 1968. He did not have any formal arrangements in mind, but wished to use the DAC as an intermediary with Soviet and Eastern European countries that might be interested in cooperation on development in specific countries, such as Indonesia. US officials thought it might be worth pursuing in the framework of an "East-West bridge-building exercise" (Memorandum of Conversation, 1968). The Prague Spring later that year brought detente in Europe to an end and, with it, DAC-Soviet cooperation.[117]

8.2.2   Tracking Soviet aid 1968-1988

The DAC was now limited to tracking Soviet aid statistics and related analytical work. This was a difficult task with no formal communication between Soviet authorities and the OECD secretariat. The DAG had been asked by its members to collect "materials on the financial aid received from Soviet bloc countries" (DAG, 1961). The OECD estimated Soviet bloc aid throughout the 1960s, '70s and '80s. In 1968, the OECD's Development Centre issued a report that detailed Soviet aid based on Soviet statistical yearbooks.[118] The report contended that aid was linked to a policy of foreign trade expansion and less attention was paid to development than to the optimisation of trade exchanges (Vasiliev, 1969). The study suggested that during the 1960s, commitments drawn from Soviet sources were lower than those estimated by the Americans.

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117 The Prague Spring refers to the brief period in 1968 when the government of Czechoslovakia under party leader Alexander Dubcek sought greater democracy and freedom from Moscow's domination. It ended with a Soviet invasion, toppling Dubcek and curbing reforms.

118 The Development Centre was established as part of the OECD on 23 October 1961 and came into operation in 1964. It was created broadly to stimulate contacts and the exchange of information and ideas among the industrialised countries and LDCs, and to increase knowledge about and help achieve economic growth in LDCs (see Keysen, 2002).

Data on loan commitments and disbursements did not give an adequate overall view of the transfer of resources for a number of reasons. Figures were based on the Debtor Reporting System (DRS) set up by the International Bank for Reconstruction and Development (IBRD), which contained reporting by some 90 recipient countries. Grants were not included. For example, 2 million tons of food aid worth about $350 million sent by the USSR to India in 1973-74 was not reported. Similarly, China's aid to Chad in 1973 of $50 million was not reported. Cuba and the Democratic Republic of Vietnam did not report to the DRS, although assistance to those two countries was believed to amount to several hundred million dollars per year. Furthermore, since Cuba was a member of COMECON the USSR no longer considered it to be a developing country. The Democratic Republic of Vietnam had always been classified as a centrally planned economy, and no distinction was made inside this group between advanced and less developed countries. Among the other developing countries that did not report under the DRS, Laos and the Arab Republic of Yemen received modest amounts of aid from the centrally planned economies (OECD, 1977).

The largest donor among centrally planned economies (CPEs) was the USSR, which provided between half and two-thirds of the total. China rapidly increased the volume of its aid, which by 1974 almost equalled that of the USSR. CPEs had in common the "almost exclusively bilateral character of their aid programmes, the tying of assistance and the fact that repayments are usually made in the form of local goods" (Bartsch, 1975). Tying assistance refers to tied aid or the practice by which the allocation of official grants or loans by the recipient of resources is restricted. In the DAC, loans and grants whose proceeds are fully and freely available to finance procurement from all OECD countries and substantially all developing countries constitute untied aid.

The CPEs never took part in talks on development assistance in the United Nations and never accepted any international aid target because they considered that "assistance is a matter for the market-economy countries who are 'responsible' for under-development in the Third World." They therefore did not accept comparison with DAC countries and did not supply official figures on their aid flows.

The CIA estimated that total CPE flows between 1954 and 1974 drawn by less developed countries were $5.3 billion with an average of $1.5 billion per year between 1954 and 1964 and considerably less thereafter. By the

mid-1970s, there were signs of an apparent slackening of interest by CPEs in development assistance. Nonetheless, as of 1976, the USSR had concluded economic and trade agreements with more than 50 developing countries (OECD, 1977). As early as the 1960s, OECD experts observed that "Soviet economists appear to be little concerned with development problems, and concentrate almost exclusively on the optimisation of trade exchanges and the prospecting of foreign markets" (Vasiliev, 1969). The commercial motivation for economic aid was highlighted, for example, by the large communist credit to Argentina, intended to correct the imbalance in Soviet and East European trade with Argentina. Significant effort was devoted in the 1970s to finding methodologies to arrive at comparable figures due to the above factors and other conceptual differences described below, as well as due to major currency misalignments linked to the old CPE system of fixed exchange rates.

At an informal DAC-COMECON aid review in February 1981 – 10 years after it was originally proposed – most delegations felt that OECD countries should continue to press COMECON countries to participate more constructively in the international aid effort (without great expectations, however, that this would lead to a major increase). They also insisted on pointing out shortcomings in their aid programme, especially developmental quality (e.g., absence of rural development projects), the highly political orientation of the programme, the geographic concentration on a few recipients, the rather harder terms and the almost total absence of multilateral aid. It was considered they should be urged to increase multilateral contributions to assume their international responsibilities, provided the contributions were in convertible currency (Bartsch, 1981).

Much of the discussion focussed on the problem of Soviet support to Cuba in the form of subsidised prices. This type of economic support, which is not regarded as ODA, corresponded to 0.23 per cent of Russian gross national product in 1980, but its existence has to be kept in mind in considering the size and nature of Soviet aid. The USSR paid "lip service to the Western concept of aid" (Bartsch, 1989a). Support was in the form of loans on favourable terms, payments for the services of Soviet specialists, training, and the transfer of Soviet technology and equipment. It also came in the sphere of foreign trade, typically through large-scale industrial and energy projects, such as steelworks, where the recipient would repay the USSR in the commodity as repayment for its loans. The Russians did not guarantee the equipment they provided and through the 1980s there were concerns

about reliability. In a 1982 note on aid to the developing world, the UK Foreign and Commonwealth Office (FCO) cited the example of a Soviet-built tin volatilisation plant in Bolivia that took 10 years to complete and cost 10 times the original estimate. A trial run in 1981 filled the atmosphere with toxic fumes. There was also dissatisfaction with the Soviet fishing fleet's rights in Africa. By 1985-90, Angola and Mozambique were looking to diversify their economic relations and consequently participated in the Lomé Convention (see ACP/EU, n.d.). There were also equipment failures at Soviet-supplied steel plants in Helwan in Egypt, and in Bhilai and Bakano in India.

Commodity subsidies, commodity aid and balance of payment support comprised approximately 65 per cent of Soviet aid in 1981. At the DAC meeting on COMECON aid in February 1981, the DAC opposed including subsidies in ODA, but such support was valuable to recipient countries – especially those with balance of payments problems – and represented an economic burden for the USSR (OECD, 1987). Comparing DAC aid efforts with those of the Comecon countries raised difficult conceptual and measurement problems (Bartsch, 1981).

In the 1980s the Soviets expressed interest in the DAC's aid statistics and sought closer cooperation to improve reporting. A Soviet study compared DAC statistics to a "banker's account totalled up to the last penny with the utmost accuracy, including even administrative cost" (OECD, 1985, p. 118). The DAC provided estimates of Soviet aid that were significantly lower than Soviet figures but, despite repeated requests from both OECD countries and the Group of 77 developing countries in the United Nations Conference on Trade and Development (UNCTAD), it did not receive a breakdown of Soviet "figures by individual recipients and forms of aid" (OECD, 1985, p. 118). Jürgen Bartsch described how the DAC statistics came from a broad range of sources. Bartsch, who holds a degree in Russian and had studied in Moscow for a year, collected information from Soviet Statistical Yearbooks, other Soviet records, the German Friedrich-Ebert-Stiftung foundation, newspapers and various other sources. His team "put together a story and nobody looked behind it too much since [they] did not use official sources" (Bartsch, 1990). Neither Bartsch nor Ruth Stock, a Development Co-operation Directorate (DCD) official having worked extensively on non-member statistical issues, was convinced about the accuracy of the figures; however, the CIA did provide information on Soviet aid and when relations broke down between the secretariat and the CIA, information was sourced

from the British Department of Defence, which continued to receive CIA updates. Despite active secretariat engagement efforts, the data-quality issue was never satisfactorily resolved, and more clarity on the accuracy of the numbers was achieved only after the Cold War ended.

A cautious, competitive mind-set was a critical backdrop for both DAC and COMECON policy-making throughout the Cold War. Cold War competition remained a major motivation for DAC members to support OECD secretariat work on Soviet aid. As a representative of the UK Department of Defence noted, western economic aid was "the soundest form of bulwark against further Soviet infiltration of the LDCs" (Lawson, 1983). As later put by former World Bank (WB) president Robert McNamara [1990], "for 40 years the foreign policy and defence programmes of Western nations have been shaped largely by one major force: fear of, and opposition to, the spread of Soviet-sponsored communism."

8.2.3 Closer cooperation and potential partnership 1988-1989

A milestone in the contacts between the OECD and the USSR occurred in 1988 through a conversation between Bartsch and Sergei Lavrov, then deputy director of the Soviet Department of International Economic Relations.[119] An internal secretariat note of December 1988 summarises the conversation. The opening point attributed to Lavrov reads: "The developing countries are no longer a field of competition between the USSR and the West, but an area where we should join forces." He cites then foreign minister Eduard Shevardnadze in expressing the USSR's desire to enter into joint or co-financing with other donors. With the approval of then OECD Secretary-General (1984-94) Jean-Claude Paye, Bartsch continued his personal contacts with the Soviet government primarily through the Paris embassy, but also later through a visit to Moscow. Although Bartsch had established personal relationships within the Soviet government, he was unable to invite the Soviets to take part in meetings with non-DAC donors (Bartsch, 1989b).

In 1989, a delegation from the Soviet Union visited the OECD for what was described as a mutually beneficial exchange of information – the USSR "wanted to be a partner, not a petitioner" (OECD, 1989). The purpose was also to "explain themselves" to an Organisation with which they had had

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119 Lavrov has been Minister of Foreign Affairs of the Russian Federation since 2004.

"no contact since 1960." They wanted to "find an approach and recognise that the best thing is to start at the expert level." The Russians wanted "to be closer, to act closer" and sought "advice on how to proceed" (Llewellyn, 1989). However, some in the OECD, namely in the Secretary-General's office, judged it preferable to keep the development issue out of discussions. While the DCD Director, Helmut Führer and Deputy Director, Richard Carey, sought to keep development an integral part of the discussions with the Soviets, at least one senior DCD official was opposed.

On development assistance, the USSR itself did not appear to know the exact amount of its aid (Bartsch, 1990). Part of the reason for this was the difficulty in distinguishing between economic and military assistance. The Soviets once again voiced their problems with the ODA definition and the exclusion of trade subsidies, and proposed a jointly agreed definition of aid. They confirmed DCD's assumption that the volume of their ODA was likely to shrink in view of USSR's large internal financial needs, but they pledged to attempt to achieve improved aid quality and development effectiveness (Llewellyn, 1989). Around this time, the USSR began to attend international aid meetings, including a donor meeting (led by the WB and the United Nations Development Programme [UNDP]) on Guinea-Bissau in May 1989. Their subsequent participation in WB consultative groups and UNDP round tables was a notable policy shift in terms of Soviet interest in aid coordination (McEvers, 1989).

Other COMECON donors were transitioning from donor to recipient as the Cold War ended. Poland and Hungary asked the DAC to add them to the list of aid recipients and Bulgaria requested support from the OECD. Writing in 1990, Bartsch noted that "my guess is that Soviet aid will go down very fast," reflecting changing relations with Vietnam and Cuba – the largest recipients (Bartsch, 1990). Arab aid had also rapidly declined because of repayments and changing relationships. Saudi Arabia was still considered to have a lot of available resources for economic assistance for countries in the region, but it had stopped reporting to the OECD. As outgoing DAC Chair (1986-91) Joseph Wheeler stated in a note to his successor, Raymond Love, "the whole business of non-DAC aid is very much up in the air" (Wheeler, 1991).

The fall of the Berlin Wall signalled the end of one model of cooperation and the birth of another.[120] Andrei Kozyrev, deputy chief of the International Organisations Administration in the Soviet foreign ministry, wrote that "the majority of developing countries already adhere to or tend toward the Western model of development and they suffer not so much from capitalism as from a lack of it." Development aid was shorn of its Cold War underpinnings and freed from the "struggle for spheres of influence" (Kozyrev, 1988). Development searched for a new rationale and the DAC entered a new phase "with ever more serious budgetary constraints, with many new claimants for aid coming on the scene, with new types of global challenges calling for international cooperation and also, as a positive achievement, with some dynamic economies emerging from the status of developing countries" (Führer, 1996). The specific lessons of DAC engagement with the Soviets unfortunately were quickly forgotten; the Soviet aid programme was suspended and Russia became an aid recipient. Yet some of the broader lessons still inform DAC engagement with non-members to this day. For instance, much like the Russian experience, attempts are made to foster relationships at the technical level, building confidence and trust before advancing to a higher political level.

8.3   The emerging role of the Russian Federation 1990-2020

In 1990, the OECD established the Centre for Co-operation with European Economies in Transition (CCEET), headed by Assistant (later Deputy) Secretary-General Salvatore Zecchini and Jean-Pierre Tuveri, its Director.[121] Its purpose was to channel advice and assistance for a wide range of activities to Central and Eastern European countries and, soon after, the former Soviet Union, and to organise an economic policy dialogue with these countries.[122]

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120 In a memo to Führer in August 1992, Bartsch said that contact had been lost with aid administration officials in Moscow, following the sudden dissolution of the Soviet Union.

121 The word "European" was later dropped and the name "Centre for Co-operation with Economies in Transition" (CCET) was adopted to extend cooperation beyond Europe.

122 Both Zecchini and Tuveri participated in "A Study of the Soviet Economy", the three-volume report jointly prepared by the International Monetary Fund, the World Bank, the OECD and the European Bank for Reconstruction and Development (EBRD) (1991) at the request of the Group of Seven (G7). This landmark report launched significant development cooperation between major international organisations and the former Soviet Union.

In 1992, the US called a conference of donors to coordinate assistance to the Newly Independent States (NIS) of the former Soviet Union. Follow-up conferences took place in May in Lisbon and in October in Tokyo. At the Washington and Lisbon conferences, the OECD was mandated to collect, through its "CCEET Register," information on technical assistance, food aid and other emergency assistance to the NIS, with a view to improving cooperation and coordination among all actors.[123]

In 1992, the DAC explored the need and feasibility of adapting the ODA concept and the DAC list of developing countries to the changing aid scene, especially the emergence of new aid recipients in Eastern Europe and the former Soviet Union, new needs related to democratic development, global environment, refugees and peacekeeping, and growing diversity among the traditional developing countries.[124] Those traditional developing countries rightly feared a significant diversion of interest and funding from South to East. The first comprehensive report on aid to Central and Eastern European countries and NIS was issued by OECD on the basis of DAC members' submissions to the secretariat.[125] Total net aid to these countries in 1991 was $7.5 billion including debt cancellation, the largest donors being Germany and the US, accounting for 60 per cent of the total.

Simultaneously, the OECD itself became a provider of assistance in nearly all policy areas but that of development cooperation. An OECD-Russia programme was launched in 1992 and "conducted work across a wide range of areas of relevance to Russia's economic liberalisation reforms" (Carroll and Kellow, 2011, p. 98). By 1997, the country programme with Russia was by far the largest and represented a significant percentage of the total CCET programme. While the register for tracking international assistance closed on 31 December 1995, Russia's collaboration with the OECD has continued ever since (OECD, 1995).

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123 The CCEET Register was an online database of donor efforts in the areas of technical assistance, food aid and other emergency assistance to the Central and Eastern European countries and NIS. It was constituted to provide a clearinghouse function in support of the international effort to coordinate assistance.

124 The DAC list contains aid recipient countries. Since 2005 there has been a unified list of countries and territories eligible to receive ODA. From 1993 to 2005, there was a two-part list, the second part consisting of countries in transition eligible to receive official aid.

125 Cooperation developed between DCD and CCEET on collecting aid data.

The exclusion of development cooperation from OECD outreach efforts with the Russian Federation and other partners was confirmed in a policy decision. While outreach runs through the core policy areas of the organisation and is

> considered and treated as an integral part of the core work … cooperation with non-members is designed to be distinct from the OECD's activities on development cooperation. While the dividing line must be somewhat arbitrary, the distinction is operationally useful. (Tuveri, 1997)

With hindsight, this policy interpretation, whatever the reasoning behind it, represented a lost opportunity for mutually beneficial collaboration between Russia and the DAC in the field of development cooperation. Indeed, none of the major agreements between Russia and the OECD (such as the 1994 "Declaration on Co-operation between the OECD and the Russian Federation" and the 1997 "Protocol between the Russian Federation and the OECD on the Establishment of the Liaison Committee between the Russian Federation and the OECD") mentions development cooperation. Later, the World Bank and the Institute of Development Studies at Sussex University (IDS) stepped in to fill the void through the "Russia as a Donor Initiative," involving the OECD Secretariat to a limited extent at their discretion.

In 1996, the Russian Federation made an official request for OECD membership through a letter dated 20 May 1996 from Prime Minister Viktor Chernomyrdin. Since then it has been an observer on several committees. In 1997, OECD members formally acknowledged the accession of the Russian Federation as a full member of the OECD to be a shared ultimate goal of their cooperation. The OECD Council at ministerial level adopted a resolution on 16 May 2007 to open discussions with the Russian Federation for its membership. On 30 November 2007, the OECD Council approved the "roadmap to accession" for the Russian Federation. Despite the longstanding informal ties between the DAC/DCD and former Soviet Union/Russian Federation, the accession roadmap did not include development cooperation. In March 2014, the OECD Council "postponed activities related to the accession process of the Russian Federation to the OECD for the time being" because of political tensions related to Ukraine (OECD, 2014).

In 2002, Russian authorities referred informally to their interest in obtaining observer status at the DAC in the context of a request for a technical mission to Russia concerning data collection on Russian ODA. The letter from the Russian embassy to DCD director Michael Roeskau sought to "establish permanent contact between the Ministry of Finance of Russia and DAC

and create initial conditions for further accession of our country to DAC and the OECD as a whole" (Pozdnyakov, 2002). A technical mission took place in March 2003 to advise Russia on data collection on ODA. Russia's direct aid amounted to about $50 million, disbursed mainly through multilateral agencies (as DAC members had recommended decades earlier). Russia had also gained title to former Soviet debt under the arrangements for the dissolution of the Soviet Union, estimated, depending on the valuation method, at up to $100 billion. The remainder of the meeting and follow-up conversations in June and October 2004 were given over to detailed discussions of data and the appropriate methods for counting debt rescheduling as ODA.

Russia's motivation for seeking to strengthen cooperation with the DAC stemmed from the activities of the Group of Eight (G8), notably upon the decision of the 2002 summit in Canada to extend closer cooperation to Russia in all respective areas, not least development assistance. Although Russia played a recipient role throughout the 1990s and early 2000s, it later signalled its intention to reverse this trend. As a G8 member Russia made no commitment to increase development assistance to sub-Saharan Africa at the 2005 Gleneagles Summit, but it made significant commitments on debt relief, which were updated at the St. Petersburg Summit it hosted in 2006 (One, 2010).

Russian interest in development cooperation and dialogue with the DAC intensified against the background of Russia's G8 presidency in 2006. In light of the prominence of the development theme and related issues on the international agenda, the Russian Federation felt that it needed to develop its capacity in this area, and was concerned to do so as expeditiously as possible (OECD, 2006c). The stakes were particularly high as a result of the stellar success of the Gleneagles Summit in taking decisions about aid commitments, notably increasing annual aid volumes by $50 billion by 2010, with half going to Africa. Anxious about its ability to carry off the segments of the G8 process pertaining to Africa, the Russian ministry of foreign affairs decided to back the Africa Partnership Forum (APF) by creating a support unit (to act as the APF secretariat) hosted by the OECD.[126]

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126 The APF was established after the G8 Evian Summit in 2003 to broaden the dialogue between the G8 and the New Partnership for Africa's Development (NEPAD) to include other African institutions and Africa's major bilateral and multilateral development partners.

The Russian Federation provided more than half a million dollars to get the support unit running. In the event, the first APF meeting with the support unit as secretariat was held in Moscow in October 2006 during the Russian G8 presidency.[127]

The Russian Federation's official return as a donor was signalled in June 2007 in a concept paper, approved by Russian president Vladimir Putin, entitled "Russia's Participation in International Development Assistance." The paper refers several times to the policies of OECD members, ODA levels and definitions, and the Paris Declaration on Aid Effectiveness, and commits to reporting development assistance to the DAC. Analysis by prominent Russian scholars also credits Russia's 2006 G8 presidency with having motivated and defined its development assistance policies as expressed in the 2007 concept paper (Larionova, Rakhmangulov, & Berenson, 2014). It appears that Russia wished to become a donor in line with its G8 peers, rather than to be cast "as a member of the global South."

According to Rosalind Eyben and Laura Savage, at the Fourth High Level Forum on Aid Effectiveness in Busan in 2011, Russian officials defended multilateralism and portrayed an image of the Russian Federation as simultaneously included in the BRIC group of Brazil, Russia, India and China and excluded from "an imagined geography of emerging powers" (Eyben & Savage, 2012, p. 465). During the same period, Russia's geopolitical initiative in launching the BRIC summits as a new global governance process while hosting the G8, shows its ability to strategically straddle two major global forces (Carey & Li, 2014). Its "unique middle-ground position between the developed and the developing world" gives Russia a potentially important role in shaping future development policies (Brezhneva & Ukhova, 2013, p. 2). However, Russia tends to link the provision of aid flows with the assertion of power rather than view it as an equality-based partnership.

Russia's re-emergence as a donor is generally viewed positively by partners and the public. The late Ethiopian President Meles Zenawi said that "Africa welcome[d] back Russian economic engagement with an open heart" (Troilo, 2012). Donors have also welcomed Russia back to the international development scene. A World Bank survey highlighted that donors welcomed the prospect of Russia as an increasingly important player in the global

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127 NEPAD head Firmino Mucavele was incensed that Russia had provided money to establish a new unit in Paris instead of to the NEPAD secretariat, causing tense relations between the two secretariats for several years.

arena. While there was scepticism about possible motivations, the weakness of the Russian economy, the degree of openness with civil society and the media, and the likelihood that support could be sustained for ODA, these concerns were minimal when considering that all countries have geopolitical strategic interests. Furthermore, Russian development cooperation had some support at home, with evidence that 75 per cent of the Russian public found Russia's humanitarian operations and development aid work "favourable," according to a 2011 poll supported by the World Bank (Mungcal, 2011).

As evidenced in "The Russian Federation ODA National Report," produced by the Ministry of Foreign Affairs (2012), the 2007 concept paper remained the strategic framework for Russia's development cooperation, grounded in commitments made in the Paris Declaration and the Busan Partnership for Effective Development Co-operation as well as the G8. The ratio between Russia's bilateral and multilateral ODA remained at 60 per cent to 40 per cent, with a regional concentration of assistance on Eastern Europe and Central Asia and strong sectoral commitments in health and food security. In April 2014, Konstantin Kosachev, head of Rossotrudnichestvo, the Russian agency that promotes international assistance, told reporters at a meeting in Mexico City that Russia intended to channel more aid bilaterally to the Commonwealth of Independent States (CIS):

> The plan is to switch from the multilateral to predominantly bilateral format and weigh our geographic priorities … We are now mulling target projects and programmes that could be carried out under the Russian banner so that we could keep track of how money and technologies are allotted. In this way, our effort will be acknowledged and serve the interests of our country to a greater extent than just a concerted humanitarian mission". (RIA Novosti, 2014)

He also raised the long-running issue of not including commodity support (in this case gas price subsidies to Ukraine) as ODA.

Although as early as 1994 Russian President Boris Yeltsin had envisaged the creation of a single institution for international cooperation and development, no such agency has yet been put into place. Most observers and analysts highlight Russia's lack of institutional capacity and unity – with no single agency responsible for development – as a significant impediment in establishing an effective development cooperation programme (Gray, 2011; Maximova, 2013; Brezhneva & Ukhova, 2013). Raising public awareness and support is also frequently cited as needing greater attention.

Russia participates in the various forums and mechanisms for international cooperation (Group of 20 [G20], BRICS [now including South Africa], and high-level forums on aid effectiveness). Russia remains a candidate for OECD accession, although that process has been postponed.[128] Russia held the presidency of the G20 in 2013 and the presidency of the BRICS for 2015, allowing Moscow to consolidate and harmonise the international development agenda, taking into account its capabilities and priorities.[129] While its interaction with the DAC has thus far been limited, Russia is the first of the BRICS countries to report its ODA flows to the OECD. In 2010 and 2011, Russia provided almost $500 million in aid – by 2016, the Russian Federation reached $1.3 billion compared to $1.2 billion in 2015, an increase of 12 per cent in real terms (OECD, 2018, p. 428). Due to reductions throughout its aid programmes, Russia showed a drop of 14.3 per cent to just under $1.0 billion in 2018 compared with $1.2 billion reported in 2017 (OECD, 2019), while 2019 results show an increase of 11.5 per cent over 2018 to $1.1 billion (OECD, 2021). Russia's cooperation in reporting to the DAC and its ongoing accession process to the OECD, even if temporarily delayed, provide an ideal opportunity to enhance its relationship with the DAC.

8.4 Contemporary DAC engagement and why history matters

The DAC continues to play an important role in international development cooperation. It remains the only comprehensive and regular source of development aid statistics, embracing data from all possible sources. Its membership continues to expand, with smaller donors particularly benefiting from the store of knowledge and expertise, as shown by its expansion to 30 members. Inclusion in DAC statistics legitimates the aid efforts of non-

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128 Institutional and operational links between Russia and the OECD have been maintained. Russia has the status of associate or participant in a large number of OECD committees, working groups and other bodies, and it works with the OECD within the framework of the G20 on such broader global initiatives as the Base Erosion and Profit Shifting initiative (BEPS). In addition, the OECD continues to engage in bilateral cooperation projects with the Russian Federation on a number of issues.

129 Russia held the presidency of the G8 for 2014, and was to host the summit in June. The G7 leaders withdrew from the G8 preparations on 24 March 2014, and met, without Russia, in Brussels. Since then, Russia has been excluded from the G8, which has reverted to the G7.

DAC donors on the world stage – with the Russian Federation as well as the United Arab Emirates having recently started reporting their ODA. Of course, increasing membership is not costless – consensus is harder to achieve, commitments become weaker and donor heterogeneity increasingly threatens the coherence of the Committee's priorities. But the benefits probably outweigh the costs in strengthening the donor community on the international stage and better reflecting shifting centres of economic power. In addition, countries outside the DAC can be substantively involved in its work without the need for formal membership. Keeping the channel to the DAC open is recognised as a constructive way to learn from donors' experiences, picking and choosing what is relevant and avoiding repetition of their mistakes (Besharati, 2013, p. 48).

Uncertainty about the overall donor commitment to financing for development in light of the economic downturn triggered by the 2008 global financial crisis caused the DAC to look beyond its core business of ODA, and beyond its membership, to capture the totality of the development effort. In 2011 the DAC launched a global relations strategy and invited other development actors to engage with it. The objective was to "strengthen participation of non-member economies in the Committee and promote collaboration with a larger group of development actors" (OECD, 2011b). This was necessary, the strategy maintained, to ensure the "quality, inclusiveness and impact of the Committee's work." This rationale was intentionally broad and gave little reason why non-members should engage, as it was meant to signal an open, non-threatening basis for cooperation. Other objectives included the need to enrich policy dialogue and promote "a more effective development cooperation architecture." The DAC was not just aiming to work with emerging economies but also to "reach out" to a wide range of partners including bilateral providers of development cooperation, non-OECD EU members, Arab donors, international organisations, developing countries' private sectors, private foundations and civil society organisations.

The DAC "Global Relations Strategy" noted that "dialogue with non-member economies is in the DAC's nature" and that "the DAC has been reaching out to non-member economies for decades, maintaining regular dialogue with major non-DAC donors between the 1970s and the 1990s" (OECD, 2011b, p. 2). From the original group of 11 members in 1960, the Committee added six members in the 1960s and six more between 1973 and 1999 (OECD,

2006a).[130] South Korea joined the DAC to become its 24th member in 2010, followed by Iceland, the Czech Republic, the Slovak Republic, Poland, Slovenia (2013) and Hungary (2016), bringing the membership to 30 out of 38 OECD members. The DAC has included international organisations, the International Monetary Fund (IMF) and the WB in its meetings since the 1960s and the UN system somewhat later. Other organisations such as the United Nations Environment Programme (UNEP) and environmental non-governmental organisations, the World Trade Organization (WTO) and the International Labour Organization have regularly participated in networks and groups. Developing country officials and experts are invited with increasing frequency to working group and network meetings. Staff from non-DAC donor countries and developing country partners have joined the secretariat at various times to enrich its development perspectives and legitimacy, as well as to share in secretariat knowledge and approaches.

The DAC issued a "Welcoming Statement" in April 2011, stating the committee's belief that "development cooperation, from providers from the North or the South, public or private, would gain from collaboration among all actors, no matter their economic status or particular development tradition" (OECD, 2011c). The nature of the envisaged collaboration is generic, with the engagement effort focused on three objectives: to enrich policy dialogue and knowledge sharing on development co-operation, to ensure the DAC decision-making and dialogue processes are more inclusive, and to promote a more effective development cooperation architecture. But what is the virtue of such an approach? Why should other actors engage with the DAC? Beyond broad and generic information-sharing, what is the objective and how would both the DAC and other development actors' benefit? The history of past engagement efforts with the USSR, later the Russian Federation, offers some clues, some lessons and some pitfalls, which may be relevant today, especially in light of shifting global economic power.

Experience with Organisation of Petroleum Exporting Countries (OPEC) donors, for example, hints at why engagement may ultimately fail unless an agenda goes significantly beyond sharing information. Peter Carroll and William Hynes (2013) concluded that the DAC's engagement efforts in relation to Arab donors were not the result of systematic planning aimed at clear objectives (see Chapter 9). In the 1970s, those efforts sprang from

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130   Portugal joined the DAC in 1960, withdrew in 1974 and returned in 1991 (OECD, 2006a).

the fears engendered by the two oil crises, as a largely ad hoc response to particularly challenging circumstances, with limited, though active, support by a few DAC members and a severely limited budget. In the 2000s the DAC engagement effort with Arab donors re-emerged more slowly, initially in the absence of major crisis, and again without much in the way of a planned, systematic effort, as measured by the lack of detailed plans and the limited extent of participation by DAC members. This approach, when carried mainly by the secretariat with insufficient involvement from the members, provides little incentive for non-DAC donors to engage.

8.5   Conclusion

For 60 years, the OECD has had a mixed record in engaging first the Soviet Union and then the Russian Federation in its work. While the merits of stronger economic cooperation between the Russian Federation and OECD countries are clear, politics have often impeded progress. Despite the suspension of the accession process, there remains much scope for forging closer links.[131] Collaboration on development cooperation issues between the DAC and the Russian Federation has been a long-standing objective. Despite the OECD's first-mover advantage and close interaction with the Russian Federation in the late 1980s, joint activities have been limited to statistical cooperation and occasional meeting attendance. Russia has renewed its enquiries about development and engaging in a conversation with the DAC, although still on technical matters related to accurate reporting, understanding DAC statistical markers and support for sustainable development goals.

The Russian Federation will likely expand its development programme in the years to come and occupies an important middle ground between developed and developing countries. It is more comfortable with the DAC than are some other non-member countries (Kragelund, 2008). This makes it a potential ally in strengthening global development cooperation. There are also many opportunities for Russia to improve administering, monitoring and evaluating its aid, enhancing coordination with other donors, and sharing knowledge about a range of development policy issues. Members of the DAC, however, are sometimes ambivalent about engagement with non-DAC

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131 There have already been several economic policy studies and other policy reviews of Russia by the OECD.

donors – yet successful engagement requires preparation and patient and persistent effort, and responsibilities must be made clear to all parties.

Given political tensions related to Ukraine, several lessons are apparent. Development cooperation offers a potential terrain of mutual interest, learning and collaboration that can transcend political tensions. The Busan Partnership for Effective Development Co-operation led to diverse emerging economies embracing an agenda for international development cooperation based on common goals and shared principles while it openly recognised important differences between different types of actors and different forms of development cooperation (OECD, 2011a). For the DAC, engagement with non-member countries is becoming more important, but it is essential that in pursuing engagement, current opportunities are seized, past links are built on and lessons are learned from previous efforts. Efforts built on networking, cooperation and knowledge-sharing are preferable to a race to the bottom based on political jockeying and a resurgence of discredited modalities like tied aid, export competition, and debt overhang. In the case of the Russian Federation and the DAC, there is a choice: either revive Cold War tensions, driving a donor back into the cold, or rekindle and enhance a 21st-century development partnership.

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9 Engaging for development: the DAC and Arab aid donors

William Hynes and Peter Carroll

Abstract

The aim of this chapter is to examine and compare two of the efforts of the OECD's Development Assistance Committee (DAC) to engage with the Arab donor states. The first effort was in the 1973-1990 period, following the oil crises of the 1970s. The second effort began slowly in 2009 and continues today. The background and motives for the two engagement efforts are outlined in detail, as well as the processes involved and their outcomes.

The conclusion is that DAC's two engagement efforts in relation to Arab donors were not the result of a process of systematic planning. In the first period they were a largely ad hoc response to very challenging circumstances, with limited active support by DAC members. In the late 2000s the engagement effort emerged slowly, initially in the absence of major crisis, but again with little in the way of a planned, systematic effort, as measured by the lack of detailed plans and the limited extent of participation by DAC members. Arab aid throughout was dependent on oil prices, whose collapse in the 1980s led to diminished aid resources. The COVID-19 crisis and a decline in oil prices once again pose risks for the volume of Arab aid. Nevertheless, the engagement of Arab aid donors over the past 50 years has an important role in the history of the DAC.

9.1 Introduction

The OECD's Development Assistance Committee (DAC) originated in the US-inspired attempt to spread the increasing cost burden of aid by engaging existing and potential aid donors in a new organisation, the Development Assistance Group (DAG), that was absorbed into the new Organisation for Economic Co-operation and Development (OECD) in 1961 (Carroll & Kellow, 2011, p. 207). Since its inception it has engaged, or attempted to engage, with a wide variety of non-members in order to promote development, an activity given heightened importance in the OECD's Strategy on Development, agreed to by the OECD Ministerial Council in 2012 (OECD, 2012). The Development Strategy noted, in particular, that its goals and objectives were to enhance its engagement regarding development

in the broadest sense with: 1) member countries in their individual efforts to promote development; 2) international efforts seeking solutions to global issues and development challenges; 3) developing countries (OECD, 2012, p. 5).

While there is little doubt as to the importance and value of effective engagement in promoting development, achieving such engagement is a challenging task and relatively few recent studies have investigated the phenomenon in any detail, other than in the case of fragile and post-conflict states, especially as regards the United Nations (UN) (see, for example, Goodhand & Walton, 2009; OECD, 2007). In particular, very few studies have investigated the engagement efforts of international organisations in relation to aid and the development process. The aim of this chapter is to examine and compare two of the DAC's engagement efforts, both focussed primarily on the Arab donor states. The first effort was in the 1973 to 1990 period, one that, for the most part, came to an end with the outbreak of the first Gulf War. The second, more recent effort began slowly in 2009, with high-level meetings in 2009, 2011, 2014 and most recently 2019 complemented by technical level cooperation, mainly on aid statistics.

This chapter, like others in this volume is based on OECD publications, recently declassified archive material, interviews and a range of secondary sources. It is divided into two major parts. The first examines the initial engagement by the DAC. The second provides a similar examination of the second engagement effort, an effort that is not yet complete, so the authors' conclusions must be regarded as tentative.

9.2   1973-1989: the first engagement effort

Neither DAC nor the OECD more generally had any significant engagement with the Arab states, *Organization of the Petroleum Exporting Countries* (OPEC) or *Organization of Arab Petroleum Exporting Countries* (OAPEC) before the first major oil crisis in 1973-74. Moreover, DAC's first tentative steps towards engagement with them were made extremely challenging because of the historical context in which they took place. The most important contextual factors were the Cold War, the Arab-Israeli conflict and the limited experience of the Arab states with the provision of aid. In this complex context, any engagement efforts by officials from a western, multilateral institution such as the OECD would be treated with suspicion, as proved to be the case. DAC Chair, Edmund Martin, for example, also chaired

meetings of the developed country group (in effect the DAC members) in difficult and contentious UN Conference on Trade and Development (UNCTAD) negotiations in the 1970-73 period and acted as their liaison with the Group of 77 developing countries (G77) at the meetings, including OPEC members (Spector, 1988). Similarly, DAC officials provided support for the developing country group before, during and after the meetings. While such DAC involvement might well have been sensible from the perspective of coordinating the positions of OECD members, it did mean that OPEC and Arab state perceptions of the motives and objectivity of the DAC chair and officials were adversely impacted as regards their future relations. Martin himself noted that relations with OPEC and the Middle Eastern states became more complicated and difficult when they became major aid donors after 1973-74, with DAC officials having to work out 'special arrangements', for them – in effect the beginning of DAC's engagement efforts (Spector, 1988).

The involvement of the Arab states in providing foreign aid before 1973-74 had grown slowly, with the first recorded aid being provided by Kuwait for financing teachers and construction of schools in the poorer Arab emirates of the Gulf from 1953. In 1961, a year after its independence, a Kuwait Fund for Arab Economic Development (KFAED) was established as much for security as for humanitarian reasons, given the threats to its newly-won independence from states such as Iraq (Stephens, 1973, p. 45). A major increase in aid commitments by the oil-producing Arab states commenced at the Khartoum summit following the 1967 Arab-Israeli War when Saudi Arabia, Libya and Kuwait pledged $266 million per year of economic aid to Egypt, Syria and Jordan, the 'frontline', states. While the OECD discussed the issue and established an International Advisory Board to help coordinate and allocate oil supplies among OECD members, the DAC seems not to have been involved to any significant extent in this work. The United Arab Emirates (UAE) established the Abu Dhabi Fund for Arab Economic Development in 1971. The Saudi Fund for Development (SFD) was created in 1974.

The bulk of Arab aid (mostly provided by Kuwait, Saudi Arabia and the UAE) at this time was not provided via independent aid agencies or funds, but through finance ministries and confidential funds, usually at the discretion of the ruling families (Nonneman, 1988; van den Boogaerde, 1991). Moreover, most Arab aid went to other Arab states, particularly the frontline states, with a slowly growing amount to black African states, initially in an attempt to reduce their growing, if limited involvement with Israeli aid (Hallwood &

Sinclair, 1982). OPEC, founded in 1960 and OAPEC, founded in 1968, had no significant focus on aid until the 1970s, following the 1973-74 oil price rises.

9.2.1   1973: The oil crisis, the OECD and OPEC

In October 1973, the Arab members of OPEC imposed an oil embargo in protest against Western support for Israel during the Yom Kippur War, followed by the quadrupling of oil prices from late 1973 to early 1974. This had a dramatic impact, with international organisations and their member states uncertain as to the most effective policy responses. This included the OECD and OPEC, with both sets of actors struggling to develop and agree on their responses as the tense situation unfolded. The initial priorities of OECD members, while varying, focussed primarily upon dealing with the more immediate, domestic and international, economic and financial impacts of the oil crisis, rather than upon issues related to aid.

This was much less the case for most OPEC members, with foreign aid from the Arab states increasing from an average of approximately $500 million per year in 1970-72, to over $2,000 million in 1973 and $4,000 million in 1974. In turn, such expenditure stimulated a rapid growth in institutions to manage the aid funds. The SFD and the Iraqi Fund for External Development were established in 1974; the Arab Bank for Economic Development in Africa and the Islamic Development Bank (IsDB) in 1975, and the OPEC Fund for International Development (OFID) in January 1976. The latter, created by agreement of all OPEC countries, was originally set up as a special account for handling the collective aid effort of its members, including OPEC's contribution to the new International Fund for Agricultural Development (IFAD). OFID was not established as a multilateral agency with its own legal personality until 1980 (Porter, 1986, p. 53).

OECD members had major differences of opinion as to how to deal with the wide range of problems raised by the oil crisis, differences that were reflected within and between the committees and directorates of the OECD. This was perhaps most evident in relation to the creation of the Energy Coordinating Group (ECG) by the major, western, oil importing states following a February 1974 conference in Washington, led by US Secretary of State Henry Kissinger. The ECG was viewed with considerable hostility and suspicion by OPEC states. This was equally the case as the ECG developed into the International Energy Agency (IEA), established as an

autonomous body within the framework of the OECD, which was perceived as an aggressive, confrontational action by OPEC members.

However, the creation of the IEA was also opposed by a number of OECD members more heavily dependent on OPEC oil, notably the Japanese and French. The French government, for example, refused to join the IEA when it was set up formally by the majority of OECD members in 1974. While Japan, the United Kingdom (UK) and most European Economic Community (EEC) members of the OECD did become founding members, they urged, successfully, that it adopt more moderate, less confrontational policies and activities than those initially proposed by Secretary of State Kissinger (Skeet, 1988, pp. 106-107). Indeed, it took the US offer of a $25 billion 'side payment', within the OECD, in the shape of the Financial Support Fund (FSF), to ensure their membership.

While OECD members struggled to coordinate their responses to the crisis there was by no means complete accord among OPEC members, including the Arab states. There was, for example, frequent and extended haggling over oil prices in 1974-75, and over the proposed OPEC Special Fund, which later became OFID (Skeet, 1988, pp. 106-07, 110-11). As with the OECD members, such differences were not surprising, given the very different political, economic and cultural characteristics of OPEC members.

In this complex and challenging environment, especially for those most adversely impacted by the oil price rises, the question of aid increases reached international agendas, albeit slowly. After a three-year period of discussion, for example, the DAC members of the OECD plus OPEC members agreed to the establishment and cooperative funding by OPEC and OECD states of IFAD in 1977, aimed at supporting food production in developing countries (Talbot, 1980). However, while DAC members used the committee to help organise and coordinate their role regarding IFAD, it was not central to their discussions with the Arab states or OPEC (see, for example, DAC, 1975a).

Moreover, while agreements regarding aid were reached, the negotiating position adopted by OPEC made this a difficult process as far as OECD states and DAC were concerned. In particular, in 1975 the OPEC states developed a broad common strategy for engagement with OECD member states, insisting that they would not agree to engagement being confined to energy issues, that it should encompass the whole international economic situation of developing countries, including aid, in line with the New International Economic Order (NIEO) agenda, and that it should take place

in the UN, not the OECD context. The United States, in particular, was not keen to broaden the negotiating agenda in this way, asserting the need to focus primarily on energy matters and related issues, though aid could be considered in that context (Hunter, 1984, p. 37). EEC members, in contrast and as with their position regarding the role of the IEA, were more willing to compromise on this issue and consider a broader agenda.

9.2.2 1974-78: A secondary and slowly developing role for DAC

While limited engagement efforts had commenced under the chairmanship of Edmund Martin in 1973, it was not until 1974-75, with a new DAC chair, Maurice Williams, that more significant efforts were initiated. Given the context noted above, it was clear that DAC's engagement efforts were going to be constrained to lower-level, largely technical issues. The motive for DAC's constrained engagement initiative sprang from several sources. The first was DAC's original mandate, which in general required it to consult on methods for expanding and improving the flow of long-term funds and other development assistance (Führer, 1996, p. 10). Given the dramatic rise in OPEC aid funds after 1973 it could hardly neglect investigating their potential for development. The second motive reinforced the first, consisting of the increasing fears by DAC that its members' aid expenditures might well be cut, given the pressures on government budgets brought about by the oil crisis. In turn, this enhanced the importance of OPEC and Arab agency funds for development, at the least as a possible substitute for possibly declining aid from DAC members.

The third motive grew out of the first two, in the shape of the realisation that, if OPEC aid expenditures were to be examined and would become of increasing importance as DAC expenditures fell, then accurate data as to the extent and distribution of OPEC data were necessary. Ideally, this would be in a format compatible with that which DAC had established over the previous decade. Hence, the 1974 DAC high-level meeting (HLM) agreed that DAC should "build bridges for cooperation with the oil-producing countries as donors and develop systems of information exchange to broaden donor cooperation." DAC Chair Williams, in his opening remarks to the DAC in January 1975, noted the important role that DAC could play as regards such cooperation (OECD/DAC, 1975a, p. 9).

The DAC realised that if such activities were to be successful then ideally they would have to involve other, specialised OECD committees, for example, the Trade Committee, as well as members' domestic aid agencies, working closely together. However, any hopes that DAC might lead and coordinate such an OECD effort were soon dashed when the OECD Council established two high-level groups to coordinate and better integrate OECD activities in relation to developing countries and OPEC, following the 1975 OECD "Declaration on Relations with Developing Countries" (OECD/ DAC, 1975b). While OECD Secretary-General Emile van Lennep reassured DAC's members as to their importance in this effort, noting that the ad hoc group on relations with developing countries would have to rely very heavily on DAC's work, it was clear that DAC's engagement efforts would continue to be on a relatively minor scale (OECD/DAC, 1975b).

Nevertheless, the DAC placed considerable importance on the need for increased cooperation with OPEC countries and it became a regular item on its agenda, in the form of a progress report from the chair. As the first report indicated, progress on improving the exchange of information between OPEC countries and the DAC was relatively slow, despite visits by the DAC chair to Iran, Kuwait and Saudi Arabia. There was no initial agreement, for example, on institutionalising the exchange of information, although it had been discussed with a number of OPEC countries by the DAC and the World Bank (WB), with the two bodies collaborating in the preparation of statistical reports on OPEC aid flows, circulated to members in 1975. As the report went on to indicate, several OPEC countries lacked the statistical expertise to provide the requested data and several were uncertain as to whether it had any value for them. It was agreed, as a result, that a more simplified information exchange system would be developed, following consultations between DAC and WB officials and representatives of OPEC countries. It was also agreed, following expressions of interest by heads of OECD delegations, that a meeting with representatives of OPEC countries on general economic development policy would be valuable, and that the chair would explore the possibilities of such a meeting.

However, successive attempts to involve OPEC institutions and the Arab states more directly in DAC work on specific subjects were initially unsuccessful and invitations to attend specialised meetings in the DAC were not taken up by OPEC institutions. In contrast, progress in establishing the comparability of information on DAC and OPEC aid flows was reported as good, with OPEC donors attempting to elaborate common standards

between them for project evaluation, programme criteria and operational procedures (OECD, 1977, p. 3).

Eventually, in late 1977, the DAC chair informed members that the heads of the KFAED and the SFD, Abdulatif Al-Hamad and Mahsoun Jalal, had replied positively to an invitation to address the DAC at an informal meeting in June 1978. The sensitivity of the matter was made clear when a number of DAC members pointed out that a recent seminar organised by the OECD's Development Centre had disappointed the high-ranking Arab officials who had attended as there had been no participation in the discussion by DAC members. This failure must have raised their suspicions as to the depth and extent of commitment to engagement that DAC members possessed, in contrast to its officials (OECD Development Centre, 1978).

Mr Al-Hamad asked that other Arab/OPEC institutions be invited, which was agreed, and Williams also successfully proposed that he share the chair with an Arab representative, which continued to be the practice. The first meeting took place in June 1978 and enabled participants, most of whom had not met previously, to begin to develop a relationship (Führer, 1988). The first meeting set the general framework for the later meetings, which were aimed at exchanging views and identifying the problems and concerns of all participants, to coordinate as far as possible different approaches to aid and to facilitate bilateral contacts and the joint financing of aid projects. No detailed minutes were kept and no press releases were issued (Führer, 1988, p. 1).

9.2.3   1978-1989: Engagement and its decline

The first meeting also focussed on identifying and clarifying issues regarding possible joint work, with, for example, Arab/OPEC proposals centred around the exchange of information on macro-economic and sectoral data relevant for project appraisals, programming criteria and techniques and reporting requirements. International Monetary Fund (IMF) and World Bank representatives suggested the identification of suitable projects for co-financing. In addition, there was an exchange of views on techniques of project preparation, feasibility and pre-feasibility studies, plus a consideration of complex problems such as how to programme development assistance with a view to reaching the poorest strata of the population. In summary, the first meeting outlined a fairly ambitious agenda, focussed on technical issues, which set the stage for dialogue in the years to come

(OECD, 1978). A range of follow-up actions was undertaken, with informal groups set up to discuss further statistical cooperation, how to improve aid disbursement procedures and the reduction of the administrative burden on recipient governments, and ways of expediting aid implementation.

The second meeting, in 1979, proceeded along similar lines, focussed on largely technical issues, with discussion of the possibility for increased cooperation on subjects as diverse as alternative energy sources, small-scale industries, soil conservation and grain storage. However, as with the first meeting, DAC member differences and sensitivities meant that broader, national and international policy issues were not discussed, with the French representative stressing it should focus on 'operational', problems and not, for example, national policies toward development in African states (OECD/ DAC, 1980). In addition, DAC officials voiced continuing concerns as to the reliability of the aid statistics provided by OPEC members. OECD officials Jürgen Bartsch and Ruth Stock, for example, had serious doubts as to the accuracy of the amounts claimed by Saudi Arabia and asked the Saudis to back up their claims with a geographical and sectoral breakdown. In reality, Bartsch and Stock noted, "our figures are probably too large since they contain a huge amount of unknown Saudi Arabian flows" (Bartsch, 1984a). The Saudi figures included, it was alleged, transactions which did not qualify as official development assistance (ODA), such as large loans and grants for the purchase of arms, and Arab donors refused to disclose separate amounts for grants and loans. Indeed, there soon came to be four sets of figures on Arab aid, those of UNCTAD, the Arab Co-ordination Secretariat, the OPEC funds and the OECD. The basic data were supplied by Arab institutions and approved by them. However, the statistics released by the four bodies were by no means identical, leading OECD officials to voice concerns about the reputational consequences for DAC and the OECD, and a recommendation for reactivating the working Group on Arab statistics, which met for the first and last time in December 1979 in Vienna (Bartsch, 1984b).

At the 1980 DAC meeting with Arab/OPEC donors, topics on the agenda included further discussion on the possible harmonisation of aid procedures, the untying of DAC aid and the policy conditions attached to programme lending. The meeting also led to the establishment of the European-African-Arab planning group in the field of agriculture within the context of the Club du Sahel and similar sectoral groups in Africa. At the fourth meeting, in 1981, both DAC and OPEC donors expressed themselves in favour of continuing dialogue, increasing the exchange of information and closer

practical cooperation. A priority for the DAC was gaining more detailed information regarding the share of OPEC aid being disbursed to non-confrontation countries and to multilateral programmes, a priority not shared by the non-DAC participants. Such information could not easily be provided by the non-DAC participants, even had they so desired, as they did not represent the governments of the OPEC or Arab states, only national and multilateral aid agencies, nor did governmental representatives attend the meetings.

The continuing sensitivity of the engagement with OPEC fund representatives and its inhibiting impact on DAC/OPEC meetings was indicated at a lunch hosted by OECD Secretary-General van Lennep for the presidents of the Arab aid agencies at the 1981 meeting. He praised the OPEC-DAC engagement but stressed that it should not deal with political issues, only with technical ones, in order not to duplicate the role of the informal Tidewater Group. Tidewater had been established in 1968 by the DAC chair to encourage informal, high-level discussion of major aid issues by senior figures in the aid regime, largely aid ministers and heads of government agencies in DAC member countries, plus a few, carefully selected members from Arab states (see Chapter 2).

The sensitivities involved meant that the two sides had different perceptions as to whether an issue was 'political', or not, providing frequent scope for misunderstanding, delay and frustration. This was perhaps most obvious in relation to aid statistics, where OPEC members were reluctant to provide detailed data regarding their ODA as defined by the DAC for a variety of reasons, notably in relation to data that would: 1) indicate the volume and distribution of aid provided directly by Arab rulers, rather than through one of the national or regional aid Arab aid agencies (see Porter, 1986; Villanger, 2007, p. 224); 2) indicate the volume of Arab aid being provided to the 'frontline', states of Egypt, Syria, and Jordan in the Arab-Israeli conflict, given that much of it could be regarded as defence or security aid that was excluded from DAC's ODA measures. DAC Chair Maurice Williams noted that the Arab states did not publish information on what was referred to as 'silent aid' to the frontline states as it was not considered fitting for the oil-rich states to speak of their financial contributions when more direct sacrifices, or 'blood', contributions had been made by others (Williams, 1976, pp. 309-10).

Hence, while at the 1981 meeting new DAC Chair John P. Lewis commented that the meetings "were a highlight of our annual activities", and that the more the two parties met, the better they would know each other, engagement soon faltered. There was slowly declining attendance by senior DAC members, a continuation of the limited focus on operational issues of interest more to DAC officials than DAC members, and a lack of substantive outcomes, all of which led to increasing concern as to the value of the meetings and the engagement effort. As OPEC aid volumes declined in the later 1980s and agreement on issues to discuss at the annual meeting became more difficult to achieve, the DAC's appetite for further discussions with OPEC declined. Aid evaluation, for example, was proposed as a possible theme for discussion, but an OPEC interlocutor said OPEC did not favour this topic as Arab funds did not undertake ex-post evaluations of their projects, believing that "such evaluations would show unpleasant facts". Moreover, as pointed out by DAC officials in 1987, rapidly declining Arab aid expenditures meant that, for example, the OPEC Fund no longer had the resources to make substantial commitments and was not, therefore, in a position to exert pressure in aid negotiations and, implicitly, less of a priority for DAC engagement and discussion (Bartsch, 1987).

Two years later, in 1989, leading DAC officials felt that Saudi Arabia alone would "remain a significant source of aid among the Arab donors" (Bartsch, 1989a). Moreover, in the same year in a survey in which DAC members were asked to list, in order of priority, their work programme priorities for 1990, the average ranking given for 'Consultation with non-DAC aid donors', was only 11.5 out of 14 (OECD/DAC, 1989). At best, many members were ambivalent about the value of the meetings while the Canadian and Australian representatives said the meetings were 'awful' and did not work because of a lack of clarity.

Nor were DAC members alone in questioning the value of the meetings. DAC official Bartsch, for example, noted that Arab officials were losing interest and were in favour of terminating the meetings. He felt that DAC members should shoulder some of the blame for this development, noting that members "had little knowledge of Arab aid programmes", and were "not in a position to put precise questions to the Arabs", at the meetings, causing disappointment on the part of Arab participants. He contrasted this with the alleged value Arab officials found in their meetings with the Soviet bloc's Council for Mutual Economic Assistance (COMECON), set up as a rival to the OECD, in discussions of the co-financing of specific aid projects

(Bartsch, 1989b). Another reason for the declining interest in the meetings, according to Bartsch, was that through the dialogues, DAC members had established contacts with Arab donor agencies that they followed up on a largely bilateral basis, not through DAC.

The planned 1990 meeting in Kuwait was cancelled as a result of the invasion of Kuwait by Iraq and no further meetings took place, although the limited provision of Arab aid data to DAC continued, if somewhat sporadically and at a lesser level than in the later 1970s and 1980s.

9.3   2009 to date: a revived but uncertain engagement effort

In 2009, DAC began to revive its engagement with the Arab states on a limited basis, later stimulated by a "High-Level Partnership Dialogue", organized with the Arab Coordination Group Institutions (ACGI) in July 2011. It took place within the context of a major review and modification of the OECD's global relations strategy, commenced in 2009 with the onset of the global financial crisis (GFC). A key part of the new strategy was aimed at effectively engaging developing countries and major international organisations in its further, detailed design and implementation, recognising that without their participation the strategy was unlikely to succeed.

It was an engagement effort that commenced in a different context from that which faced the DAC's first engagement effort in the 1970s, though still a difficult one. The Cold War had long ended but the Arab-Israeli conflict was still a major, if largely unvoiced factor in OECD-Arab meetings. In addition, the Arab/OPEC states had developed an increased, if largely unwanted significance in relation to international terrorism following the 9/11 attacks in 2001, and their significant political and religious differences from OECD states, combined with their economic significance as a source of oil and investment funds, meant that OECD engagement with them would continue to be both sensitive and limited.

9.3.1   DAC in a new context

In 2008-09 DAC, in line with the OECD's developing emphasis on external engagement with developing states, was faced with the challenge of extending and further strengthening its engagement with a range of non-OECD donors. The decision to revive engagement with the Arab donors, in particular, sprang from a number of sources.

The first was the fact that on a largely ad hoc basis a number of Arab donors had continued to provide DAC (notably Kuwait and the UAE, but also, on a less frequent basis, Saudi Arabia) with limited data on their aid volumes and patterns, so that a very limited relationship already existed.

Second, there had been some signs that, at least as regards aid statistics, some of the Arab states were interested in ensuring the quality and visibility of their aid efforts. The Office for the Coordination of Foreign Aid (OCFA), for example, established by the UAE in 2008, aimed to "enhance the quality and visibility of UAE's development assistance and humanitarian aid and to ensure the UAE assistance is accurately reflected in international records" (OCFA, 2010). OCFA began reporting UAE whole-of-government aid at the activity-level to the DAC creditor reporting system (CRS) in 2010 for the reporting of 2009. While Kuwait, Saudi Arabia and the UAE, as indicated, had continued to report their ODA to the DAC, it had been only on an ad hoc basis and not according to the DAC reporting schedule or format, so there were hopes this could be improved.

Third, an increasing number of individual DAC members had begun to cooperate with Arab states on a bilateral basis. German and Arab international development organisations, for example, had been cooperating more strongly at the operational level. The UK and UAE had agreed to join forces to better support the efforts of the governments of Afghanistan, Pakistan and Yemen to tackle poverty and promote growth (DFID, 2012). The UK and the IsDB had recently signed a memorandum of understanding covering water supply and statistics in Yemen. Indeed, the UK Department for International Development (DFID), worked with a range of partners in the Middle East and North Africa (MENA) region, some of which were non-traditional partners for DFID, and an important part of this work was to engage with them on the importance of building a solid evidence base for working in the region (DFID, 2012, p. 11). Such developments suggested the potential for a revived engagement, a potential made explicit at a joint meeting of the ACGI and DAC in February 2007, in which the participants agreed to pursue a closer relationship.

Then, fourthly, the dramatic development of the GFC and, with it, a rapidly rising concern as to its adverse impacts on aid volumes and flows, suggested that a renewed DAC engagement with Arab institutions would be of value. Hence, in May 2009 a joint meeting of members of the ACGI and the DAC

took placed in Kuwait, hosted by the Arab Fund for Economic and Social Development. The meeting had three major objectives (OECD, 2009a):

1. To start a new dialogue between the ACGI and the DAC, with agreement on an appropriate framework for regular dialogue and information sharing.
2. To share lessons and experiences on effective development cooperation in partner countries, drawing on the results of specific country assistance programmes.
3. To identify opportunities for practical collaboration between donors at partner-country level.

The more detailed objectives for the meeting from DAC's perspective were several. One, to gain agreement for a significant "dialogue event" every two years, plus six-monthly videoconferences aimed at sharing information on statistics and activities, with a commitment to follow-up on agreements made at the dialogue events. Two, over time, to gain stronger forms of Arab engagement, through Arab donor participation in DAC's working party on aid effectiveness (WP-EFF) and the International Network on Conflict and Fragility (INCAF), ideally at its meeting in East Timor in late 2009. Three, to gain Arab support for the initiatives of PARIS21 (Partnership in Statistics for Development in the 21st Century), aimed at improving the quality of aid statistics. Four, to commence joint work between DAC and ACGI donors at country level, beginning with a scoping project to identify a possible project and country.

The meeting was successful in that it identified a number of opportunities for joint work, a "senior dialogue" event every two years (ideally underpinned by collaboration at the technical level) and an action plan to ensure agreements were followed up, as well as agreeing to examine the possibility of greater information-sharing on aid statistics and the potential for project collaboration at the country level, with OFID offering to host a meeting for the groups in Vienna (OECD, 2009b). The chairs agreed to consult regularly and the ACGI members agreed to consider a 'structured engagement', in the WP-EFF, ahead of the Fourth High Level Forum (HLF) on Aid Effectiveness in Busan in 2011. In particular, the secretariats of the ACGI and DAC agreed to send each other the most recent full sets of statistics on development assistance by June 2009. However, it was noticeable that representatives of only nine DAC member states attended the meeting.

As agreed, within a year of the 2009 meeting the ACGI participated in the WP-EFF in November 2009 and was invited to participate in events leading up to the Fourth HLF on Aid Effectiveness in 2011. Engagement seemed to be developing, with the heads of the two secretariats meeting on the margins of the annual meetings of the IMF and World Bank, and discussions took place on information exchange and the sharing of good practices in collecting and reporting aid statistics between the DAC Secretariat and OCFA. Further, the DAC secretariat and the ACGI secretariat agreed to meet before the end of 2010 to discuss aid statistics, definitions and reporting methodologies. OFID hosted a technical meeting in April 2010 in Vienna, assisted by a small steering group of DAC members. This meeting focussed on four development issues: food security and agricultural development, energy poverty, information exchange on Arab development issues and a case study of Yemen. It agreed that further discussions would take place and that: 1) the Arab institutions would report back with a summary of global food security issues, plus priorities that could be taken up jointly; 2) an informal working group would be established, led by OFID, to explore possibilities for further collaboration, including renewable and "clean energy"; 3) in relation to the challenging situation in Yemen, a survey would be developed jointly by OFID and OECD designed to improve donor coordination.

This limited, but developing engagement was faced, suddenly and dramatically, with an added complication as the "Arab Spring" developed at the end of 2010. At first it seemed to add weight to the development of the relationship as, while there had been progress to this point, it was limited. Participation by DAC members in the technical meeting in Vienna, for example, had been disappointing and the response by DAC members to follow-up work regarding identifying the potential for collaboration in the Yemen was similarly limited. Further, by the end of 2010, the DAC secretariat had not received feedback regarding the ACGI response to questionnaires aimed at scoping the potential for collaboration in Yemen. Nevertheless, spurred on by the issues raised by the Arab Spring, in July 2011 an Arab-DAC High-Level Partnership Dialogue took place in London. The two donor groups emerged from the meeting with "new perspectives and a renewed partnership for development in the Middle East and North Africa region and beyond" (ACGI-DAC, 2011). The meeting, the final statement said, had helped the actors involved to identify and better understand a number of common objectives and it "will lead to a deeper partnership on behalf

of the people of the Middle East and North Africa region and on behalf of developing partners in other parts of the world."

However, since the 2011 meeting, there has been little in the way of further, substantive development in DAC's engagement, or in Arab or DAC members' enthusiasm. This is despite the fact that the MENA region is increasingly important to the OECD as a whole. The Deauville Partnership with Arab countries in transition, for example, announced at the G8 meeting under the French presidency in 2011, supported the Arab Spring transition process in the MENA region. The Partnership involves the G8 countries plus Tunisia, Egypt, Jordan, Morocco, Libya, Kuwait, Qatar, Saudi Arabia, Turkey, the UAE and international financial institutions. In this context, G8 finance ministers welcomed further OECD engagement with the MENA countries, aimed at improving policy frameworks for investment and governance and advancing the structural reform agenda, and asked the OECD to deepen this collaboration (US Treasury, 2011).

Indeed, the Deauville Partnership served to highlight the fact that aid and development cooperation, at least via the DAC, are no longer the primary or preferred way of engaging Arab stakeholders, and that policy advice, support and knowledge-sharing involving a range of other OECD committees and directorates may be in greater demand. The OECD, for example, in recent years has worked with Arab states such as the UAE on improved tax transparency in the MENA region, has established the OECD-MENA Women's Business Forum and the MENA-OECD Initiative of Governance and Investment for Development. The OECD Strategy on Development is based, in part, on this realisation and seems to leave the DAC very much on the sidelines as regards engagement with the Arab countries. Which is not to deny that, at least as regards Arab donor agencies, DAC still has much potentially useful experience and expertise to offer on operational and sectoral issues, but it has not seemed able to take advantage of the Deauville Partnership. The ACGI and the DAC member states in the 2011 meeting declaration stated that they were "committed to consulting closely to ensure that they can more effectively carry out their common mission – helping people fulfil their human potential" (ACGI-DAC, 2011). A follow-up meeting took place in Kuwait in early 2014.

The opportunity to enhance cooperation between the DAC and Arab donors has been seized. The Sustainable Development Goals (SDG) provided the rationale for adjusting development cooperation tools to ensure sustainable

development. Meetings have taken place regularly with the last in 2019, alternating between Europe and the Middle East. The topics highlight the growing professionalisation and organisation of the Arab aid effort. Themes of joint interest were much more diverse than in the earlier period of cooperation including education; food security; water and sanitation; climate change; and gender equality. However, there remain concerns about transparency and accountability. The UAE finished last in a recent assessment of transparency involving 45 donor agencies (Publish What you Fund, 2018).

9.4   Conclusion

DAC's two major engagement efforts in relation to Arab donors were not the result of a process of systematic planning aimed at clear objectives. In the 1970s they sprang from the fears engendered by the two oil crises, as a largely ad hoc response to very challenging circumstances. Moreover, it was an engagement effort that aroused enthusiasm on the part of DAC Directors and officials, but relatively little enthusiasm on the part of most DAC members.

In the late 2000s the second DAC engagement effort emerged slowly, initially in the absence of major crisis, though, again, without much in the way of a planned, systematic effort. Indeed, it sprang, for the most part, from the interests of the DAC chair and senior officials in furthering the OECD's new development and outreach strategies, rather than being driven by the bulk of its members, who displayed varying degrees of enthusiasm for the engagement project. Most worryingly for DAC, the low level of enthusiasm from most members does not seem to have been boosted by the advent of the GFC and the Arab Spring, other than in the very short term. Nevertheless, close contacts and a regular joint meeting series took place throughout the 2010s with a diverse range of issues being discussed.

On both occasions DAC's engagement efforts have taken place against a background of difficult bilateral relationships between the more powerful of the member states of the OECD and the Arab donor organisations and related funds, centred on the Arab-Israeli conflict. The result was cautious, limited engagement that today seems to lack sufficient impetus in the way of major incentives for it to develop any further. This might not have been the case in the 1970s and 1980s, for DAC then had a wealth of experience to offer Arab donors as regards development aid, its organisation and management.

However, the extent of mutual suspicion as to each other's motives in a context dominated by both the Arab-Israeli conflict and the Cold War, as well as growing differences between the major Arab states, meant that little of substance could be achieved. In the 21st century the DAC has much less in the way of unique experience to offer Arab donor organisations, given their own development over the last two decades. Nor, outside of accurate and complete data on aid, have the Arab donors much to offer the DAC. Given that successful engagement relies in large part on expectations of mutual benefits, then, combined with a lack of clear objectives and a lack of enthusiasm by many of the member states involved, it is surprising that engagement has been as extensive as it has been in the last 10 years. However, the COVID-19 crisis and persistently low oil prices may undermine the capacity of Arab aid donors to act as major players, and therefore the interest among DAC donors in engaging with them.

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Part 2: Revitalising the aid effort through responsive policy communities

10   The DAC as the birthplace of the MDGs: motives, messages and midwives

Richard Carey and J. Brian Atwood

Abstract

The Millennium Development Goals (MDG) that emerged from the United Nations (UN) in 2000 were born in the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) in crisis mode in the mid-1990s as support for aid budgets at the political level fell sharply after the end of the Cold War. How the MDGs reflected and impacted on development thinking is a story told in Chapter 2. The present chapter tells the story of how the MDGs were made, a story in two acts. In the first act, the DAC established an *exercice de réflexion* operating at agency head level, to find a way to rebuild political and public interest in the development cooperation effort as of fundamental importance to people everywhere. The concise resulting statement was published as "Shaping the 21st Century: The Contribution of Development Cooperation", with a vision set out in seven interrelated goals for human development and sustainability, and a commitment to work in partnership mode with developing countries to achieve these outcomes. High-level political support for the goals, notably to halve the incidence of poverty in the world, helped drive a new message, that aid was not just about financing targets but about human development outcomes. In the second act, the OECD assembled a new coalition with the UN, the International Monetary Fund (IMF), World Bank (WB) around a common presentation of the goals in graphical format, "A Better World for All", signed by the four institutions after a fractious two decades. The UN Secretary-General (SG) launched "A Better World for All" in the run-up to the Millennium Summit. The rest is history. In the wake of the Millennium Summit, development goals and partnership became the two pillars of the new framework for cooperation to accelerate the development process and poverty reduction: first in the shape of the MDGs and eventually for the succeeding universal Sustainable Development Goals for 2030. Here, J. Brian Atwood as USAID Administrator and Richard Carey as the OECD

Secretariat point person at Director level, tell how the political and the institutional cooperation that led to the MDGs were fashioned.[132]

10.1   Act one: The DAC International Development Goals

10.1.1 Introduction – aid fatigue strikes at USAID and the DAC

When Atwood was confirmed by the US Senate in September 1993 as Administrator of USAID under the Bill Clinton Administration, he inherited a poisoned chalice. The bipartisan Ferris Commission, appointed by previous President George H.W. Bush to make recommendations for the reform of what was widely seen as a failing institution, had found an agency in disarray, with scores of goals and indicators emerging from Congressional earmarks. Essentially giving up on USAID, the Commission had recommended it be merged into the State Department. At the same time, the early post-Cold War years had generated expectations of a peace dividend, there was a focus on helping the transition process in newly-freed countries of Eastern Europe and Central Asia, and the Clinton Administration economic priority was to reduce the federal deficit. Working with senior USAID officials, Atwood instigated a crash first-year programme, emerging with just five strategic goals to be implemented by USAID missions at country level using local partnerships, and streamlining the functional structures of the Agency. When the Republicans gained control of Congress at the end of 1994, Atwood reconvened the Ferris Commission who, impressed and convinced by these reforms, withdrew their recommendation that USAID be merged into State.

As the new USAID Administrator, Atwood found among his DAC agency head peers a more general atmosphere of gloom and associated challenge. Aid fatigue was becoming widespread. There was growing opposition from UN agencies, civil society and faith groups to the structural adjustment programmes being applied by the Bretton Woods Institutions, especially in African countries. Moreover, the DAC had just emerged from an intense, fraught process of agreeing on where to draw the line in integrating ex-Soviet

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132 A detailed account of the process and issues in the creation of the MDGs has been compiled by Richard Manning, a former chair of the DAC (Manning, 2009). In particular, Manning unravels the complexities of the preceding decade of UN goals and the differences between the different sets of goals that emerged in the context of the Millennium Summit.

countries into the DAC list of developing countries, a process aiming to ensure that official development assistance (ODA) would not be diverted to those countries at the expense of poorer countries. This process had occupied much of the last year of the outgoing Chair of the DAC, Ray Love, a lifetime Africa specialist who had become Counsellor at USAID.

10.1.2 The DAC responds – from an exercice de réflexion to "Shaping the 21st Century"

Atwood had nominated James Michel as the next chair of the DAC. Michel had been a former top State Department lawyer and Deputy Assistant Secretary of State for Inter-American Affairs, before becoming ambassador to Guatemala. (Twenty years earlier, a predecessor in that role had been assassinated in office). He then became USAID Assistant Administrator for Latin America, before appointment as Acting Administrator of USAID, pending Senate confirmation of Atwood. Michel not only had great diplomatic skills, but he was also a fine writer, meticulous in method, and proved indefatigable in travelling to communicate the DAC's work.

In his first year as DAC chair, Michel worked with the DAC delegates to produce a concise statement on "Development Partnerships in the New Global Context" (i.e., the post-Cold War world). Endorsed by the DAC high-level meeting (HLM) in May 1995, the key messages were that development cooperation is an investment in the future, via its impact on economic and social wellbeing, and that the DAC would work to help prepare strategies looking to the next century. In the short introductory statement, "Members also expressed deep concern that domestic preoccupations and budgetary pressures in some member countries could seriously jeopardise the international development cooperation effort at a critical juncture" (OECD/DAC, 1995). There was little doubt that the United States was the country where this worry was most acute.

With Atwood pressing for a DAC political-level statement of strategic development goals, behind the scenes at the May 1995 DAC HLM an action plan was being launched to confront the aid fatigue that threatened the whole development cooperation effort as it had evolved since the founding of the Development Assistance Group (DAG) in 1960. Out of the discussions among the Paris delegations on the idea of a strategy for the future to be prepared and presented at the 1996 HLM had come the suggestion from the European Union (EU) delegation that an *exercice de*

réflexion, a quintessentially subtle French concept implying both modesty and ambition, be launched. At the May 1995 HLM and subsequent OECD ministerial meeting in June, this became the vehicle for Atwood's proposal for a political-level statement of development goals by the DAC. Thus it was that an *exercice de réflexion* process directly under agency heads was set in motion, bringing in Dutch Minister for Development Cooperation Jan Pronk himself; Pierre Schiori, the Swedish minister for cooperation; John Vereker as head of the UK Overseas Development Agency (those were pre-DFID days); Jean-Michel Severino from the French Ministry of Cooperation; Hiroshi Hirabayashi, head of the Japanese aid programme, and others.

No time was lost. A first gathering was organised for just two weeks later in the context of the annual OECD ministerial meeting in June 1995, raising the political profile of the exercise. At a breakfast session there, Ambassador Hirabayashi, taking up the Atwood proposal, proposed that the "strategy for the future" be oriented around a set of specific goals.[133]

In July, the concept was taken further at the Tidewater meeting of development agency heads in Annecy hosted by the French Government, where Atwood recounted his experience in turning around the fate of USAID with a development goals and partnership framework. Atwood's intervention there was strongly supported by Pronk, the longest serving development minister and a highly respected figure in the international development community. Pronk backed Atwood on the fundamental issue – such a task of setting a few strategic goals should be undertaken under the aegis of agency heads themselves. Engaging experts to do it would lead to a product that was either too radical or too weak, said Pronk. For Atwood, this was the USAID music being orchestrated for a global-level performance.

At a subsequent *exercice de réflexion* meeting hosted in Tokyo, the Philippines ambassador to Japan, among the invited guests from the region, recommended drawing on the extensive list of goals already set by UN conferences over the previous decade. That made sense on various levels. James Michel had set out on an exhaustive search of these many UN conference goals, building a data set that served as the base from which the final goals were chosen. There were in all four meetings of the *exercice de réflexion* group, including one in Atwood's office in Washington

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133 The Japanese established a team to develop this idea under Norio Hattori, of the Economic Cooperation Bureau of the Ministry of Foreign Affairs, later to become Japan's ambassador to the OECD.

D.C. Much ground was covered, going beyond goals to the whole mode of development cooperation, geared to multiple donor frameworks and planning and accountability exigencies rather than to building the systemic governance capabilities that would produce well-functioning states. It was agreed to work with a common timeline of 2015 with a base year of 1990, that is a whole generation, a period in which development impacts and their magnitude would be visible and assessable.

10.1.3 "Shaping the 21st century" and the DAC International Development Goals

When it came time to put the strategy for the future into draft form, operating as the secretary of the *exercice de réflexion*, Carey wrote a title on a blank sheet of paper on his dining room table in the early morning hours – "Shaping the 21st Century: The Contribution of Development Cooperation". No-one ever changed it. Michel's work on the UN conference goals fed the selection of the seven goals via the group process and the soundings taken in his extensive travels. The material generated by a year of ideas and consultations on reforming the operating modes of development cooperation fed into the second objective of the *exercice de réflexion* – changing the modes of development cooperation.

The text was wrestled into shape in an afternoon in the DAC chair's modest but sunny office in the Chateau de la Muette in Paris by Michel, Carey and Bernard Wood (then director of the DAC Secretariat). Editorial fine-tuning over a weekend was provided by Vereker, keeping alive the commitment to an agency-head product, not an expert-level project. In less than 20 well-spaced pages, the whole scheme was presented under a first section on "Vision", containing the goals, and a second section on "New Strategies", containing the commitments to partnership, effectiveness, and policy coherence. A concise introduction and summary presented all that content in a couple of pages. The orientations agreed at the 1995 DAC HLM on "Development Partnerships in the New Global Context" were annexed to the report.

After a final look from the Paris-based DAC delegates, "Shaping the 21st Century: The Contribution of Development Cooperation" went to the May 1996 HLM of the DAC, where it was adopted without reservation by all

member countries.[134] The final paragraph of the Introduction and Summary read thus:

> The success or failure of poor people and poor countries in making their way in an interdependent world will have a profound influence in shaping the 21st century. We offer our proposals in this report with confidence that international cooperation can be effective in supporting development, and that the results will be well worth the effort they will demand of our societies. The stakes in a stable, sustainable future for this planet and all who will inhabit it are far too high for us to forego that effort. (OECD, 1996)

The impact of the vision expressed in "Shaping the 21st Century" was to have a profound impact on the way in which the development cooperation effort was understood and explained at the level of political leaders, development experts and the public at large. The shift from the structural adjustment paradigm as summed up in the Washington Consensus, focussing on a standard set of "orthodox" economic policies, to a human development paradigm with poverty reduction and associated progress in fundamental conditions of poor people's lives with a timeline attached, produced, according to Arne Ruckert, a "neo-Gramscian" impact on the prevailing narrative of development (Ruckert, 2008). For another chronicler of development thinking, the DAC International Development Goals (IDG) which became the MDGs, represented the point at which "human development met results-based management" (Hulme, 2007).

The follow-up to the May 1996 HLM was carried forward by the OECD Secretariat who, reporting to the OECD Secretary-General rather than the DAC, had the possibility of moving fast. Under Wood's leadership, two tracks were opened; first, an expert group to establish indicators to track progress towards the goals, and second, a development partnership forum. The latter provided a process to make concrete the commitment to include developing country participation in a DAC that had in essence remained a closed donor shop and to elaborate the new partnership concept. And not least, to promote developing country leadership of development cooperation processes in their own countries – the ownership principle advanced in "Shaping the 21st Century". The indicator work included a joint DAC/UN/

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134 From its origin as the DAG at the time of the founding of the OECD, the DAC had the special authority to adopt reports of this nature committing their governments without seeking approval from the OECD Council (see Chapter 2).

WB/IMF seminar on development indicators in 1997, which yielded in 1998 a working set of indicators to show progress from the 1990 baseline towards the IDGs (as recorded in OECD, 2006).

10.1.4 The SDGs and the 1998 G8 Birmingham Summit – a Short-Atwood alliance to the rescue

While these processes were moving forward, at the political level a further seminal factor was taking shape in the form of a successful 1997 UK election campaign by the "new" Labour Party. Named as the Secretary of State in charge of development cooperation in May 1977, Clare Short had already declared before the election that the fundamental basis of the new government's policy in this domain would be to cut the incidence of poverty by half, "just as agreed by the OECD in Paris".[135] As told in her autobiography, Short had learned of the DAC IDGs from Richard Jolly. Jolly was at that time an Assistant SG and Director of the Human Development Report Office at the UN in New York, where he had lunched with Michel and Carey on the "Shaping the 21st Century" process and objectives. Then, when Short met up with Vereker as her Permanent Secretary in waiting, she found one of the core participants in the shaping of the "21st Century" report (Short, 2004).

With a new DFID, Short issued a White Paper in November 1997 under the title "Eliminating World Poverty – a Challenge for the 21st Century", with the DAC IDGs at its core (UK government, 1997). At the same time, the Jubilee 2000 campaign for debt relief was gathering steam. DFID saw a need and an opportunity to make debt relief conditional on poor countries drawing up poverty reduction strategies (PRS). Short formed an alliance with fellow female development ministers from Germany, the Netherlands and Norway to mount an international campaign on this platform.[136] It happened that the G8 heads of state meeting scheduled for May 1998 was to be held in Short's own constituency, Birmingham, with a very concise agenda, but the Jubilee Campaign forced the debt issue onto the agenda at the last minute, nevertheless. The G8 leaders agreed that the debt issue had to be addressed

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135 This was her phrase in an early morning interview with John Humphries on the BBC Today programme, listened to by Carey during his usual commute to work.

136 These four women became known as the "Utstein Group", as related in Chapter 2.

and that final decisions on debt relief would be made at their meeting in Cologne in June 1999.

For Atwood, the draft G8 communique for the 1998 Birmingham Summit had posed a fundamental problem. The US State Department and Treasury could not live with the G8 endorsement of the DAC IDGs which the draft proposed: "We commit ourselves to a real and effective partnership in support of these countries' efforts to reform, to develop, and to reach internationally agreed goals for economic and social development, as set out in the OECD's 21st Century Strategy."

For State and Treasury there had been no US government agreement to the IDGs. Atwood held that he had joined a unanimous adoption of "Shaping the 21st Century" in Paris on behalf of the whole US government. Atwood called Short to alert her to this impasse in Washington. True to form and responding to Atwood's urgent request, Short took a plane to Washington, and in Atwood's office, declared to the State and Treasury sherpas that, as far as she was concerned, the DAC report had already been endorsed by the US government and should the US insist on removing this text from the G8 communique, Prime Minister Blair would publicly criticise the Clinton Administration if it now backed away.

The ensuing strong endorsement by the world's most powerful heads of state at the 1998 Birmingham G8 Summit gave the "Shaping the 21st Century" report global credibility. Yet that did not assure that it would be adopted by the UN. More hard work would be needed.

10.2 Act two: The road to the MDGs

10.2.1 A mandate from the 1999 Cologne G8 Summit and the creation of "A Better World for All"

In 1999, the cast of DAC actors changed. Atwood was nominated by President Clinton to be US Ambassador to Brazil.[137] Wood returned to Canada, and Michel's term as DAC chair was up. Jean-Claude Faure, a former director

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137 Blocked by Senator Jesse Helms as Chair of the Senate Foreign Relations Committee, Atwood withdrew his nomination in May 1999. Atwood returned as chair of the DAC from 2011-13.

of the French aid programme, was elected in his place. Carey was appointed by the OECD Secretary-General as acting director of the DAC secretariat.

For Faure and Carey, the question was how to maintain the momentum of the follow-up to "Shaping the 21st Century". Out of their brainstorming sessions, which included Fritz Meijndert, a counsellor in Carey's office seconded from the Dutch government, came the idea of an annual publication on progress towards the IDGs to be prepared jointly by the OECD/UN/WB/IMF, drawing on the joint indicator work already established. Carey had a format in view for such a publication; it should be visual in character to communicate with everyone from heads of state to high school students. Against the background of the Birmingham G8 endorsement of the IDGs, Faure had the idea of seeking a mandate for a joint publication from the upcoming Cologne G8 Summit. A telephone conversation with a former German sherpa colleague involved in the Cologne Summit preparations proved fruitful. The Cologne G8 Communique issued on 20 June 1999

> …reaffirmed our commitment to contribute to the achievement of economic and social development in Africa, Asia and Latin America. We will review the situation in that regard every year, on the basis of reports by the IFIs and the relevant regional development banks, on the alleviation of poverty. (G8, 1999)

With that mandate in hand, the Secretariat worked to put together a concrete project for the joint statistical group to work on. With Carey, Sawar Lateef of the WB and Brian Hammond, head of the DAC statistics division, sat around a meeting table in the DAC Secretariat's ramshackle "temporary" huts in the garden of the Chateau de la Muette, their quarters for more than 30 years. Carey drew on a blank sheet of paper his idea of how the annual publication pages might look, as visual maps of progress on the various goals and indicators. Lateef took this mock-up back to Washington, where WB design experts went to work. The design, further developed as the joint work proceeded, produced "A Better World for All", with its bright orange cover and colourful pages of graphs, a story continued below (IMF/OECD/UN/WB, 2000).[138]

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138 By repute, a copy of "A Better World for All" was carried always in his brief case by Gordon Brown, as UK Chancellor of the Exchequer and then Prime Minister.

10.2.2 Another mandate from the 1999 Cologne G8 Summit: From the DAC IDGs to enhanced debt relief based on poverty reduction strategies

Meanwhile, another story had been progressing. Following up on the 1998 Birmingham G8 commitment to make a major advance on the debt relief front, the G7 finance ministers produced a 1999 Koln Debt Initiative, which took the 1996 heavily indebted poor country (HIPC) debt relief programme into a major new phase, built on an enhanced framework for poverty reduction. This was the outcome of Short's Birmingham initiative, supported by her "Utstein Group" colleagues.[139] In other words, the 1999 Koln Debt Initiative for an "Enhanced HIPC", can be scored as a direct consequence of Short's championing of the DAC IDGs and traced therefore to the original modest idea of an *exercice de réflexion* in a DAC delegates meeting in Paris in 1995 and to the ultimatum delivered to the US State Department and Treasury in Atwood's office in 1998, as described above.

But this success had an unforeseen and unintended consequence. The move to base debt relief on "integrated efforts" by the WB and the IMF to help countries qualifying for the Enhanced HIPC to draft and implement poverty reduction plans, with savings from debt relief allocated to social expenditures, created the poverty reduction strategy papers (PRSP) as the new foundation for country-led economic and social strategies for the following decades. Left in the dust was the Comprehensive Development Framework (CDF), personally created by WB President James Wolfensohn during his Christmas 1998-99 break, with some 14 checkpoints, including infrastructure and urbanisation. In the 1999 G8 Cologne Communique, the CDF received a brief welcome as a basis on which the WB and the UN could work to strengthen country-level partnerships, alongside a set of IMF/WB policies and practices which donors and borrowers could draw upon in the design of adjustment programmes to ensure the protection of the most vulnerable.

A joint note circulated on 5 April 2000 by Wolfensohn and Stanley Fischer, chief economist of the WB, sought to square the circle of the urgency of the PRSPs to deliver fast on debt relief and the more time-consuming task of bringing multiple stakeholders into a country-led long-term development

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139 The Utstein Group was consecrated at a meeting of the four Ministers at Utstein Abbey in Norway in mid-1999, from whence came its name.

platform (Wolfensohn & Fischer, 2000). And at the Annual Meetings of the IMF/World Bank held in Prague in September 2000, just after the Millennium Summit, the CDF point person for Wolfensohn, Pablo Guerrero, had begun to discuss with Carey how country-level platforms could be organised around the CDF, in line with the "New Strategies" component of "Shaping the 21st Century", dealing with the partnership approach. But the Prague meetings that year were held in another battleground atmosphere as "fifty years is enough" protestors against the Bretton Woods institutions were met with teargas. For some time, the formulation of "PRSPs incorporating the principles of the CDF" became a standard phrase. But Wolfensohn eventually lost the battle for the CDF and this formula faded away.

What was lost? Such country-led platforms were the ghost at the series of aid effectiveness high level forums (HLF) described in the following chapter. They remained missing in action when the G20 Eminent Persons Group on the Governance of Global Finance issued a call for their creation in its report of 2018. In other words, indeed something fundamental to the partnership component of "Shaping the 21st Century" was lost. Though debt relief was certainly urgent and counterfactuals are difficult to establish, the kind of wider partnerships and development strategies envisaged in Part II of "Shaping the 21st Century", could well have embraced the infrastructure, urbanisation and rural development agendas listed in the CDF.

As it turned out, the debt relief provided under the enhanced HIPC programme provided the space for African countries to undertake infrastructure investments financed and constructed by Chinese actors, who were able to respond more rapidly and at scale than others to the needs of African countries at that point (Reisen & Ndoye, 2008).

10.2.3 "A Better World for All" is launched by UN Secretary-General Kofi Annan at ECOSOC, Geneva, July 2000, in choppy waters

Meanwhile, the work of the OECD/UN/WB/IMF indicator team was proceeding apace, with Hammond as lead coordinator, and the "A Better

World for All" publication was coming into shape.[140] Shaida Badiee, Director of the WB development data group and her colleague Eric Swanson had deeply invested their talents and their resources in this venture. On the UN side, Alan Doss as director of the UN development group had equally bought into the venture and UN agencies were committed members of the team, notably Jan Vandemoortele, Chief Economist of UNICEF, an agency long in the forefront of using targets and indicators to motivate countries and partners. Doss had been the first UN permanent observer at the DAC in 1993 and he and Carey had a strong collegial relationship. It was via this route that "A Better World for All" came into the sights of John Ruggie, who had been recruited by UN Secretary-General Kofi Annan to be his assistant SG for strategic planning.

Ruggie had a distinguished academic background in the field of international regimes and epistemic communities. As the main drafter of the Millennium Declaration, he proposed to Annan that development goals be a central part of the text. The UN Secretary General had issued a paper, "We, the Peoples", in March 2000 in preparation for the Millennium Declaration, including a list of UN-sourced goals which did not have a great deal of resemblance to the DAC IDGs and had no common timeframe (Annan, 2000). But when "A Better World for All" was finalised after a standing-room-only meeting in the OECD main conference room with wide participation, Ruggie had recommended to Annan that he join the three other agency heads in signing the report. Thus it was that "A Better World for All", built around the DAC IDGs, became the first report to be signed jointly by the IMF, OECD, UN and WB, at a time of violent protests against the Bretton Woods institutions.

More than just jointly signing the report, Annan decided personally to launch "A Better World for All" at the annual UN Economic and Social Council (ECOSOC) meeting in Geneva in July 2000, in the runup to the UN Millennium Summit. There was an instantaneous and furious response from the General Secretary of the World Council of Churches (WCC) that the UN had capitulated to the Bretton Woods institutions and the OECD on

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140 Another joint initiative by these same institutions coming into shape at this point, with strong leadership from Short, was a "senior expert meeting on building statistical capacity" which met in November 1999, with several developing country chief statisticians in attendance, including as co-chair the chief statistician of Botswana, who was also the chair of the UN statistical commission. The outcome of this meeting was the creation of Paris21 (Partnership for Statistics in the 21st Century) to generate the statistical capacities at country level required to measure development progress.

fundamental values. A few days later, Annan responded to the effect that the DAC IDGs were all derived from UN conferences and their acceptance by the Bretton Woods institutions was a victory for the UN, a letter drafted by Ruggie. This correspondence was especially significant at the time, illustrating how the DAC IDGs had been working to reduce the ideological differences between the UN and the Bretton Woods institutions.[141]

10.2.4 From "A Better World for All" to the Millennium Declaration to the MDGs

In the event, the Millennium Declaration included a list of development goals that closely reassembled the DAC goals from "Shaping the 21st Century". But they were not the same. When the UN Secretary-General was requested to submit to the UN General Assembly in 2001 a roadmap to follow up the Millennium Declaration, an arbitrage with the seven DAC IDGs was proposed,[142] which produced a set of goals that became the recognised MDGs, even if they were never formally approved by the UN, remaining an annex to the SG's 2001 roadmap (UN, 2001). There were eight goals based very largely on the DAC goals, with the additional goal requiring an effort by developed countries to follow policies facilitating the development process.

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141 In fact, once they had seen "A Better World for All", most non-governmental organisations (NGO) found it hard to understand what the fuss had been about, and the MDGs became a major asset in their development and poverty reduction campaigns.

142 This arbitrage process was suggested by Colin Bradford, a former Director of Research at the OECD Development Centre, who had actively facilitated the DAC *exercice de réflexion* process from the beginning as Atwood's Chief Economist at USAID. It was overseen by Michael Doyle, also a prominent international relations scholar, who succeeded John Ruggie as Assistant SG for Strategic Planning and the MDGs. Mark Malloch Brown, as UNDP Administrator, chaired the final MDG selection process.

Figure 1:	Summary comparison of "Shaping the 21st Century" and MDG goals	
"Shaping the 21st Century" (1996)	**Millennium Development Goals (2001)**	
Halve extreme poverty	Halve extreme poverty and hunger	
Universal primary education	Universal primary education	
Gender parity in primary and secondary education	Gender parity in primary and secondary education	
Two-thirds reduction in child mortality	Two-thirds reduction in child mortality	
Three-quarters reduction in maternal mortality	Three-quarters reduction in maternal mortality	
Reproductive health services for all	Reverse spread of AIDS, malaria and tuberculosis	
Reverse trends in environmental losses	Ensure environmental sustainability	
	Develop a global partnership for development	
Note: All goals had 1990 start dates and 2015 target dates, except educational gender parity, for which the target date was 2005. The goals in each set were presented in the order shown here, but the numbering systems differed, and the MDGs were more complex, as they were agreed in the form of both eight overall goals and 21 time-bound targets.		

With the MDGs thus established, an interagency expert group (IAEG) was set up in 2002 to develop the database required to measure and assess progress, as well as the capacity of developing countries to provide the basic data. Hammond served as deputy chair of this group until his retirement from the OECD, when his successor, Simon Scott took up this function. The Reports of the IAEG provided an MDG monitoring tool, and through subgroups, its work developed the methodological and technical means to address comparability issues and to generate meaningful analysis of local situations.

10.3 Conclusions: goals and partnerships as an international cooperation regime for development progress

The MDGs became the internationally shared reference framework for development discussion at the political level and inspired much academic

research and debate. In a sense they were a proxy for the deeper issues of political economy that keep a significant proportion of humanity in developing countries from living decent lives. Keeping the score on that front with a concise comprehensible dataset reached a wide public and provided an incentive and accountability mechanism.

How much impact the MDGs had in propelling human progress is far from simple to measure. The most ambitious work is to be found in a 2017 Working Paper from the Brookings Global Economy and Development Programme (McArthur & Rasmussen, 2017). The goal of halving the incidence of extreme poverty was met. It had been widely regarded as way too optimistic. Excluding China and India, extreme poverty fell from 31 per cent to 15 per cent between 1991 and 2013, certainly a huge achievement as population in these developing countries rose over this period by some 50 per cent.

The Brookings research found that there had been a clear acceleration in progress on child mortality since 2000 and on other health fronts, including life expectancy. Progress in school enrolments and girls' education seems to have accelerated also. Progress on the sanitation goals had lagged behind the goals and there had been further loss in biodiversity.

The Brookings paper comes with a data warning and a caution regarding causality and accountability. But the case of Bangladesh, where human development and gender equality have been fostered by strong civil society organisations (CSO), while growth and structural change have occurred beyond any expectations, gives reason to believe that human development investments such as those proxied in the MDGs are essential elements in human and economic progress.

On the development practice front, the DAC IDGs and then the MDGs had a major impact on the way in which the Bretton Woods institutions cast their objectives and their policy frameworks. And partnership concepts and practices were put in the spotlight, though the partnership ideas in "Shaping the 21st Century" may have been compromised in some critical ways, ironically by the race to cut debt burdens in low-income countries.

More fundamentally, although implying major policy and institutional advances, the most basic determinants of the development outcomes were not included in the MDG frame – political economy in both developed and developing countries being the most central as other chapters in this history make clear. The successor framework, the SDGs, inspired by a different

epistemic policy community as recounted in Chapter 16, encompasses the MDGs, but covers a wide range of development vectors, including crucially, SDG Goal 16 on building peaceful and inclusive societies for sustainable development, with effective, accountable and inclusive institutions. And the SDGs bring infrastructure, urbanisation and rural development back into the development agenda along with human development progress. The tradeoff is in the complexity and number of indicators on how the world is doing and how countries are doing.

There may be some nostalgia for the brevity of the MDGs, but the cogency as well as the complexity of the SDGs in all societies, developed and developing, as the 21st century unfolds, in a global pandemic mode explicitly foreseen in the SDGs, is not in doubt. Development goals may be the fundamental reason why the "aid fatigue" curve turned downwards with the MDGs and its decisive fall then continues now in the world of the SDGs.

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11 DAC High Level Forums on aid effectiveness

J. Brian Atwood and Richard Manning

Abstract

Two former chairs of the Development Assistance Committee (DAC), with a combined 35 years of interaction with the Committee, retrace and reflect upon the DAC-sponsored Forums on aid effectiveness that took place between 2003 (Rome) and 2011 (Busan). DAC interest in aid effectiveness can be traced back to the mid-1980s. The DAC report "Shaping the 21st Century: The Contribution of Development Co-operation" (OECD, 1996) placed a premium on results measurement and on ownership by recipient countries and led to the "aid effectiveness era". Starting in 2000, a task force involved developing countries in assessing how donor practices could "reduce the burden on the capacities of partner countries to manage aid and lower the transaction costs involved." The Rome Declaration on Harmonisation of 2003 put the accent on country-based approaches and led to the creation of a Working Party on Aid Effectiveness with membership, for the first time, extending beyond the DAC. At the Paris High Level Forum on Aid Effectiveness of 2005, 60 developing countries, 30 bilateral aid-providing countries and 30 development agencies agreed upon the Paris Declaration on Aid Effectiveness (OECD, 2005), incorporating the five Paris Principles (ownership, alignment, harmonisation, managing for results and mutual accountability) with monitorable indicators and targets. The Declaration remains the key reference document for the aid effectiveness effort. Two further High Level Forums were held in Accra (2008) to monitor progress and Busan (2011) to review actual achievements. With each Forum, the partner countries' influence increased, as did that of "new providers" of aid, with the architecture becoming more unwieldy. At Busan, the Global Partnership for Effective Development Co-operation (GPEDC) was created to follow up and steer future efforts on development effectiveness. Significant breakthroughs were achieved with these processes and agreements, but the leadership and engagement to continue effective development assistance seem to be waning.

11.1   Introduction

The Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) is unique in its origins and its operating style. The only permanent committee of the OECD, it was an independent organisation at its birth. The authors have had the privilege of working with this committee as representatives of our governments and as chairs elected by the membership, the donor nations. Our interaction with the DAC spans 35 years. In that time we have seen the committee expand its influence and move from a concentration on the definition and volume of Official development assistance (ODA) to the promulgation of policy guidance that has incrementally but definitively improved the behaviour of its members and partners.

This chapter will focus on a series of DAC-sponsored Forums on aid effectiveness that over time engaged the entire development community including the relevant multilateral donors, non-governmental organisations (NGO), the private sector and South-South providers of assistance. In a series of outcome documents a consensus evolved on how best to cooperate in a complex global environment, what principles of effectiveness to embrace, how to work in fragile states, when to use partner-country systems, and how to institutionalise a global partnership in support of effectiveness. We conclude that these Forums succeeded up to a point in advancing these objectives; yet we also recognise that implementation has struggled in the face of the day-to-day incentives of the many actors in an international system that has become increasingly complex, and that progress is susceptible to the strong populist winds now challenging international cooperation in a number of fields.

Students of development tend to focus on the outcome documents that reflect the consensus reached in a particular meeting. It is indeed not easy for diverse governments and non-governmental entities to agree on statements that commit them to a course of action. They recognise that their commitments, even when undertaken on a voluntary "soft law" basis, could subject them to future criticism if they fail to act. There is a tendency to underestimate the time and effort that goes into reaching the point of general agreement on a particular issue. Our hope is that this chapter will contribute to a better understanding of the processes that facilitate the building of consensus and the role the DAC has played over a considerable period of time.

11.2   Origins

Work on good practices in aid coordination and delivery has taken place from the early years of the DAC.[143] In 1992, a comprehensive set of agreed "DAC Principles for Effective Aid" was issued (OECD, 1992). These principles were the output of efforts by a series of expert DAC working groups in the second part of the 1980s and early 1990s. Their orientation was essentially technocratic, with the political thrust mainly directed towards improving coordination. The notions of ownership and alignment received explicit treatment only in the "New Orientations on Technical Assistance" of 1991, after the DAC had agreed at a high-level meeting on a set of policy orientations for development cooperation in the 1990s that embraced these concepts and admitted the centrality of the political dimensions of the aid process. There was essentially no developing country input into any of these principles, apart from some field visits in the course of drawing up the guiding princples for aid coordination. The ruling philosophy remained that the DAC should be an exclusively donor body in which peer review processes could proceed with full frankness (see Schmelzer, 2014).

Thus, when the 1995 DAC high-level meeting discussed the need for a "political" statement on the goals of the development community (see Chapter 10), this was a somewhat radical departure. And the end-product, a report entitled "Shaping the 21st Century: The Contribution of Development Co-operation" (OECD, 1996) not only set goals for development outcomes, but also asserted the need for effective partnerships and policy coherence across a wider development agenda. The establishment of goals placed a premium on results measurement and the effectiveness of aid and was seen to depend centrally on ownership by the country in receipt of ODA. The DAC followed the release of this report with a series of partnership forums with developing country participation and began work on effectiveness indicators.

The DAC was not alone in becoming increasingly interested in effectiveness. In January 1999, then President of the World Bank, Jim Wolfensohn, proposed a Comprehensive Development Framework (CDF) to rectify what he saw as dysfunctional behaviour by donor agencies and an increasingly fragmented and unstructured aid effort. Recipient nations would formulate

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143 Guidelines on the Co-ordination of Technical Assistance (1965), Local and Recurrent Costs (1979), Aid Co-ordination Principles (1986).

their priorities across a range of sectors. The process would be anchored in the developing country itself, not in Paris or Washington. It would involve a significant shift in donor behaviour and was met with some resistance by bilateral donors.[144]

11.3   The effectiveness forums: the road to Rome

The first decade of the new Millennium saw a major forward thrust for the DAC as it sought to give meaning to the Millennium Development Goals (MDG) inspired by its "Shaping the 21st Century" report (OECD, 1996). This would be the beginning of "the effectiveness era."

A summit meeting in Monterrey, Mexico on financing for development in March 2002 (UN, 2002) gave new impetus, not only to the effort to increase ODA, but also to the more effective use of these resources. The DAC had already prepared to take advantage of this mandate from heads of government. In 2000, it had set up a Task Force on Donor Practices, the objective of which was "to strengthen ownership through identifying and documenting donor practices which could cost-effectively reduce the burden on the capacities of partner countries to manage aid and lower the transaction costs involved" (OECD, 2002). The task force concentrated on producing good practice papers on parts of the project cycle where incoherence might be particularly problematic. Ownership being a central objective, the task force involved 16 developing countries, with the DAC using for the first time its special right, articulated in the OECD constitution, to convene such meetings without OECD Council approval.[145]

A needs assessment undertaken by the task force and carried out in 11 of the 16 developing countries, concluded that the three biggest issues were:

- donor-driven priorities and systems;
- difficulties with donor procedures; and
- uncoordinated donor practices.

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144 Franco Passacantando, former Italian Executive Director at the World Bank and latterly, Special Advisor to President Wolfensohn, personal communication.

145 This right was a holdover from the negotiations to merge the Development Assistance Group (DAG) with the Organisation for European Economic Co-operation (OEEC), creating the OECD. The 16 participating nations were: Bangladesh, Bolivia, Cambodia, Egypt, Guatemala, Kenya, Krgyz Republic, Mali, Morrocco, Mozambique, Pacific Forum, Romania, Senegal, Tanzania, Uganda and Vietnam.

The original theme was clearly "harmonisation", a message and an agenda that was later captured in the Monterrey outcome document which urged donors to: "harmonise their operational procedures […] to reduce transaction costs and make ODA disbursement and delivery more flexible, taking into account national development needs and objectives under the ownership of the recipient country" (UN, 2002). A series of "good practice" papers were promulgated by the task force over the two years of its life. Topics included:

- Framework for donor cooperation;
- Country analytic work and preparation of projects and programmes;
- Measuring performance in public financial management;
- Reporting and monitoring;
- Financial reporting and auditing; and
- Delegated cooperation.

However, it became increasingly clear that "harmonisation" was not a sufficient theme to define the concerns of partner countries and a number of important donors, including the World Bank. A consensus was building that the "alignment" of donor interventions to the priorities and systems of the developing countries should become a key focus.

The heavily indebted poor country (HIPC) debt forgiveness initiative coordinated by the World Bank (WB) and the International Monetary Fund (IMF) had increased the flow of resources through host government systems, and developing governments were seizing the opportunity to decide their own priorities. Partner countries and donors like the World Bank were recognising that in an environment of falling ODA and increasing local resources "conditionality" was being replaced by an era of "selectivity" as determined by local ownership. The challenge was to convince donors that this new reality meant the need to change entrenched behaviour.[146]

A series of regional meetings took place in Addis Ababa, Hanoi and Kingston to showcase the work of the task force and to assess the views of a wider group of recipient nations. These consultations reinforced and amplified the conclusions of the task force. Informal discussions at the World Bank produced an Italian offer to hold a meeting at a senior level in Rome,

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146 Passacantando, personal communication.

alongside the annual meetings of the heads of multilateral institutions.[147] Retrospectively, this meeting became known as the First High Level Forum on Aid Effectiveness.

11.4   The Rome Forum, March 2003

The Rome Forum was attended by DAC members (at senior official level), some 28 developing countries (with President Benjamin Mkapa of Tanzania as a lead speaker), and a variety of multilateral agencies, including, in addition to the co-sponsors, the Islamic Development Bank, the United Nations Development Programme (UNDP) and several other UN agencies.[148] All representatives were from governments or official agencies. Developing countries played a rather passive role: some may have felt that critical remarks might imperil flows of aid.[149]

The "Rome Declaration on Harmonisation" acknowledged

> the growing evidence that […] the totality and wide variety of donor requirements and processes […] are generating unproductive transaction costs for, and drawing down the limited capacity of, partner countries. We are also aware of partner country concerns that donors' practices do not always fit well with national development priorities and systems. (OECD, 2003)

It went on to say that "The key element that will guide this work is a country-based approach that emphasises country ownership and government leadership, includes capacity building, recognises diverse aid modalities [….] and engages civil society including the private sector" – a statement that covers succinctly much of the substance explored in later High-Level Forums (HLF).

The Declaration encouraged partner countries to design "country-based action plans for harmonisation, agreed with the donor community," and stated that bilateral and multilateral agencies would support country-based work, and assess and report on their own progress in applying good practices.

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147   This proposal emerged from interchanges between Passacantando, then Executive Director at the World Bank, and Amar Battacharya, then Advisor to World Bank President James Wolfensohn.

148   Co-sponsors included each of the multilateral development banks (which were holding their annual meeting in Rome).

149   Talaat Abdel-Malek, former Co-Chair of the WP-EFF, personal communication.

Although "stocktaking meetings" would be held in early 2005, the parties to the concluding document were in essence free to give it whatever weight they chose. In some countries, this invitation was taken up with some energy: for example, in Cambodia, already actively using the 2001 DAC guidance on building trade capacity, it led to the formal establishment of the "Harmonisation and Alignment Agenda" that strongly influenced dialogue between the government and its development partners.[150] However, there was a lack of incentives within many aid agencies to change behaviour. Also, there were no monitorable commitments, and no agreed mechanism for "getting the message out." However, France offered to host a further HLF in 2005, raising the "stocktaking meetings" of the Rome Declaration to a more political level.

11.4.1 From Rome to Paris

After Rome, in a major restructuring of its sub-bodies, the DAC set up a new Working Party on Aid Effectiveness (WP-EFF), chaired by Michel Reveyrand (France). Participation by developing country partners made this body unique and enabled a highly useful dialogue.[151]

As time went on, it became clear that though the WP-EFF was technically subordinate to the DAC, its wider membership meant the Committee could not in practice instruct it. Indeed, the DAC gradually recognised that the existence of a joint body could accomplish far more to increase aid effectiveness than the DAC could on its own. The DAC thus became the author of a significant change in its own philosophy. Donor agencies held on to the chair positions, but this too would change over time.

The WP-EFF then became a focus for somewhat disparate efforts on similar themes among donors and multilateral institutions. "Task Teams" and "Joint Ventures"[152] supported the new Working Party (see Abdel-Malek, 2015). For example, the Task Team on Harmonisation and Alignment worked on preparing a framework of quantitative indicators on harmonisation,

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150 Chhieng Yanara, Secretary General, Cambodian Rehabilitation and Development Board, personal comunication.

151 Fourteen developing countries participated as members.

152 The "Joint Ventures" brought together existing parallel exercises among bilaterals on the one hand and multilateral donors on the other, thus rationalising efforts on these fronts, e.g., managing for results.

enhancing mechanisms for peer pressure among donors, and learning from experiences in two partner countries. In parallel, a number of donors and recipient countries took the agenda forward (see Abdel-Malek, 2015).

In 2004, the multilateral development banks in collaboration with the DAC sponsored in Marrakesh a separate forum on "Managing for Development Results". This led to the inclusion of this theme in the agenda for the Paris HLF in 2005.

The WP-EFF produced a report on "Harmonisation, Alignment, Results: Progress, Challenges and Opportunities" for the Paris Forum. This showed more significant progress by developing partner countries than by donors. Sixty partner countries were engaged in harmonisation and alignment activities (the formulation of poverty reduction strategies being an important product). Overall, the conclusion was that many examples of good practice existed, but that good practice had not yet become general practice. The report recommended more selective "higher-value" goals and monitoring indicators with time-bound quantitative targets.

Such targets proved challenging to set as many of the indicators had not been measured previously. The solution, suggested by the Secretariat, was to use relative targets as much as possible, so that any improvement could be measured regardless of the starting level.

The "DAC Principles for Good International Engagement in Fragile States and Situations" (agreed for field testing by DAC members in March 2005) encouraged greater attention to the needs of such countries. This focus on fragility would encourage greater attention at subsequent Forums in Accra and Busan (see Chapter 12).

Jean-Claude Faure of France (DAC chair from 1999 to 2003), as host government representative, organised a meeting in Paris in early February 2005 with leading civil society stakeholders such as Co-ordination Sud and OXFAM to review the emerging draft of the "Paris Declaration on Aid Effectiveness" (OECD, 2005).

The NGOs were critical of the process for the Paris Forum, not least because of their own very late inclusion. They complained that the draft did not adequately address such issues as ownership, capacity building, predictability and untying. Their comments led among other things to the inclusion of a further "principle" in the Paris declaration, that of mutual accountability. In a later Forum in Busan it would lead to a broader definition of "ownership".

11.5   The Paris Forum, February-March 2005

There was a striking increase in both size and level of participation at the Paris HLF. Some 500 delegates attended, representing some 60 developing countries, 30 bilateral aid-providing countries and 30 development agencies. These included not just the multilateral development banks (MDB) and UN agencies but also 14 civil society organisations (CSO), including the Bill and Melinda Gates Foundation as well as NGO groupings, mostly but not exclusively from the Global North. Many countries sent ministerial delegation leaders, and the president of Nicaragua attended in person. Again, the meeting was back to back with the MDB annual meeting, therefore involving all the key MDB presidents. The meeting was co-sponsored by the DAC, the World Bank, the UNDP, and the four main regional development banks (RDB). This attendance demonstrated that support for better management of ODA (now steadily growing in volume) had reached a new level of interest among both donor agencies and developing partner countries.

After an opening plenary, a series of Roundtables discussed the five Paris Principles (ownership, alignment, harmonisation, managing for results and mutual accountability) with a drafting group finalising the text of the planned Declaration for a final plenary session.

The draft was agreed by lunchtime on the final day, but one issue remained: whether to include not just monitorable indicators but also specific targets to be achieved by 2010 for each indicator. The European Union (EU) and the United States disagreed on this point – the former supporting such targets, and the US opposing them. The US also opposed any firm commitment to the use of country systems, regarding the quality of which they (and indeed some others) had significant reservations.

Fortunately, both sides were able to go along with a compromise, based on a proposal by Japan, involving the agreement of certain "preliminary targets" at the Forum (others would be left for additional technical work ahead of agreement, to be achieved by September 2005). This was done, although the US reserved judgement on how to assess the quality of locally managed procurement systems and public financial management reform. This reservation was particularly relevant to the target on increasing the proportion of aid to the public sector using partner country systems. It would be revisited in Accra and Busan as partner countries grew more insistent, and more capable.

The Forum reflected two important shifts in development thinking: 1) Action was needed not just on the part of donors, but also partners. Thus the initial focus on '"donor practices" became a commitment to "mutual accountability"; and 2) change was seen as a process that would take time but was to be monitored. Two additional Forums were agreed: one in 2008 to monitor progress, and one in 2011 to review actual achievements by 2010.

Many providers of South-South cooperation (most were also ODA recipients) attended the Paris Forum, including China (though not India). Of these, Brazil entered a reservation on the text as a whole. Mexico's delegation head called on the DAC chair after the meeting to express concern that Mexico might be bound by the text in its role as a donor. Mexico and other Southern providers did not want to be seen as typical donors.[153] DAC Chair Richard Manning reassured the Mexicans that they would not be portrayed as "donors" and that, in any case, the agreement was "voluntary".

The Paris Declaration was to become a key reference point for the whole aid effectiveness effort, and remains so today. In November 2006, during the Group of 20 (G20) Australian presidency, its finance ministers announced that "All G20 members pledged their support for the Paris Declaration on Aid Effectiveness. It was agreed that the G20 will work toward improving aid effectiveness and good governance in the period ahead." Some non-OECD G20 countries also signalled their formal approval to the DAC chair. Significantly, the finance minister of India wrote that his country fully accepted the Declaration as it related to North-South aid, but that South-South cooperation should continue to be governed by the principle of mutual advantage. This view would later be raised and accommodated at the Busan Forum of 2011.

11.5.1 From Paris to Accra

Follow-up to the Paris HLF was much better organised than the follow-up to Rome, not least because of the need to establish the precise definitions and sources of the indicators, and to check that numerators and denominators came from consistent sources. The participation of the partner countries was crucial, as a baseline survey was needed against which progress could be measured, and as most indicators needed to be measured at the country level.

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153 Mexican OECD Delegate Gerardo Bracho, personal communication.

The first survey was carried out in mid-2006, based on 2005 data. Participation was on a voluntary basis (34 developing countries and 60 donor countries and institutions). While not fully representative, the survey made evident where definitions needed to be clarified. This served the purpose of ensuring that the Paris principles were widely disseminated and it demonstrated the considerable efforts needed locally to assemble data. It also showed, despite efforts by some donors to talk up progress at country level, the large gap between realities on the ground and the aspirations of the Paris agenda.

Indeed, donors frequently claimed in-country that their internal procedures did not permit changes to delivery practices even though the Paris Declaration had committed them to doing so. This meant that important areas such as use of country systems and harmonisation of reporting translated only sporadically into meaningful change in practices. While partner countries could (and did) draw the attention of their local donors to the gap between Paris Declaration commitments and actual practice, the existing rule books were the more powerful influence on actual donor practice.[154]

Despite this unfortunate reality, few doubted that the Paris commitments had the potential to create momentum for both donors and developing countries to address obstacles to progress. Several agencies and developing countries assessed their own arrangements against the Paris principles. Some donor governments consolidated their assistance on fewer countries. The EU sought to align the division of labour between the European Commission and member states, as well as among the latter. The World Bank and several regional development banks carried out self-assessments. Some developing countries used the Paris agreement to promote more orderly arrangements for local dialogue. Vietnam, for example, quickly put in place a "Hanoi Statement on Aid Effectiveness," whose structure mirrored the Paris Declaration.

Such country-level plans and statements of commitment became common by the late 2000s. There was now more focus on country strategies and priorities informed by the MDGs and the effectiveness principles and an evolving effort to respect local ownership.

Soon after the Paris Forum, Ghana and Vietnam both offered to host the 2008 Forum, Vietnam stepping back in favour of Ghana. The WP-EFF, now

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154 Mary-Anne Addo, then acting Director, Ministry of Finance and Economic Development, Ghana, personal communication.

chaired by Jan Cedergren (Sweden), again carried out much of its work through specialised sub-bodies, but, significantly, these were now mostly co-chaired with developing countries. These countries formed an internal "caucus" and their voice became stronger as time went on. It would be heard very loudly on their own turf in Accra, Ghana.

A dialogue with CSOs was coordinated by the Advisory Group on Civil Society and Aid Effectiveness, chaired by Canada. The Group, created in January 2007, brought together three representatives from each of four groups: donors, developing country governments, and CSOs from developed and developing countries.

Developing countries worked to coordinate their own views. The government of Nicaragua had already hosted a consultative meeting among the developing country participants before Paris, and, led by KY Amoako, Special Adviser to the government of Ghana, a Partner Country Contact Group (PCCG) was established in early 2008. This met twice before the Accra HLF and argued for more policy coherence by donors, improved predictability of aid, reducing conditionalities, use of country systems as the "default option" and untying aid.[155]

A second monitoring survey was undertaken in early 2008. This was an effort to detect changes in behaviour between 2005 and 2007. The survey coverage increased to 54 countries and this demonstrated the relative enthusiasm of partner countries for the process. Its findings were quite disappointing, particularly on the donor side (For details see Abdel-Malek, 2015). An independent evaluation was also commissioned (Wood et al., 2011).

At its regular senior level meeting, in May 2008, the DAC discussed possible new frontiers for the Accra forum. Aid transparency and predictability was the area where there was most consensus; other frontiers such as using country systems and budget support remained areas of debate, but where some progress seemed possible on the side of DAC members.

The Working Party drafted an outcome document for the Accra HLF (the "Accra Agenda for Action"). This involved an unprecedented amount of interaction between partner and donor countries and included feedback from regional preparatory meetings. This strong interaction was a step forward in recognising that the partner countries' voice needed to be strengthened.

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155 KY Amoako provides an account of the formation and role of the PCCG in his autobiography (Amoako, 2020).

There was a clear understanding that taking this agenda to a developing country would create higher expectations from partner countries.

A "Consensus Group" was established to take the drafting forward. The DAC appointed Jan Cedergen to chair the group with Ghana and the World Bank providing vice-chairs. The members were four partner countries (Ghana, Nicaragua, South Africa and Vietnam), four members of the PCCG, (Colombia, Egypt, Sri Lanka and the PCCG Chair), four bilateral aid agencies (EU, Japan, UK [United Kingdom], US), five multilateral institutions (World Bank, UNDP, AfDB, AsDB [Asian Development Bank], IADB [Inter-American Development Bank]), and the chairs of the Civil Society Organisation Advisory Group and of the DAC.

The draft addressed the many areas of insufficient progress since Paris, and other issues that participants felt had been given too little weight at Paris, such as transparency and aid predictability**.** The three key organising themes were: 1) strengthening country ownership; 2) building more effective and inclusive partnerships for development; and 3) delivering and accounting for results. Under these broad headings, issues such as capacity development, aid predictability, transparency and the importance of South-South cooperation received enhanced attention.

11.6   The Accra Forum, 2-4 September 2008

The Accra HLF attracted some 1,700 delegates, and again many ministers and heads of agencies, including the new World Bank President, Robert Zoellick. Overall, some 120 countries were represented. It was preceded by a large civil society event, and 80 NGOs were in attendance at the Forum itself (a marked contrast with Paris). Led by forceful personalities, they argued for a more rights-based approach to development, more acceptance of the role of civil society, and more transparency.

As at Paris, much of the discussion took place in parallel Roundtables (nine in all), which provided for in-depth exchanges on relevant topics. For example, one roundtable considered the role of emerging donors and of Special Purpose Funds, with the participation of the Chinese junior finance minister and the executive director of the Global Fund for AIDS, TB and Malaria.

11.6.1 Conflict and a note of dissent

The meeting itself was notable for a late drama over the outcome statement, and for a statement of dissent from a major provider of South-South cooperation. Officials reached a consensus on the draft Accra Agenda for Action ahead of Ghana's welcome dinner for the ministers. However, two European ministers (UK and the Netherlands), arriving for the final session and formal dinner signalled that the draft approved by their officials was too weak on the question of budget support for partner countries. After an acrimonious dinner, it took nightlong manoeuvres to bring the meeting to a consensus. Some quite minor drafting changes, for example the frequent use of the phrase "Beginning now…" served in the end to paper over the cracks.

The statement of dissent came from Brazil, then actively building cooperation programmes under President Luiz 'Lula' da Silva. Brazil argued that standards applied in North-South aid could not be automatically applied to South-South cooperation (SSC); that the providers of SSC were not 'new' providers; that there was no single way to achieve more aid effectiveness; and that the Forum should not consider North-South cooperation as the only standard of quality. While the second and third points were surely not controversial, the first and last again showed that SSC providers would not take what they regarded as an agenda related to North-South flows as a basis for any critique of SSC.[156]

Despite these tensions, the Accra Agenda for Action represented a significant step forward. In the 2009 "Development Co-operation Report", DAC Chair Eckhard Deutscher said it marked "key breakthroughs on a number of fronts," specifically:

- Agreement to use country systems as the first option when delivering aid;
- Agreement to make aid more predictable and transparent, and thus to allow partners to better budget, plan and implement their development strategies;
- A fundamental change whereby donors will determine the conditions placed on aid jointly with partner countries and on the basis of their own development plans;

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156 The Chinese delegation were sufficiently impressed with the Forum that on their return to Beijing they proposed a White Paper on China's aid programme, which was eventually released publicly in 2011, and which referred to aid effectiveness issues (Richard Carey, personal communication).

- Clear and substantial progress on untying aid; and
- Agreement to reduce aid fragmentation by working more towards in-country and cross-country division of labour (OECD, 2009).

He perceptively added, "Only time will tell whether in Accra we achieved more than just agreement on a text." He felt that the ambitious agenda was realistic, "as long as countries are prepared to move up a gear." The Accra Forum completed its work on 4 September 2008. On 15 September, Lehmann Brothers filed for bankruptcy, setting in train the banking crisis that was to change fundamentally the economic environment against which the Accra Agenda would play out. A housing/banking crisis in the United States would exacerbate a food pricing and credit crisis in the developing world, placing additional stress on the development cooperation agenda.

11.6.2 Follow-up to Accra

As after Rome and Paris, changes were made in the structure for managing the continuing agenda. The key developments were to:

1. Widen participation in the WP-EFF, whose size rose from 54 to 80 members;
2. Expand the number of groups represented to five: countries receiving ODA, countries both receiving and providing assistance; countries reporting ODA to DAC; multilaterals; and CSOs, foundations and parliaments;
3. Move from having a single (donor-side) chair of the WP-EFF to a co-chair arrangement, one co-chair from a traditional donor and the other from a partner country. After an extended and contested nomination process, Koos Richelle, Director of Development Co-operation at the European Commission, and Talaat Abdel-Malek, policy adviser to successive Egyptian ministers of international cooperation, and the founder of Egypt's national project evaluation centre, were chosen to co-chair the WP-EFF with effect from March 2009.[157] Two vice-chairs were also selected: Barbara Lee (World Bank) and Joon Oh (South Korea), later to be replaced by Enna Park of the Korean Foreign Ministry;

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157 Richelle served until November 2010 when he was replaced by Bert Koenders, the Development Minister of the Netherlands, who served until September 2011. Co-chair Abdel-Malek then served as the sole chair until the WP-EFF completed its work in June 2012.

4. Establish an Executive Committee of 26 members to ensure effective management (given the increased size of the WP-EFF). As before, much of the work was delegated to sub-groups, with the WP-EFF itself providing overall guidance.[158] Brazil, China, India and Russia declined invitations to join the WP-EFF, and later attended only as observers.

11.7 Preparing for the Busan, Korea Forum, November-December 2011

The previous Forums in Rome, Paris and Accra had set the stage for a conclave that would assess progress since Paris, attempt to tie up the loose ends from Accra and engage even more deeply South-South providers, partner countries, CSOs, parliamentarians and the private sector. The Busan Forum would attempt to move the development community from aid effectiveness to a more comprehensive development effectiveness model.

It was also seen as necessary to achieve a deeper commitment to the effectiveness agenda by governments and international organisations. The previous Forums had engaged those responsible for development up to and including ministers; however, this group possessed limited authority to implement fully the commitments made. The challenge was to convince heads of government, foreign ministers and the leaders of international organisations to attend and to endorse the outcome document.

Before that could happen, those preparing for the Forum would face multiple challenges and opportunities:

• The global architecture of the development community had become unwieldy. This was the result of a proliferation of programmes that seriously fragmented the delivery of aid, overwhelming local authorities and contradicting the effort to take a more strategic approach in country. A compelling Center for Global Development working paper in June 2010, by Jean Michel Severino and Olivier Ray called "The End of ODA (II): The Birth of Hypercollective Action" (Severino & Rey, 2010) made explicit the need to rationalise the management of the international system.

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158   Brazil, China and India declined full membership in the WP-EFF, but agreed to participate as non-members. Abdel-Malek (personal communcation).

- A key to a more rational approach was in gaining acceptance by South-South providers (particularly China, India and Brazil) of the key development principles encompassed in the Paris and Accra declarations. This would not be an easy task, as the key South-South providers would insist on making a distinction between the obligations and methods of the traditional donors and their own mutual-interest approach.
- As in Accra, CSOs would insist that the references not be just to governmental institutions, but also to society as a whole, including the private sector and parliamentary bodies. This would make negotiations much more complex.
- It was also seen as necessary to engage the United Nations to offset criticism by G77 nations that the Forum was an exclusively OECD event. The UN secretary general and the head of UNDP were invited and agreed to attend.
- Finally, lack of progress by donors towards the Paris targets raised the prospect of a more contentious meeting (see below).

The DAC had built a very strong constituency for the effectiveness agenda in the previous Forums, but the global financial crisis of 2008-12 had transformed the debate. In this difficult period, characterised by credit freezes, slowdowns in foreign direct investment and rising food prices, the growing concern over climate change, food shortages, migration and security issues created a difficult environment.

Despite a significant increase in ODA (to nearly $130 billion in 2010, a 7 per cent increase over the previous year and a 63 per cent increase over the preceding decade), the fragmentation of the effort and the ideological differences between the "traditional donors" and those who practiced South-South cooperation would complicate efforts to reach consensus. These issues underscored the relative limits of ODA and the need for more coherence in other public policy areas. Thus, the need for a transition from aid to a broader definition of development cooperation became more obvious.

11.7.1 Bringing in South-South providers

Success at Busan would not be possible were it not for the decade-long effort by the DAC to build consensus around important development principles. The high-level forums in Rome, Paris and Accra, and the summit meeting in Monterrey, Mexico, had engaged an increasingly larger group of partner countries. Yet even despite these gains there was still worry that the key

providers of South-South assistance, the so-called BRICS nations, would revert to insistence that the United Nations was the only legitimate forum for such discussions.

As in Accra, the challenge in Busan was to engage the South-South providers in the process while satisfying concerns by NGOs that some governments were reducing their operating space. The Chinese were pleased by the prominent role they were invited to play in Accra (their participation had indeed stimulated production of China's first White Paper on its International Co-operation),[159] and by Article 19 of the Accra outcome document that acknowledged the value of South-South activities.

As before, the WP-EFF formed "clusters" to study key issues such as South-South cooperation, progress made in untying aid, fragmentation, results measurement, the effectiveness of state institutions, transparency and the division of labour among the donors. The World Bank, the regional banks and the multilateral donors participated in these clusters as well and the UNDP was given an increasingly important role.

By early 2011, there was a perceived need to expand the WP-EFF to include the three BRICS nations that were not yet formally at the table: Brazil, China and India (South Africa and Russia were already members). It was clear that it was time to open a constructive dialogue by reaching out to the "new providers." In doing so the DAC had to bridge deep ideological differences and fears that these still-developing countries would lose their eligibility to receive ODA if they became donors. Gerardo Bracho, the Mexican delegate to the DAC, was instrumental in explaining the political sensitivity of his government in providing aid to others while there were still significant domestic needs. In addition, Brazil had provided a memorandom that explained in detail its concerns as a new provider of assistance with remaining high levels of poverty.

The challenge was to find a coalescing means to create a new partnership. Mutual respect was an important ingredient. The DAC had undertaken several initiatives to that end in the years preceding Busan. For example, the OECD Development Co-operation Directorate (DCD) and the DAC had devoted over two years to a China-DAC Study Group that examined China's domestic poverty reduction efforts and their applicability in Africa. DAC Chair Deutscher had attended a meeting of the BRICS nations on South-

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159 Richard Carey, personal communication.

South development in Moscow. South Africa, Indonesia and Vietnam were active members of the working party, and special programmes had been conducted by the DAC in Brazil and India.

At the suggestion of the chair, the DAC membership set about addressing these issues in a formal welcome statement that was read at the high-level DAC meeting in April 2011, to which the BRICS nations were invited. The statement was not easy to negotiate among DAC members (some of whom were concerned that DAC requirements would be watered down), but in the end it was given a warm welcome to the table and contained important clarifications that addressed the concerns previously expressed by Mexico and Brazil. It was an offer to talk without preconditions and the BRICS delegates received it with appreciation. The Chinese representative was particularly positive in his reaction and indicated that the Chinese government would participate in the Busan Forum (OECD, 2011a).

Soon thereafter the WP-EFF was expanded to include China, India and Brazil (as active observers). It now had some 90 participants that included partner country representatives from every region as well as the bilateral and multilateral donors, CSOs, parliamentarians and the private sector.

Throughout 2010 and 2011, a group created by a DAC subsidiary body on conflict and fragility called "The International Dialogue" was meeting in places like Dili, Timor l'Este, Bogota, Colombia and Monrovia, Liberia. It brought together some 40 nations and international organisations to discuss how better to manage post-conflict and fragile-state situations. Some 17 states identified themselves to be "fragile" and formed what they called the g7+ (see Chapter 12). They wanted more control over their transitions and a new deal from the international community that would recognise their unique needs. This "New Deal" would become an important part of the Busan Forum.

In July 2011, the DAC and the UK Department for International Development (DFID) hosted the Arab Coordinating Group. This was a recommencement of a series of high-level meetings that had last been held in the 1990s (see Chapter 9). The chair of the Arab donors' group, Abdulatif Al Hamad, used his considerable influence to bring a very high level delegation to Lancaster House in London. Clearly stimulated by Arab Spring events, the meeting focussed on topics such as democratic transitions and anti-corruption initiatives. WP-EFF co-chair Abdel-Malek was there to promote the Busan Forum and he was subsequently invited to Kuwait where he was able to

convince the Arab group to issue a statement urging Arab participation in Busan.

The expanded WP and the special initiatives with China, the fragile states and the Arab group had created a much larger platform of trust in the DAC and great anticipation for the Busan Forum. This would become important as the WP prepared to negotiate the outcome document.

11.7.2 The role of evidence

While preparations for Busan involved a number of technical aspects, it was becoming clear that the difference between success and failure meant combining hard evidence with a candid rationale. The fear was that data related to a paucity of donor compliance with commitments made in the previous Forums could contribute to a breakdown between donors and partner countries. This compliance gap would have to be placed in context.

While the Paris principles rang true in the developing world, it was not until just before the Busan meeting that the final report of the independent evaluation provided empirical evidence that, when applied, the principles produced tangible results.[160] More disconcerting, the detailed monitoring study by the WP-EFF – a survey of 78 developing countries – showed that of the 13 targets related to the Paris principles, only one had been met by donor nations. The survey also revealed that while developing countries had made important progress – tripling the number of sound country systems and thereby enabling ownership – these systems remained largely ignored by the donors.

This evidence accelerated a dynamic that was already under way. Developing world partners were anxious to pressure donors to comply with their commitments. Their growing and enthusiastic participation in the series of surveys undertaken since the Paris Forum signaled a major attitudinal shift.

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160 Main conclusions were: The [Paris] Declaration campaign had: clarified and strengthened good practice in aid relationships and thus legitimised and reinforced higher mutual expectations; contributed to movement, although sometimes slow and modest, towards most of the outcomes set out in 2005; played a role in supporting rising aid volumes; and improved the quality of a number of aid partnerships, based on strengthening levels of transparency, trust and partner country ownership, though the overall burdens of aid management had not yet been reduced and developing partner countries had made more progress than donors.

Civil society had begun to organise around the Paris principles as well; these non-governmental and largely independent purveyors of development also embraced the effectiveness agenda. Human rights organisations, unions, women's equality organisations, youth groups, environmental advocates and other NGOs had formed a single umbrella group. The more amorphous private sector also made moves to participate, seeing that this could lead to innovative financing investment tools as well as new methods for reducing risk in developing countries.

It was understandable that donor nations would be anxious about Busan. The development ministries and agencies embraced the Paris principles, but they were not always able to implement them freely. Local ownership and the use of country systems were fine in principle, but development professionals had to be careful with their taxpayers' contributions. They were being held accountable by their executive branch institutions, parliaments, inspectors general, the free press and public opinion. However, the studies released just before Busan showed that they were being much too cautious; and the cost was that measurable results were more difficult to achieve.

11.7.3 Getting to "yes": complex negotiations for final Busan document

The large WP-EFF was too unwieldy to negotiate the final outcome document for the Busan Forum (29 November-1 December, 2011), and after a plenary effort was made to ask for comments on a co-chair draft, it was decided at the October 2011 WP-EFF meeting that a smaller, albeit representative, group would be formed. With some considerable difficulty as representatives of governments jockeyed for position, 18 representatives of the donors, new providers, partner countries, civil society, and parliamentarians were selected and the negotiations proceeded with this "sherpa" group.

Another factor that initially complicated the process was that the negotiating sessions would be streamed digitally to anyone who wished to tune in. Governments were particularly sensitive to this, but in the end the transparency served to limit the degree of obstructionism.

The developing country partners came to the table united and their intention was to push the donors to keep their earlier promises. They insisted, for example, that the use of country systems should be required. In the end, after some donors expressed reluctance to use country systems that were

inefficient, the agreed language stated that such systems would be used as the "default" option, implying that if they were not used, the donor would be obliged to explain why and would provide resources to fix the problem.

Civil society representatives were intent on including language to the effect that "ownership" did not mean ownership only by government but rather by society as a whole. They were deeply concerned that some developing governments were cracking down on their activities and denying them space to operate. They also insisted that language contained in other UN documents related to human rights and democracy not be compromised in order to secure the agreement of China, Vietnam and other more authoritarian regimes. They achieved their objective.

In the early stages it was obvious that the distinction between North-South and South-South modalities would have to be recognised as they had been in Accra. If a "new partnership" were to be created, the foundation had to be built on common principles. The negotiators settled on a phrase used in climate negotiations: "shared principles and differentiated responsibilities." Governments soon protested that the climate language was proprietary and the phrase was changed to "shared principles and differentiated commitments." As the principles contained in previous Forum agreements had been essentially set, the challenge now was to define more precisely the "differentiated commitments."

Some of these issues would be contentious in light of foot-dragging by donors, and partner country representatives would apply intense pressure. And they were united in their efforts. This would serve not only to pressure traditional donors, but also the new BRICS country providers.

Tied aid was one of those difficult issues. The DAC members had managed progress in this area since its 2001 agreement to untie assistance to low income countries. Now, under the 2001 rules (which significantly excluded such items as technical assistance, food aid and scholarships), the DAC was able to claim that 79 per cent of ODA was untied. In other words, these procurement tenders were open to market bidding (which may still have favoured bidders from the donor country!). The partners would once again push on the tied aid issue, but there was not much give on the 21 per cent that was still tied.

Transparency was another contentious issue. Civil society representatives were pushing for real-time information on ODA disbursements and were

lobbying for an endorsement of the International Aid Transparency Initiative (IATI). The US Secretary of State, Hillary Clinton, endorsed IATI in her Busan address and that was enough to convince the negotiators to include a positive reference to it.

Other issues had been the subject of side sessions at Busan. The "New Deal" on conflict and fragility was adopted as were commitments on gender equality (see Chapter 13), the importance of private sector investment and public-private partnerships. Civil society raised a number of issues late in the process, too late for serious consideration, but in the end praised the process and were very pleased with the treatment they received. Their primary objective was met, as "ownership" was defined as ownership by the whole society, not just government.

11.7.4 Bringing in China, India and Brazil

In the final negotiation session in Paris, the Chinese government offered a paragraph indicating that they would accept the development principles expressed in the draft document on a voluntary basis so long as there was a distinction made between the methods and obligations of the traditional donors and South-South providers. This was a very welcome development. However, this breakthrough would soon go off the tracks as the chair decided that the paragraph would be disassembled. He explained that the substance had been retained but would be placed in more appropriate sections of the document. That afternoon the Chinese delegate informed the group that the change was unacceptable and that Beijing was very unhappy.

When the group reconvened in Busan to finish the negotiations, the Chinese refused to come back to the table. The Chinese delegation told the *Guardian* newspaper that they would not sign on to the outcome document. In a meeting with Abdel-Malek, they made it clear that they did not have authority to negotiate further changes.

The next day DAC Chair J. Brian Atwood met with the UK representative on the negotiating group. They were aware that Secretary of State for DFID Andrew Mitchell was scheduled to meet later that day in Beijing with the Chinese minister of commerce. It was worth one more try; and a paragraph was sent to Mitchell that tracked the language offered earlier by the Chinese in Paris. The minister accepted the language and the Chinese convinced the Indian government to join them in offering the change. It read as follows:

> The nature, modalities and responsibilities that apply to South-South cooperation differ from those that apply to North-South cooperation. At the same time, we recognize that we are all part of a development agenda in which we participate on the basis of common goals and shared principles. In this context, we encourage increased efforts to support effective cooperation based on our specific country situations. The principles, commitments and actions agreed in the outcome document in Busan shall be the reference for South-South cooperation on a voluntary basis. (OECD, 2011b, p. 2)

Brazil had come on board even before this paragraph was offered, thanks to an intervention by Mexico's representative on the negotiations group, Gerardo Bracho, who invited the Brazilian development director to the panel to announce his decision.[161] Now all three of the BRICS holdouts had agreed to the principles while maintaining the South-South distinction concerning operating methods. The next day the United States, Australia and Canada, sceptical of Chinese intentions, asked for clarification. What did they mean by "voluntary"? Would the Chinese and Indians participate in the Global Partnership? Co-chair Enna Park of South Korea received positive responses from the two governments (the entire document was undertaken on a voluntary basis and, yes, they would continue to participate) and the paragraph was adopted.

11.8 The Global Partnership for Effective Development Co-operation

Arguably, the creation of a new institution, the Global Partnership for Effective Development Co-operation (GPEDC), was the most important part of the Busan agreement. This body would include the various constituencies that made up the negotiating group: traditional donors; South-South providers; partner countries; civil society; parliamentarians; and the private sector. The agreement called for the Partnership to meet in a ministerial-level forum every two years and for the creation of a steering committee co-chaired by a donor, a South-South provider and a developing partner representative. A Post-Busan Interim Group established in Busan created a "global light" and "country focussed" system that provided for the further defining of "differential commitments" and for adequate monitoring to ensure compliance with the Busan outcome document. This steering committee of

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161 Gerardo Bracho, personal communication.

the GPEDC has met twice a year since Busan and has been supported by a combined OECD/DCD and UNDP secretariat.

The biggest challenge to reaching consensus at the Busan summit was to overcome prevailing questions among some of the emerging economies. Countries like China, India and Brazil were not party to agreements reached at the previous High Level Forums, and they questioned the legitimacy of agreements forged by the restricted group of members of the OECD-DAC, often referred to as the "donors' club." Yet as the group of developing countries who belonged to the G77 used UN meetings to present their grievances over trade, security and international finance rules, a growing number of these countries began to join the aid effectiveness process and to align with its principles.

Many aspects of this global effort are replicable, subject to the normal constraints of time and resources. Progress on major international issues in a world of dispersed power requires ongoing efforts by diverse bodies that have a stake in the achievement of common goals. In this case, while the participants employed different modalities, they shared the MDGs – now the universal Sustainable Development Goals – and a common desire to be more effective in reducing poverty. The key was to make North-South and South-South cooperation complementary in reality, not just in the rhetoric of diplomacy.

The structure created to enable the implementation of the Busan agreement – the GPEDC – was designed to actively explore the extent of that complementarity. This is a model worthy of in-depth study. It is a model that requires the expenditure of great effort.

11.9   Reflections on the aid effectiveness Forums

The feeling that these Forums achieved significant breakthroughs has dissipated somewhat in the intervening years, although the principles that they established remain a significant point of reference. Implementing these principles continues to be a challenge, particularly for donors, given the incentives faced by individual agencies and continuing concerns over accountability. Hopes for a more institutional relationship among all types of providers have not been realised as the GPEDC has struggled as an institution, but it has survived, independent from the DAC. The UNDP has embraced the role of secretariat and this affiliation with the UN has provided

important legitimacy. Subsequent high-level forums in Mexico and Nairobi have been praised as forums for important dialogue, but little action has been taken. Nor have they managed to bring the major South-South providers into the dialogue as envisaged at Busan.

There is little doubt, however, that the series of effectiveness forums has changed the behaviour of donors and partner countries. Country systems have improved considerably, though by no means universally. ODA flows are more transparent and local ownership and mutual accountability are accepted principles even if too often honoured in the breach by donors. The biggest challenge remains in the more fragile and aid-dependent states, where the principles are highly relevant but their operationalisation is often the most difficult. If there is to be renewed energy behind the effectiveness agenda, this is where it most crucially has to demonstrate results, bringing in all the key bilateral and multilateral providers of cooperation. (For recent critical assessments, see Brown, Amoako-Tuffour, & Commodore, 2017; Brown, 2016).

The GPEDC is a credible body that should be used more effectively to monitor activities related to the commitments made in Rome, Paris, Accra, Busan, Mexico City and Nairobi. The DAC continues to be an instrumental institution in encouraging progress, but it cannot rest on its laurels. It must step up once again to assert the importance of more effective delivery of assistance, to address its own members' constraints in a realistic way and, albeit indirectly, to help the GPEDC deliver on its mandate.

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12   Under the gun: fragile states and development

Alexandra Trzeciak-Duval

Abstract

The polarising geopolitics of the Cold War period significantly delayed the DAC's awakening to the realities and complex challenges of conflict and fragility in the development context. Once the Cold War ended, the DAC tried to address these challenges. Within its mandate in relation to fragile states of bringing together the donor community, assessing its policies, enhancing aid effectiveness, monitoring resource flows, providing policy analysis and guidance, developing common positions and a DAC Recommendation, and promoting policy coherence, the DAC has lived up to expectations. For over a quarter of a century, its work on the fragile states agenda has followed a steady, progressive learning path in several domains discussed in this chapter and some others. The DAC, working closely with the World Bank and UNDP, and more recently joining up with the humanitarian community and security actors, has made serious efforts to produce and disseminate practical, operationally-oriented contributions. An internationally recognised guidance framework for working in states of fragility has been established. It will continue to evolve as new thinking and experience emerge on working in these challenging environments. Yet, only if leaders of fragile states and their donor partners persevere in securing the necessary priority to issues affecting the poorest and most oppressed people of our world, will this significant body of work have an impact. Hopefully, it will help end the abdication of fragile states' responsibility to donors and contribute to greater accountability of fragile states' governments to their people for public goods and service delivery. Issues around conflict and fragility remain complex, urgent development priorities.

12.1   Introduction

The Development Assistance Committee (DAC) held its 30th high-level meeting (HLM)[162] on 3-4 December 1991, two years after the fall of the Berlin Wall and just days before the formal dissolution of the Soviet Union and the end of the Cold War. Expressions of relief, self-congratulatory statements and gloating proclamations of the end of an era – even "the end of history" (Fukuyama, 1989, 1992) – were filling the airwaves and bookshops in OECD countries. This pivotal moment in modern history provides a useful vantage point from which to consider the story of how new geopolitical dynamics brought conflict and fragility into focus as a central development concern, revealing and indeed at some crucial points generating political fragility as an existential condition in many parts of the world. The relevance of history made a comeback, as layers of past empires and colonial legacies were exposed and identity politics clashed with democratic ideals (see Nicolaidis, Sèbe, & Maas (Eds.), 2014).

This chapter examines how the DAC found its way forward in recognising, defining and engaging with fragility as a major unforeseen and deeply complex development challenge – but only once the polarising blockages of the Cold War were removed. Even after the Cold War, international recognition of the importance of conflict and fragility in relation to development cooperation took over 20 years to achieve, including with their hard-won inclusion in the Sustainable Development Goals (SDG). Years of analytical progression, continual learning and policy consensus in the DAC were critical. But the decisive factor and the greatest achievement was the catalytic effect of DAC efforts, building on varying degrees of bilateral and multilateral commitment to addressing fragility, that eventually brought about a serious partnership between the countries most affected and their donor counterparts. Yet even this partnership ultimately proved ephemeral.

This chapter reviews the DAC's attitudes and actions in light of (i) decolonisation and independence of mainly African nations as the Cold War raged on; (ii) the ensuing emergence of a range of countries whose development was hamstrung by one or more of the multiple guises of fragility (see Kent, Forsyth, Dinnen, Wallis, & Bose, 2018; Michel, 2018); (iii) the

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162 Not all heads of development cooperation in DAC member governments have ministerial rank. HLMs include ministers and heads of agencies, and correspond to the OECD's ministerial meetings in other sectors. Senior-level meetings (SLM) bring together the next level in the decision-making hierarchy.

search for analytical and operational parameters to address fragility; and (iv) the adoption in the DAC context and the wider development system of inclusive, collective approaches to working in fragile situations. The chapter closes with overall conclusions and implications for the future development cooperation agenda.

12.2   Decolonisation in the Cold War framework

During nearly every development-related meeting outside the DAC's Paris headquarters for decades, a hand inevitably reached insistently for the microphone to recall the responsibility of several DAC members as colonisers and to deplore their role in preventing or delaying development in their former colonies. There was never a satisfactory response to offer. Even if some DAC members' constituencies saw development cooperation as atonement for the sins of the colonial era, the predominant geopolitical preoccupation for 30 years after the DAC's creation in 1960, notably from the United States' (US) viewpoint, was grounded in sharing the development burden as a bulwark against the spread of communism.

So strong was DAC members' preoccupation with this primary motivation that they failed to perceive the looming consequences of the wave of decolonisation that had begun in 1946 and reached its apogee by the mid-1960s, with remaining former colonies becoming independent states by 1990.[163] The Cold War had brought with it a tolerance among western powers for various well-embedded kleptocracies and naked displays of repression and violence (see Klitgaard, 1990; Prunier, 2009). Not long after the fall of the Berlin Wall in 1989 and the disintegration of the Soviet bloc in 1991, the fragility of a range of developing states, a large number of them in Africa, was to present a significant set of challenges that persist to this day at the core of the development agenda.

12.2.1 The elephant in the room

The issue of links between colonialism and development cooperation can never be satisfactorily laid to rest but examining such links can help to

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163 Numerous states had become independent of their colonial powers by 1968. Former Portuguese colonies were freed by 1975. The wave continued until 1990, with Namibia as the 47th African colony to win its independence.

understand the development challenges related to fragility. Evidence from the early years of the DAC suggests that the implications of such historic links were either deliberately or subliminally ignored in the first 25 to 30 years of its work. The result was a lack of timely reactivity by the DAC and its member countries to signs of fragility in partner countries. The connections between colonisation and development have not been made explicit within the Committee since 1991 either, but their consequences have contributed to shaping a critical agenda for the DAC. While they may forever remain the "elephant in the room", these unspoken links provide an important historic backdrop to the story of the DAC and the fragile states agenda (see Michalopoulos & Papaioannou, 2017**).**

As the 2009 "European Report on Development" put it:

> Most of the debate around state fragility – both in academia and in the development community – leaves aside the historical roots of fragility. But bringing the historical dimension of fragility to the forefront can enhance the soundness and credibility of European engagements to support state-building. (ERD, 2009)

The wave of colonialism that is most relevant to the DAC's work on fragility began with the Anglo-Burmese war in 1824 (Fukuyama, 2014). It is not the intention here to suggest that fragility is an inevitable consequence of colonialism. Some former colonies, particularly in East and South Asia, have done well following decolonisation, but among ex-colonies that have not, there is a major concentration in Africa. For a variety and combination of motivations – fortune-hunting, economic and commercial expansionism, resource extraction, financial enrichment, national pride, political and military ambition, international competition, evangelising and civilising missions, the desire to end slavery – European powers set about carving up areas of Africa.

The Berlin Conference of 1884-85 organised by German Chancellor Otto von Bismarck and attended by 14 powers – mainly European, with the US as a vocal observer, but no African participants – sanctioned the carving-up process, which was to last some 30 years. Most of the borders traced with such lightness over that period survived the decolonisation process that began in Africa with the British Gold Coast – today's Ghana – in 1957, about a decade after decolonisation in South Asia, Indonesia, and South and North Korea. The dysfunctional nature of these borders for economic and

political governance would become increasingly and painfully obvious as the independence of African states progressed.

A few of the links between colonisation and development cooperation are illustrated by the work of Paul Collier, who, along with Bruce Jones, informed the DAC's thinking in this area early on. Collier's "four traps", namely the conflict trap, the natural resource trap, the trap of being landlocked with bad neighbours, and the trap of bad governance in small states, have roots in the colonial period for many of today's so-called fragile states. While Collier himself pragmatically minimises the impact of decisions taken – "In retrospect, it was perhaps a mistake for the international system to permit economically unviable areas to become independent countries. But the deed is done and we have to live with the consequences" (Collier, 2008) – his and others' work provides telling examples of the colonial legacy. These include artificial borders, institutional voids, extractive institutions, religious and tribal divisions (Collier, Honohan & Moene, 2001), and a colonial mind-set (Guéhenno, 2015; Acemoglu & Robinson, 2012). The principle of the intangibility of borders established in the past is considered to have caused a number of tragic conflicts after independence (Ferro, 1994; Easterly, 2014).

Few reliable data on conflict in Sub-Saharan Africa prior to colonisation are available. But

> Sub-Saharan Africa never developed strong indigenous state-level institutions prior to its contact with the West. … The terrible colonial legacy was thus more an act of omission than of commission. … societies with weak state traditions were left with little in the way of modern ones to take their place. The economic disaster that beset the region in the generation following independence was the result." (Fukuyama, 2014)

Although certain historic factors preceding the colonial period are also relevant, social and institutional factors introduced – or especially neglected – during colonial times affect state functioning in former colonies to this day.

It is essential to recall that the years of decolonisation corresponded with the Cold War period. During these years, aspects of the colonial legacy should have been, but were not, at the heart of the analysis and debate of the development cooperation community, including the DAC. Such analysis would probably not have prevented fragile situations, but might have better equipped the DAC and its members to anticipate certain problems and adopt policies accordingly sooner than turned out to be the case (Ghani & Lockhart, 2008). As the DAC secretariat wrote in 1994: "No one was, or could have

been, properly prepared for the new agenda of conflict and development issues that we now face. All concerned are learning on the job…" (OECD, 1994).

An additional reference point for international development cooperation at the time, as pointed out by DAC Chair (1982-1986) Rutherford Poats (OECD, 1985) was the Marshall Plan for western European recovery after World War II, a programme that owed its success to the advanced levels of human capacity and institutional preparedness of its beneficiary nations – elements largely absent from the post-colonial states of Africa in particular. "Thus, the Marshall Plan did not only become the master narrative for the global development enterprise …. but the very organisation that had managed Marshall Plan aid was in 1961 reorganised as the Western donors' club" (Schmelzer, 2016).

12.2.2 The polarising distractions of the Cold War era

Both US and (ex-)Soviet sources agree that their foreign policies, including aid policies, were dominated by the preoccupations of the Cold War (Acheson, 1969; Dobrynin, 1995). The polarising Cold War ambiance was echoed in some of the earliest discussions at the Development Assistance Group (DAG), forerunner of the DAC. At the second meeting of the DAG in Bonn on 5 July 1960, the opening statement by the US delegation presented the capital requirements of two countries representing roughly 40 per cent of the population of less developed areas, India and Pakistan (OEEC, 1960a). The US representative, Edwin Martin[164], then drew attention to:

> …a problem of an entirely different nature… next door to Pakistan, in Afghanistan, …. trying to maintain its independence against its northern neighbour. … The latest information indicates that Russia has made an offer to underwrite the foreign exchange costs of the second Afghanistan Five Year Plan, estimated at roughly $500 million. The Afghan Government looks to the free world to obtain a firm enough commitment of Western world interest to resist complete engulfment by Russia. (Martin, 1960)

Martin proceeded to discuss the independence movement among African states. He called upon "former metropoles" to continue maintaining "traditional economic and cultural ties" and being a source of assistance

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164 Edwin Martin, Deputy Assistant Secretary, Bureau of Economic Affairs, US Department of State, would later become the third DAC Chair (1967-74).

(OEEC, 1960b). At the same time, he recognised the possible unwillingness for the newly independent nations "to continue an exclusive relationship on aid matters with the former metropoles." Duly recognising the need for a degree of regional cohesion among these African nations, as well as for institutional human skills development, and pre-investment type activities, Martin set out as the "overriding political objective… to keep Africa in the free world camp" (Martin, 1960).

Jean Sadrin of France affirmed that "the French government was determined to continue helping" territories that had gained independence but that "a number of procedures and different mechanisms need to be devised" (OEEC, 1960c). This vague formulation was partly linked to presentations by Germany and other countries about the different modalities they were using in their assistance activities. It also veiled the significant administrative changes happening in the background with the creation of a 'Ministère de la coopération' by General Charles de Gaulle a year earlier to take over from – but not entirely replace – former colonial institutions. A certain colonial mind-set and practices accompanied the founders of the DAG/DAC and influenced development cooperation approaches at the outset and for some time afterwards (Meimon, 2007; Pacquement, 2010).

Leonard Saccio of the US delegation later announced that the US Congress had approved a "special programme for tropical Africa" primarily for education and training activities, "on the assumption that the former metropoles will not only continue their significant contributions made in the past but will increase their efforts in the future" (OEEC, 1960d).

At the same DAG meeting, the representative of the Federal Republic of Germany commented on the increasing use of development aid for furthering its political goals by the Eastern bloc using "inordinately low rates of interest" and "extraordinary terms and conditions of repayment". Despite the "propaganda struggle", the German representative urged against entering into competition with the Eastern bloc by using similar economic instruments (OEEC, 1960e).

12.2.3 The policy inclinations of countries emerging from colonial rule

Expressing their resentment against colonialism, numerous newly independent countries chose to enact development policies that distanced

themselves from the colonial model. This was particularly true of their neglect of agriculture; the founders of many African states perhaps did not imagine a modern nation in which agriculture – for them, a symbol of underdevelopment – played a major role in the development process. For this reason, as well as due to low capacity for tax administration, heavy taxation of agricultural exports was a common practice as a basic revenue source, and in many cases persists to this day, penalising small farmers as well as larger-scale commercial ones.

In assessing whether aid up to the mid-1980s had actually worked, Cassen and Associates in "Does Aid Work?" (1986)[165] observed that sub-Saharan Africa in particular not only faced a host of internal and external disadvantages – including poorly developed institutions, unfavourable agro-climatic conditions and the world's fastest population growth rates – but also made unpromising development policy choices. The newly independent regimes chose industrialisation and modernisation with heavy parastatal involvement "as an antidote to the colonial structure they inherited". Cassen's report adds that aid donors supported these models partly because they allowed them to promote their exports, but also out of "a genuine desire to avoid neo-colonial imposition of policies on newly independent states". Cassen's group conducted a range of country studies, reviews of evaluation reports, and interviews, but its 1986 report showed little awareness of the fragility issues on the development cooperation horizon.

Suddenly, the Berlin Wall came down (November 1989), the Soviet Union imploded (August 1991, followed by formal dissolution in December 1991), and the Cold War was declared over – all within a period of scarcely two years. Euphoria and self-congratulation prevailed in the West, in the belief that democracy and the liberal order had triumphed. This 'victory' period roughly marked the midpoint in the OECD's and DAC's 60-year histories. As an internal OECD report on the OECD's future role noted:

> The world of 1992 is not at all like that of 1960. The 'Cold War' (followed by
> 'peaceful co-existence' and finally 'détente') favoured a clear polarisation
> of international relations: in its works as well as in its external relations,

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165 The study was commissioned by the Task Force on Concessional Flows set up by the Joint Ministerial Committee of the Governors of the World Bank and International Monetary Fund (the Development Committee) composed of 19 developing and developed countries. Robert Cassen and Associates were the independent consultants chosen to carry out the study.

> the OECD carved for itself a well-defined field of thought and action. The disappearance of this antagonism is helping to push the Organisation to redefine its field of activities. (OECD, 1992b)

Blinkered by decades of ideological competition and the lack of perspective beyond a bipolar world, the development community had taken its eye off the ball in terms of the fragile legacy the Cold War would leave in its wake.

12.3 Development progress hampered by fragility

After more than 40 years of Cold War, some form of civil war or conflict had plagued half of 47 new African states (McNamara, 1991). The African continent alone suffered 40 military coups in 30 years, including numerous assassinations of heads of state (Pakenham, 1992). Restless, jobless youths armed with cheap Kalashnikov rifles (Collier, 2008) were becoming a force to be reckoned with.

12.3.1 Waking up to the new international context

DAC Chair (1986-1990) Joseph Wheeler's repeated calls for donor attention to agricultural development and population challenges were gone with the changing wind. As Wheeler left to take on the preparation of the United Nations Conference on Environment and Development (UNCED), the incoming DAC Chair (1991-1993) Alexander Ray Love inherited a new political context. The end of the Cold War eroded the rationale for development assistance, notably in US public opinion and in the US Congress. Aid had been seen as particularly helpful in reducing communist expansion. The DAC communiqué from its HLM of December 1991 included reference to the dramatic changes in Eastern Europe and the Soviet Union and called for increasing attention in members' decisions on aid allocations to military expenditures by developing countries (OECD, 1991).

The following year, the HLM was significantly more explicit in its attention to fundamental changes worldwide, notably the increasing incidence of civil conflict and disorder in developing countries. This marked a considerable change in the DAC discourse, which would require new orientations in secretariat work.

In opening the 1992 HLM discussion, OECD Secretary-General (1984-1996) Jean-Claude Paye drew attention to "additional needs for assistance

due to civil wars, famines and natural disasters. The international response to these latter problems had revealed certain weaknesses in current aid mechanisms, which need to be improved." Benjamin Bassin, director-general at Finland's foreign affairs ministry, referred to new challenges that strengthen legitimacy for aid programmes "making up for the gap left when the security motivation of the Cold War had disappeared." Australian MP Stephen Martin meanwhile commented on the end of the Cold War bringing "new opportunities for sustainable development, but also new threats such as global and regional conflicts…" as well as additional threats to global security. The director general for development at the Commission of the European Communities Dieter Frisch warned of "inconsiderate use of newly gained liberties…[that] could well lead to ethnic conflicts and the splitting up of countries … along the Yugoslav model." Frisch insisted that "donors had to help reforming countries to resist forces favouring the splitting up of countries along ethnic lines" (OECD, 1993a).

The discussion called for further reflection on the issue of the "effectiveness of aid programmes of DAC members in general and in cases of civil war in particular", as Ronan Murphy, head of development cooperation at Ireland's foreign ministry, put it. Austrian ambassador Erich Hochleitner meanwhile warned of problems "posed by rapid population growth in most developing countries and in particular in Africa." For the Netherlands, development minister Jan Pronk made the prophetic observation that the "years ahead might well be characterised by conflict management rather than development cooperation" (OECD, 1993a).

After the "lost decade" for development of the 1980s and the intended "development decade" of the 1990s,[166] for DAC ministers and heads of agencies the outlook for official development assistance (ODA) seemed grim, especially in a context of budgetary austerity and aid fatigue in a number of member countries. Members were divided on the definition of ODA and particularly on the complex classification of spending on peace

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166 Broadly, the 'lost decade' in Africa was the 1980s when average per capita incomes declined. There are political debates on the extent to which this generally refers to the neglect of social policies in developing countries in favour of macroeconomic stabilisation and market liberalisation through structural adjustment programmes that promoted the policies of the 'Washington Consensus', including budget cuts that reduced funding for social programmes. The 'development decade' of the 1990s was launched by the UN Human Development Report and UNICEF's call for adjustment 'with a human face', along with a six-point UN International Development Strategy.

and security. Helmut Führer (1994) notes that the 1992 DAC senior-level meeting (SLM) "reach[ed] agreement …on the recording of debt forgiveness on military debt and other non-ODA debt …. However, broader questions of whether and how to record peace and security expenditures remained under discussion."[167] Seemingly intractable issues of policy coherence were also raised during the 1992 HLM in the areas of environment, trade and migration (OECD, 1993a; see also Chapter 15).

The communiqué from the 1992 HLM recognised that the economic and political context for development had changed radically, with "conflict and turmoil in a number of regions which prevent constructive development efforts and, in some cases, even effective emergency assistance for suffering populations". In this new context, it called for "adjustment in aid orientations…to meet the array of new challenges of the post-Cold War era" (OECD, 1992c).

12.3.2 Gearing up to understand fragility

The same HLM bid farewell to Führer, the highly respected Director of the Development Co-operation Directorate (DCD), secretariat to the DAC, from 1975 to 1993.[168] The outgoing director contributed his own succinct account of events making up the history of the DAC, noting, in 1992, Yugoslavia's break-up and military conflict among successor states, with the ensuing UN peacekeeping and emergency relief response. He further highlighted the organisation of a joint DCD/OECD Development Centre workshop on military spending in developing countries, on the initiative of Japan, with the participation of a wide range of international experts, including World Bank (WB) President Robert McNamara (Führer, 1994).

Pursuing the impetus given by the 1992 HLM, the DAC SLM of June 1993 agreed that information on members' spending for peace and security, in particular contributions to UN peacekeeping operations, should be collected, with reporting to begin on a trial basis once the reporting directives had been

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167 The discussion had been prompted by the US intention to record annual instalments of the order of $1-2 billion of Egypt's foreign military debt as ODA.

168 Führer was replaced by Bernard Wood of Canada, who among his previous positions had served as Chief Executive Officer (CEO) of the Canadian Institute for Peace and Security. Richard Carey, Deputy Director and key intellectual spur for DCD since 1980, provided continuity. Secretariat work on issues of conflict and fragility took off under the Wood-Carey stewardship.

decided. The Netherlands offered to host a seminar to examine the topic on 18-19 November 1993 with a view to reporting to the HLM of 1993 and providing draft directives to the DAC Working Party on Statistics (Carey, 1993; Wood, 1993).

In the event, despite the apparent paucity of expertise on the subject (OECD, 1993b), meeting participants found the papers provided by the consultants "pioneering" and "pathbreaking", notably in breaking down peace operations into their diverse components. This was later considered to have been a straightforward matter in comparison with the related policy challenges. Inevitably, the discussion raised a number of complex policy issues that needed to be examined in depth, in parallel with possible reporting of relevant expenditure. The issues and questions centred on a greater orientation of development programmes toward conflict prevention; better coordination with humanitarian assistance; concern with improving links between developmental and non-developmental (e.g., military, policing) activities; how to better plan, coordinate and sequence post-conflict and reconstruction activities; how to use UNDP country strategy notes or other instruments for better planning, coordination and sequencing.

The Seminar on Peace Operations and Development held in November 1993 recognised the difficulty of distinguishing between the civilian and military aspects of peace operations, while emphasising the increasing importance of disentangling this interrelationship, as evidenced by the experience of UN peace operations in Mozambique and Cambodia. The complexities, both statistical and substantive, called for further work in the DAC on the policy aspects and the reporting challenges. The "changing nature of humanitarian aid, which has assumed greater prominence in an uncertain post-Cold War world", was also recognised, as well as the often conflicting objectives in relation to military goals in peacekeeping. The need to better link humanitarian and peace operations with longer-term sustainable development was stressed at the meeting (OECD, 1993a, 1994). Yet this linkage remains an unresolved quest 25 years on. As discussed in section 4 below, disagreements over what may or may not be counted as ODA persisted until 2016, when the DAC HLM clarified the boundaries of ODA in the field of peace and security and resolved such issues as the eligibility of activities involving the military and the police as well as activities preventing violent extremism (OECD, 2016a, paragraph 7 & Annex 2).

12.3.3 Building momentum in a consensus-based, neutral space

After these exploratory discussions, why did subsequent policy work on conflict and fragility progressively gather momentum within the DAC? Was it a result of the DAC's recognised mandate around ODA statistical definitions and reporting directives and their necessary linkage to policy-making? Did the events in Yugoslavia, an active observer in OECD for 30 years, as well as events in Somalia and Rwanda, spur members to examine and learn from these cases? Was no other institution picking up the responsibility for analysis and discussion of conflict and fragility? Some observers have pointed to the inability of the World Bank, for example, to take up such issues due to its non-political clause.[169] This clause "would make it easier to overlook unlovely autocrats among America's anti-Soviet allies during the Cold War" (Easterly, 2014; see also Michel, 2018). As early as 1991, World Bank representative Alexander Shakow had told DAC colleagues about concern among developing country WB members that the Bank might be over-reaching its mandate and pushing policies that could be perceived as interfering in the internal affairs of sovereign governments (OECD, 1991a, para 42). The UN was already engaged in emergency assistance and peacekeeping. Did DAC members seek a neutral space where they could engage in discussions around conflict and fragility without the presence of partner countries, harking back to the same early preference by the DAG? (Bracho, 2011).

It is likely that all these factors contributed to making the DAC an increasingly important centre for discussing development contributions to peacebuilding and conflict management. The next step, decided by the HLM of May 1995, was for the DAC to formulate best practices in conflict and development, establishing a task force of interested member countries to carry forward this work (Wood, 1995).

As the DAC work on conflict unfolded, DCD Director Bernard Wood helped on several occasions to make it more widely known, as illustrated in his remarks to Föreningen For Utve (The Association for Development) in Stockholm in January 1994:

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169 The Bank's 1944 Articles of Agreement, Article IV, Section 10, stated: "The Bank and its officials shall not interfere in the political affairs of any member; nor shall they be influenced in its decisions by the political character of the government of the member or members concerned. Only economic considerations shall be relevant to their decisions."

> While the eyes of the world have been fixed for much of the past four years on the cascading changes in the former Soviet empire, dramatic changes in the rest of the non-OECD world and in its relations with the industrialised countries have also been rushing ahead and calling for new responses.… The locus of active conflict, weapons proliferation, and potentially destabilising military threats in the world has shifted substantially toward the world's developing areas" (Wood, 1994a).

In April 1994, Wood's remarks to Canada's International Development Research Centre development forum on "Peacemaking, Peacekeeping and Aid" in Ottawa underscored the difficulties of focussing development cooperation on issues of conflict during the Cold War:

> Linkages between conflict and development, of course, are not new, but until the Cold War ended there was a tendency to see many, if not most, Third World conflicts as secondary theatres of the global conflict in which we were all engaged. In fact, East-West rivalries did play a part in fomenting or exacerbating some 'proxy wars'. The realisation that this game had no winners probably helped to end the Cold War itself, but at the same time was a warning of the multiplicity and virulence of homegrown conflicts that were happening or waiting to happen." (Wood, 1994b)

The conflict work building up in the DAC was taking place against the backdrop of recent post-conflict interventions and failures, including the civil war and genocide in Rwanda. Canadian General Roméo Dallaire, who headed the UN mission in Rwanda, had this to say:

> They (the men he had met in Rwanda) had judged that the West was too obsessed with the former Yugoslavia and with its peace-dividend reductions of its military forces to get overly involved in central Africa. … I believe they had already concluded that the West did not have the will, as it had already demonstrated in Bosnia, Croatia and Somalia, to police the world, to expend the resources or to take the necessary casualties." (Dallaire, 2004)

Critiques emerged of donor failure to use instruments at their disposal, such as conditionality, to prevent the Rwandan genocide. It became evident that donors were unaware of the availability of documents containing pertinent information, often financed by their own agencies (foreign or defence ministries, humanitarian, etc.), and that such documents were not used, let alone shared. The key finding from the multi-donor evaluation of the international response to the Rwanda genocide was that:

> Humanitarian action cannot substitute for political action…. That solutions to the Rwanda crisis remain distant …. reflects to a significant degree the

lack of concerted and coherent action within the political/diplomatic and military domain and weak links with the humanitarian domain. (Borton, Brusset, & Hallam, 1996)

"More than any other crisis, it was Rwanda that affected subsequent views around the world about sovereignty and humanitarian intervention" (Haass, 2017). Donors' lack of self-criticism in situations where they had contributed to the crisis was denounced (see Jan, 1998). As donors began to realise their own role in some conflicts, they began to create "conflict units" within development cooperation agencies to develop appropriate analytical and training tools (Scherrer, 1999).

12.3.4 Shaping the 21st century

In parallel with the build-up of discussions on conflict, peace and development cooperation, work was unfolding on a major DAC product, "Shaping the 21st Century: The Contribution of Development Co-operation", framed by an 'exercice de réflexion' and adopted by the DAC HLM of 6-7 May 1996 (OECD, 1996a; see also Chapter 10). This was a key initiative to regalvanise interest in aid, which had fallen off after the end of the Cold War, as well as in reaction to the failed structural adjustment policies of the lost development decade of the 1980s. It should, however, be noted that the fall in aid of that period was contrasted by the rise in humanitarian donorship, which doubled (Riddell, 2007).

In the lead-up to the adoption of this major policy strategy, comments from a few specialists and capitals referred to the importance of conflict and peace issues. In a letter of 2 February 1996 to DAC Chair (1994-1999) James Michel, senior staff of the European Centre for Development Policy Management (ECDPM) noted:

Given the importance of security issues in the 1990s we feel that these cannot be absent from the agenda of international cooperation. We realise these were absent from some of the development agendas in earlier decades. DAC has of course been facing the problems of security issues before and we realise these issues have been very difficult to tackle given the great differences in view between donors. … Yet we are uncomfortable [sic] close to a situation in which human security on a global scale is less clearly structured than it was in 1945. Greater insecurity will lead to more emergencies; more emergencies to less money for structural development and poverty eradication along traditional lines. We feel that this [sic]

processes which are undermining the conventional notions of development have already gone so far that a more drastic review of international cooperation is in order. (de la Rive & Bossuyt, 1996)

A key issue in a letter dated 27 March 1996 from the Director General of Italian Cooperation, Paolo Bruni, to Michel highlights that:

A more substantial prominence (now lacking) should be given in the 'exercice de réflexion' to the contribution that aid agencies are increasingly expected to offer to conflict prevention and to post-conflict rehabilitation and reconstruction. The progress report on the activities so far of the DAC Task Force on conflict, peace and development cooperation should already offer sufficient orientations. (Bruni, 1996)

In a letter of 28 March from the UK Permanent Secretary John Vereker to Michel, future DAC Chair (2003-2007) Richard Manning, then Director General of the UK Department for International Development (DFID), is quoted as recognising: "… the way in which civil conflict and bad governance can set back the opportunities for development for generations." In the same text from 1996, Manning foresees, conservatively, that in certain areas "we must be prepared for another 25 years of sustained international effort" (Vereker, 1996).

Some resistance to the DAC taking up issues of conflict resolution and peace, however, came from the top of the OECD secretariat. Deputy Secretary-General Makoto Taniguchi, in an internal memorandum to Michel, saw conflict resolution and peace as "very political topics" which are "preconditions for development", suggesting they were unsuitable for the DAC agenda (Taniguchi, 1996). A contrasting view, expressed in an internal secretariat memo, warned of an increasingly conflictual world with "emergency money gobbling up 'aid' money". "If donors could explain their vision on how to deal with that in the 21st (century report) we would be saying something" (Cook, 1996).

"Shaping the 21st Century" led to the development and adoption of the UN Millennium Development Goals (MDGs), a major DAC legacy described in Chapter 10. This visionary strategy contained a few passing references to peace and security; yet neither this key policy document nor most others issued around the same period signalled that special attention should be paid to situations of civil disorder and violent conflict. As a result, although the Millennium Declaration made significant references to conflict and peace-building, fragility issues were not included in the MDGs themselves (UN,

2000). Even a decade later, "Calls by fragile states for greater focus on addressing conflict and fragility have been largely ignored in the outcome document of the millennium development (MDGs) summit in New York, but critical donors are at least listening to the growing rumble of voices from developing nations" (Millennium Development Goals, 2010).

12.3.5 Entering through a gate of fire

It took five more years for the notion of fragility to 'catch on' in the DAC and the international community. The pivotal moment that jolted DAC members, and in particular the US, into action, was the terrorist attacks on 11 September 2001 in New York, with the subsequent formation of a wide military coalition against Afghanistan as the terrorists' home base. As then UN Secretary-General Kofi Annan was to say of that day: "We have entered the third millennium through a gate of fire" (Annan, 2001).

The war in Afghanistan continues today, against an enemy, the Taliban, with its origins in US assistance to local fighters to counter the Russian occupation of Afghanistan in the dying days of the Cold War.[170] New military coalitions, in Iraq and later in Libya, brought in their wake state disarray and terrorism, with jihadists spreading violence in and beyond the Middle East into the Sahel and onto the streets of the world.

The DAC's first response to this "gate of fire" was the formulation of a DAC reference document "A Development Lens on Terrorism Prevention: Key Entry Points for Action" in 2003 (OECD, 2003b). The notion of DAC reference documents was conceived by the secretariat and accepted by members as a policy guidance vehicle when significant political complexities would make DAC recommendations or good practices impractical. There were indeed major objections to the "Development Lens on Terrorism" document. Civil society organisations saw it as confirmation that the "securitisation of development assistance" was in process.

At the time, the document was seen by some civil society representatives as the thin edge of the wedge in a wrong-headed shift in development concepts and objectives, following on from the DAC "Guidelines on Helping Prevent Violent Conflict" of November 2001 (OECD, 2001). The Canadian Council

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170 Peace talks between the Afghan government and the Taliban began in mid-September 2020, and US and NATO forces began to withdraw in April 2021.

on International Co-operation (CCIC), for example, seized upon the reference to terrorism prevention in the "Development Lens" as a relevant development objective and the intention to widen the ODA definition eligibility criteria. They feared the diversion of aid to northern interests and away from its main purpose of poverty reduction (Foxall, 2003). Reading the "Development Lens on Terrorism" document today, however, together with the 2001 Guidelines, confirms these as founding DAC references in a significant collection of outputs on fragility, which remains a fundamental ongoing concern of the DAC. (For OECD Crises and Fragility publications, see OECD, multiyear).

At last, in 2005 fragility entered the development vocabulary and the DAC structure in the form of a Fragile States Group, jointly chaired by Sarah Cliffe of the World Bank and Sheelagh Stewart of DFID, successor to the previous Learning and Advisory Process on Difficult Partnerships (LAP). By broadening the emphasis on conflict and security to include the study of fragility, the DAC placed greater focus on institutional, governance and political economy aspects. The substantial work programme that followed eventually saw fragile states themselves come to the DAC table, the formation of their own g7+ process and the consecration of a "New Deal" for fragile states at the DAC High Level Forum on Development Effectiveness in Busan, South Korea, in 2011.

In 2015, the integration of SDG 16 on preventing conflict and terrorism into the UN 2030 Agenda for Sustainable Development was an outcome of this major conceptual, operational and cooperation work stream in the international development system and notably in the DAC framework. Twenty years of analytical progression, continual learning and policy consensus-building through the work of the DAC subsidiary body the International Network on Conflict and Fragility (INCAF) and its predecessor bodies – the Network on Conflict, Peace and Development Cooperation (CPDC) and the Fragile States Group (FSG) – were thus captured in this one-line component of the 2030 UN Agenda. A pivotal factor was the full involvement of the partner nations most directly concerned (section 5 below elaborates).

The next two sections discuss the highlights of the progressive and still ongoing opening up of the intellectual and policy boundaries of this mainstream development narrative as it unfolded in the DAC.

12.4   Defining fragility: The search for parameters

12.4.1 Qualitative issues: What is important and how to define it?

This section begins by exploring the challenges and mechanisms of finding agreement within the DAC – and only much later with partner countries – on priorities and definitions of fragility and related concepts such as conflict.

> The widest definition of conflicts in the years 1992 and '93 (including 'wars, low-intensity conflicts and serious disputes involving violence or threat of force') yielded 160 cases, of which, interestingly, 33 were in the former Soviet Union, and 21 others elsewhere in Europe. It can be argued that many of these 160 conflicts in fact have development connections. The need to come to grips with the linkages between conflict, peace and development is not a passing fad, nor a passing phase. (van de Goor, 1994)

Initial work by the Task Force on Conflict, Peace and Development Co-operation, mandated by the May 1995 HLM, concentrated on drawing out lessons and providing guidance. In agreeing to join the task force, Australia, for example, underscored the wish to broaden its understanding of development contributions to peace building and conflict management, as well as the need to distinguish between preventive aspects and post-conflict situations (Stokes, 1995). The learning aspect was to remain at the core of all future work.

The task force held its first meeting on 23 October 1995, with Jon Ebersole of DCD as coordinator and special adviser.[171] An intensive pace of nine meetings over a two-year period produced the "DAC Guidelines on Conflict, Peace and Development" (OECD, 1997a, 1997b). This first-of-its-kind guidance was approved as "work in progress" by the May 1997 HLM due to its complexity and the need for further learning. The HLM committed to take the work forward and find better practical ways to respond to the challenges of conflict prevention and peacebuilding. The meeting of the OECD Council at ministerial level the same month requested a progress report on the work achieved after a year. Key issues were incorporated into the G7 process, with the Denver G7 meeting in June specifically mentioning the need to work on unproductive expenditures (OECD, 1998).

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171 Supported from the secretariat by Robert Scharf and the late Remi Paris.

Movement through successive levels of decision-making, often up through the G7/8 process, was a lasting pattern set from the start of work on conflict and fragility. Embedding these issues in the international agenda to the highest levels required strategic efforts by the secretariat and members alike: external events often enhanced their timely relevance and facilitated their inclusion (e.g., Lyon G7 Summit 1996, on non-military aspects of peace operations; Gleneagles G8 Summit 2005, on peace and security).

12.4.2 Leveraging scarce resources through member-expert methodology

Two secretariat staff alone could not carry the full workload required to develop and implement the Guidelines. DAC members contributed significantly to the process. The 1997 DAC HLM agreed that the intensity of the first two years of work of the Task Force could not be sustained. However, the successful "member-expert participation methodology" applied to prepare the guidelines on "Conflict, Peace and Development on the Threshold of the 21st Century*"* (OECD, 2001) was to be continued (OECD, 1997a, 1998). This innovative (at the time) approach significantly leveraged secretariat resources with member expert knowledge and voluntary contributions. It characterised all further DAC work on conflict and fragility and came to be used in other DAC bodies as well. Several partnerships and synergies were envisaged at the time as additional ways to leverage work and resources. Testing and implementing on the ground whenever possible became the rule. Members stressed linkages to the DAC's 21st Century Strategy approach*,* which prioritised stronger developing country partnerships and policy coherence.

Several members took responsibility for country case studies, workshops and policy research. For example, a joint analytical note by the delegations of Switzerland and the United States inter alia refuted the claim that peace benefits everyone, drawing lessons from a number of intra-state conflicts (e.g., Liberia, Sierra Leone, Somalia, Sudan, and Tajikistan). "Warring factions often derive a considerable 'war dividend' from the continuation of hostilities and may therefore have little incentive to agree to maintain peace" (OECD, 1996b) – a critical insight that remains insufficiently understood and addressed 25 years later.

12.4.3 No development without security, no security without development

The initial 1997 guidelines on "Conflict, Peace and Development Co-operation" could not cover all key issues adequately, notably security sector reform (SSR), which for ministers was an urgent priority and remains so (see, for example, Commission on State Fragility, Growth and Development, 2018). SSR encompassed the restoration of both legitimate civilian authority and also a sense of security. The informal Task Force continued its work over the next four years, preparing "Orientations for External Partners". In April 2001, the DAC HLM endorsed these together with a supporting statement to reinforce their commitment to greater policy coherence and better coordinated decision making. The centrality of security reform was stressed, as well as: integrating a gender perspective (see Chapter13); partnership with both the state and civil society and also business; demobilisation and disarmament of combatants; facilitating justice and reconciliation; and striving for peace through good governance.

As priorities emerged, the DAC's internal structures and staffing adapted. The CPDC held its first meeting (29-30 May 2001)[172] under chair Mark Berman of Canada. CPDC's flagship activity became SSR, with an integrated framework emphasising coherence and joint work with other sectors. The presentation of the SSR work to the 2007 DAC SLM around the symbols of "badges, boots, suits and sandals" resonated with senior officials and eloquently captured the coherence challenge.[173]

12.4.4 Definitions and sensitivities relating to the fragility concept

Agreement on labels around the fragility concept was difficult: "low-income countries under stress", "difficult partnerships", "conflict-affected",

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172 The DAC Network on Governance (GOVNET) was also created in 2001. GOVNET and CPDC together sponsored The Joint Learning and Advisory Process on Difficult Partnerships (LAP), later to become the Fragile States Group (FSG), in partnership with the WB, which was heavily involved in work on fragile states and what to do about fragility. Sarah Cliffe of the WB and Sheelagh Stewart of DFID co-chaired the group with secretariat support from Karim Marcos.

173 Notable secretariat contributions to SSR came from Mark Downes and later Rory Keane. Keane made the "badges, boots, suits, and sandals" presentation to the 2007 SLM.

"failing" or "failed states", "fragile states", etc. Experiments with various typologies and frameworks have been tried with limited success. Agreement on definitions has been equally elusive, yet crucial to making policy progress.

From 2002, the DAC characterised difficult partnerships as "those between donors and countries where there is a lack of political commitment and weak capacity to develop and implement pro-poor policies on the part of the partner country" (ODI, 2005). For work intended to promote OECD members' whole-of-government approaches, the focus was on "a state's inability or unwillingness to provide physical security, legitimate political institutions, sound economic management and social services for the benefit of its population" (OECD, 2006). An important definition that expanded the discussion from a lack of will or capacity to a more state/society-centred approach was introduced in the guidance on statebuilding: "Fragile and conflict-affected states … lack the ability to develop mutually constructive and reinforcing relations with society" (OECD, 2011b). The evolving definition has been kept broad to accommodate different views among members and differing country situations. A recent DAC multidimensional definition of fragility refers to "the combination of exposure to risk and insufficient coping capacity of the state, system and/or communities to manage, absorb or mitigate those risks" (OECD, 2016b, 2020b. Other discussions on definitions can be found in Michel (2018) and Abdel-Malek (2015). The realisation that fragility has to take into account factors even broader than statebuilding has more recently led to a shift towards systems thinking. [174]

Over the years, repeated moments of tension illustrate how sensitive it has been for some developing countries to accept the "fragility" label; sensitive enough to prevent their acceptance of, let alone collaboration in, work on fragility issues, particularly in the UN context. Sometimes donors, too, hesitated out of fear of antagonising their partners. Nonetheless, in many cases where countries perceived the utility of the work on fragility, pragmatism prevailed. FSG co-chair Cliffe's summing-up decision in 2008 to refer to "fragile situations" and to recognise the idea of "temporary fragility" and of a "continuum of fragility" were all helpful in this respect. Today, the DAC refers to "states of fragility" and "fragile contexts",

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174 The work to shift fragility to a multi-dimensional model and a more sophisticated, systems-thinking approach, was led by Sara Batmanglich, head of OECD States of Fragility reports from January 2017 to March 2019.

recognising that fragility can occur anywhere. The OECD's methodology for multi-dimensional fragility, and the results and source data, as well as financial flows, from different donors to fragile contexts are available on the States of Fragility online platform (OECD, 2020c; see also the definitional distinctions established by the LSE-Oxford Commission on State Fragility, Growth and Development, 2018).

12.4.5 Quantitative issues: but is it ODA?

Another persistent issue is the recurring question at the DAC of whether to record certain flows related to conflict, peace and security as ODA. Flows for military expenditure were consistently excluded from DAC statistics throughout the 1960s and 1970s. In a sense, the notion of developmental aid originated in part through its distinction from military aid, such as that furnished by the US during the 1950s within the framework of "mutual security assistance" (see Chapter 4). The logic throughout DAC's history has been based on the strict separation of expenditure for national development from that for national defence. In 1992, at the time of the first Gulf War, members agreed that forgiveness of military debt could be recorded in DAC statistics as other official flows (OOF) but not as ODA. At DAC meetings toward the end of 1992, members were divided on the issue of recording contributions to peacekeeping as ODA, with the Netherlands and Spain favouring their full inclusion (OECD, 1992d).

As noted previously, in 1993 questions continued to be raised in relation to the nature, composition and amount of spending on peacekeeping. The DAC decided the following year to allow bilateral, but not multilateral, contributions to peacekeeping operations to be counted as ODA, with two provisos: (a) "the amount was to be net both of any compensation received from the UN and of the normal costs that would have been incurred if the forces assigned to participate had remained at home"; and (b) only the costs of a "specified menu of activities" were to be allowed, such as "human rights promotion, organising elections, monitoring and training of civil administrators and police" and "demobilisation of soldiers, disposal of weapons and demining". These decisions influenced the later revision of the DAC statistical reporting directives by further amplifying the principle of excluding military activities.

Over the period 1999-2000, discussions by both the DAC working party on statistics and the policy group on conflict, peace and development

cooperation revolved around possibly extending ODA to cover aspects of security sector reform thus far not reportable, namely management of security expenditure, military reform, research on external security and defence matters, and the civilian oversight of armed forces. No changes were approved to existing rules, but a series of questions was addressed to members in 2003 to stimulate further dialogue (OECD, 2003a).

After politically sensitive and lengthy negotiations, a total of six security-related items were approved as eligible for member recording as ODA by the 2004 and 2005 HLMs: "(1) management of security expenditure; (2) enhancing civil society's role in the security system; (3) child soldiers; (4) security system reform; (5) civilian peace building, conflict prevention and conflict resolution; and (6) small arms and light weapons" (OECD, 2005c, 2004a, 2004b). Still, numerous grey areas persisted, prompting members to request, for reference, a casebook of peace and security activities, including examples of activities eligible and ineligible for recording as ODA. The casebook was issued on 13 September 2007 (OECD, 2007a), containing 40 cases submitted by 11 members. In only two cases was there disagreement between the member's decision and the secretariat's opinion. The DAC issued a revised Casebook in 2017 (OECD, 2017).

These nearly 15 years of protracted discussions, definitions and clarifications, which may seem arcane to some, concerned the paramount objectives of ensuring the credibility of ODA and the integrity of ODA budgets. There was a persistent concern that the percentage of ODA for security-related tasks would increase rapidly and undermine the current ODA definition. The DAC and the DCD have long striven to avoid perverse incentives from letting non-development objectives, security or other, be equated with aid for development purposes. Yet, might the DAC have agreed to record and publish certain expenditures separately from ODA to give recognition to members' significant support to conflict, peace and development cooperation on a whole-of-government basis? As one member observed, the issue was not "DACability" but the provision of additional resources. Some separate recording was accepted,[175] but did not fully satisfy all countries.

Serge Michailof (2015, 2018) argues that the exclusion from ODA reporting of legitimate expenditures to strengthen certain institutions of state

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175 Development-related military debt forgiveness was accepted as a sub-item of bilateral Other Official Flows (OECD, 1992a, para 12); and there was a place reserved for non-ODA peace-keeping expenditures (OECD, 1996c, para 3).

sovereignty prevents donors from treating issues of security seriously (see also Putzel, 2007).

12.4.6 Defining aid effectiveness in fragile states and situations

During the same period entering the new millennium, the DAC was intensely engaged in the aid effectiveness agenda described in Chapter 11 leading up to the Paris High Level Forum (HLF) held from 28 February to 2 March 2005. The "Paris Declaration on Aid Effectiveness" (OECD, 2005a) agreed by the HLF included the resolve to adapt and apply to differing country situations, mentioning state building and service delivery in fragile states. Drawing upon the draft "Principles for Good International Engagement in Fragile States" (OECD 2005b), mandated by a senior level forum in London in January 2005, the "Paris Declaration" incorporated general commitments by both partner countries and donors to deliver aid effectively in fragile states; however, none of its specific indicators, targets or follow-up processes were adapted to do so. Several fragile states, including Afghanistan, the Democratic Republic of Congo (DRC), Nepal, the Solomon Islands, Sudan and Yemen, "signed up" to the "Paris Declaration" although no official signing took place.

Creating synergies between the priorities for fragile states and the "Paris declaration" forward agenda, as well as other ongoing international processes, was important but premature. Instead, a separate two-year piloting process for the draft "Fragile States Principles" was agreed and launched for DRC, Guinea Bissau, Haiti, Nepal, the Solomon Islands, Somalia, Sudan, Yemen and Zimbabwe, several of which were also part of the "Paris Declaration" monitoring process. Inevitably, early in the piloting of the draft "Fragile States Principles" the links to the "Paris Declaration" came into discussions. Understandably, there was some confusion in pilot countries about the two processes and how they related to each other.[176] Surprisingly, for certain "Paris principles" some fragile states performed better than other countries or differed little, as the US DAC delegate[177] later highlighted. The "Paris principle of harmonisation" whereby countries

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176 It could not have helped that the Overseas Development Institute's "Good Humanitarian Donorship Principles" were being separately piloted at the same time.

177 The US DAC Delegate at the time was George Carner.

coordinate, simplify procedures and share information to avoid duplication was found to be the most essential for donors to apply in fragile situations. In the case of the Fragile State Principles, it was Principle 3: "Focus on statebuilding as the central objective", which emerged as the main issue on which field practitioners requested greater guidance.

During those years arguments were increasingly being put forward about the difficulties of achieving the MDGs in fragile states, which Collier identified as states populated by the "bottom billion" of the world's poorest people and also those least likely to achieve the MDGs (Collier, 2008). It was becoming steadily more difficult to be in denial about the priority needing to be accorded to fragility issues.

Unravelling in the background were the events leading to the 2008 economic and financial crisis, which would bring new concerns about its effects on ODA and resources available for fragile states. Having repeatedly called for whole-of-government approaches and policy coherence for development, DAC members would look to the OECD as the place where all these communities come together, economic, regulatory, tax, development and other policy makers. They saw an opportunity for the Organisation. At the same time, they saw African countries looking increasingly towards China.

12.5   Adopting an inclusive, collective response

What mainly happened within the DAC's fragile states agenda in the final decade or so up to the time of writing?

12.5.1 Deepening and embedding the Fragile States Principles

Commending the nine-country piloting of the "Fragile States Principles", the 45th DAC HLM of April 2007 unanimously endorsed the principles and called for their full implementation at headquarters and in all relevant countries in the field (OECD, 2007b). In dealing with fragile states, ministers and heads of agencies emphasised the need to improve organisational responses (e.g., staffing, rapid response), avoid "aid orphans", better define and measure results, and be practical in encouraging whole-of-government approaches. They wished to see the fragile states perspective integrated into preparations for the Accra HLF on Aid Effectiveness (see Chapter 11; OECD, 2007c, 2007d & 2011a).

To improve its own organisational readiness, later in 2007 the DAC launched an unprecedented year-long process of discussions to merge CPDC and the FSG, which succeeded with the creation of INCAF as of 2009. Meeting at both working and director levels,[178] this body is still functioning effectively more than 10 years later.

A significant contribution to the international policy debate on fragility and the role international actors can play to support countries in tackling fragility challenges was INCAF's work over this period on "Fragile States Principle 3, Statebuilding". A task team[179] took up the challenge of framing and defining issues related to statebuilding in fragile states, unpacking the notions of political settlements, state legitimacy and state-society relations. Leveraging academic and practical fieldwork that highlighted harmful effects of donor behaviour, the DAC adopted guidance on statebuilding, offering practical steps to respond to complex development challenges in fragile contexts (OECD, 2010a, 2010b & 2011b). Greater attention was fixed on the importance of state relations with and accountability to its citizens and the role of state (and non-state) institutions in providing key state functions. The statebuilding work highlighted how domestic resource mobilisation can strengthen the relationship between the state and its citizens, leading to an intensified focus on tax policies and joint work with OECD's fiscal affairs experts.

Illustrating the strong mutual influence of the DAC and the World Bank on each other's work, one year after the OECD had issued its guidance, the WB published its 2011 "World Development Report: Conflict, Security and Development" (World Bank, 2011), which further propelled the agenda centre stage. Indeed, in every phase and aspect of the DAC's work on conflict and fragility, the close collaboration with the World Bank, UNDP and, in certain instances the North Atlantic Treaty Organization (NATO), was both stimulating and productive.

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178 The initial chairs at the working level were Peter Bachelor (UNDP) and Jelte van Wieren (The Netherlands), with Koen Davidse (The Netherlands) and Jordan Ryan (UNDP) leading at Director level. Christian Lotz and Eugenia Piza-Lopez of UNDP also made important contributions to the FSG and INCAF, along with many other member country participants.

179 Co-chaired by Judith Karl (UN) and Alan Whaites (UK) and later by Bella Bird (UK) and Alistair McKechnie (World Bank) with DAC secretariat support from Stephan Massing, bringing experience from the UNDP in Afghanistan.

Related to the "practicalities" spirit of the "Fragile States Principles", a major ongoing contribution has been the annual monitoring and analysis of resource flows to fragile states begun in 2005, which has continued to influence donor thinking and allocation decisions for so many years.[180] A closely related workstream that made a significant impact focussed on more effective, rapid and flexible financing for transitioning out of conflict and fragility.[181] A particular strength of the work was that it spanned the spectrum of activities from humanitarian to developmental, as well as taking account of domestic resource mobilisation (OECD, 2014) and debt relief. It also paved the way for attention to issues of risk and resilience (OECD 2010c).

12.5.2 Harnessing the peer review and evaluation traditions of the DAC

In accordance with members' instructions, as of 2007 the DAC peer review process incorporated fragile states as a an "elective topic" for 2007-08 peer reviews with the objective of monitoring DAC HLM commitments (i.e., "Preventing Violent Conflict", "Security Sector Reform" and "Fragile States Principles") and identifying good practice.

Three broad lessons emerged. First, traditional development cooperation approaches have to be adapted to fragile contexts and the "DAC Principles for Good International Engagement in Fragile States" represent DAC member countries' key reference point. Second, no single model for joined-up whole of government approaches emerged due to differing administrative structures. Third, the DAC agreed to adopt reporting of progress against the "Fragile States Principles" as a cross-cutting theme in all future reviews (OECD, 2009). The topic of fragile states was, however, not repeated as an "elective topic" in future DAC peer reviews nor were results further synthesised, given very different approaches to this issue.[182] This was a real opportunity lost.

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180 Juana de Catheu, with experience from Aceh, DRC and other fragile situations, was a lead secretariat force in shaping and delivering this report for a number of years.

181 Henrik Hammargren (Sweden) chaired a Task Team on Financing and Aid Architecture, supported by Asbjorn Wee, bringing his Joint assessment mission (JAM) experience from Juba.

182 Personal communication, Karen Jorgensen, Head of the Peer Review and Evaluation Division from 2007 until March 2018.

The opportunity was seized again only in 2019, and the DAC peer reviews currently have a dedicated chapter on support to crises and fragile contexts, across humanitarian, development, and peace instruments. Peer reviews had been paying increasing attention to crises since 2011, when humanitarian aid graduated from being a poor-cousin annex to the peer reviews, to a fully-fledged chapter with recommendation-making power. In 2018, the DAC began negotiating another new peer review methodology, proposing a dedicated chapter on coherent approaches to fragility using a range of instruments. This was highly controversial in the DAC, especially amongst humanitarian colleagues who feared that a holistic approach to fragility would counter their closely-held humanitarian principles. Indeed, one member, Germany, held out for over a year, until finally agreeing at the DAC SLM in January 2019, just as the DAC Recommendation on the Humanitarian-Development-Peace Nexus was adopted (OECD, 2020a).[183]

Other important work was intensified during this decade on several work streams. One example is the 2008 "Guidance on Evaluating Conflict Prevention and Peacebuilding Activities".[184] This was considered by Germany's DAC delegate Joseph Fullenbach as "breaking new ground and providing a good showcase of how a subsidiary body can have a real-world impact through targeted efforts to develop much-needed methodologies and clarify terminologies and concepts" (OECD, 2007e).

As important as these conceptual contributions remain, the great achievement of this period was the birth of a partnership of equals between donors and their fragile state counterparts. On their own, behind closed doors, DAC members essentially engaged in conversations among those already in the choir. At long last, the oft-repeated admonition of the former Finance Minister Emilia Pires of Timor Leste, namely "Nothing about us, without us", produced its impact.

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183 The OECD's humanitarian advisor, Cyprien Fabre, was instrumental in reassuring the humanitarian community during this period and in negotiating indicator language with Germany and others who were fearful of losing the humanitarian identity in this shift in peer reviews.

184 Elaborated jointly by CPDC and the DAC's Evaluation Network and supported by Lisa Williams, Asbjorn Wee and Meggan Kennedy-Chouane.

12.5.3 Positioning for a foothold in Accra

Under the leadership of FSG's co-chair Jean-Marc Châtaigner (France), in preparation for the Accra HLF on Aid Effectiveness, DRC's Minister of Planning Olivier Kamitatu Etsu hosted a meeting of donor and fragile states representatives in July 2008. The resultant "Kinshasa Declaration" put down markers for a more forceful consideration of fragile states issues at the Accra HLF notably through a dedicated high-level roundtable discussion. Despite lingering reluctance from some in the DAC secretariat, a greater spotlight was shone on fragility in Accra, which as Ben Dickinson of the secretariat later said to the DAC, became the "first time for real meaningful interaction with partners"[185] and provided an important platform for partners to articulate that different, better adapted approaches in these situations were needed. Importantly, it also highlighted that discussions needed to shift beyond a focus on 'aid effectiveness' to 'development effectiveness', i.e., a better understanding of how to achieve development objectives in situations of fragility and conflict.

The "Accra Agenda for Action" (AAA) includes five specific actions for countries in fragile situations, including monitoring implementation of the "Principles for Good International Engagement in Fragile States and Situations" and sharing the results as part of "Paris Declaration" progress reports (OECD, 2008, paragraph 21e). Partners in fragile situations agreed the "Fragile States Principles" and volunteered to be part of their monitoring, and they agreed to create an International Dialogue on Peacebuilding and Statebuilding outside the DAC to be chaired jointly by DRC and France. Following a series of preparatory meetings, Minister Kamitatu of DRC, supported by the INCAF secretariat,[186] co-chaired the first global meeting of the International Dialogue in Dili on 10-11 April 2010.

12.5.4 The birth of the g7+

Emboldened by their success as an influential force going from Kinshasa to Accra, the group of fragile states – with new members steadily enlarging their number – proceeded to work and meet among themselves, as well

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185 Author's notes.

186 In addition to those mentioned elsewhere, Donata Garrasi, and Edwin van Veen supported the International Dialogue on Peacebuilding and Statebuilding at various stages, assisted in turn by Jenny Gallelli, Ariane Rota and earlier Phyllis Flick.

as with donors through the International Dialogue on Peacebuilding and Statebuilding. One of the memorable moments of this period was the opportunity in 2010 for g7+ countries to meet on their own in Dili, where Timorese President José Manuel Ramos-Horta hosted them, along with Minister Pires. They emerged from their meeting as if entranced by the realisation of how much they shared in common; they resolved to continue meeting without the donors as often as possible to share experience and craft strategies. Minister Kamitatu of DRC passed the torch to Minister Pires, the new Chair of the g7+. A landmark outcome document of this unprecedented gathering, the first time the future g7+ met by themselves, was the Dili Declaration, with a g7+ statement of their own (OECD, 2010d).

Talaat Abdel-Malek (2015) has produced a rich and detailed panorama of the fragile states work and the evolution of the g7+ from Accra to just before the UN General Assembly of 2015. The emergence of the g7+, built (like the "Paris Declaration") on the principle that without country ownership there will be no sustained progress, was a major development. It showed that even countries with difficult governance problems such as the DRC would be willing to participate, and be seen to participate, in such a joint endeavour among fragile states and multilateral and bilateral donors.

The International Dialogue meetings in Dili and later in Monrovia (July 2011) formed the basis for going forward to the 4th HLF on Aid Effectiveness in Busan at the end of that year (OECD, 2011c). The participation of Liberia's President Ellen Johnson Sirleaf in Monrovia, like that of Timorese President Ramos-Horta in Dili, exemplified the committed political leadership that accompanied fragile states work on the partner country side. On the donor side, taking over from Bella Bird (UK), Dutch Minister Bert Koenders participated actively and helped lay the ground for a breakthrough in Busan, as did DAC Chair (2011-12) J. Brian Atwood. The Monrovia Roadmap articulated objectives on peacebuilding and statebuilding, a set of commitments for HLF 4 in Busan and an expanded future for the International Dialogue. The Roadmap called for working through compacts and for a new deal, at that stage with a small 'n' and small 'd'.

The g7+ held a retreat in Juba, South Sudan, to prepare for Busan. There, they "resolved to introduce a 'New Deal for Aid Effectiveness' – written and owned by the g7+ fragile states consortium and unveiled at the Busan conference" (Larson, 2013). As the International Dialogue co-chairs, Minister

Pires and Koen Davidse of The Netherlands wrote to their constituencies on 12 December 2011:

> The Fourth High Level Forum that took place from the 29th of November to the 1st of December 2011 in Busan, Korea was a success for the g7+ group of fragile countries and for all the members of the International Dialogue on Peacebuilding and Statebuilding.
>
> The 'New Deal for Engagement in Fragile States', which we presented in Busan, was mentioned by the Secretary-General of the United Nations in his opening speech, and received strong expressions of support from many Ministers and Heads of Delegations throughout the Conference.
>
> The three successful high-profile events that we organised together in Busan... led to fruitful discussions about how we can work better in fragile states, and, importantly, to strong and specific commitments by partner countries and development partners in support of the New Deal, and its implementation. (Pires & Davidse, 2011)

The remainder of their message moved to the need for New Deal implementation with a focus on the Peacebuilding and Statebuilding Goals and the need to develop indicators, defining the 'compact' and its modalities, and using the TRUST (Transparency, Risk-sharing, Use country systems, Support capacity development, Timely and predictable aid) commitments to progress on the use of country systems (https://www.pbsbdialogue.org/en/OECD, 2011d).

What was so new about the New Deal? What were its provisions that so well captured the imaginations of leaders and practitioners alike? As Ban Ki-Moon, then UN Secretary-General, put it in Busan, Korea: "This New Deal is an opportunity to focus much-needed attention on peacebuilding and statebuilding" (Wee, 2012). As Amara Konneh, Minister of Finance of Liberia said: "We want to graduate from fragility. No fragile state feels comfortable always being referred to as fragile. We are all in this to get out of it and get on a sustained irreversible path to development" (Author's notes). As DAC Chair (2013-16) Erik Solheim later wrote: "The donor countries have under the New Deal committed to support fragile states and provide funding for their political priorities. The idea is to use development assistance in a way that supports and strengthens the state" (Solheim, 2014).

Created by an innovative coalition, the New Deal sets out a new vision led by the people affected by conflict and fragility themselves; it focuses on new

ways of engaging stakeholders to support inclusive country-led, country-owned and country-adapted transitions out of fragility (OECD, 2011d).

The UN Secretary-General's report on Peacebuilding of October 2012 incorporated not only the New Deal and International Dialogue but also the DAC guidance both on statebuilding and on transition finance, as well as the 2011 resource flows report. As Asbjorn Wee of the DAC secretariat put it, "Many of the DAC's initiatives and recommendations have made it into the report as specific deliverables for the UN. … a massive step forward in our engagement with the UN." Another example of impact was that more than 50 civil society organisations (CSO) concerned with peacebuilding and development were using the International Dialogue and the Peacebuilding and Statebuilding Goals as their "rallying point for influencing the post-2015 MDG debate" (Wee, 2012).

The voice of the g7+ created the enabling environment for inclusion of fragility considerations in the SDGs. Under the leadership of Minister Pires, seconded by g7+ General Secretary Hélder da Costa, the g7+ engaged in a series of strategic discussions to cement their place in the SDG framework (see Chapter 16). This could not have happened without their collective voice and resolve. Since then, several countries have focussed on New Deal implementation, including through a significant investment by the international community in Somalia.

12.5.5 An epilogue of shifting winds

Immediately following these seminal agreements, INCAF and the DAC's work on fragility encountered significant challenges. To an external observer, it might have looked as though the DAC had declared "job done" on fragility once the New Deal and SDG 16 on preventing conflict and terrorism were signed. Indeed, by mid-2015, the network was in crisis, missing meeting dates, almost without funding or secretariat staff, and with an extensive "Christmas tree" work plan that no longer met the needs of members. As observed by Rachel Scott, former head of the DAC secretariat crises and fragility team, including the INCAF secretariat:

> Between 2015 and 2017, INCAF needed to adjust to a new global reality. At home, spending on development cooperation was under attack from politicians and an increasingly sceptical public. Results now needed to be concrete and delivered quickly, with softer interventions such as capacity building – which can take years to show impact – falling out of fashion.

DAC members lost their tolerance for risk – frightened of how corruption scandals would play out in their domestic press – and the appetite for higher risk programming such as budget support disappeared. Moreover, national interest became the key driver of foreign aid, with interventions increasingly framed around extremism and migration as the Syria crisis began to spill over into Europe.

For INCAF, this meant less funding for secretariat work, and noticeably more junior attendance at network meetings. Indeed, in 2016, the acting director of DCD sought to close the DAC's policy networks, citing a lack of member interest. Only after concerted efforts by the Swiss and UNDP INCAF co-chairs, the advocacy of key members such as Australia, together with a dedicated push by secretariat staff to focus on INCAF's comparative advantage, plus some critical seed funding from the United Kingdom, was the network able to continue. (Scott, 2020, personal communication to the author)

At the same time, the world was changing – with DAC members moving away from multilateralism towards national interest agendas, and with a weakening risk appetite at home, meaning members were less able to "use and strengthen country systems"[187] of fragile partners – much to the disappointment of the g7+ group of fragile countries, who gradually withdrew from their interactions with the donor community.

During this challenging period of uncertainty, earlier work on transition finance was followed up and broadened, in line with the DAC's increasing emphasis overall on financing issues. In retrospect, the original transition work did not reach its full potential, mainly because it focussed more on planning and risk tolerance, and less on how to phase and sequence development finance for fragile states over time. Building on the earlier work, INCAF developed its "Financing for Stability" guidance (Poole & Scott, 2018), began to support financing strategy work in fragile contexts, and focussed on key issues of financing in fragile contexts – such as linking up with climate finance, financing refugee situations, financing sustainable peace following peacekeeping mission withdrawals, and supporting fragile countries/partners in debt distress – thereby improving financing approaches adapted to crisis and post-crisis periods.

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187 "Use and strengthen country systems" is one of the ten TRUST and FOCUS principles of the New Deal. In practice, however, it became the main request of fragile countries/ states – a request that DAC members, in their new reality, were unable to meet.

INCAF has also been re-thinking effectiveness in fragile contexts. As already recognised in the lead-up to Accra, the Paris Declaration faces limitations when confronted with the operational realities of working in these complicated, fragile environments (see Chapter 11). Hence, the importance of the Fragile States Principles as a complementary framework. In the same vein, INCAF has been working on a "Fit for Fragility" project, based on extensive case studies. The ensuing principles will help redefine effectiveness in fragile contexts – most likely returning to and reinforcing some of the key tenets of the Fragile State Principles from a decade earlier.

Since 2017, INCAF has recaptured its role as a strong political and policy-making body and refocussed on the issues that had driven the DAC's initial engagement in the fragility arena. As noted earlier in the chapter, the DAC in 1993 raised a number of complex policy issues: a greater orientation of development programmes toward conflict prevention; better coordination with humanitarian assistance; concern with improving linkages between developmental and non-developmental (e.g., military, policing) activities.

It is on these fundamental issues that INCAF is focussed today. INCAF's key collective position, in 2018, was on the need to step up its engagement in conflict prevention – an issue that was put back on the international agenda by a groundbreaking UN/WB report "Pathways to Peace" (UN/WB, 2018). This was followed in 2019 by a DAC Recommendation – only the sixth that the DAC has ever passed – on the Humanitarian-Development-Peace Nexus (OECD, 2020a), the first OECD Legal Instrument that multilaterals have ever adhered to. Later in 2019, INCAF took a further collective position on supporting comprehensive responses to refugee situations, responding to the growing refugee and migration situation across the world and its impact on DAC members themselves as people sought refuge in OECD countries (OECD, 2019).

Today the network is exploring stronger coherence with security actors and humanitarians. Coherence with security actors is one of the key subjects for its 2020 States of Fragility flagship publication (OECD, 2020b). INCAF is also holding joint meetings with the humanitarian community, such as a daylong meeting with the humanitarian Inter-Agency Standing Committee that took place in November 2019, aiming to strengthen collaboration at policy and operational levels. A progress report on humanitarian-development-peace coherence was presented at the DAC's 2020 HLM. Hopefully, INCAF and its members are back on the right track to deliver on the policy challenges

outlined in the early 1990s – which remain among the key issues 30 years later.

Currently, the New Deal adopted in Busan no longer guides the delivery of development and peace in most fragile contexts, but arguably had a significant impact during its formulation and subsequent application in certain fragile states. The reality of a changing world has rapidly overridden the optimism of 2011.

The g7+ whose members were at the origin of the New Deal has, however, gone from strength to strength since 2015. Its membership has grown, and its focus has shifted from the New Deal to peer learning and fragile-to-fragile cooperation. Policy advocacy is important too, and the group was granted observer status at the United Nations in late 2019.

Still, the harsh reality is that the number of the world's poorest people living in fragile states has doubled in just a decade from one to two billion and is still rising, with recent estimates suggesting that by 2030, half of the world's poor will live in countries that are fragile (Commission on State Fragility, Growth and Development, 2018). None of the fragile states had achieved the MDGs by 2015. Prospects for achieving the SDGs look even grimmer, with the Covid 19 pandemic multiplying the challenges ahead.

12.6 Conclusions and implications for the future

The polarising geopolitics of the Cold War period significantly delayed the DAC's awakening to the realities and complex challenges of conflict and fragility in the development context. Once the Cold War ended, the DAC tried to address these challenges. Within its mandate in relation to fragile states of bringing together the donor community, assessing its policies, enhancing aid effectiveness, monitoring resource flows, providing policy analysis and guidance, developing common positions and a DAC Recommendation, and promoting policy coherence, the DAC has lived up to expectations. For over a quarter of a century, its work on the fragile states agenda has followed a steady, progressive learning path in a number of domains discussed here and some others.[188] The DAC, working closely with the WB and UNDP, and more recently joining up with the humanitarian community and security

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188 Other areas include armed violence reduction, early warning, service delivery, due diligence for natural resources, and statistical issues in fragile situations (the latter led by PARIS21).

actors, has made serious efforts to produce and disseminate practical, operationally-oriented contributions. An internationally recognised guidance framework for working in states of fragility has been established. It will continue to evolve as new thinking and experience emerge on working in these challenging environments.

An essential lasting impact has been the creation of a coherent narrative that was good enough to encourage some collective action and mobilise political attention. The evolving narrative kept pace with emerging evidence from practitioners and new thinking and made the case for more resources for fragile states and greater risk-taking in fragile situations. The groundbreaking work done by the DAC on security, justice, peacebuilding and statebuilding helped cultivate the ground for SDG 16. More recent focus on financing in fragile contexts, on resilience and the multidimensional nature of fragility, as well as a rethink on effectiveness in fragile contexts and the development of new legal instruments on coherence with peace and humanitarian actors, has built on this work and ensured that members are fit for purpose in fragile contexts, as the world, DAC members, and fragility itself evolve.

With hindsight, it may not have been possible to involve fragile states in the work until the DAC community of development practitioners achieved a reasonable level of understanding themselves of the complex set of issues involved. Nonetheless, it was and remains essential to involve people with direct, relevant experience in fragile states on the donor and secretariat side, examples of which have been noted in this chapter to illustrate some of the experience in the secretariat. Each country case is different and requires a contextual understanding of the history and dynamics of the fragile situation. Without it, suggested approaches may lack credibility.

The exceptional, consistent commitment of leaders on both the DAC and fragile country sides at the highest levels, only some of whom have been mentioned in this chapter, steered the fragility work streams in a strategic direction, secured the necessary resources, ensured momentum on priority issues and enabled key policy decisions. This high-level political engagement remains essential for both fragile states and donors. Hopefully, it will help end the abdication of fragile states' responsibility to donors and contribute to greater accountability of fragile states' governments to their people for public goods and service delivery,[189] and for taking responsibility

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189 Along the lines of Dambisa Moyo's presentation when she met informally with DAC members and others on 8 June 2009.

for their own fragility. Hopefully, donors will never again lose sight of the *sine qua non* of country ownership for sustainable progress in addressing and reducing fragility.

The voluntary coalition of g7+ countries needs to remain a force going forward to successfully implement the New Deal and its successive forms, and achieve the SDGs. At the same time, fragility and conflict exist in middle-income countries and in sub-national areas of otherwise stable and high capacity countries – posing additional challenges for engagement, dialogue and financing and raising questions about the applicability of development cooperation approaches in such diverse cases. Although there was some collaboration within the OECD between the DAC and units elsewhere engaging with middle income countries, particularly on refugee situations, there could have been more cross-learning.

Inclusiveness in the sense of equal partnership has at last become a transformative if ephemeral reality, which has led to the recognition and integration of issues around fragility into effective development cooperation – and beyond to the SDGs. Moreover, the SDGs are to be implemented by all 193 UN member states – Paris, Pretoria and Port au Prince are all peers and will inevitably be peer reviewed.

Significant learning, coping mechanisms, and some ceasefires and peace agreements have been achieved. The DAC's policy narrative and tools have impacted other policy communities, like defence and diplomacy that are increasingly a part of DAC discussions. Yet, unresolved issues of incentives for peace – who gains? – remain. The disconnects between donor headquarters and field persist. The longstanding inability to bridge humanitarian assistance with longer-term development assistance is being eroded, but suspicions about coherence with security actors remain and need further work. Whole-of-government approaches remain a distant dream. Working jointly not only with other policy communities, but also fellow donors is not yet reality on the ground, despite member promises in the DAC Nexus Recommendation. These issues have been raised, at least progressively, for some 25 years. Is it not time to move forward?

In some 'emerging economy' champions, the fragility agenda seems to be losing traction (see, for example, Muggah, 2009, 2015, and Muggah & Hammann, 2014, on Brazil), whereas in others, particularly the Gulf States, humanitarian assistance is privileged over longer-term responses. The landscape is also growing more complex: UN peacekeeping operations are

closing down due to a funding crisis, China is heavily present in fragile contexts, with a very different way of operating, and Russia – since the summit and economic forum in November 2019 in Sochi on the Black Sea – is moving into the military and defence space, especially in fragile contexts in Africa. The intense and promising partnership and dialogue between the g7+ and the DAC has proven to be short-lived. Yet, the strength of the g7+ as an independent and recognised political force holds out hope that its messages will be heard and acted upon by the international community.

There are even steeper mountains to climb. To current 'global bads' – ranging from terrorism and armed violence to forced displacement and massive unemployed youth bulges exacerbated by the risks from the coronavirus pandemic – must be added further likely consequences of climate change and environmental disasters, like water shortages, competition over scarce resources, urbanisation and territorial disputes. These burdens are borne by developing countries to a far greater extent than by developed ones. And the ghosts of history are still around. Identity politics and the politics of predation remain potent realities. Keeping the policy process on fragility alive, respecting the lead of the countries concerned, and enlarging participation and partnership in the DAC and the international system are as essential as ever – and more than ever (see Michel, 2018).

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13 The innovative politics of influence: gender equality and women's empowerment

Alexandra Trzeciak-Duval

Abstract

The OECD's Development Assistance Committee (DAC) awakened to gender equality and women's empowerment as a central development issue in the 1970s and gradually accepted it as a legitimate stream of work. Beyond influencing the DAC and its various working parties, the DAC's Women in Development (WID) Expert Group soon expanded to a wider agenda of influencing other international organisations, partner countries and civil society by strategising and coordinating internationally, grounding their strategic efforts in field-based evidence of issues affecting women. Preparations for the 1995 UN World Conference on Women in Beijing provided a stellar opportunity for the expert group to have an enduring impact by ensuring that developing country voices were heard and listened to. This wider influence also leveraged a major impact on the DAC's international development goals that in turn led to the Millennium Development Goals (MDG) and, soon after that, impacted the aid effectiveness agenda. The gender group's shaping of innovative measurement tools to hold members accountable was key to these achievements. The same creative and timely political strategising, influencing and partnering efforts impacted the formulation of the Sustainable Development Goals (SDG) roadmap to include gender. The need for gender equality as a goal in itself and simultaneously its centrality to achieving other development goals have been at the heart of the DAC's twin-track gender equality strategy. Despite these significant successes, the critical issues of gender-based violence (GBV), economic discrimination and political exclusion have yet to receive adequate attention and corrective action. This chapter recognises the important progress and influence achieved by the DAC gender group without minimising today's grave challenges to the hard-won rights – let alone those not yet won – of women worldwide.

13.1   Introduction

In November 2019, women interviewed in a Protection of Civilians camp in Bentiu, South Sudan confided in the World Food Programme's global head of protection.[190] "We are the property of men and that is the way it is," one said. "Protection in South Sudan for me as a woman is to move in safety and get my rations in time to get home to cook dinner to not get beaten up." Some 5,000 kilometres away, Afghanistan is still regarded as one of the worst places in the world to be born a woman, especially as the Taliban are positioned to return to power and despite constitutional and legal rights protecting women there. Worldwide, the real-time surge of gender-based violence (GBV), especially domestic violence, accompanying the coronavirus pandemic from early 2020 on is a telling reality check on the fragility of gender equality and women's empowerment.

Gender equality and women's empowerment in relation to development – nowhere does Hillary Clinton's term "unfinished business" (Clinton, 2014) apply more emphatically. Entrenched inequality of economic and political power between men and women – from family to workplace to government – gives men the advantage and leads them to resist change. As the late Elena Borghese observed: "The sexual and cultural inequities that women suffer in developing countries are legitimised by custom and tradition, socialised into women's psyche and attitudes, often enshrined in law, and enforced by male violence" (Borghese, 1991). As is clear from the brief opening examples above, these inequities persist and backsliding from hard-won rights is all too common.

Although the talk in the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) about integrating women's needs and perspectives can be traced back over 45 years, the struggle to effect behavioural change drags on. The DAC has remained supportive, but always on a shoestring, compensated through the sheer will and determination of a small group of committed individuals and members. This chapter explores five key stages of the struggle so far:

- Wake-up call: The DAC recognises the importance of women in development.
- Strategic leap: The DAC Expert Group on Women in Development (WID) promotes gender equality and women's perspectives centre-

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190 Anne-Laure Duval-Cassidy (personal communication to author).

stage through the Beijing Fourth World Conference on Women led by the United Nations (UN).

- Leading role: The DAC WID Expert Group ensures gender equality is a key feature of the Millennium Development Goals (MDG).
- Well-timed arrival: DAC's GENDERNET influences the aid effectiveness agenda.
- At the helm: GENDERNET ensures the inclusion of gender equality in the Sustainable Development Goals (SDG).

The chapter begins with the DAC's awakening to gender equality and women's empowerment as a central development issue and its gradual acceptance as a legitimate stream of DAC work, described in section 2 below. Beyond influencing the DAC and its various working parties, the WID expert group soon adopted a wider agenda of influencing other international organisations, partner countries and civil society by strategising and coordinating internationally, backed up by field-based evidence, as discussed in section 3. Sections 4 and 5 recall how this progress leveraged a major impact on the DAC's international development goals which in turn led to the MDGs and, soon after that, impacted the aid effectiveness agenda. The gender group's shaping of innovative measurement tools to hold members accountable was key to these achievements. Section 6 shows that influencing the formulation of the Sustainable Development Goals (SDG) roadmap to include gender required the same creative and timely political strategising, influencing and partnering efforts. The conclusions to the chapter recognise the important progress achieved by the DAC gender group without minimising today's grave challenges to the hard-won rights – and those yet to be won – of women worldwide.

13.2 The DAC wakes up to the role of women in development

13.2.1 The World Plan of Action (1975) and the Decade for Women (1976-85)

The UN's 1970 Strategy for a Second Development Decade (DD-II), along with other reflections, shifted the emphasis in development thinking from economic growth to basic human needs. In this context, a significant push for recognition of issues related to women in development (WID) came with the World Plan of Action for the Implementation of the Objectives of

the International Women's Year in 1975. The World Conference on Women held in Mexico City in June-July that year agreed a 14-point plan of action and highlighted deficiencies in knowledge about the situation of women in developing countries (UN, 1976).

Three months later, in October 1975, the DAC held a special informal session on the role of women in development. It recognised "the need for treating women in development, not as a separate group in aid programmes, but as a conscious concern in the framework of integrated projects – in which, until now, the women's component had been missing" (Williams, 1978). At least one DAC member, Sweden, had formulated budget proposals to support women in developing countries as early as 1963, recognising that "women … were disadvantaged in their legal status, economic situation, the work allocated to them, and the opportunities available to them to obtain training and education" (SIDA, 1975). In a paper submitted to the meeting, the World Bank (WB) dated to around 1973 its own awareness that "If progress is to be made in reducing absolute poverty, if programmes are to address the needs of people they are intended to serve, development programmes must be designed to reach women as well as men" (IBRD, 1975). DAC members agreed to reflect "their concern for the active participation of women in the social and economic process, whether as beneficiaries, or as decision-makers", but framed their resolve cautiously "to the extent possible" and "taking into consideration local customs and *mores*" (Führer, 1975).

A cascade of follow-up actions was set in motion at the beginning of the UN Decade for Women (1976-85) to be able to report mid-point progress by 1980. The United States (US) argued for the integration of women's interests into basic needs programmes (OECD, 1977; Emmerij, 2010) and reported that at least 14 of the 18 DAC members had begun special efforts to devote greater attention to women's interests in development and to integrate these interests in the "choice, conduct and evaluation" of development projects.[191] Small cadres in donor agencies often teamed up with national women's organisations as political constituencies but also extended their cooperation to joint work on projects. This form of collaboration with civil society has characterised WID efforts ever since and represents an innovative political

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191 Former GENDERNET chair To Tjoelker recalls that three women launched the work on women and development in the Netherlands in the 1970s. Agenda-setting and lobbying for political will were critical. Dutch Development Minister Jan Pronk pushed for women and development. By the 1990s, every Dutch embassy engaged in development had one or two gender specialists among its diplomatic staff (Personal communication).

and synergistic strength, although one not universally trusted by all relevant stakeholders, notably not by suspicious partner governments.

Members explicitly sought the DAC's continued expert involvement in WID. The US called on the DAC to monitor progress in reaching the mid-point minimum goals of the World Plan of Action, to pay particular attention to the role of women in relation to basic needs policies, and to hold a special DAC WID meeting in 1978. A colloquium hosted by the Canadian International Development Agency (CIDA)[192] in June 1977 resolved to "seek out the occasion of a Development Assistance Committee meeting so that the most basic problems of survival and quality of life faced by the neediest women of the world could be aired in an international forum of experts" (Williams, 1978). In response, an informal DAC meeting was held in March 1978. In his welcoming statement, DAC Chair (1974-78) Maurice Williams asked that the meeting "concentrate less on statements of desirable general principles and more on how the desirable is being approached in specific cases" (Williams, 1978). The DAC was set on a path of seeking practical needs and corresponding actions, rather than addressing the fundamental need for a change in power relations.

The DAC associated the UN with its deliberations,[193] as well as a "guest" from Upper Volta (now Burkina Faso). From then on, the practice of bringing operationally relevant experience to the table by associating developing country representatives and outside experts became a permanent feature of the DAC WID group's work, as did grounding the work in facts and thereby strengthening credibility.[194]

13.2.2 A six-year climb to DAC "correspondent membership"

In 1979 in Washington, D.C., interested DAC WID members came together in a second "informal, in-between" meeting, an approach that has been strategic to the gender equality group's ability to exercise influence. A DAC

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192 CIDA's Roxane Carlisle was credited with having brought together the group for the first time.

193 Through the presence of UN Assistant Secretary-General for Social Development and Humanitarian Affairs Helvi Sipila.

194 During this period, the DAC discussed women's roles in development mainly in relation to rural development, irrigation, agriculture and resettlement projects, as well as basic human needs.

experts' meeting in January 1981 (Führer, 1980) decided to give the role of women increased focus in aid reviews and statistical reporting (OECD, 2006). France, Sweden and The Netherlands were in the lead at that point. Around this time, France was changing the nature of its development cooperation from responding to recipient country requests with few conditions to a more directive approach, but in implementing a WID mandate France was concerned about being seen as imposing rules (OECD, 1981). Already, the group was alert to other DAC activities it could influence to ensure consideration of women's issues (e.g., forthcoming meetings on non-governmental organisations [NGO] and on basic education in rural areas). Yet, the author's review of the questionnaires sent out to prepare for those meetings showed that questions seeking members' input on women's issues were left out, indicating more lip service paid by the OECD Development Co-operation Directorate (DCD) secretariat at that time than action taken in response to the group's recommendations. This attitude had to change.

After the January 1981 experts' meeting, the DAC decided on correspondents' status for the WID group, with Karin Himmelstrand of Sweden in the chair (Ulvenholm, 1982a). This status signified a formal membership within the DAC – at long last. DCD's Sune Ulvenholm was at pains to reassure his management that the correspondents' group would not entail too much of a call on DCD resources, although they needed to exercise some "tempering influence on the most far-reaching requests for new initiatives", citing mainly statistical reporting. Ulvenholm goes on to write: "I could show that not even some of the most ardent supporters of an identification of WID activities in various parts of the DAC statistics had been able to provide the simple background requested so far" (Ulvenholm, 1982b). Nonetheless, filling the statistical gaps related to donor efforts to support women in development was one of the most critical challenges ahead.

This single, minimal achievement of attaining correspondent status took some six years. "It wasn't done without effort. Those of us who struggled for it know"[195] (OECD, 1981). Having issues of women in development formally recognised and taken up by the DAC was an important milestone.

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195 The meeting acknowledged the important role of Yvonne Frazer, former head of Women in Development (WID) at USAID.

13.2.3 Agreeing the follow-up strategy and work plans

The in-between, informal workshop in Sigtuna, Sweden focussed group discussions on how to "plan, implement and evaluate projects to make sure women gain strength to become economically more independent". These discussions paved the way for eventual DAC Guidelines on supporting women in development.

"To work with tasks concerning women in development in a donor agency can be lonely and frustrating indeed", as a Sigtuna participant observed (OECD, 1981). Sharing professional experiences and networking were identified as the key benefits of meeting at least once a year. Effective practices of working through a bureau and on the basis of case studies and concrete evidence were developed from the start and have been maintained ever since. Already, budgetary constraints in financing the group's work were emerging: these too have accompanied the group's functioning throughout its existence and led to some innovative off-budget financing efforts over the years, notably to prepare positions and influence outcomes of major international meetings.[196] In that vein, among issues agreed for future work were contributions to the 1985 Nairobi UN Women's Conference (Gherson, 1982).

The "Guiding Principles to Aid Agencies for Supporting the Role of Women in Development" developed by the DAC correspondents' group on WID were endorsed by the DAC high-level meeting (HLM) in 1983. They clarified objectives, policy responses and implementation guidance, with a provision for review in each member's annual memorandum to the DAC and in the aid review process, the DAC's consummate mechanism for inducing policy change. A review of the application of the Principles was scheduled just before the 1985 UN Women's Conference (OECD, 1983). The Principles represented a "first" in the conceptualisation of knowledge that became a consistent value-added by the DAC gender group throughout its existence.

Meanwhile, in April 1984, the DAC approved the objectives and work programme of the WID group and proposed to "upgrade" its status. To

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196 Former OECD secretariat member Patti O'Neill, who was associated with the DAC's gender work for 16 years, either as New Zealand's representative or as coordinator of the GENDERNET and later head of division, clarifies that members were often prepared to support the gender-related work but the perversities lay in financing the DAC's so-called core priorities first (personal communication).

meet the reservations of some members such as Japan, which considered permanent status unnecessary, the chair's compromise was to establish the WID expert group on an interim basis for two years at which time the DAC would review its mandate (OECD, 1984).[197] The annual four person-months of secretariat support proposed was significantly less than resources provided to other groups and considered inadequate in relation to the priority accorded to the topic (McAllister, 1984). The importance of a supportive, adequately funded secretariat was becoming increasingly evident over time.

In his "Twenty-Five Years of Development Co-operation" report, DAC Chair (1982-86) Rutherford Poats set out a global agenda with 10 themes for future action in development cooperation. The tenth was framed "to bring women more fully into the planning and execution of development programmes and the enjoyment of their benefits" (OECD, 1985, p. 285). This theme was to be operationalised based on the DAC's 1983 "Guiding Principles to Aid Agencies for Supporting the Role of Women in Development". These Principles were revised in 1989. The DAC HLM of 1989 adopted a policy statement on "Development Co-operation in the 1990s" in which a key goal is "enabling broader participation of all the people, and notably women, in the productive processes and a more equitable sharing of their benefits."

In a less publicised but milestone decision, also in 1989, the DAC approved the methodology for statistical reporting of activities oriented towards women,[198] ending a decade-long debate and launching gender-specific reporting of aid activities (Gildea, 1993a). In 1993, experience in applying the methodology was reviewed and assessed. Its dual purpose – as a tool for statistical reporting and as an awareness-raising instrument at design and implementation stages – was assessed positively in terms of inducing members to put policies and systems into place where they were lacking. It was evaluated negatively for its complexity and lack of comparability in members' application of the methodology. The environment community had

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197 Nonetheless, 1984 is the year of the officially recognised creation of the expert group, with Diana Rivington of Canada in the chair. The group was renamed a working party in 1998 and ultimately a network in 2004, as it remains at the time of writing.

198 In essence, based on four criteria, a project can be classified as either "WID-specific", where women are the primary and main target group, or "WID-integrated", where women are identified explicitly as part of the target group of all main project components. In either case, 100% of the project amount is recorded in order to indicate "levels of effort" by donors to include WID in programme and project planning and development.

adopted the same orientation. The conclusion was that further study was needed to further improve this innovative methodology.

Meanwhile, the WID expert group pursued its strategy of cooperation with various strands of ongoing DAC work.[199] Members systematically briefed their sector-specialised colleagues on relevant women's issues and took the innovative initiative of organising training for the DCD secretariat to help them better address and integrate gender considerations into their preparatory work for DAC meetings (Borghese, 1991; Führer, 1992). Work proceeded on integrating cross-cutting issues into members' evaluation efforts. Members discussed the dual aim to both challenge the mainstream and be part of it, namely to set or transform the agenda, while integrating WID issues into the mainstream at the same time (Jahan, 1992).

13.3   A strategic leap for the Beijing Conference

13.3.1 Key role for expert group in Beijing preparations

The WID expert group's five-member bureau functioned as a steering and strategic planning committee elected from the membership. In addition to meeting immediately before the annual expert group, the bureau met twice each year, usually hosted by one of the bureau members. In the 1980s and '90s, the bureau experienced a tension between the requirement that they influence the wider work of the DAC (in accordance with the WID expert group's mandate) and the bureau's ambition for the expert group to coordinate among themselves and with other international networks to change the structures, policies and ways of working to more effectively promote gender equality. The preparations leading up to the 1995 UN Beijing Women's Conference provided an opportunity to pursue the latter wider agenda. The bureau proposed to the expert group an intensive four-year programme of work in relation to Beijing that, incidentally, led to trailblazing a collectively-funded collaborative effort.[200] The first such was BRIDGE, a WID briefing service financed through a membership basket fund (launched in 1992) and

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199 Including water supply and sanitation, the "human face" approach to structural adjustment, relations with NGOs, urban problems, African agriculture, health and population, education and appraisal.

200 Richard Carey (OECD Director for Development Co-operation 2007-2010) in an observation in 2012 to Rosalind Eyben (Chair of the DAC WID expert group 1991-93).

the second, the more ambitious DAC Beijing facilitation initiative. This was designed to track and coordinate bilateral funding and technical support so that available bilateral resources were equitably distributed across countries to both official organisations and NGOs, as well as to multilaterals.

At its meeting in February 1991, the bureau agreed to approach the DAC's evaluation working group to review how the DAC membership had implemented the forward-looking strategies for the advancement of women agreed at the Nairobi UN Women's Conference in 1985. Later, long-serving participants reminded the plenary WID expert group of their agencies' failure to coordinate their support to developing country partners' preparations for and participation in the Nairobi Women's Conference, resulting in some countries and organisations receiving considerable support and others almost none. Bureau members contracted consultants for different preparatory tasks with terms of reference agreed by the whole bureau, including an evaluation of members' support to "national machineries" in developing countries and an assessment of DAC members' WID policies and programmes, jointly with the DAC expert group on aid evaluation (Gildea, 1993b). In 1992, the WID expert group approved the DAC Beijing facilitation initiative.[201]

To strengthen coordination with the WID expert group's counterparts in multilateral organisations, the latter were invited to the expert group seminar on mainstreaming held prior to the annual meeting in 1992. It was the first formal gathering of the WID expert group joined by multilateral agencies, a politically and mutually beneficial mode of operation which has continued successfully ever since. Strong links were also established with Gertrude Mongella, the newly appointed Secretary-General for the UN Beijing Conference who contributed to the expert group's 1993 seminar and annual meeting.

Between 1993 and 1995, the DAC WID expert group bureau met on the margins of the annual meetings of the Commission on the Status of Women (CSW) that served as the preparatory conferences for the Beijing Conference. At the CSW in March 1994, the WID expert group hosted a seminar to identify key themes and messages it would like to see come out of Beijing: "Achievements and Obstacles in Women in Development: To Beijing and Beyond", notably: share power equally; release women's

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201 The initiative was managed by a consultant, Emma Hooper, who reported to the chair but whose fees and costs were covered through sequential contracts with different DAC members.

economic potential and overcome poverty; further human rights for women; educate women for sustainable development; improve women's health.[202] The key concerns were similar to Amartya Sen's concept of "agency" or participatory capability (Sen, 1999). As a consequence, Mongella invited the expert group to nominate a representative to participate in the informal "kitchen cabinet" meetings that she was establishing to work with the UN secretariat in drafting the Platform of Action to be finalised at Beijing.

At the Beijing Conference itself, WID expert group members were part of their respective country delegations but stayed closely in touch. One of them later wrote:

> The diplomatic nitpicking over the placing of a comma, the tedious processes and the behind-the-scenes dramas of trying to produce a Platform for Action were typical of any international gathering. Yet Beijing was also a conference of a social movement and not just at the vibrant civil society forum. The ideas and passions generated at the forum were discretely at work among the official delegates. (Eyben, 2015)

13.3.2 A blueprint for women's empowerment

The final "Beijing Declaration and Platform for Action" (UN, 1995) was a blueprint for women's empowerment, with comprehensive commitments under 12 critical areas. It encapsulated the twin track approach of gender mainstreaming and empowering women that was the foundation of the DAC's approach to achieving gender equality.

Inspired by the Beijing process, the 1995 DAC HLM endorsed the statement "Gender Equality: Moving Towards Sustainable, People-Centred Development" (OECD, 1995). The focus was shifting beyond a WID approach to a broader gender equality vision, away from sector-targeted aid towards delivering benefits to people and societal groups, and progress towards equality between men and women was seen as essential to this. The HLM thereby affirmed the DAC's twin commitment to "gender equality as a vital goal for development and to gender mainstreaming as a strategy to improve development results, tackle gender disparities and uphold respect

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202 A scribble on the archival material indicated that the OECD's press section refused to publish the draft press release on the seminar as it contained "no news". This was often the reaction regarding material submitted by the DAC – other than headline-grabbing numbers on official development assistance (ODA).

for women's rights" (OECD, 1999). Five years later, progress was assessed. It was found that the HLM statement together with the Beijing Platform for Action had been used effectively by members to argue for stronger commitment to gender equality within their agencies (OECD, 2000a). The WID expert group can claim notable achievements in contributing to the successes of Beijing, especially by ensuring the voices of developing country representatives were heard.

Perhaps also stimulated by the Beijing World Conference, in 1995 the OECD launched an internal process on equal opportunity for women and men in the OECD.[203] Working groups were established in all OECD directorates and drafted action plans for equal opportunity. The DAC's draft "Gender Action Framework", which included gender training, was recommended as inspiration in an internal secretariat note (OECD, 2000b).[204]

While the words "conflict" and "violence" appear once or twice in the DAC's revised 1995 gender guidelines, donor concerns about brutal violations of women's rights were not yet palpable. The contrasting backdrop in Europe was the war in Yugoslavia, notably in Bosnia, and in Africa soon after with the genocide in Rwanda, which served as only too explicit, live examples of extreme violence against women.

13.4 Leveraging impact with the MDGs

13.4.1 The International Development Goals

In 1996, donors resolved to improve their performance in reducing poverty. The DAC's landmark report "Shaping the 21st century: The contribution of development co-operation" (OECD, 1996) (see Chapter 10) was adopted in the context of this renewed commitment and paved the way for the MDGs. Based on stark numbers indicating that more than two-thirds of the world's poor are women, the gender-poverty nexus took greater prominence as a critical analytical issue. "Shaping the 21st Century" set International

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203 Led by Elisabeth Flensted-Jensen, OECD equal opportunity co-ordinator from September 1995 to September 1996.

204 The OECD has launched important gender-equality and women's empowerment initiatives outside of the DAC's activities, notably the Working Party on the Role of Women in the Economy. The DCD secretariat advised and influenced these initiatives, but their stories are beyond the DAC-focussed scope of this chapter.

Development Goals (IDG) for economic wellbeing, social development and environmental sustainability: gender was integrated throughout, particularly in the goals for social development. Of the seven IDGs, those most relevant to gender equality comprised universal primary education (by 2015); progress towards gender equality and women's empowerment demonstrated by the elimination of gender disparity in primary and secondary education (by 2005); a 75 per cent reduction in the rate of maternal mortality (by 2015); and access to reproductive health services and family planning (by 2015). The International Monetary Fund (IMF) called the IDGs "the seven pledges of sustainable development". The challenge revolved around finding measurable proxies for the goals. In 2000, on the eve of the UN Millennium Summit, the IMF, OECD, UN and WB published a joint report, "A Better World for All: Progress towards the International Development Goals" (IMF/OECD/UN/WB, 2000) setting out a statistical framework and a set of indicators for each of the seven goals to track their implementation.

The significant loss between the IDGs and the subsequent MDGs was undoubtedly the dropping of IDG 6 – "access through the primary healthcare system to reproductive health services for all individuals of appropriate ages as soon as possible and no later than the year 2015" (see OECD, 2006). This gap became a key issue to follow up in preparations for the SDGs. Some were disappointed that strategic efforts to promote WID were circumscribed in terms of education and health in "Shaping the 21st Century" and later in the MDGs, rolling back 1990s progress in gaining recognition for issues of GBV, economic discrimination and political exclusion (Fukuda-Parr, 2017). As observed by Rosalind Eyben, "International aid has a chequered history of success in supporting long-term processes of social change. Concerning women's empowerment and gender equality, there is a view that more was achieved in the last decade than the present one" (Eyben, 2007). The highlighting of WID and gender equality issues and goals in these strategic documents, nonetheless, can be seen as an important step forward in integrating WID into international policy-making as a priority.

13.4.2 Moving from commitment to implementation

Despite headway in getting women in development as a priority onto the development agenda, the gap between policy commitments and policy implementation at both headquarters level and in the field was wide. A survey of institutional developments for gender planning suffered a relatively low

response rate with 11 of 22 DAC members reporting. Already by 1997, "gender fatigue" was widespread. The main reason for the somewhat disappointing return was, however, that "Generally growing complexity of work in member agencies and heavy workloads of individual WID/gender equality officers mitigates against full and frank responses to surveys of this type" (OECD, 1997).

The draft survey report examined numerous institutional barriers to success and listed methods to overcome them. Of particular importance was a combined "package" of leadership commitments including ongoing refinement of policies and strategies, monitoring of implementation, and applying incentives and sanctions that improve performance in gender mainstreaming. Exploring links between cross-cutting policy issues was also stressed as a way forward. Country programming staff needed clear policy directions, targets and operational methods. Their demands were heard. The WID expert group took up many suggestions from the survey assessment for its future work.

The WID expert group set to work on guidance to help DAC members operationalise their commitments to gender equality and women's empowerment, including the Beijing Platform for Action and various DAC and other international agreements. During this period, the work on programme aid and other economic policy-related assistance was characterised as particularly efficient due to members' will "to push the limits" and carry out frontline research (Cook, 1996). The re-named working party later finalised major reference reports on gender mainstreaming related to poverty reduction, health, education and the environment. These documents on how DAC members were linking gender with the achievement of the IDGs were later widely disseminated by the working party to help inform and influence the UN system and partner countries (see OECD, 2000c).

13.4.3 Integrating gender into economic analysis and policy-making

Accumulated knowledge on how to integrate gender into economic analysis and policy-making through national budgets, public expenditure reviews, sector programmes and related instruments was another innovative

contribution.[205] Indeed, some of the expert group's products were adapted into textbooks for university curricula. New guidance (OECD, 1999) linked to a source book (OECD, 1998) broadened the notion of women as a target group, emphasising gender equality as a development objective that must be mainstreamed into policy formulation, planning and evaluation, and decision-making procedures. The guidance stressed the importance of partnerships to secure locally-owned strategies, together with DAC members' advocacy role.

By 1999, each DAC subsidiary body had addressed gender equality in some way. The expert group/working party's multi-facetted approach of strategising, networking, coordinating, influencing, learning, training and communicating was proving efficient, particularly in a resource-constrained environment.

Yet, as the "2000 Development Co-operation Report" (OECD, 2001) points out, "policy statements, action plans and gender training, while fundamental, are not enough in themselves. … they are only first steps towards the creation of an enabling policy environment." The findings of the UN implementation review of the Beijing Platform for Action confirmed this (UN, 2000).

13.4.4 Juggling millennial priorities

Shortly after the turn of the century, preparations for Beijing+10 and the UN Millennium Review Summit to review progress in attaining the MDGs called for significant GENDERNET mobilisation, not least to ensure that the two processes connected and strengthened the gender equality and women's empowerment content of all MDGs. Beijing+10 could be a useful vehicle for bringing gender equality once again to the fore in the lead-up to the Millennium Review. GENDERNET[206] partnered with the UN Development Programme (UNDP), UN Development Fund for Women (UNIFEM), UN Fund for Population Activities (UNFPA) and the WB to sponsor an international workshop on gender equality and the MDGs in November 2003. Successful partnerships with civil society were established

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205 Research on gender equality, programme aid, and economic reform fed into a workshop in 1998, followed by joint discussions with the UN of the results of work on women's empowerment in the context of human security in December 1999 in Bangkok.

206 The first GENDERNET chair was Phil Evans (UK), followed by Tjoelker (The Netherlands), Dorthea Damkjaer (Denmark), Ineke van de Pol (The Netherlands).

with women's organisations such as the Association of Women's Rights in Development (AWID) and Just Associates (JASS) to research donor engagement and accountability (Clark, Sprenger, VeneKlasen, Duran & Kerr, 2006). This partnering contributed to the establishment of the MDG 3 Fund in the Netherlands, the Spanish funding for UN Women, and related efforts within Irish Aid and the Danish International Development Agency (DANIDA).

The first decade of the 21st century saw considerable other efforts to ensure delivery of MDG 3: Promote gender equality and empower women. GENDERNET was part of several such efforts, notably by actively supporting development of the WB's action plan for implementing MDG3, "Gender Equality as Smart Economics*",* which focused on harnessing four key markets – product, financial, land and labour markets – to work for and through women. (World Bank, 2006). Faced with initial resistance from within the Bank, GENDERNET chair Tjoelker challenged WB management to produce an action plan for gender equality and women's rights. It was promised and delivered within three months. The Bank's director for gender and development, Mayra Buvinic, often credited GENDERNET with creating the space necessary for the programme to evolve and receive donor backing.[207] WB management in time saw this collaboration as a positive example of how the OECD and the Bank should interact. It was a fine illustration of the innovative insider/outsider political influence that GENDERNET practised so skilfully.

At the instigation of GENDERNET, OECD Secretary-General (2006-2021) Angel Gurría and DAC Chair (2008-10) Eckhard Deutscher participated in the Danish MDG 3 call to action (Tornaes, 2008) as torchbearers committed to doing "something extra" towards the achievement of Goal 3. Gurría committed to foster "increased attention and resources to gender equality" through his participation in the MDG Africa steering group, while Deutscher promised to champion gender equality at important international conferences and to report on progress made in the levels of aid focused on achieving gender equality and women's empowerment. This report appeared in the 2011 "Development Co-operation Report" as a chapter on "Gender

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207 Further examples that Buvinic has cited as having been influenced by GENDERNET include engendering the WB annual "Doing Business" report and Adolescent Girls' Initiative. This has also made the Bank's Board more aware of gender issues and wishing to hold the Bank accountable. Buvinic noted that having GENDERNET as sounding board, catalyst and critic has been valuable (author's notes).

and Development: Translating Commitment into Results" by Michelle Bachelet, then head of UN Women (OECD, 2011a, Chapter 4). It included DAC statistics showing that 31 per cent of all sector-allocable aid committed by DAC members in 2008-09 integrated the achievement of gender equality and women's empowerment as one of its objectives.

In the early part of the decade, results of GENDERNET work on gender-responsive budgeting, budget support, poverty reduction strategy papers (PRSP), sector-wide approaches (SWAP), and guidance for economists and financial specialists were widely shared and "toolkits", "tip sheets" and "briefs" produced, backed up by an economics training workshop. These resources were found invaluable, especially by poorly-resourced agencies and those not previously directly engaged in development. Looming ahead as major concerns for the network were issues related to conflict and peacebuilding, in addition to work on migration and HIV-AIDS. For successful implementation of the work programme, the commitment of a country or institution to take the lead on each area of work remained essential.

13.4.5 Filling the data and disaggregation gap

The lack of sex-disaggregated statistics and data on aid focussed on gender equality challenged GENDERNET and its predecessors throughout their existence, although it was sometimes suspected to be a convenient excuse for inaction. They laboured steadily with the DAC Working Party on Statistics to refine and improve the tools available to track donor support for gender equality and women's empowerment. By 2006, the "gender equality policy marker" had been redefined to improve its use by reporting agencies and to increase the number of reporting members. An activity could be considered to target gender equality either as a "principal objective", i.e., an explicit objective of the activity and fundamental in its design, or as a "significant objective", i.e., gender equality was an important, but secondary objective of the activity.[208] GENDERNET also supported work on making statistics – besides those on development assistance tracked by the DAC – better disaggregated by sex partly through work with the Partnership in Statistics for Development in the 21st Century (PARIS21), whose secretariat is hosted in the OECD.

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208 Starting with 2010 data, the calculation of allocable aid is based on types of aid, no longer on sectors. This slightly extends the scope of aid screened, mainly by including humanitarian assistance. See OECD (2018a).

The publication, since 2007, of "Aid in Support of Gender Equality and Women's Empowerment*"* (OECD, annual) by the GENDERNET secretariat together with statistics staff helped to provide "the necessary argumentation as agencies became increasingly aware of the gap between their stated, and often trumpeted 'political' commitments and the reality of their development investments on the ground".[209] Such gaps between rhetoric and reality were particularly glaring in the area of women's economic empowerment, which had become a priority after the WB report on "Gender Equality as Smart Economics" (World Bank, 2006), and in the field of sexual and reproductive health.

The publication of the data generated by the gender marker has also been invaluable in sparking discussions within agencies that can lead to adjustments or reprioritisation in line with political commitments. It can also create some healthy competition among DAC members. As other units within the OECD (e.g., the Development Centre) and in other international organisations (e.g., AWID) were launching research into data on financing women's organisations and on gender equality, productive complementary relationships on statistical information have flourished.[210] With agencies and civil society using the marker, the GENDERNET and the DAC working party on statistics jointly checked the data. Results of such research were in some instances, e.g., in the case of the Netherlands, presented to parliament and in that case, on the initiative of Minister for Development Cooperation Bert Koenders, contributed to the establishment of the 77 million euro MDG 3 Fund (IOB, 2015). Based on the concrete results of the marker-based research, members and the secretariat strategised with women's rights organisations.

13.5   Just in time to influence the aid effectiveness agenda

13.5.1 From "cross-cutting" issue to "fundamental cornerstone"

DAC members' focus on the longstanding problem of aid effectiveness was coming to the fore with the Paris HLM on Aid Effectiveness scheduled for 2005. The work was being carried out with a significantly new perspective

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209 Personal communication to the author by a DAC delegate.

210 Drawn from comments provided by O'Neill and Tjoelker.

– for the first time partners joined in the reflections (see Chapter 11). With the adoption of the "Paris Declaration on Aid Effectiveness" in March 2005, the train had already left the station without significant integration of gender equality and women's empowerment. Only one paragraph (para 42 concerning the commitment to harmonisation) explicitly mentions the issue (OECD, 2005): The Paris Declaration is "gender-blind" (Etta, 2008). With limited time for corrective action, GENDERNET needed to demystify the Paris Declaration, influence its interpretation and situate gender equality firmly within its implementation support processes. As former OECD secretariat member and GENDERNET co-ordinator O'Neill puts it, "This was truly a crunch point for the network – a case of 'don't get mad, get organised!'".

The dual challenge for the GENDERNET was, first, to understand how enhanced gender equality and women's empowerment are instrumental for achieving aid effectiveness and development results and, second, to demonstrate how gender equality and women's empowerment can be advanced by implementing the Paris agenda for aid effectiveness. Preparations for the 3rd HLM on Aid Effectiveness scheduled for September 2008 in Ghana presented the ideal opportunity to identify the critical "entry points", get back on track, and both hop aboard and orient the effectiveness train.

After the adoption of the Paris Declaration, there was some frustration among DAC delegates about the DAC networks working on "their issues" instead of working on the core business of the moment, namely aid effectiveness.[211] All DAC delegates and the chairs of the networks met. As DAC spokesman, Dutch delegate and DAC vice-chair Jeroen Verheul asked: "Are you networks still relevant for improving aid effectiveness?" At that moment, the Canadian chair of ENVIRONET Pierre Giroux and Dutch chair of GENDERNET Tjoelker invited the delegates and DAC Chair (2003-08) Richard Manning to brainstorm in The Hague on making the networks relevant to the agenda of aid effectiveness.

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211 In recalling this criticism, O'Neill observes her surprise but also that it reflected "something of the isolation and the sense of 'battling alone' that many gender advisors felt within their own agencies – often so buried in the complexities and pressures of their own jobs that they did not reach out to colleagues who could help them do a better job or whom they could help" (personal communication).

Manning[212] indeed came to The Hague in December 2005, as did all the chairs of the DAC networks and some delegates. GENDERNET had redefined its focus so that its mandate was directly relevant. They just needed a paper "to write it all down", as Tjoelker recalls.

As a result, a ground-breaking paper by consultant Catherine Gaynor for Irish Aid on the Paris Declaration, aid effectiveness and gender equality, keynoted at the Nairobi meeting of the UN Interagency Network on Women and Gender Equality in January 2006, spurred the damage repair process. Bilateral and multilateral partners began thinking about the Paris Declaration as an opportunity for advancing gender equality. Consistent with its successful track record of tackling challenges both strategically and pragmatically, at its fourth meeting in July 2006 the GENDERNET held a workshop based on the concrete experience of Zambia and, based on an updated version of Gaynor's paper, identified a number of aid effectiveness entry points to advance its work.

At this stage many of those working on the Paris Declaration at central and country level saw it as a bureaucratic and technical process – "the nuts and bolts of how to fly the plane and not about the journey", as Gaynor told the author. Following a short presentation to the eighth meeting of the Working Party on Aid Effectiveness (WP-EFF), several members offered positive support for learning more about the gender dimensions of the Paris Declaration process. Over the ensuing eight months, members and the secretariat of GENDERNET, along with the DAC subsidiary bodies working on the environment and on governance, plus the DAC's WP-EFF, pulled together a major workshop on development effectiveness in practice: "Applying the Paris Declaration to Advancing Gender Equality, Environmental Sustainability and Human Rights", held in April 2007 in Dublin.

Joining up with two other "cross-cutting" issues (environment and human rights[213]) gave GENDERNET leverage, critical mass and an opportunity for mutual learning and support in going forward to Accra. Tapping influential

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212 The participation of Manning and Carey was important for the gender unit in the Dutch ministry as the director general for international development cooperation received them. It put pressure on the Netherlands to continue to lead on gender equality and women's rights (personal communication from Tjoelker).

213 Human rights were at the time part of the work programme of the DAC's Network on Governance (GOVNET).

leaders, notably Ireland's former president (1990-97) Mary Robinson, to lend their voices and drive to the workshop deliberations and takeaways strengthened the reach and impact of such a meeting. The case studies, powerful testimonies by developing country representatives such as Paul Lupunga of Zambia and the conclusions drawn, plus the work on aid effectiveness entry points, armed the participants with concrete proposals to take to Accra. The workshop recognised that gender equality, human rights and environmental sustainability are "fundamental cornerstones for achieving good development results; can be advanced through implementing the principles of the Paris Declaration; and must be harnessed to advance the implementation of the Declaration" (author's personal papers). Dublin, like Beijing, became a high point in the GENDERNET story. From then on, GENDERNET's influence over the aid effectiveness process soared.

On the way to Accra, a subsequent workshop organised by the UK Department for International Development (DfID) in London in March 2008, built on the Dublin results. It reinforced gender equality as being a fundamental cornerstone for development, along with human rights, environmental sustainability and social inclusion. The London workshop further reinforced President Robinson's Dublin plea to make the Paris Declaration more "accessible", to "demystify some of the concepts and the jargon". The message from London, where Robinson also participated, was that the HLF and the Accra Action Agenda must be firmly based on improving people's lives, not purely technocratic – people-centred, not purely technical. Its success should be measured against key development issues, such as human rights, gender equality and social inclusion, not just aid efficiency; furthermore, accountability should be directly related to those key issues.

In parallel, in 2007, GENDERNET launched work to review its 1999 Guidelines to reflect the latest strategies and practices in development cooperation. The review convinced members that the twin track approach of the Guidelines – pursuing both gender mainstreaming and targeted interventions – continued to be a valid strategy. Rather than revise the existing Guidelines, members decided to complement them with "Guiding Principles for Aid Effectiveness, Gender Equality and Women's Empowerment" (OECD, 2008a).

Armed with political support, concrete, country-based evidence and updated guidance, the GENDERNET was well-equipped to play a powerful role in the Third High Level Forum on Aid Effectiveness held in Accra in September

2008 (see Chapter 11). To make up for lost time and for the gender-blind Paris Declaration, GENDERNET organised, mainly with Denmark and Ghana, a ministerial-level event dedicated to gender equality. This marked the first time gender equality had been addressed in any formal setting in the aid effectiveness context.[214] The power of dialogue was at work. As a result, the language incorporated into the Accra Agenda for Action (OECD, 2008b), henceforth read together with the Paris Declaration (OECD, 2005) as a complementary package, provided the necessary policy grounding and actionable commitments to ensure that gender equality would remain critical to the aid effectiveness agenda.

13.5.2 Measurement tools

This important political victory was reinforced by the adoption of a 'gender equality module' comprising three indicators that would help measure progress in the areas of ownership, results and mutual accountability. Twenty-four countries (out of 74) tested the optional module in the course of the 2010-11 Paris Declaration monitoring survey. A robust set of lessons was derived from this process, including the need to match gender equality objectives and commitments with adequate resources; apply the twin track approach; collect sex-disaggregated data; strengthen the accountability framework; and better protect women in conflict situations and include them in statebuilding processes (OECD, 2011b).

GENDERNET could claim several other notable achievements as the decade came to a close. One example was the increased use of the gender equality policy marker by DAC members, joined by some UN entities, allowing for significant, broad-based monitoring of development resources focusing on gender equality. The marker is the preeminent tool for monitoring funding for gender equality and women's empowerment. It is the tool that has allowed GENDERNET to draw attention to insufficient funding and to hold its member governments accountable.

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214 Personal communication from Jenny Hedman, who provided secretariat support to GENDERNET from 2006 to 2013 and since 2017.

13.5.3 Advocacy

GENDERNET's advocacy through an informal working group influenced the WB's choice of gender equality as the theme of the "World Development Report 2012" (World Bank, 2012) as well as the inclusion of gender equality as a special theme for its International Development Association (IDA) replenishment in 2016. GENDERNET's focus on these priorities did not prevent concomitant learning and innovation in areas such as agriculture, peacebuilding and statebuilding, trade, economic empowerment and managing for results. The approach was always to influence and partner with other policy communities, rather than to substitute for them.

As the decade came to a close, the OECD launched an organisation-wide project on Gender Equality in the Economy focussing on the "three E's" – education, employment and entrepreneurship. GENDERNET's secretariat provided important support in the conceptualisation and implementation of the project. As the work evolves, it reflects the increasingly economic emphasis of gender equality issues in the sense of the costs of neglecting women's unpaid work, as well as the mismatch between educational gains and employment opportunities.

Despite these significant achievements by the GENDERNET, the first decade of the 21st century closed with gender equality and maternal and child health recording the greatest gap between MDG targets and actual progress (Deutscher, 2011). On the ground in Darfur, Sudan, during most of the decade, as the rest of the world looked on, violent and widespread rape resurfaced as a weapon of war and tool of genocide.[215]

13.6 Including gender in the Sustainable Development Goals

On the way to the fourth High Level Forum on Aid Effectiveness (HLF-4) in Busan, South Korea, (29 November-1 December 2011), momentum for ensuring that gender equality would count seriously in the aid effectiveness process was assured. At the 2011 OECD Council meeting at ministerial level, the WB, UN Women and the OECD agreed to work on a joint plan to be presented in Busan "to make existing data on gender equality more

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215 Sudan, along with four other states, is not a party to the Convention on the Elimination of All Forms of Discrimination against Women (CEDAW).

comparable and identify a list of common indicators to measure progress towards gender equality" (OECD, 2011c). The relevance of the 2008 Guiding Principles and the success in applying the three "optional" indicators of the 2010-11 monitoring survey provided both the political setting and the evidence to argue for a mandatory indicator in the Global Partnership for Effective Development Co-operation (GPEDC)[216] monitoring framework as of 2012.

This indicator was developed by the OECD (GPEDC and GENDERNET), UNDP and UN Women and was later picked up in the SDG process and became indicator 5.c.1, "Proportion of countries with systems to track and make public allocations for gender equality and women's empowerment". The methodology was refined by the three organisations in 2017, and it officially became a "tier II" SDG indicator in November 2017 (UN, 2018), monitored by the GPEDC.

GENDERNET contributed much more than an indicator to Busan and later to the SDG process. Significant effort went into pushing for a twin-track approach, with one dedicated goal plus gender equality mainstreamed throughout the other goals. As Enna Park wrote about the "gender initiative" in her Introduction to the Busan Proceedings document:

> Korea, in close cooperation with the United States, the UN Women, and the GENDERNET, successfully placed the issue high on the effectiveness agenda. The political support rendered by the UN Women and Secretary of State Clinton was also instrumental to highlighting the significance of gender equality and women's empowerment for development effectiveness. As a result, a special session on Gender Equality was organised as the main event of the Busan forum and a Joint Action Plan for Gender Equality and Development was adopted. More than twenty countries and organisations rendered support to this voluntary action plan. (OECD, 2011d)

The GENDERNET ensured that the twin-track approach carried through to the SDGs, several of which target women's economic empowerment while SDG5 focuses specifically on gender equality. Some behind-the-scenes developments made GENDERNET's involvement in the SDG preparations particularly desirable. In its annual consideration of a priority theme from the Beijing Platform of Action, the UN Commission on the Status of Women (CSW) was unable to reach agreed conclusions on the 2012 theme of "rural women". Denmark and the United Kingdom, concerned about the

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216 The GPEDC was created at the Busan High Level Forum (see Chapter 11).

credibility of the newly formed UN Women, led a concerted effort from November 2012 to prevent negative fallout and any similar outcomes at future CSW meetings. A series of formal and informal meetings, in which the DAC GENDERNET secretariat played a critical role, identified headline priorities[217] for gender equality and women's empowerment and these carried through to the formulation of the SDGs. As former DAC chair Manning observed referring to GENDERNET: "They did the analysis – gender is in every paragraph."[218] GENDERNET helped to ensure that gender equality would be a priority in the SDGs.

Five years later, the year 2020 was expected to draw considerable attention to gender equality issues a quarter of a century after the UN Beijing Conference and two decades after the adoption of the landmark UN Resolution 1325 on Women, Peace and Security. Resolution 1325 "reaffirms the important role of women in the prevention and resolution of conflicts, peace negotiation, peacebuilding, peacekeeping, humanitarian response and post-conflict resolution." It "stresses the importance of their equal participation and full involvement in all efforts for the maintenance and promotion of peace and security." (UN Security Council, 2000). Instead, the coronavirus pandemic is drawing attention to the alarming risks to women. They account for 70 per cent of the global health workforce in the frontline of the pandemic. The statistics are already showing a surge in domestic violence, including in OECD countries, among other GBV issues. Reduced health and education facilities for maternal care and childcare are already taking a toll. Economic vulnerability is hitting women strongly as they hold some of the most precarious jobs and have limited employment opportunities. The burden of care on women is already high in developing countries and this is now intensified by issues of basic survival, with food security and food sufficiency already becoming critical issues in certain countries. And still, very few women sit at the decision-making tables to address these current and other longstanding issues (Georgetown Institute for Women, Peace and Security, 2020).

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217 According to O'Neill, by 2013, it had become clear that GENDERNET members had given little thought to what the post-MDG priorities should be. The GENDERNET secretariat issued a flyer, backed up with data, that suggested education for girls, violence against women, economic empowerment, participation and family planning.

218 Author's personal papers.

13.7 Conclusions

As often emphasised by former DAC chairs and senior officials, by focussing on the core business of the DAC, by basing work on solid evidence, and by influencing multilateral organisations and other subsidiary bodies, the gender equality and women's empowerment group in its various incarnations – members and secretariat together – have succeeded in raising the profile of the gender equality imperative significantly. Successes have often been linked to a few strategic members who wielded influence within their own agencies, reinforced by the power of the group as a whole: together, they took advantage of opportunities to form strategic partnerships across the globe. GENDERNET and its predecessor groups have been credited with influencing their own members in development departments but also international organisations, emerging partners and civil society.

GENDERNET has been both the training and proving ground for successful and influential careers. Members have become ambassadors, field representatives, academics and taken up other influential posts, positioning them to expand the impact of GENDERNET work. Through numerous partnerships formed over the years, be it the Beijing Facilitation initiative or the biennial workshops with UN agencies through the Interagency Network on Women and Gender Equality (IANWGE), GENDERNET has promoted mutual learning and strategically influenced partners. Given the political vicissitudes of development priorities and frequent marginalisation of women's issues, GENDERNET and its predecessors have provided a safe space for exchanging experience and strategising, a platform for accountability, and a source of confidence-building, support and solidarity for their members. Political leadership is essential and the politics of innovation and influence as practised by the GENDERNET have served to empower and support gender-friendly leaders to bring along their peers.[219]

Yet, comparing the 14-point World Plan of Action dating back 45 years (1975) with the later Millennium (2000) and Sustainable Development Goals (2015), as they pertain to women, reveals both significant comparability and serious unfinished business. Paddy Coulter, a moderator at the workshop in Dublin in 2007, referred to going "from high ambition to sordid reality". On the one hand, the gender equality and women's empowerment messaging has

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219 The DAC elected its first woman chair, Charlotte Petri Gornitzka, in 2016, 56 years after its creation. The second, Susanna Moorehead, was elected in 2018.

been consistent. Political awareness and commitment have surged. Progress in analysis and formulating operational strategies is tangible. Yet, on the other hand, this has insufficiently carried through to monitoring, results, and mutual accountability frameworks, then benchmarking and peer review, as Robinson had advised it should in Dublin. The underlying issue of unequal power relations between men and women remains virtually unaddressed (Peralta, 2005). Gender equality and women's empowerment commitments remain under-resourced and poorly implemented. The biggest failure of mainstreaming continues to be in ensuring accountability.

The 2030 Agenda for Sustainable Development and the SDGs provide a roadmap for all countries to follow, but early indications still point to the longstanding problem of more rhetoric than practice. Recent GENDERNET reports show that in 2016 there was no greater financial priority being placed on women's economic empowerment than in 2007 (OECD, 2016, 2018b). The 2019 issue of the OECD Development Centre's Social Institutions and Gender Index (SIGI) shows that despite progress in securing political commitments, legal reforms and gender-sensitive programmes, in many countries these "are still not being translated into real changes for women and girls. Gender-based discrimination remains a lifelong and heterogeneous challenge for women and girls" (OECD Development Centre, 2020). Challenges do not diminish. The need for politically aware leadership and mutual support for those working on gender equality has never been more necessary than now, given the global rise of politically and socially conservative forces that are challenging and putting at risk many of the hard-won rights of women.

Moreover, as observed by Tlaleng Mofokeng, a member of the Commission for Gender Equality in South Africa:

> Modern development strategies often recognize the pivotal importance of enabling women to fulfil their potential and contribute effectively to their economies. Yet they fail to recognize the need for concerted action to protect women from violence and uphold the rights of victims. They are thus grossly inadequate. (Mofokeng, 2020)

GENDERNET can be credited with innovation, influence and knowledge-building resulting in important progress – progress in awareness-raising, analysis, mutual learning, tools, partnerships, political will, policy change and often legislation, though legislation often observed only in the breach. The advances must be preserved. From a time of virtual "zero recognition"

to a gradual, cautious acceptance two generations ago, gender equality and women's empowerment have surged to the top echelon of developmental priorities. Having played a vital role in getting us there, GENDERNET needs to safeguard and build upon these achievements, paying greater attention to the scourge and current surge of gender violence, economic discrimination and political exclusion for the future of women on the ground like those in Bentiu, South Sudan, all over Afghanistan and hundreds of millions more worldwide.

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14 Tipping point: environmental protection and sustainable development

Alexandra Trzeciak-Duval

Abstract

Environmental issues have been on the OECD Development Assistance Committee (DAC) agenda for some 50 years. This chapter reviews the response over this period of the DAC, along with others in the international community, to the increasing scale and impact of environmental degradation on development.

It traces the influences, notably of major United Nations (UN) conferences, as well as the confrontations, notably with developing country views of environmental issues – but also between development and environment communities – that have shaped this evolving awareness. It highlights DAC cooperation with other OECD bodies, most particularly the Environment Committee, subsequently the Environment Policy Committee (EPOC), showing the Organisation at its best through joint, cross-organisational analytical and policy work, and in strategic alliance between development and environment ministers. As the world prepared for the 1992 UN Earth Summit in Rio, the DAC created a specialised working party for environment and development with a dedicated secretariat. This group continued working closely with the Environment Directorate and others across the OECD on analyses and recommendations that ranged from technical issues to economic policy options. The DAC provides significant support to the international community in tracking development assistance for the environment and sustainable development, including under the three Rio Conventions (on biodiversity, climate change and desertification) as well as water-related aid flows. Several measurement issues remain to be tackled as countries seek to meet their sustainable development goals (SDG).

14.1 Introduction

As early as 1972, the chair of the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) was reflecting on the far-reaching consequences of anthropogenic damage to the earth's environment:

> The material improvement in man's condition over the millennia since homo sapiens became a distinguishable species has resulted from success in dominating his environment. Only in recent years has any awareness developed that the accelerating pace and, in some cases, the nature of this domination might have undesirable effects on the material wellbeing of mankind. (Martin, 1972, p. 27)

Initial DAC forays into environmental issues were related to science and technology, in cooperation with other parts of the OECD. At the same time, development actors were questioning the focus on gross national product (GNP) as the primary measure of developing countries' success. This led to a shift in emphasis to other problems, including basic human needs and environmental issues. The DAC became a key "go-to" organisation in terms of preparing meetings such as the 1972 United Nations (UN) Conference on the Human Environment in Stockholm. The careful conference preparations led to agreement ahead of its time on the need for global cooperation for certain global issues – a precursor to the notion of global public goods (GPG).

The food and oil crises of the 1970s led to a greater awareness of the importance of resource management, environmental protection and population easing. Still, during the 1980s developing countries remained sensitive to being "pushed" on matters such as pollution and environment, considering these to be rich-country problems. A DAC chairman's report 10 years after Stockholm led to the realisation that developing countries could not address the massive problems alone. The environmental impact assessment (EIA) and other tools were developed. In 1987, the notion of sustainable development gained currency with the publication of the Brundtland Report, "Our Common Future", and the DAC high-level meeting (HLM) of 1988 recognised that environmental protection had to be taken into account in the whole range of development activities. The following year, the DAC created a working party on development assistance and environment (now ENVIRONET).

A first joint meeting of development and environment ministers was held in 1991 as a prelude to the UN Rio Earth Summit of June 1992. The Commission created to follow up the summit enlisted the DAC's help in monitoring environment-related resource flows, including in support of the three Rio Conventions on biodiversity, climate change and desertification. The DAC's new vision for development cooperation, "Shaping the 21st Century"*,* led to the prominence of environment in the Millennium Development Goals (MDG) and then the Sustainable Development Goals (SDG). Despite efforts on the part of the DAC and the OECD Environment Policy Committee (EPOC) to achieve Rio objectives, they decided that a second joint ministerial meeting in 2006 was needed to reinforce and recast cooperation. Intensive work on the Rio markers, climate adaptation policies, capacity building and sustainable finance for water and sanitation ensued. The OECD's 2011 "Green Growth Strategy" led to the DAC's policy statement to the Rio+20 Conference, with green growth strategies along with better measurement and valuation of environmental costs and benefits as important work ahead.

Despite the many successes over the past 50 years, at this crucial tipping point in the face of accelerating environmental challenges worldwide, the DAC needs to step up its contributions to and partnerships in environmental protection, sustainable development and green growth.

14.2   A burgeoning awareness of environmental threats

14.2.1 Science first

The year was 1962, not long after the creation of the OECD and the DAC. Marine biologist Rachel Carson published a warning about environmental destruction entitled "Silent Spring" (Carson, 1962). Some of today's "baby boomers" (those born between 1946 and 1964)[220] might trace their adolescent awakening to the importance and nature of environmental problems back to that publication. The glorious 30 years following World War II (WWII) brought unprecedented peacetime economic expansion and a "sky's the limit" mentality in many circles, especially among industrial leaders. Yet,

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220 Approximate measures of changing human generations are used in this chapter to contrast the rapid passage of real time with the snail's pace of change in attitudes and policies towards environmental protection and sustainable development.

the fallout from seemingly limitless prosperity was beginning to mar the picture. In the words of Bill Long, OECD Environment Director from 1988 to 1998, "by the mid-1960s national delegates to the OECD began to bring their government's (*sic*) environmental concerns into that forum." By 1969, the OECD meeting of the council at ministerial level tasked the Organisation with exploring the "problems of modern society" brought on by the unprecedented boom[221] (Long, 2000).

Environmental issues were also initially absent from the policy concerns of the DAC. Its earliest traceable work related to the environment was science- and research-based. In 1971, the DAC established a planning group on science and technology (S&T) for developing countries to advise members on research priorities, bringing together the DAC and two other OECD bodies, the Committee for Science Policy and the Development Centre.[222] Members saw this informal consultative group as having a "unique character" and as "playing a legitimate and useful role as a catalyst, a stimulator bringing to the fore subjects that are of urgency, but fairly neglected or not well-formulated" (OECD, 1973). As early as 1970, OECD Secretary-General (1969-84) Emile van Lennep recognised the need for an integrated approach to environmental problems (Long, 2000, p. 35). Collaboration across OECD committees on environmental concerns was thus put into productive play from the start.

Examples of S&T subjects identified early on included water supply, mineral exploration and "improving scientific infrastructure of developing countries having reached a certain stage of scientific development like Mexico, India, Brazil" (OECD, 1973). The work also covered topics such as utilisation of tropical forests, vector and pest control, non-conventional energy sources, building, techniques for assessing hydrological potential, and mineral prospecting techniques (OECD, 1973). A first workshop on S&T cooperation

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221 For example, a major crude oil spill in Santa Barbara in 1969 caused by a well blow-out on Union Oil's Platform A, which resulted in significant bird and other marine animal killings, apparently made Californians aware of environmental risks and sparked national outrage in the United States. It was the largest US oil spill at the time. Such an event raised environmental awareness and concerns more broadly.

222 US President John F. Kennedy proposed the creation of the OECD Development Centre in a speech in 1961. The Centre was established in 1962 as a platform for sharing economic and social development policies open to both OECD members and non-members. As of June 2021, the Development Centre comprised 27 OECD countries and 28 developing and emerging economies.

with the participation of developing countries was held in 1978 (OECD, 1985, p. 82).

14.2.2 Economic measures vital, but not sufficient

At the same time, those involved in the development enterprise were questioning the focus on GNP in developing countries as the sole or primary measure of success. In 1970, the UN General Assembly (UNGA) approved a strategy for the second development decade 1971-1980 (DD-II) that embraced the importance of job creation and fulfilling "basic human needs" such as education, health and family planning (UN, 1970). In the DAC chairman's 1971 review of the efforts and policies of DAC members, chair (1968-73) Edwin Martin sought "a new focus on other problems such as population growth, education, malnutrition, job creation, agricultural research, science and technology, and the environmental crisis" (Schmelzer, 2016). The stage was set for a significant change of emphasis, although issues and difficulties with measuring and valuing environmental costs, benefits and externalities complicated the task ahead. According to the UN and as applied by the OECD:

> environmental externalities refer to the economic concept of uncompensated environmental effects of production and consumption that effect consumer utility and enterprise cost outside the market mechanism. As a consequence of negative externalities, private costs of production tend to be lower than its 'social' cost. (UN, 1997)

This means that activities such as cleaning up pollution or deforestation are calculated as positive contributions to GNP.

The questioning of GNP as a primary measure may have started around 1970, yet more than 20 years later, then US Senator Al Gore wrote:

> Yet when the World Bank … and national lending authorities decide what kinds of loans and monetary assistance to give countries around the world, they base their decisions on how a loan might improve the recipients' economic performance. And for all these institutions, the single most important measure of progress in economic performance is the movement of GNP. For all practical purposes, GNP treats the rapid and reckless destruction of the environment as a good thing!" (Gore, 1992, pp. 184-5)

Such paradoxical issues of measurement and valuation challenge analysts to this day.

14.2.3 Avoiding North-South clashes

Soon after the DD-II was launched, the international community was gearing up for the UN Conference on the Human Environment held in Stockholm in mid-1972, in which the OECD participated. In the course of preparations for Stockholm the OECD created an Environment Committee, while both developing and developed countries engaged forcefully in discussions over whether environmental protection and economic growth were legitimate and compatible goals for countries rich and poor. Developing countries tended to associate environmental concerns with the ills and luxuries of rich countries, while they themselves were more concerned with their own poverty and lack of food, education, health facilities, housing and jobs.

The first DAC discussion of environmental problems in developing countries and their implications for aid policies took place in January 1972 with representatives of the OECD Environment and Trade Committees. The discussion was welcomed in the light of the forthcoming Stockholm Conference, but also in its own right. Members particularly wished to avoid a confrontation with developing countries and thus shunned uniform principles to be applied universally. As the United Kingdom (UK) delegate suggested: "There should be some kind of agreement on checklists and project appraisal techniques as well as some international monitoring of pollution." The DAC looked towards the World Bank (WB), which was already using such checklists. The DAC chairman suggested that such work could be funded from environmental rather than aid appropriations (OECD, 1972a), an early example of differing perspectives between environmental and development experts.

The knotty issue of "additionality" was by then squarely on the table. Donors were on notice that developing countries expected additional finance to cover environmental protection needs. Calls for additional financing had already been recorded, including in UN Resolution 2657 (UN, 1970). Germany suggested that the principle of "polluter pays" applied, although who was responsible for causing the pollution was not always clear. The United States (US) and the UK expressed strong reservations regarding UN language about "making available … additional international technical and financial assistance" (UN, 1970) for the purpose of preserving and enhancing the environment. The UK also resisted any pressures for compensation. DAC members were unable to reach any agreement on additional financing because

their discussion highlighted too many unknown factors related to monetary or economic values and possible cost implications (OECD, 1972a).

Maurice Strong, Secretary-General and driving force of the Stockholm Conference, faced challenges with less-developed country participants, but personal visits and regional seminars were part of the convincing process that continued in Stockholm. The Founex report, based on a meeting in Founex, Switzerland in June 1971, was regarded as the first document "to identify key environment-development objectives and relationships, and contributed to locating and bridging the policy and conceptual differences that separated developed and developing countries" (UNEP, 1971). It was the basis for the "Development and Environment" document for Stockholm (Martin, 1972, p. 152; UNEP, 1971).

One month before the Stockholm Conference, Strong came to brief the DAC. He stressed that the conference was intended as a starting point to heighten awareness of environmental problems for development, define the issues and provide direction in managing them. At Stockholm, the decision to create a new centre for environmental issues was to be taken, and a special fund of $100 million over five years proposed by the US would be justified on environmental, not development assistance, grounds. Whether developing countries would be satisfied with the amount proposed remained to be seen, the implication being that they would take action only with assistance from developed countries. No DAC members stated their intention to increase resources for environmental purposes, as they had not even met DD-II goals. As a strategy for Stockholm, the US suggested arguing that DAC members were actively trying to increase aid resources, implying additionality but waffling at the same time by keeping such increases within aid flows (OECD, 1972b). As the Stockholm process illustrated, consultations with the DAC were an important part of preparations and efforts to avoid North-South confrontations in international negotiations.

Having aired and debated their differences in advance, both groups of countries were able to find consensus in Stockholm on future collaboration, unlike in some other contemporaneous fora where North-South issues were divisive (Long, 2000, pp. 11-12). This consensus included agreement that some global issues such as pollution required global cooperation, well before the notion of "globalisation" gained currency in the 1990s or the associated concept of GPGs sometime later. Developing countries would accept, at least tacitly, a proposal for global environmental standards in certain sectors,

the need for global monitoring, a UN staff entity on the environment and a fund to finance this.

The ensuing Stockholm Declaration of the United Nations on the Human Environment, which contained 26 principles, was considered the first body of environmental "soft law" and the meeting significantly influenced future international strategies in the environmental area, including follow-up work to be carried out during the rest of the 1970s. Guiding principles were emerging from the OECD Environment Committee as well, notably the crucial polluter pays principle (PPP) and, later, principles on transboundary pollution. The Stockholm Conference recommended creating the UN Environment Programme (UNEP) (OECD, 1985, p. 75), which came into being in December 1972. As part of the follow-up, many countries adopted institutional structures, legislation and computer modelling for addressing environmental matters (Long, 2000, pp. 11-13).

14.2.4 Reduce poverty or pollution?

For DAC chair Martin, the Stockholm discussions struck a deep chord. He was concerned over the conference having turned a blind eye to the population growth problem, despite its crucial link to the environmental dangers ahead and urged "a major new impetus for reduction in birth rates" (Martin, 1972, p. 24). At the same time, he recognised the developed countries' responsibilities for the "vast majority of current energy and raw material consumption and pollution production." He rejected the viability of a world with significant inequalities and emphatically called for a reduction in the widening gap between rich and poor (Martin, 1972, p. 28). Martin assessed the main threats to developing countries around overuse of renewable resources, overly rapid extraction of non-renewable resources, forestry management, water availability and chemical pollution. He also articulated their concerns about inadequate or diverted funding resources. Given a choice, the developing countries were explicit in their preference for "the pollution accompanying industrial growth and jobs" over "the pollution of poverty and underdevelopment" (Martin, 1972). Indian Prime Minister Indira Gandhi asked the conference:

> When they themselves feel deprived, how can we urge preservation of animals? How can we speak to those who live in villages and in slums about keeping the oceans, the rivers and the air clean when their own lives are

contaminated at source? Environment cannot be improved in conditions of poverty. (Martin, 1972, p. 159)

As the Chinese delegate to the Stockholm Conference put it: "We must not give up eating for fear of choking" (Martin, 1972, pp. 154-6).

In response, the DAC was tentatively ready to finance environmental costs that were part of development projects; technical assistance for environment projects; and general environmental improvement projects within their aid programmes, provided they had a higher priority for the borrowing country than others. On additionality, Martin harboured no illusions, questioning the likelihood of additional funds being available when the 0.7 per cent target of GNP devoted to official development assistance (ODA)[223] was nowhere within reach (Martin, 1972, pp. 158-9). As clarified to the author by Brendan Gillespie, Head of Division (1979-2014), OECD Environment Directorate:

> Over time, the additionality issue evolved. Initially, the argument was that donors should pay for any environmental expenditure. Later, when it was recognised that developing countries needed to make their own environmental investments, e.g., for clean water and sanitation, the additionality argument became more focussed on donor spending that contributed to resolving global environmental issues.

14.2.5 Stockholm's aftermath

In the decade following Stockholm, as well as developed countries,[224] developing countries became more acutely aware of the dangers posed by environmental degradation, partly due to the efforts of various emerging institutions and organisations, but especially because they witnessed the deterioration themselves in their own countries. The number of developing countries establishing environmental administrative structures increased from 11 in 1972 to more than 100 by 1980, accompanied by environmental laws, legislation and plans. Nonetheless, implementation capacity lagged seriously behind.

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223 For a discussion of the 0.7 per cent target for official development assistance (ODA), see Chapter 6.

224 Major environmental laws were also passed in the US during this period (Clean Air Act 1970, Clean Water Act 1972) with unsatisfactory implementation and inadequate enforcement. The first EU environmental legislation (the Birds Directive) came in April 1979.

As recalled by DAC Chair (1974-78) Maurice Williams, the world food crisis and the first oil price shock of the early 1970s[225] intensified discussions about the inadequacy of high economic growth alone to reduce poverty and inequality. Issues such as "resource management and conservation, protection of the environment, population programmes to speed a demographic transition", broadened the scope of development cooperation and the DAC agenda (OECD, 1985, p. 52). Traditional donors responded to the oil crisis of 1973-74 quickly and generously "to shield the oil-importing Third World from a disruptive turn of events" (Lewis, 1980, p. 15). In the later 1970s, there was particular focus in the DAC on the Sahel food crisis and on the importance of agriculture and food aid, leading to the creation in 1976 of the Sahel Club (now the Sahel and West Africa Club) at the OECD. In 1977, further UN conferences agreed action plans on water and on desertification (OECD, 1985, p. 80). The outbreak of the second oil crisis in 1979 caught DAC members at an unfortunate moment cyclically and future funding, particularly from the US, the largest donor, became a concern. Aside from occasional suggestions that environment should be included in future work programmes, the author found no other record of substantive discussions of environmental issues in the DAC for the remainder of the 1970s.

Meanwhile, various environmental accidents were making the public more aware of their risks and consequences. In Europe, for example, the wake-up call for some baby boomers was the disastrous (223,000- ton) 1978 oil spill from the super-tanker "Amoco Cadiz" that damaged the coast of Brittany in France. These warning events continued into the next decade. Some members of "generation X", born between 1965 and 1985, may remember the aftermath of the 1985 sinking of the "Rainbow Warrior", the Greenpeace flagship, by French government agents and equate it with a state attack on an organisation devoted to environmental causes, as well as with the controversy over nuclear testing. The Chernobyl nuclear disaster of 1986 marked people's consciousness and imagination worldwide on the dangers of certain types of energy use or misuse.

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225 The oil crisis amplified concerns over energy conservation and alternative energy sources and led to the creation in 1975 of the International Energy Agency (IEA), which the Arab donors saw at the time as an aggressive, confrontational move by OECD members, see Chapter 9.

14.3.   OECD at its multisectoral best

In his work on "The Power of Peer Learning", Jean-H Guilmette cites the advantages and functioning of OECD's ability to work across multiple policy areas:

> Stove piping is broken. In many instances relations between ministries did not exist before OECD convened a multisectoral meeting (also referred to as horizontal). This creates cognitive bridges that allow surmounting structural dysfunctionalities in governments. These cognitive bridges function through the use of data gathering, analysis, and through the accumulation of 'best practices/promising practices'. (Guilmette, 2007, p. 231)

The partnership between environment and development was a case in point.

14.3.1 The 1980s: the watershed decade

The cycle of major international meetings continued to have an important influence on DAC activities, as they enabled members to exchange views and prepare among themselves. In the review of major issues arising in the preparations for the new International Development Strategy for the third UN development decade (DD-III), a DAC meeting of March 1980 notes the sensitivity of the G77 group of developing countries "about seeming to be pushed on matters such as pollution and environment" and suggests that "an excessively aggressive approach might jeopardise a reasonably satisfactory outcome" (OECD, 1980a). In the context of the OECD North-South dialogue and development cooperation, DAC members meeting in November 1980 at head of agency and ministerial level attached significance to the Global Negotiation[226] related to international economic cooperation for development planned as part of DD-III and to the inclusion of environment as an issue of long-term importance coupled with energy and population concerns (OECD, 1980b). DAC chair (1979-82) John Lewis, in his 1980 Chairman's Report, describes Africa as the last opportunity to block ecological degradation on behalf of future generations (Lewis, 1980).

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226 In the event, the attempt to launch the "Global Negotiation" intended to establish a new system of "international economic relations based on the principles of equality and mutual benefit" was doomed almost from the start due to the refusal by developed countries to include UN specialised agencies such as the IMF and the World Bank as part of the negotiation (Larionova & Safonkina, 2018).

A year later at the 1981 DAC HLM, The Netherlands succeeded in adding to the DAC work programme a discussion of guidelines for criteria to be used in development projects and priority sectors having an environmental dimension requiring urgent attention. This was in view of the forthcoming 10th session of UNEP in May 1982 (OECD, 1981).

However, DAC Chair (1982-86) Rutherford Poats wished to focus the resources of DAC members and the secretariat on the larger problems of aid quantity and burden-sharing. He preferred to meet requests for "sectoral work" through DAC-sponsored workshops with expert participation from interested member countries and limited secretariat input (OECD, 1982a). A decade after Stockholm, in April 1982, the experimental meeting on the environment requested by the Dutch happened at high level, with the participation of the chair of the OECD's Environment Committee and the OECD director for environment. In addressing the meeting, UNEP's deputy executive director Peter Thacher "appealed to aid agencies to assist in bringing the massive destruction of natural resources (especially forests and arable land) in developing countries to a halt." He also stressed "the importance of introducing environmental considerations as early as the pre-investment stage of projects" (OECD, 1982b).

Few agencies at the time had drawn up a procedure for systematically taking into account the environmental impact of projects, but ongoing work by the Nordic Working Party on the Environment and Development, The Netherlands and Canada, together with extensive experience of the US Agency for International Development (USAID) and the WB, generated much interest in potential for learning and good practice. USAID's pragmatic approach and emphasis on environmental impact assessments (EIAs) were of particular note. Active collaboration between the DAC and the economics and environment division of the Environment Directorate characterised this period (Long, 2000, p. 65), applying OECD's comparative advantage in economic analysis to member country cooperation with developing countries.

The 1982 DAC chairman's review of "Aid and Environment Protection: Ten Years After Stockholm" discussed the perceptions and main areas of concern in developing countries (Poats, 1982). It listed a plethora of mounting problems including an alarming spread of deforestation on several continents, the deterioration of arable land, erosion and salinisation, the pollution resulting from rapid industrialisation and mining activities, and

the intensive use of contaminating chemical products. DAC members were realising that developing countries did not have the capacity to address these massive problems alone and that donors would need to act (Poats, 1982).

Henceforth, the onus was on all DAC members to adopt procedures ensuring that environmental protection was systematically included in development cooperation activities. They recognised that technical assistance was needed over and above guidelines and that members should consider providing it. DAC members would seek to strengthen cost-benefit and other analytical tools, evaluation reports, and case studies and would share these. They agreed that the secretariat should review agencies' programmes during 1983 and circulate a compendium; they also agreed to include environment in future peer reviews of aid (OECD, 1982b). As a follow-up, an ad hoc group on environmental assessment and development assistance met in October 1983 and agreed its programme, organisation and schedule of work over a two-year period. The same year, the OECD's North-South Group considered the tensions facing developing countries: "while in the long run economic and social development and environmental protection are compatible and mutually reinforcing goals, individual developing countries may face critical policy choices in balancing these goals in the shorter run." Their report recognised the link between poverty and environmental problems and their dual danger to the basis for economic growth in developing countries (OECD, 1983, pp. 42-43).

Cooperation between the OECD development and environment committees and secretariats proved productive. In 1985, both the DAC and the OECD Environment Committee adopted recommendations on environmental assessment of development assistance projects and programmes, which were later adopted by the OECD Council. The "Draft Recommendation by Council on an Environmental Checklist for Possible Use by High-Level Decision Makers in Bilateral and Multilateral Development Assistance Institutions" was also approved by both committees in 1988 for OECD Council adoption (OECD, 1988a).

In a review of 25 years of development cooperation in 1985, Poats set out a 10-point global agenda for its future. This included as point 9 "to protect the natural resource base of development from ecological degradation and where feasible to rehabilitate crucial productive resources." The preceding point called for making "universally available the opportunity to regulate human fertility by humane and effective means, thereby lightening the

burden of excessive population growth on development" (OECD, 1985, p. 33). Like DAC chairs before (and after) him, Poats was linking the weight of exponential demographic growth with the sustainability of the natural resource base – and development more generally.

The unprecedented success in mobilising both developing and developed countries, as well as relevant industries, to reach global agreement in 1987 on the "Montreal Protocol on Substances that Deplete the Ozone Layer" offered hope that some similar level of cooperation could be reached around another emerging environmental concern, global warming (Wheeler, 1990).[227]

14.3.2 A crescendo of interest in sustainable development

In 1987, the World Commission on Environment and Development published "Our Common Future" and formulated the notion of sustainable development. The Brundtland report, as it was also called after its chair, Gro Harlem Brundtland, defined sustainable development as "development that meets the needs of the present without compromising the ability of future generations to meet their own needs" (World Commission on Environment and Development, 1987). It was intended to strike a balance between the economic, social and environmental aspects of development. The DAC HLM of December 1988 saw a renewal of interest in the environment. UK Minister for Overseas Development Christopher Patten stated that the 1980s had proved to be a "watershed" in creating a new realisation that policies mattered, as did private sector and environment, "in contrast with the previous tendency to see environmental protection as a luxury". By 1987, a remarkable degree of consensus had emerged in the international community that distinguished this conviction from previous "fads". Members observed that greater account should be taken of environmental protection in the whole range of development activity (OECD, 1988b).

The 1980s was a watershed in recognising the priority of environmental issues, including in the area of climate change:

> In 1896 Svante Arrhenius, a Swedish chemist, calculated that a doubling in the atmospheric concentration of carbon dioxide (CO_2), brought about by the burning of fossil fuels, would increase global mean temperature by about 5 degrees Celsius. In retrospect this was a remarkable prediction.

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227 Despite the 195-nation Paris climate agreement reached in 2015, as of 2021 Wheeler's hope remains unrealised.

> But not until the 1980s did a clear consensus begin to emerge about the
> direction of climate change and the need to reduce growth in atmospheric
> concentrations of greenhouse gases. (Barrett, 1999)

The DAC HLM of December 1988 endorsed a French proposal presented by Minister for Development Cooperation Jacques Pelletier to create a coordinating body at the DAC for environment and development. In wrapping up the HLM discussions, DAC Chair (1986-91) Joseph Wheeler referred to "a crescendo of interest in environmental issues, with a recognition, beyond rhetoric, that the issues were complex and to some extent in conflict with one another. The prevention of natural disasters had been mentioned repeatedly" (OECD, 1988b).

Environmental cooperation with developing countries was the main topic of discussion at a DAC meeting immediately following the HLM, which explicitly agreed to the creation of an ad hoc structure within the DAC to deal specifically with environmental issues. The importance of helping developing countries to take an interest in EIA, rather than see it as a new conditionality, was stressed. The DAC recognised the need to define issues concerning women in relation to the environment, as well as issues such as involuntary settlement, urban environmental problems and biodiversity. They would also be paying greater attention to the role of non-governmental organisations (NGOs) and developing countries' institutional capacity (OECD, 1988a).

The crescendo of interest and work intensified with an informal meeting hosted by France in February 1989 to discuss specifics of the ad hoc structure and its programme of work. Shortly before the meeting, Paolo Sannella, Italy's delegate to the DAC, wrote to then DCD Director Helmut Führer, to set out Italy's policies and programmes in the area of environment, highlighting that the emphasis on the environment in development cooperation would likely lead to substantial revisions to current policies. Environmental protection and a more rational use of natural resources, especially by the weakest members of society, would entail significant investments and precise choices at early stages of programming. It would also require involving local populations, including women and NGOs, as well as decentralised decision-making (Sannella, 1989). In the event, these were among the key issues discussed with a view to defining terms of reference and future work for the new structure within the DAC. Unsurprisingly, DAC members did not fail to flag their concerns about the budgetary implications of creating a new group.

In June 1989, the DAC created the working party on development assistance and environment (now ENVIRONET, the DAC network on environment and development cooperation).

14.3.3 Milestone – the Rio Earth Summit

The DAC HLM of December 1990 devoted significant attention to preparations for the 1992 UN Conference on Environment and Development (UNCED), often referred to as the Rio Earth Summit. A full session was devoted to environment, population and development. As the US reminded fellow members, it "remained the largest donor in the field of population, providing about half of all donor assistance". The UK called for population to "be higher on the development agenda in the 1990s than in the last decade". Japan stressed the complexity and sensitivity of the population issue, calling for its integration into a broader framework, in particular with issues of women in development (OECD, 1991).

Mahbub ul Haq of the UN Development Programme (UNDP) recalled the four debts intrinsic to sustainable development: financial, social, demographic and environmental. With a view to making "environment a unifying link, rather than a divisive issue", he suggested three elements must be openly acknowledged to build bridges with developing countries. These were: the environment/poverty link, the differences in environmental priorities between developing and developed countries, and the need for additionality of resources. Regarding additionality, Alex Shakow of the WB and others referred to the new Global Environment Facility (GEF) (www.thegef.org), then in a pilot stage. Jack Boorman of the International Monetary Fund (IMF) drew attention to the fact that the prevailing accounting system treated the proceeds of natural resource depletion as current income. The HLM highlighted the importance of environment in structural adjustment programmes and of environmental accounting, the perennial invincible challenge (OECD, 1991).

On the initiative of France and Germany, the 1990 DAC HLM agreed to hold two joint meetings of aid and environment ministries at the OECD in February 1991 to ensure their constructive participation in Rio (OECD, 1991). It was notable that Canada announced it would participate in the planned ministerial meeting at civil servant level both because the discussions were viewed as exploratory and also "to avoid the impression that the industrial countries had already predetermined their positions on the

eve of the negotiations leading to the convention on climate change" (OECD, 1991). The recently created working party became the focal point of DAC members' joint preparations. The OECD Council put into place a mechanism to monitor progress leading up to the joint ministerial meeting. Meanwhile, DAC chair Wheeler, who had served as UNEP's deputy executive director before taking up the DAC position in Paris, left the chairmanship to work with Maurice Strong in preparing the Rio Earth Summit (Wheeler, 2013).

Good practices and guidelines were ready for approval by the time of the joint ministerial. They covered EIA,[228] country environmental surveys and strategies, involuntary displacement and resettlement, and global environmental problems. At the February 1991 meeting, OECD development and environment ministers issued a policy statement that made sustainable development a "shared and common objective" of development cooperation. Further guidelines were being prepared together with the environment directorate and the Development Centre on a wide range of topics such as institutional capacity, economic analysis, pest and pesticide management, natural disaster reduction, and toxic chemicals and hazardous substances.

The Earth Summit highlighted the need to differentiate between the situations and responsibilities of developing and developed countries – but also the need to work in partnership to achieve sustainable development. Three conventions originated in Rio: the UN Convention on Biodiversity (CBD), the UN Framework Convention on Climate Change (UNFCCC), and the UN Convention to Combat Desertification (UNCCD). From a development perspective, the climate convention was particularly important as it introduced the concept of "common but differentiated responsibilities". The Rio Earth Summit was credited with recognising the links between the environment and numerous other policy areas and the consequent need for policy coherence, and was pivotal in framing subsequent discussions on environment, as well as on environment and development.

The UN Commission for Sustainable Development, created to follow up Agenda 21, the Earth Summit action plan for the 21st century, asked for DAC help in carrying out its review and monitoring responsibilities by providing information on resource flows to and from developing countries. In renewing the mandate of the working party on development assistance and environment in 1993 for a further five years, the DAC included support

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228 As recalled by secretariat member, Maria Consolati, in a personal communication, the "Guidelines on Environmental Impact Assessment" were an OECD "bestseller".

to the Commission on Sustainable Development as an integral part of its work. DAC members were, nonetheless, determined to keep a balance between global environmental issues and those at national and local level. The new mandate steered a shift from technical to policy issues.

14.4 The environmental education decade

14.4.1 Policy coherence for development

Cooperation between the DAC and the Environment Committee and their respective secretariats remained the basis for future work and broadened to encompass other policy areas. This required attention on the part of the DAC and the Development Cooperation Directorate (DCD) to the development dimension of these other areas. For example, the DAC working party on development assistance and environment realised that joint sessions of OECD trade and environment experts were discussing policy issues with possible impacts on developing countries. As a result, DCD director Führer proposed collaborative work from the development side, including review of a UK paper on "Special Considerations for Developing and Transition countries" in planned Guidelines for Integrating Trade and Environment Policies (Führer, 1992). DAC Chair (1991-1994) Alexander Love followed up by writing to DAC permanent representatives and members of the working party to express concern that the guidelines might reflect OECD countries' perceptions of developing country concerns, rather than their actual concerns. He also called attention to an apparent trend towards including complete environmental packages in international trade agreements. Love was subsequently invited to attend joint sessions of OECD trade and environment experts tasked with drawing up OECD guidelines on trade and environment to ensure the development dimension was taken into consideration (Love, 1992).

As OECD secretariat officials Michel Potier and Cristina Tébar-Less describe in their summary of OECD work on trade and environment from 1991 to 2008, the DAC took on a major trade and environment work programme to show the concerns of non-OECD countries and how aid agencies and development NGOs might help them deal with related problems (Potier & Tébar-Less, 2008). Later work focussed on integrating environment into regional trade agreements and the links between climate and trade policies.

The practice of cross-organisational cooperation extended beyond trade to the areas of agriculture, taxation, governance, capacity-building and technical cooperation, and reducing greenhouse gases. Like his predecessor Wheeler, who emphasised the need for a holistic, horizontal approach that takes environment and development as inseparable in the realisation of society's objectives, Love placed development and environment firmly in the context of working towards policy coherence for development (see also Chapter 15).

14.3.2 Shaping the 21st century

As discussed in Chapter 10 of this volume, the DAC's new vision for development cooperation articulated in the landmark report, "Shaping the 21st Century: The Contribution of Development Co-operation"*,* eventually formed the basis of the UN MDGs. As announced by OECD Secretary-General Angel Gurría in April 2020, net ODA rose by 69 per cent in real terms between 2000 and 2010 after the MDGs were agreed in 2000. And since 2010, even though there has been a slowdown in the rate at which ODA has increased, it has doubled in volume compared to 2000 (OECD, 2020a). Overall levels of ODA supporting environmental sustainability and climate change adaptation have also increased over time. The MDGs have made a substantial, measurable difference.

Three overall goals framed the "Shaping the 21st Century" strategy: economic wellbeing, social development and environmental sustainability. The DAC's emphasis on sustainable development took a quantum leap forward with the inclusion of MDG 7 (Ensure environmental sustainability) and its accompanying Target 7A: "Integrate the principles of sustainable development into country policies and programmes and reverse the loss of environmental resources" (UN, 2000). The other three targets concern reducing biodiversity loss; providing access to clean and safe drinking water and basic sanitation; and improving the lives of at least 100 million slum dwellers.

In support of these commitments, the working party on development assistance and environment produced guidelines on sustainable development strategies, as well as on integrating into development cooperation the objectives of the three conventions initiated at the Rio Earth Summit on biodiversity, climate change and desertification (OECD, 2012a). In reflecting on the impact of rich country policies on poor countries' prospects for growth and poverty

reduction with a focus on the environment, Frances Seymour[229] credits the DAC with making recommendations to help donor agencies exploit synergies between environmental and developmental objectives (Seymour, 2004). These recommendations are provided in "The DAC Guidelines: Integrating the Rio Conventions into Development Co-operation", approved in 2002 (OECD, 2002).[230]

In parallel, incoming OECD Secretary-General (1996-2006) Donald J. Johnston established a high-level advisory group on environment and in 1998 obtained the adoption by the meeting of the OECD Council at ministerial level of sustainable development, including social, environmental and economic considerations, as a key priority for OECD countries. The same ministerial meeting called for the elaboration of a three-year programme of work on sustainable development. Johnston subsequently established a senior secretariat coordination group, as well as an independent Round Table on Sustainable Development where ministers, business leaders and civil society representatives could debate key policy issues in a neutral space outside negotiating fora (OECD, n.d.).

In 2001, OECD environment ministers adopted the "OECD Environmental Strategy for the First Decade of the 21st Century". As part of the strategy, at the international level, they agreed to promote coherence among multilateral environmental agreements, to enhance bilateral and multilateral cooperation with non-OECD countries, and to improve management of the environmental effects of globalisation (OECD, 2001). An implementation review of the strategy 10 years later concluded that its objectives had not been fully achieved. Nonetheless, it cited areas of progress including "an increase in the share of official development assistance allocated to the environment, particularly to support implementation of the Rio Conventions". Another improvement was that "donors have helped some developing countries to improve their environmental conditions and to strengthen their capacities for environmental management" (OECD, 2012c). The stakes of environment and development working more closely together on sustainable development and green growth are higher than ever.

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229 Seymour was, at the time, director of the Institutions and Governance programme of the Washington-based World Resources Institute (WRI).

230 For a list of OECD statements and products on environment and development, see OECD, 2012b, Annex 2.A1, pp. 52-3.

Ironically, around the time when the DAC working party was contributing such critical and recognised policy work on sustainable development, a report commissioned by Secretary-General Johnston on reorganising OECD committee structure recommended its transfer, along with several other DAC subsidiary bodies, to a restructured Development Centre (Nicholson, 2003). This was but one of numerous periodic proposals on modifying the DAC subsidiary body structure, which were often set aside without implementing proposed changes. And so it happened on this occasion. The DAC ENVIRONET (and the working party that preceded it) brought together a community of practice corresponding to member interests, so the case for restructuring was unconvincing.

14.4.3 A strategic alliance

Progress 10 years after Rio was nonetheless still judged inadequate by DAC members in terms of actual integration of environmental considerations into national development and poverty reduction strategies. This prompted a decision to bring development and environment ministers together again in 2006, 15 years after their first joint meeting. DAC Chair (2003-08) Richard Manning observed, in retrospect, that one of the concrete benefits of the previous joint ministerial in 1991 was that technical appraisal by DAC member agencies to incorporate environmental considerations had been improved. He saw the second joint meeting as an historic, strategic alliance and stressed its importance in furthering policy coherence for development. A key driver was also the opportunity to consider jointly how to implement the 2005 "Paris Declaration on Aid Effectiveness" (see Chapter 11) and the "OECD Environmental Strategy" (OECD, 2001).

As Brendan Gillespie writes in an unpublished manuscript:

> From the perspective of the DAC, there was an acknowledgement that the integration of environmental factors into national development and poverty reduction strategies remained weak. … From the perspective of the EPOC, implementing the "OECD Environmental Strategy for the First Decade of the 21st Century" depended on strengthened cooperation with developing countries and pointed to the need to strengthen cooperation between EPOC and DAC. Thus the 2006 joint ministerial meeting was a timely opportunity to reinforce and recast cooperation between these two OECD committees.

As part of the preparations, a particularly interesting study examined six developing country cases of mainstreaming responses to climate change into development planning and assistance (OECD, 2005). Some of the issues

raised in the 2006 ministerial discussions included how to make developing countries more aware of the importance of sustainable development and the need for its greater visibility in poverty reduction strategy papers (PRSP). The US stressed the nexus of poverty reduction, sustainable development and the MDGs. Ministers also discussed the importance of the private sector, not least in fighting corruption, illegal logging, wildlife trafficking, and trading in endangered species. They noted that links with tourism had not always received enough attention. Based on South Korea's[231] own negative assessment of its costly focus on "growth first and clean-up later", the ministers jointly agreed that ignoring the environment is short-sighted and expensive in the end.

In addition to the key issues of energy, water and sanitation, forestry, urban infrastructure, disaster prevention and tourism and the modalities of capacity building and technology transfer, DAC chair Manning reflected on how to make sure that developing countries have a stake in environmental protection. UNEP's consistent response was that until a monetary value is given to environmental impact on economic life, nothing will happen. France warned about the costs of inaction, which included loss of biodiversity, health problems, desertification and land degradation.[232]

The "Declaration on Integrating Climate Adaptation into Development Co-operation" (OECD, 2006a) adopted by the joint ministerial meeting launched critical work on climate change adaptation. The accompanying "Framework on Common Action around Shared Goals" (OECD, 2006b) drew together good practice policies and instruments; a capacity-building agenda; gradual implementation in various fora; a working bureau to move the process forward; an appropriate plan for monitoring progress; and a report in three years' time. Ministers demanded concrete follow-up. Environment was to be included in DAC peer reviews. Ministers also requested harder work to integrate gender and environment. They wished to witness movement from semantics to action, with a strong focus on what could be done at country level. The joint ministerial meeting concluded that the poorer the country, the less it could afford to sacrifice its environment.[233]

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231 South Korea's experience in moving from a developing country aid recipient to a developed country economic success and aid donor provided invaluable examples in the field of environment and green growth policies. The Republic of Korea acceded to membership of the DAC on 1 January 2010, making it the 24th member.

232 Author's personal papers.

233　Author's personal papers.

Subsequently, the DAC and the EPOC established three joint country-led task teams covering:

- Governance and capacity development for natural resources and environmental management (led by Sweden);
- Sustainable finance to ensure affordable access to water and sanitation (led by France);
- Climate change adaptation (led jointly by The Netherlands and Switzerland).

Before senior officials of OECD environment and development cooperation ministries met again in 2009, the award-winning Strategic Environmental Assessment (SEA) tool and policy,[234] as well as EIAs, were increasingly applied not only by DAC members but also by developing countries. The SEA tool was a notable achievement in line with the Paris Declaration. The Rio markers, (discussed in section 4.4 below), became part of the DAC creditor reporting system (CRS). The economic crisis of 2008 endowed the "greening" of economies with the aura of a potential engine for recovery and growth. The OECD's 2011 "Green Growth Strategy" was seen as a way out of the crisis using environmental and climate investments as a driver. It reinforced the importance of integrating environment into development cooperation, making the case that green and growth work together and that environment is no barrier to development. This in turn led to the adoption of the DAC's "Policy Statement for the Rio+20 Conference" to reaffirm its commitment to greener and more inclusive growth as a way to achieve sustainable development (OECD, 2012a).

DAC Chair (2011-13) J. Brian Atwood wished to contribute to the formulation of the post-2015 agenda by focussing the "OECD Development Co-operation Report 2012" on how the development community – developing, emerging and OECD countries, multilateral organisations, civil society organisations and the private sector – have combined efforts to tackle specific environmental challenges and help all countries move towards sustainable development. Incorporating invited contributions from all these communities, it presents initiatives and ideas that offer valuable lessons and perspectives (OECD, 2012b). In Chapter 16 of the present volume, Olav Kjørven picks up the exciting story of the "Sustainable Development Goals: The World we Want and the Return of Development Processes" and how it

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234 The DAC's SEA received the 2006 award from the International Association for Impact Assessment (IAIA).

all came together. Environmental issues feature much more prominently in the SDGs than in the MDGs.

14.4.4 Measurement – Keep on tracking

Before moving to Chapter 16, however, the reader will want to know more about measuring development cooperation in support of the environment, the Rio markers and major valuation issues that reach beyond. Firstly, this chapter has reiterated the importance and difficulties of measuring both development assistance for environmental protection and sustainable development and also additionality. Several other chapters allude to the challenges repeatedly faced by the DAC in quantifying official and other flows, be they in support of gender equality, fragile states or COMECON assistance to developing countries. Aid for sustainable development has been no exception. The initial step in the 1980s consisted in asking DAC members, activity by activity, whether an EIA had been carried out. As of 1991, the question changed. Members were asked to indicate whether activities included elements that were "environment-specific" or "environment-related". In 1995, the DAC identified "general environmental protection" as a separate category in its classification of the sector/purpose of aid (OECD, 2012b, Box 3.1, p. 56).

Since 1997, environmental sustainability has been considered one of the policy objectives of aid and reported on by a policy marker system. The methodology was revised in 1997 using the following definition:

> An activity should be classified as environment-oriented if: *a)* it is intended to produce an improvement, or something considered as an improvement, in the physical and/or biological environment of the recipient country, area or target group concerned; or *b)* it includes specific action to integrate environmental concerns with a range of development objectives through institution building and/or capacity development. (OECD, 2012b)

In line with this definition, activities may be classified as targeting environmental sustainability as a "principle objective" or as a "significant objective" or not targeted to the objective at all. Since 1998, the DAC has monitored aid that targets the objectives of the Rio Conventions, starting with the marker on climate change mitigation. As of 2008, the markers have been included in the DAC's standard CRS reporting. At the end of 2009, the DAC approved a new marker to track aid in support of climate change adaptation. Both markers were developed after lengthy technical discussions and negotiations and in close collaboration with the Secretariat of the

UNFCCC. It should be stressed that, like the gender marker described in Chapter 13, these markers allow an approximate, not exact, quantification of aid flows that target climate objectives (OECD, 2011). They are nonetheless acknowledged to be a valuable tool in holding members accountable and in tracking progress, notably in the particular case of flows related to objectives of international conventions. The international community relies on the DAC to keep on tracking these numbers to achieve reliable reporting against commitments.

Secondly, the financing and tracking of global public goods comes into play. As previously noted, as early as the 1972 Stockholm UN Conference on Human Environment, the fact that some environmental issues were global was implicitly recognised well before the notion of GPG came into fashion. At the end of the 1990s, GPGs were defined as having "nonexcludable, nonrival benefits that cut across borders, generations and populations. At a minimum, the benefits would extend to more than just one group of countries and not discriminate against any population group or any set of generations, present or future" (Kaul, Grunberg & Stern, 1999). Two types of GPGs are relevant to the environment and sustainable development: "natural global commons, such as the ozone layer or climate stability, where the policy challenge is sustainability and the collective action problem is one of overuse" and global policy outcomes that include environmental sustainability. "The collective action problem associated with these less tangible global public goods is the typical challenge of undersupply" (Kaul, Grunberg, & Stern, 1999, pp. 452-3). In the context of integrating the SDGs, the DAC (and academic literature) has been debating whether and how the funding of GPGs should be tracked separately from ODA (Kaul, 2015). The integrity of DAC statistics must be safeguarded in the decisions that emerge from these discussions.

Thirdly, ever since the 1970s, the major measurement question of evaluating wealth using alternatives to GDP that better account for environmental and social factors has been debated without concrete results. It was once again debated at Rio +20 in 2012 with a call for placing a higher value on natural capital, but 50 years of talk have led to no definitive progress in this important area. For example, on 1 January 2020, the publication *Nature* suggested that to help meet the SDGs: "One solution might be to factor the cost of degrading the environment into national accounting – although there is as yet little consensus on how this would be done" (*Get the sustainable*, 2020). The discussion has been ongoing for well over 50 years. The DAC could both help secure the political mandate to progress in this valuation

challenge and also engage with experts across the OECD, such as those working on the Better Life Initiative: Measuring Well Being and Progress (OECD, multiyear), and with international partners to push ahead on the technical issues.

14.5. Conclusions

In assessing the DAC's overall performance and contributions to environmental protection and sustainable development, it is important to place our assessment in the context of the current dramatic situation. Since the "Silent Spring" was first published, a fourth generation of humans, the so-called generation Z born between 1997 and 2010, is already coming of age. We recall Rachel Carson's warning about humans silencing the rest of nature and compare it with what has actually happened since. The opening chapter of the original 1962 edition of "Silent Spring" was eerily prescient in imagining the silencing of "rebirth of new life in this stricken world" (Carson, 1962). Carson's imagined fable of the future has become today's reality as reported 57 years later in *Science* concerning the staggering decline of bird populations as a proxy for the degradation of ecosystems (Rosenberg, 2019).

Arguably, we are at a "tipping point" in our collective will and capacity to solve the environmental challenges we face already – manifested daily by situations such as the 2020 unprecedented wildfires ravaging the west coast of the United States, the ongoing COVID-19 pandemic linked to environmentally destructive wildlife trafficking, and resource-scarcity and drought-induced conflicts and migration – and those ahead. Human activity should not trespass beyond nine "planetary boundaries", yet already three have been broached – climate change, biodiversity and the biogeochemical cycle (involving phosphorous and nitrogen) (Stockholm Resilience Centre, 2015).[235]

From the early 1970s, DAC chairs consistently placed emphasis on environmental matters, keeping them on the agenda and in their annual reports even when there was no dedicated structure reporting to the DAC on

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235 According to Stockholm University, the other planetary boundaries are atmospheric aerosol loading, stratospheric ozone depletion, ocean acidification, freshwater use, land-system change, and novel entities.

environment and development. The working party was created at the end of the 1980s, and environment became a priority activity.

DAC chairs rightly made a consistent connection between sustainable development and population growth, but population issues dropped off the DAC's radar screen, as did agriculture, constituting two significantly harmful policy gaps. With a global population of 7.8 billion people in 2020, projected to rise to 9 billion by 2037 and 10 billion by 2050, it remains true that unless we change our current trajectory "as China, India, and other large population centres experience rapid economic growth – the economic underpinnings of global wellbeing will collapse. The limits of the environment itself will defeat our global prosperity" (Sachs, 2008, p. 57). As Jeffrey Sachs also warns, the population bulge is occurring in sub-Saharan Africa which is least able to generate jobs for these people. Prominent US leadership on population issues waned somewhat under the Reagan administration but particularly under that of George W. Bush, which cut funding to institutions engaged in population-related activities and in turn discouraged the WB from engaging in the sector. Sachs observes that "It is ironic that the Bush administration's attitudes toward family planning are in many ways more fundamentalist than Iran's" (Sachs, 2008, p. 191). Serge Michailof makes a similar comparison between the views of the American religious right on the subject and the jihadists of the Sahel (Michailof, 2015, p. 43).

Although the DAC dropped these key policy issues, other parts of the OECD have been analysing and drawing attention to them. Successive "OECD Environmental Outlooks" have examined population and land-use trends as part of their scenario development. OECD Trade and Agriculture Directorate analysis suggests that productivity growth (and technology) will be necessary in order to feed a rising world population without over-using land and water resources. They are working on agricultural sustainability, food systems and policies for encouraging healthier food choices, while also analysing policy responses to the COVID-19 pandemic. Such work calls for even more intense collaboration between the DAC and other OECD committees on these critical issues.

The DAC and its Environment Committee counterparts were in step with the periodic UN cycles of meetings on environmental matters. The DAC was a "go-to" organisation in terms of preparing responses and arguments, but not firm positions, in relation to the so-called "South" and increasingly for preparatory analytical work. As Bill Long observes, the OECD recognised the importance of "restricting its role to analytical support, and

not creating OECD negotiation blocs, which could only adversely impact on the acceptance of OECD's work on views by non-member countries" (Long, 2000, p. 123). And as OECD Secretary-General (2005-2021) Gurría observed in his 2020 new year's message, "In areas in which the UN is in charge, we (the OECD) go to the Oscars seeking not the best actor award, but that of the best supporting role."

Long also comments favourably on the increasing integration of environmental considerations into DAC principles, guidelines and statements, which in turn has constructively impacted on the quality of development cooperation policies and programmes, as well as on the dialogue with developing countries (Long, 2000, p. 123). Environment staff have valued the opportunities to collaborate with development cooperation specialists with hands-on experience, which gives DAC guidelines "a very practical edge".[236] The leverage, as well as added credibility, of working horizontally across policy sectors has doubtless enhanced their impacts.

It can be concluded that the DAC succeeded in advancing and then keeping environmental protection and sustainable development among its priority objectives. It impacted bilateral and multilateral development agencies' work by creating a forum for specialists to gather and exchange experience and by producing a significant amount of analysis and policy guidance on a range of key topics that could in turn be implemented in partnership with developing countries. It achieved considerable advances in measuring and tracking ODA for environmental protection and sustainable development that are applied and used internationally. Recognising these achievements, yet despite them, there remains little doubt that the changes ahead in climate, water supply, and land use will hurt the poorest disproportionately.

At this tipping point in the face of accelerating global, national and local environmental challenges, it will be essential for the DAC to continue supporting international efforts. It needs to collect and share reliable and timely data, innovate analytical tools and approaches, help further unpack difficult measurement issues, and catalyse behavioural change among all development partners to help all countries achieve their sustainable development goals. Environmental protection and sustainable development have long ceased to be luxuries that only certain countries or groups can afford, but are rather urgent necessities for human survival.

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236 As observed to the author by Brendan Gillespie.

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15 Left hand, right hand: the shifting truths about policy coherence

Alexandra Trzeciak-Duval

Abstract

Since the creation of the Organisation for Economic Co-operation and Development (OECD) and its Development Assistance Committee (DAC), member countries have attached importance to the coherence of policies across government in relation to development. The policy issues that concerned members most during the DAC's first 30 years of work (1960-90) revolved around the relations between aid, trade, financial flows and investment policies. The need for harmony between the left hand of government policy and the right hand in these areas, which included tied aid, appeared self-evident from the beginning. Toward the end of the 1980s, the importance of harmonising additional policy areas (such as energy, environment, science and technology, food security, migration and demography) in relation to development policies emerged. A decade later, with the end of the Cold War, the scarcity of resources available for development and globalising trends made greater coherence between policies essential to ensure that development effectiveness was not undermined by other policies. The challenging complexity of these interactions presented many policy-makers with "inconvenient truths". During the period 1990-2010, efforts to define, analyse and measure the impact of competing policy priorities increased. Goal 8 of the Millennium Development Goals (MDG) embodied the notion of policy coherence for development (PCD). The DAC collaborated with committees across the OECD to move PCD forward. The shift and broadening of PCD to policy coherence for *sustainable* development (PCSD), notably since 2010, has led to a period of greater ambiguity, albeit with firm linkage to the Sustainable Development Goals (SDG). It remains to be seen whether this latest phase in the evolution of notions and "truths" about policy coherence will hold governments accountable for cross-policy coherence in relation to development.

15.1 Introduction

Organisation for Economic Co-operation and Development (OECD) member countries have often called upon the Organisation to ensure that policies across government are coherent and at the very least do not contradict or undermine one another – that the left hand works in harmony with the right. The OECD, where practically all public policy areas except defence are represented, would seem the ideal place to achieve this aim of efficiency and effectiveness.

Member countries have shown particular sensitivity to issues of policy coherence and incoherence in relation to development from their very first meeting as the Development Assistance Group (DAG) in March 1960. This chapter explores three phases in the search for greater policy coherence for development (PCD), reviewing the evolution from self-evident truths about policy coherence through confronting its inconvenient truths to the current period of coping with ambiguous truths. It traces briefly:

- Firstly, the earliest evidence of attention by the DAG and its successor, the Development Assistance Committee (DAC), to the impacts member country policies could have on the advancement of developing countries, highlighting policy issues spanning the DAC's first three decades (1960-1990). All these issues have permeated discussions ever since. During this period, the potential impact of certain developed country policies on developing countries appeared self-evident to DAC members, although changing their negatively-impacting policies already posed a significant challenge.
- Secondly, the phase from 1991 to 2010 that witnessed the articulation of the concept of PCD and its broader reach around four types of policy interactions, all presenting difficulties of measurement. During this phase, internal coordination mechanisms were put into place within the OECD Secretariat; policy communities whose top priority was neither development nor poverty reduction were prone to question the "inconvenient truths" of PCD; and civil society played a major role in raising awareness.
- Thirdly, the further broadening of the coherence concept post-2010 in the OECD and elsewhere, notably with respect to sustainable development. This current mainstreaming phase in some ways camouflages the earlier PCD agenda but also brings the coherence story into the 21st century. A burgeoning measurement industry accompanies the current phase of policy coherence for sustainable development (PCSD).

15.2 Policy coherence for development: self-evident truths (1960-90)

15.2.1 Self-evident to the "founding fathers"

On 9 March 1960, the DAG wound up its first meeting. The major conclusions that emerged were much about what today would be deemed "policy coherence for development" issues, although this esoteric nomenclature was attributed only years later (OECD, 1960a). A background study for the second meeting included a section on "The Impact of Aid on Underdeveloped Countries", focusing on the substantial trade deficit, low reserves and short-term indebtedness of developing countries. Although there was no official tying of grants to be used for the goods of donors, the study reported that virtually all grants resulted in exports from the donor country. As far as loans were concerned, a significant proportion was also tied (OECD, 1960b).

At the DAG's second meeting, in July 1960, submissions from the United Kingdom (UK) and Germany expressed concern over the effects that certain donor methods and techniques, notably those related to the tying of aid to donor exports, could have on receiving countries.[237] The UK recommended full information exchange and consultations on tied aid credits with a view to achieving aid untying, attaching urgency and high importance to resolving this problem, with Germany calling for guiding principles in this respect. The United States (US) observed that the expression "tied loans" had become a sort of "dirty word" but asserted that this was incorrect as Export-Import Bank loans were not necessarily tied (OECD, 1960c).

A point of interest from these discussions was also the call by Germany for its citizens to be prepared to make sacrifices, implying that not all financial efforts in support of development cooperation would mean an equivalent return to the German economy. Representing the UK, Sir Denis Rickett noted the need "to make a distinction between aid and export promotion. A credit race was to be avoided."

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237 Some governments have argued that aid tying is a matter of aid quality or efficiency. This paper takes the approach, as adopted in the DAC, that tied aid is a matter of internal incoherence within development cooperation policies (section 3 below) and is closely related to the principles of aid effectiveness. For specific examples of coherence for development issues related to trade, tied aid and environmental policies, as well as a discussion of the politics involved and ministerial efforts to foster greater coherence, see Michalopoulos (2020).

The World Bank (WB), with which the DAC has had a particularly close relationship throughout its existence, contributed "Some Principles of Development Lending". While participants appreciated this input, they acknowledged their inability to apply all of the principles, notably the notion that without growth in developing country exports, "development in the rest of the economy will certainly be hampered and may even cease altogether."[238] Japan's ambassador agreed with the importance of encouraging trade with and purchases from developing countries but favoured untying aid through multilateral organisations. Japan remained the DAC member to hold out longest and hardest to retain the practice of tied aid, but Japan was by no means alone. The outcome statement and press communiqué from the DAG's second meeting recorded that countries should move in the direction of providing assistance without tying it to their own exports but "that no general rules could at present be framed on this point" (OECD, 1960d).

Thus, in the first months of the DAG's existence, the founding fathers unmistakably laid down critical inter-related policy coherence markers, namely:

- the importance of favouring (not obstructing) developing countries' economic development through their exports;
- the need to avoid equating aid with donor export promotion; and
- the desirability of untying aid.

They also expressed concern over excessive debt burdens and discussed the importance of aid resulting in productive investments in developing countries.

Policy actions that would have negative impacts in these areas would clearly put at risk pro-development policy objectives and should be avoided. In this spirit, as well as to allow for comparisons of the aid effort among DAC members, the DAC over the years devoted considerable attention to setting norms and standards regarding the financial terms and conditions of official development assistance (ODA). The first Recommendation on the subject agreed in 1965 included "Measures Related to Aid Tying". Tied aid has remained of concern to the DAC ever since. In April 2001, a Recommendation on untying ODA to least developed countries (LDC)

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238 The implication was that DAC members needed to open their markets to developing country products and support the possibility of locally-sourced procurement of goods and services to be provided through development assistance.

was adopted and amended in 2014 to include non-LDC heavily indebted poor countries (HIPC). In October 2018, its coverage was further extended to other low-income countries (OLIC) and International Development Association (IDA)-only countries and territories (OECD, 2020).

15.2.2 Self-evident to "influentials" in the later 1960s

Already towards the end of the first decade of the DAC's existence, members' foreign aid appropriations, notably those of the US, were declining (OECD, 2011a), leading then WB President George D. Woods to suggest in 1967 that an international group of prominent persons meet to review the first 20 years' experience of development assistance and propose improved policies. This led to the creation of an independent Commission led by Nobel Peace Prize laureate and former Canadian prime minister Lester Pearson, which published its report under the title "Partners in Development" in 1969 (Pearson, 1969).[239] Some three decades later, another Canadian, Donald Johnston, OECD Secretary-General (SG) (1996-2006) referred to this same report when asked about policy coherence for development: "It was all already said in there", he replied.

Indeed, "Partners in Development" took issue with tied aid, including food aid (see also Jaspars, 2018 regarding US Public Law 480). It criticised the progressive contagion of aid tying amongst donors in the 1960s and quantified its costs to receiving countries. The authors recognised that significant untying was unlikely without collective action.

The study also took a strong stand on the importance of trade for development, emphasised by the first United Nations Conference on Trade and Development (UNCTAD) in 1964:

> It has become clear that the development of the poorer countries will also require important adjustments in the industrialised countries, to which the latter are reluctant to submit … In the long run, only the evolution of their trade with other nations, together with a growing capacity to substitute

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239 It is noteworthy that from the earliest stages of evolving discussions of coherence, the notions of "partnership" and PCD are often linked, e.g., MDG8. "Develop a Global Partnership for Development"; SDG17 "Strengthen the means of implementation and revitalize the global partnership for sustainable development", whose Target 17.14 is "enhance policy coherence for sustainable development".

domestic production for imports, will enable the developing countries to grow without the help of concessional finance. (Pearson, 1969)

See also Matthias Schmelzer, who discusses the DAC as the only body capable of developing "a positive common doctrine" of the rich Western countries in reaction to the demands formulated by developing countries at UNCTAD 1964 (Schmelzer, 2016).

The Pearson report identified OECD country barriers to imports of processed goods as a handicap to the development process and shared developing countries' concern about the rebirth of protectionist sentiment in some of the major industrialised countries.

One of Pearson's 10 overall strategic objectives was: "To establish a better partnership, a clearer purpose and a greater coherence in development aid." Pearson's "wise men" stressed that aid, trade and investment objectives should be integrated into a single strategy. SG Johnston had a point. Well before the PCD terminology came into vogue, this influential Commission had pinpointed a number of self-evident areas of policy incoherence – as had the DAC at the beginning of the 1960s. This trio of issues related to trade, tied aid and financial flows have remained significant, controversial coherence topics on the DAC's docket ever since. The DAC focussed considerable efforts on financial aspects. It nonetheless took until 1983 to formulate the first guiding principles on the use of aid in association with official export credits and insurance and other market funds (Jepma, 1991).

15.2.3 A globalising world complicates coherence (1969-1990)

The world economy underwent major changes during the 1970s, notably sparked by the oil crisis of 1973. This brought to the fore greater diversity among developing countries, the declining relevance of the North-South model, the significance of cross-border issues, and the importance and complexity of development issues for individual countries and as a global concern (OECD, 1983a). During the 1970s, critical voices also rose to protest certain donor policies. After the World Food Conference of 1974, Susan George (George, 1976) is credited with having raised public

awareness of the harmful aspects of food aid,[240] backed up several years later by OXFAM (see Jackson, 1982). Pressures from civil society[241] would grow over the years and were critical in raising issues of incoherence in several domains to prompt governments to, at least, take notice.

The changing global scene motivated the OECD Council to establish, in 1980, the Group on North-South Economic Issues (see Hansen, 1980), which brought together foreign ministry officials responsible for United Nations (UN) economic affairs. OECD members expected the Southern demand for a new international economic order (NIEO) – or a managed world economy that would reduce inequalities between the South and the North – to constitute the agenda for global negotiations at the UN. The Group, which was run out of the OECD SG's office with Development Co-operation Directorate (DCD) analytical support, was charged with "analysis of substantive issues in economic relations with developing countries and preparations for major discussions and negotiations with developing countries in a number of international fora" (OECD, 1983a).[242] The buzzword for the North-South Group's work was "interdependence" and the Group expanded coverage of coherence-sensitive issues to the energy and environment sectors, as well as to science and technology, food security and demographic trends. It raised the issue of market imperfections and called for mitigation through international codes of conduct and other forms of cooperation (OECD, 1983b). Former DAC Chair (1979-81) John P. Lewis wrote that the North-South dialogue promoted:

> …a wider recognition in both developed and developing countries of the interdependence of policy issues and instruments. Those looking after the development assistance aspect of relations with developing countries needed to keep in view some non-aid as well as aid subjects – particularly the interplay of non-concessional with concessional financial flows but also trade and technological transfers. (OECD, 1985)

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240 To be distinguished from locally sourced food aid, which, in situations of famine, can help support regional demand for food and stimulate local production.

241 Notable in particular has been the work by UK Bond (created in 1993, bond/international development network, n.d.) and European CONCORD (created in 2003, CONCORD, n.d.)), two umbrella NGO confederations, and their many members.

242 Parallel developments in other international organisations included the introduction of Part IV and the Generalised System of Preferences (GSP) in the General Agreement on Trade and Tariffs (GATT), commodity organisations and the Common Fund at UNCTAD, transnational corporations in the UN, debt issues in the WB and IMF, as well as the OECD's own Guidelines for MNEs.

It was significant that the DAC remained largely outside the discussions, as other parts of OECD governments were responsible for the policies covered.

Contrary to what might have been expected from its name, the North-South Group did not engage in a dialogue with developing countries, but recommended that a cooperative policy dialogue take place at both the global and country levels, as well as on specific issues (OECD, 1983b). DAC chair Lewis also characterised the Group's work as follows: "The net product of all this strenuous talk was mainly frustration" (OECD, 1985). Nonetheless, the Group's work spanned nearly the full decade of the 1980s, laying an important analytical foundation for subsequent efforts to advance policy coherence for development at the OECD.

In parallel, another OECD body, the Technical Co-operation Committee, investigated ways to strengthen the cohesiveness, or harmonisation, of policy-making across government (OECD, 1987). This led to "a synthesis of practical lessons learned from country experiences" (OECD, 1996a), but without reference to development. Internationally, in 1987, the report of the Brundtland Commission introduced the concept of sustainable development to the world (WCED, 1987).

15.3 Framing and measuring PCD (1990-2010): some inconvenient truths

15.3.1 A push for specificity and structure

In the "new international context" (OECD, 1991), the earliest official discussions of PCD as such can be traced back to the DAC high-level meetings (HLM) of 1990 and 1991, with the explicit recognition that coherence issues and linkages between developing and developed countries went well beyond trade, aid tying and financial issues and were linked to global welfare and broader security interests (see for example Carey, 1991). At the 1991 HLM, the WB and International Monetary Fund (IMF) representatives strongly supported ministers and heads of development agencies in urging the DAC to produce more content specific to the concept of coherence, noting that this would benefit their institutions. The Bank was being encouraged by its Board to speak out more forcefully on such issues (OECD, 1992a), but recognised that the DAC, in representing bilateral agencies and as part of the

OECD, would have greater scope and clout in taking the concept forward with other policy communities.

In addition, the scarcity of aid resources during the post-Cold War period required new ideas and, as DAC Chair (1986-91) Joseph Wheeler concluded, "added a note of urgency to the demand for coherence, in order to make sure that other policies including trade policies were not offsetting the effects of aid resource transfers" (OECD, 1992a). He called for attention to coherence aspects within the OECD more broadly. In the DAC Chairman's Report of 1992, Chair (1991-94) Alexander R. Love discussed PCD in detail, distinguishing between the need for continued attention to effectiveness within development policies themselves and the additional need to ensure coherence between government policies. Love wrote: "The growing complexity and interdependence in today's world and the emergence of new global concerns, e.g., environment, narcotics, AIDS, human rights, and migration, have added a new dimension to the 'coherency' agenda" (OECD, 1992b). The report called, inter alia, for the inclusion of PCD in DAC peer reviews, a process finally launched in 2002 that contributed significant learning on PCD.

As the archive records reveal, internal inconsistencies in government policies that could impact development seemed obvious to DAG/DAC members from the start. The question is how widely this awareness was shared in government administrations beyond aid officials and ministers. Subsequently, the increasing interdependence among countries resulting from globalisation augmented the breadth and importance but also the complexity of coherence issues. Increasing attention to issues of sustainability spurred by the UN Conference on Environment and Development (UNCED) in Rio de Janeiro in 1992, or the Rio+20 Summit on Sustainable Development in 2012 (see Chapter 14) raised the coherence bar. Applying coherent policies at the national level became more than ever indispensable to effective cooperation at the international level. Yet, many officials across governments had reservations about PCD "inconvenient truths", asking for clear definitions, concrete evidence and precise quantification. They questioned whether PCD constituted an objective in itself or a means to an end. The concept of PCD remained elusive.

In some minds, the policy coherence and PCD agendas became entangled. In reality, the two are distinct tools. Policy coherence in itself can be considered as facilitating an efficiency goal to induce parts of government,

as represented by committees in the OECD, to interact and collaborate to make policies more relevant and effective across government. PCD, although never an objective in itself, nonetheless, requires political agreement to place development higher on the list of government priorities than some other policies.

During this second phase, PCD became defined as the pursuit of development objectives through the systematic promotion of mutually reinforcing policy actions on the part of both OECD and developing countries, in essence a positive and constructive view of coherence. In the 1990s, work on frameworks distinguishing between types of coherence for development helped break down and clarify conceptual issues (see Forster & Stokke, 1999; Hoebink, 1999; Picciotto, 2005):

- Internal coherence within development cooperation policies (i.e*.,* aid quality and aid quantity, e.g., aid that is untied);
- Intra-country coherence: consistency among aid and non-aid policies of an OECD member government in terms of its contribution to development" (i.e., joined-up policies, whole of government approaches, beyond aid – see section 3.2 below for examples);
- Inter-donor coherence: the consistency of aid and non-aid policies across OECD (e.g., coordination, harmonisation);
- Donor-developing country coherence: the consistency of policies to achieve shared development objectives (e.g., ownership, mutual accountability, partnership, unity of purpose).

Fortunately, some DAC members were already well-advanced on PCD at home. Centre stage in terms of institutional arrangements, policy work and civil society activism were Denmark, Sweden, The Netherlands and UK. The 1992 Treaty of Maastricht identified the "three Cs" – coherence, coordination and complementarity – as key concepts and guiding principles for the European Union (EU). The Treaty of Lisbon reinforced these in 2009 by making PCD a legal "endeavour" for the whole EU, although EU commitments never went beyond the endeavour formula of "shall take into account" in decision-making. Since 20 of the 30 DAC members are also EU members, and the EU is also a member in its own right, a majority of DAC members were thereby already institutionally committed to achieving PCD (see, for example, Verschaeve & Orbie, 2016). Under their impetus, a broadened notion of PCD came to the fore and was integrated into the DAC's 1996 strategy on "Shaping the 21st Century" (OECD, 1996b) (see

Chapter 10), a commitment endorsed by the 1996 OECD Ministerial Council and three G7/8 summits. As former DCD director Bernard Wood put it:

> In the area of policy coherence, … the DAC member governments have recognised more clearly than ever before that development cooperation and other policies must work together. … We should aim for nothing less than to ensure that the entire range of relevant industrial country policies are consistent with and do not undermine development objectives. (Wood, 1998)

Among the follow-up actions was the creation of a subgroup on policy coherence within the DAC informal network on poverty reduction. In October 1999, the subgroup commissioned a series of studies on the institutional aspects of PCD, as well as on trade and finance (European Commission (EC), 1999). This work led to the DAC's adoption of DAC Guidelines on poverty reduction (OECD, 2001a) with its "illustrative checklist on policy coherence for poverty reduction". Although the work had been mandated by the OECD 2000 Ministerial Council and shepherded through the poverty reduction network under US leadership, its reception by the Trade Committee proved more dramatic than usual in OECD committee meetings: the US delegate stood and tore apart the document, saying she could not accept the primacy of development over trade, an emphatic demonstration that development interests do not necessarily trump domestic priorities. This did not prevent the Trade Committee from issuing a landmark report, "The Development Dimensions of Trade", informing the PCD agenda by presenting the main elements of the relationship between trade and development following the completion of the Uruguay Round of trade negotiations in 1994 and the establishment of the World Trade Organization (WTO) in 1995 (OECD, 2001b).

15.3.2 Necessary trade-offs for PCD: a two-way street

As the DAC champions of PCD readily recognised from their national experiences, policy coherence must be argued both ways. Compared with domestic policy priorities, development policy holds a relatively low rank in most member governments and little political clout. Other policy communities expect requests for PCD to "bring something to the table" – a proverbial "carrot", usually a say on the aid budget, its allocation and what could be defined as ODA. This includes tensions over attempts to stretch the ODA definition in areas of military expenditures, debt cancellation and

asylum seekers (see also Chapters 6 &12). This is why political economy arguments on self-interest grounds, as well as the strategic positioning of the PCD function at the centre of government, have been so important in pursuing development coherence. It is notable that in the case of Finland, for example, the role of the prime minister's office in relation to whole-of-government approaches is key to achieving results. Finland's national 2030 Agenda has been in the prime minister's office since 2016 and the experience of coordinating the Agenda from that office is considered positive.[243] Similarly, the positioning of OECD's PCD coordinating function sends a strategic message to directorates. SG Johnston decentralised the position from his office to the DCD in 2005, reducing its visibility and clout. SG Gurría brought it back to the centre in 2007. In 2018, the position was again decentralised.

There has also been the issue of mandates. Foreign affairs or development ministries that have led the PCD discussions do not have a mandate to impact domestic policy-making. The reality in many countries, at least until recently, is that PCD focal points in capitals were working with international units in line ministries – units that were often delinked from other domestic policy-making.

Goal 8 of the Millennium Development Goals (MDG), "Develop a global partnership for development", was intended to embody the notion of PCD. Indicators for monitoring MDG 8 progress included effective development assistance, easing the debt burden and reducing trade barriers (OECD, 2003). The OECD ministerial mandate of 2002, "OECD Action for a Shared Development Agenda" (OECD, 2002), grounded in the Millennium Declaration, focussed the Organisation's PCD work on avoiding impacts that adversely affect the development prospects of developing countries and exploiting the potential of synergies across different policy areas. In 2002, the Council mandated the creation of the Development Cluster under then Deputy Secretary-General Seiichi Kondo to ensure better coordination and coherence in the OECD's development activities.[244] This included a PCD

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243 Author's communications with Finnish officials, Raili Lahnalampi, currently Finland's Ambassador to Ireland, previously co-ordinator of OECD's PCD programme, and Mikael Langstrom, Counsellor for Sustainable Development and Climate Policy at the Finnish Ministry of Foreign Affairs.

244 The Deputy Secretaries-General leading the Development Cluster and PCD have been: Seiichi Kondo (1999-2003), Kiyotaka Akasaka (2003-07), Mario Amano (2007-11), Rintaro Tamaki (2011-17), Masamichi Kono (2017-19), and Jeff Schlagenhauf (2019-).

co-ordinating function, funded by voluntary contributions from member country "friends of PCD".

Deputy SG Kiyotaka Akasaka, who took over the Development Cluster in 2003, recalls the importance of political support for PCD from the Nordic members and the UK at the time, as well as from The Netherlands. Sweden set the example with its domestic legislation which required all government ministries to report annually to parliament on policy coherence for development. Akasaka remembers the question of policy coherence between arms exports and development assistance as a "hot topic". The indifference of the United States was also noteworthy.

Analytical work was taken up across the OECD in areas ranging from agriculture, cotton, fisheries and trade to infectious diseases, migration, environment, anti-corruption and Internet access. Resulting studies were discussed in OECD committees, OECD global fora and special conferences and published in the "development dimension" series (OECD, 2005-present) and in Development Centre publications, as well as those of the Sahel and West Africa Club (SWAC) to anchor the PCD work and make its analytical results widely available. The DAC peer review cycles produced important lessons on members' comprehensive development efforts "beyond aid" that were synthesised into institutional building blocks. Whole-of-government approaches to fragile states were pursued by the DAC, joined up with defence and foreign affairs counterparts (see, for example, Patrick & Brown, 2007).

In parallel, in 2003, the Washington D.C.-based Center for Global Development (CGD) launched its Commitment to Development Index (CGD, 2020). The seven components of the Index – development finance, investment, migration, trade, environment, security and technology – provide a measure of PCD performance ("development friendliness") over time and a basis for comparison among the countries ranked. Denmark, The Netherlands and Sweden have stayed on top or close to the top of the Index throughout its 18 years of publication,[245] while Japan, like the US, has often

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245 In 2003, the CGD presented the Commitment to Development Award to the Utstein Group of four development Ministers (U-4), Eveline Herfkens (The Netherlands), Hilde F. Johnson (Norway), Clare Short (UK), and Heidemarie Wieczorek-Zeul (Germany), inter alia, for their vision and leadership in promoting PCD. See also Michalopoulos (2020).

found itself stubbornly nearer the bottom of the ranking and, along with others, has criticised the composition of the Index and its methodology.[246]

Partly as a result, the Japanese finance ministry's policy research institute partnered with the OECD to examine the East Asian experience through a PCD lens, drawing lessons that could be applied elsewhere from this regional case study (Fukasaku, Kawai, Plummer, & Trzeciak-Duval, 2005). The significant role of the OECD's Development Centre in this study and in research and knowledge-sharing in numerous areas critical to the PCD and PCSD agendas should be recognised.[247]

At the request of heads of state of the New Partnership for Africa's Development (NEPAD), the UN Economic Commission for Africa (UNECA) joined with the OECD to produce "Mutual Reviews of Development Effectiveness in Africa" annually from 2007-2015 (Amoako, 2020). Each of these reviews deals with "promise and performance" – mutual accountability – on issues of PCD, focusing on donor/developing country coherence (UNECA/OECD/NEPAD, 2005).

Throughout this period, the Paris Declaration (OECD, 2005) and the aid effectiveness work described in Chapter 11 became a key OECD instrument in pursuing PCD norms, monitored through indicators such as untied and more predictable aid (internal coherence); joint missions and joint analytical work (inter-donor coherence); and mutual accountability and aid flows aligned with national priorities (donor-developing country coherence). For detailed information, see OECD, 2011b.

With the 2008 economic crisis came a new period of uncertainty.[248] Through their Declaration of 2008 (OECD, 2008) OECD ministers chose to reaffirm their commitment to PCD against the background of increasing interdependence among countries brought about by globalisation and the progress made since their 2002 commitment to Action for a Shared Development Agenda (OECD, 2002). They called for the Organisation to pursue and intensify its work on PCD to respond to global challenges and

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246 The Index has recently been revised inter alia to include large countries within and beyond the G20 and indicators measuring conflict potential and the promotion of gender equality.

247 Indeed, as the OECD's first PCD coordinator, the author turned immediately to the Development Centre for analytical, evidence-based support to advance the agenda. A number of other OECD directorates also provided important analytical support over the years and brought the results to the attention of members.

248 Nevertheless, ODA reached a record $120 billion in 2008.

promote development that would take account of issues that go beyond aid. The DAC reflection exercise (OECD, 2009) called for deepening and accelerating work on PCD, accompanied by regular progress reports. It emphasised the need to integrate support for global public goods into development strategies, thus establishing a basis for interconnecting the two concepts. An informal working group set about defining "DevGoals" for the Organisation, signalling an evolution long underway whereby most bodies in the OECD, not only DAC, were increasingly working with developing countries.[249]

The efforts sketched out above produced knowledge gains, policy goals and coherence tools – valuable ends in themselves. Whether they produced actual policy shifts by OECD member countries could only be examined for specific policy areas at the member country level or, in the case of supranational policies such as trade and fisheries, at the EU level. Beyond self-assessments written by line ministries on their own policies and coordinated by foreign affairs ministries in annual (or bi-annual in the case of EU) reports, very few countries have ever commissioned independent evaluations of their PCD efforts. In 2012, efforts by The Netherlands, for example, to move the EU in that direction failed. OECD's peer review tradition provides a ready-made tool for such investigation, but outside the DAC, has not been systematically used to this end. Even in DAC peer reviews, the PCD focus mainly covered institutional set-ups for PCD and was eventually dropped altogether.

15.3.3 Not measured, not met

Beyond definitions, OECD members wanted numbers, evidence, impact. They wanted to know the cost of incoherence to developing countries and their own countries. They demanded persuasive evidence before agreeing to any policy changes. The DCD succeeded in quantifying the costs of tied aid, and this may have contributed to the decades-long effort to instil at least modest discipline in this area. The OECD's annual calculations of agricultural producer and consumer support estimates (PSE and CSE)[250] became a successful tool for decrying harmful agricultural policies. They

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249 The DevGoals exercise was also a compromise initiative responding to a letter to the SG from the French and British ambassadors heavily criticising lack of coherence within the Organisation, particularly between DCD and the Development Centre.

250 The Producer/Consumer Support Estimate measure replaced the Producer/Consumer Subsidy Equivalent in 1998.

were journalistically parodied into stories about flying cows (see Moore, 2000). Comparisons between daily expenditure on cows being higher than that on the poorest people of the planet were used to demonstrate the harmful effects of agriculture support in OECD countries (Denny, 2002). Over time, there have been improvements in agricultural sector policies, which have benefitted both OECD member countries and some developing countries (OECD, 2012).[251] These improvements have been beneficial to the Doha Development Round[252] launched in November 2001 to a point, yet the Round having reached an "impasse" has never been concluded, with agriculture remaining a persistent sticking point.

The persuasiveness of numbers and their translation into powerful images were difficult to harness in most other areas. The access-to-affordable-medicines dossier and the link to Trade-Related Aspects of Intellectual Property Rights (TRIP) rules in the World Trade Organization (WTO) and free trade agreements are cases in point that spring to mind, notably as ever-higher health costs begin to hurt consumers and patients in OECD countries as well as in developing countries. Occasional case studies by research entities and non-governmental organisations (NGO) served as forceful evidence to support coherence arguments, but these alone were not usually enough to convince governments to change their policies (see for example Ashoff, 1999). The difficulty of translating coherence issues into hard data has been a consistent problem, explained by the complexity of the policy impacts, difficulty of attribution, differing effects on countries in varying situations and data gaps, as well as occasional confusion over what was to be measured. Even in cases as specific as cotton, where the impact of policy incoherence has been quantified, affected developing countries have lobbied at the highest political levels, and US policies have been ruled illegal in WTO dispute settlement, entrenched US special interests have won out over development goals (WTO, 2003a, 2003b).

Part of the reason for resistance to the PCD agenda for some time was related to its frequently negative focus on *in*coherence issues. Another reason, previously alluded to, may have been the sheer assumption that development or development cooperation should have priority over other,

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251 In addition, structural change in world market conditions and the increased importance of Brazil, Russia, India, Indonesia, China and South Africa to world agricultural trade mean PCD can no longer be framed exclusively as an OECD versus developing country divide.

252 Also referred to as the Doha Development Agenda.

mainly domestic policy goals, in addition to the difficulties of agreeing on the normative development values to be pursued. Once PCD had been cast as a "tool for transformative development", it became a positive construct on which members could more willingly build. "In other words, it evolved from a criticism against existing practices towards a new organising narrative for development debates" (Verschaeve, Delputte & Orbie, 2016). It could be argued that, in this way, countries also absolved themselves from having to tackle the inconvenient truths about specific incoherent policies – they potentially diluted the focus from a few key issues to a wider range of "feel-good" policies, with too many goals fragmenting efforts to improve coherence for development. The time for such a conceptual and strategic shift had nonetheless come, driven by changes happening externally as well as within the OECD itself.

15.4 Policy coherence for sustainable development: ambiguous truths (2010-)

By 2010, the international community was gearing up for Rio+20 and the post-MDG era (see Chapters 14 & 16). Within the OECD, most directorates outside the Development Cluster were also actively engaging with developing countries, albeit mostly middle-income countries. Two OECD units focussed on coherence issues for sustainability with direct relevance to, but reaching beyond, coherence for development concerns.[253] Under SG Gurría's leadership and vision of the OECD as a hub for globalisation, the whole of OECD was to engage in development work to deliver multiple policy objectives. In this new context, no "big stick" approach to policy coherence was needed in terms of reproaching or shaming OECD member countries for "unfriendly-to-development" policies.

In 2010, the OECD Council added a soft law legal instrument to its earlier Declarations, in the form of a "Recommendation of the Council on Policy Coherence for Sustainable Development" (OECD, 2019). SG Gurría made development one of the OECD's six strategic priorities. Marking a significant enlargement of OECD's client base, the Group of 20 major world economies (G20) stressed the increased need for a horizontal approach to development and tasked the Organisation in several policy areas (OECD,

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253 The Roundtable on Sustainable Development (hosted by the OECD) and the OECD Annual Meeting of Sustainable Development Experts.

2011c). The OECD's 50th anniversary ministerial meeting in 2011 mandated "The OECD Strategy on Development" in which PCD remained a priority across the Organisation along with knowledge sharing. [254]

Each OECD directorate has comparative advantage in its respective policy field, so it was unsurprising that the DAC became one of numerous OECD committees to incorporate activities that would draw budgetary support for coherence-related, horizontal work. It chose to focus on four key horizontal areas: green growth, food security, global value chains and illicit financial flows. Indeed, the work on applying a PCSD lens to these issues was instrumental in developing a new definition for PCSD, and subsequent coherence reports were centred on green growth The DAC was no longer in the driver's seat on what constituted PCD. Mainstreaming became the order of the day and inputs from a broader stakeholder (global) community were sought to inform the agenda.

The key lessons learnt from applying the OECD Strategy on Development included the need to:

- move away from a donors-only emphasis to engaging key actors in advanced, emerging and developing countries;
- go beyond "do-no-harm" towards more proactive approaches;
- shift the focus from sectoral to cross-sectoral (multi-dimensional) approaches;
- move from generalities to an "issues-based focus on common challenges".

This process provided the rationale and mandate to move from PCD towards PCSD – the basis to move to a new definition of PC*S*D was one of the outcomes of the OECD Strategy on Development.

By 2013, the PCD secretariat recognised that the post-MDG framework would consist of policies to achieve sustainable development goals to apply to all countries, not only so-called "developing" ones, and that OECD's PCD experience could usefully be applied to help achieve those goals. The decline in ODA relative to overall development finance and greater emphasis on good policies and governance were part of the changing context. The OECD's definition of policy coherence for development began to evolve.

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254 This broadened approach to development was inspired to some extent by a speech that President Obama gave at the MDG Summit in September 2010.

Meetings of the national focal points for PCD discussed the new approach and definition several times, and a consultation was launched on the new definition through an online platform. Three different "traditions" in promoting policy coherence were examined to build the new definition:

1. the experience of DAC members in promoting PCD;
2. the experiences of OECD countries and some non-member countries in fostering policy coherence in sustainable development, particularly from putting in place national strategies and institutional frameworks for sustainable development in response to the Rio Process; and
3. the discussions on broader coherence issues from developing countries in the context of financing for development, particularly during the Addis Ababa conference in 2015.

The change was both strategic and opportunistic. PCD became a process "for integrating the multiple dimensions of development" (OECD, 2013) and "for taking into consideration the economic, social, environmental and governance dimensions of sustainable development" (Martini & Lindberg, 2013) at all stages of policy-making.

Having drawn the lessons from a weakly-construed MDG 8 on partnership, for which it was difficult to establish meaningful accountability (Fukuda-Parr, 2017), the international community included Target 17.14 on Policy Coherence for Sustainable Development (PCSD) in SDG 17 on development partnerships as a means of implementation for all SDGs. As the PCSD paradigm has become more complex, almost paradoxically a significant measurement effort has mobilised around it. It is too early to assess whether these new efforts will produce actual accountability.

15.5   Conclusions

In reflecting on what was the most important contribution of the PCD initiatives to OECD member countries, Ki Fukasaku sums it up realistically:

> Perhaps it was that OECD work on PCD helped them to recognise critical international spillovers of major policy decisions in OECD countries that are predominantly taken for the sake of domestic (and even local) constituencies. This may lead to ex ante trade-offs between domestic and international policy objectives, as often argued in the combination of protectionist trade policies and ODA. Or it may create synergies between trade and aid policies, when the policy of keeping OECD markets open is

> supported by sustained assistance to domestic capacity building in LDCs as in aid for trade. (Personal communication from Ki Fukasaku, formerly senior Counsellor at the OECD's Development Centre and currently Professor at Keio University, Tokyo)

In reflecting on the evolution from self-evident truths to inconvenient ones and in anticipating how the current phase of greater ambiguity is likely to play out, one great irony of the overall coherence effort stands out. Despite being chastised on their PCD performance by DAC peer reviews and NGO reports, including the CGD Index, the increasingly liberal market access policies of major economies such as Japan and the US have had huge positive impacts on economic development and poverty reduction in many countries, notably in export-oriented East Asia and China. They have validated the self-evidence of PCD truths as understood by the DAC's founders and overcome numerous inconvenient aspects of the PCD effort by opening their markets to developing countries' products to a significant extent. This has also shown the benefits of a strong multilateral rules-based system that binds the strong players as well as others. The landscape and ranking of international economic players have been completely shaken up as a consequence. Equally ironically, this powerful shake-up and transformation are currently fuelling geopolitical strains.

At the same time, the ease with which such progress can be rolled back is apparent in recent years, not only in the trade and climate areas, but also in migration policy, where OECD committees discuss how to "attract the best and most qualified migrants" apparently without concern about the brain drain impact on the sending countries. This highlights that the clear recognition of how much OECD countries' policy choices matter for development has become even more important in the "ambiguous truths" phase of PCSD initiatives.

The evolution of PCD demonstrates the extent to which all countries are in various stages of development and how we need to adapt policy perspectives and guidelines to keep up with the ever-changing global environment. Henceforth, the *un*ambiguous truth, as Olav Kjørven observes in Chapter 16, is that sustainable development is "the only acceptable way to do development". This point is essential to the rationale for the new PCSD concept. The emphasis on "sustainable" development implies a critique of "conventional" development because of the minimal role that environmental protection and preservation of natural resources have tended to play in conventional development. From this perspective, while conventional

or "traditional" development brings economic and social benefits, it may damage the environment and the people who depend on it, thus offsetting the benefits it creates. The PCSD approach takes into consideration this critique.

Kjørven also notes that "the SDGs embody a core insight from decades of development practice: effective development depends on coherence across sectors and themes". Henceforth, the direction of OECD work on policy coherence will be firmly linked to the SDGs. The possibility of contributing to setting international standards towards the achievement of the SDGs is a considerable opportunity for the OECD. The international platform for doing so is in place, hosted by the OECD. The transformation in December 2019 of the 2010 Council Recommendation on good institutional practices for PCD into the Recommendation on Policy Coherence for Sustainable Development enhances the OECD's role in contributing to the achievement of the SDGs.

The OECD should continue to support member and partner countries to think through the balance of their various interests and priorities, as well as their interrelationships. Ambiguities will arise from having to cope with significantly more complex global versus domestic trade-offs and spill-overs, given that the goals apply to every country, no longer only to so-called "developing countries". The latter has ceased in any case to be an easily definable category, notably with respect to coherence targets. Further ambiguity arises from the fact that the political economy context in many countries is becoming more domestically oriented, reducing the weight of development-centric coherence arguments.[255] The DAC, with leadership and support from the centre of the Organisation, remains best placed politically to ensure that the "D" in OECD and in PCSD receives adequate emphasis in cross-policy equations and deliberations. In essence, for PCD or PC*S*D, "the truth is rarely pure and never simple" (Wilde, 1895).

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255 Even for some longstanding, influential lead champions of PCD, like The Netherlands, political interest and staff resources are dwindling for PCD, on the one hand, and narrow, short-term "national" interests are rising, on the other, resulting in an increasingly difficult environment to achieve PCD objectives (Personal communication from Dutch official, Otto Genee, who previously led the PCD efforts of the government of The Netherlands).

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Part 3: Adapting development cooperation to new geopolitics and challenges

16   The Sustainable Development Goals: the world we want and the return of development processes

Olav Kjørven

Abstract

Reaching global agreement on the 2030 Agenda for sustainable development and its 17 Sustainable Development Goals (SDG) was a massive achievement that had seemed out of reach until shortly before the UN General Assembly (UNGA) of 24 September 2015. Five years later, with a third of the implementation time already spent, success requires the same unique combination of vision, leadership, circumstances, coalitions, innovations and trust that made that achievement possible. This chapter provides a very personal look back at how the 2030 Agenda was finalised. A number of actors involved recognised that the Millennium Development Goals (MDG) lacked attention to governance, conflict and violence, job creation and environmental challenges and, as a result, were not achieved in many countries. Any post-2015 framework needed to combine whatever MDG progress had been made with an "inclusive and transparent" dialogue on what should happen next. Advances in computer-mediated and mobile communications together with civil society networks made it possible by 2012, after Rio+20, to create a virtual global conversation and bring millions into a United Nations (UN)-led effort to define "the world we want". Sceptics abounded, but with the leadership of countries like Colombia the push to make sustainable development and universal application key ingredients of the new agenda gained traction. Two rather entrenched communities, one dedicated to *development* and the other to *sustainable development*, needed to come together. Ambitious national and thematic consultations, together with the MyWorld Survey, produced clear patterns and priorities. The Open Working Group, launched in March 2013, went to work on proposals for SDGs post 2015. Its unconventional and unwieldy, but open and inclusive, design was a key strength, leading to the eventual agreement that sustainable development was the only acceptable way to do development. With the critical financing issue addressed in Addis Ababa in July 2015 by looking across public and private, domestic and international financing sources, the final obstacle to agreement on the 2030 Agenda was removed. Official development assistance (ODA) would need to be the catalyst for such a massive shift of resources. As of this writing, with only 10 years to achieve

the 2030 Agenda, all actors including the OECD Development Assistance Committee (DAC), need to catch up and find their role and complementarity in the new framework.

16.1 Introduction

On 24 September 2015, immediately after an historic speech by Pope Francis and an equally powerful appeal by Nobel Laureate Malala Yousafzai, the President of the United Nations General Assembly (UNGA) gavelled the 2030 Agenda for Sustainable Development (UN, 2015a, 2015b) with its 17 Sustainable Development Goals (SDG) into being in New York, in the presence of more than 150 heads of state and government, leaders of international organisations and from business and civil society. Unlike their predecessors, the Millennium Development Goals (MDG) (UN, 2000a, 2012a), which were sprung on the world by then-Secretary-General (SG) Kofi Annan in the year 2000 as a result of work by experts and technocrats, the SDGs had been negotiated and agreed by all UN member states and had drawn contributions from millions of people around the world, from academia and the private sector, besides the UN system and other international organisations. And whereas the MDGs were exclusively about combatting poverty in developing countries, the new agenda applied to all countries of the world and addressed not only all three dimensions of sustainable development – economic, social and environmental challenges – but also took on inequality, peace and governance. Where the MDGs in many ways attacked the symptoms of poverty, the SDGs also went after the drivers and more systemic challenges standing in the way of progress. For all those present at the UNGA that day and for all those around the world following the event live, the significance of the moment was obvious: the world had come together and agreed on where it wanted to go. We now knew what kind of world we wanted to live in. And development was no longer "just" something international and bilateral agencies and social NGOs worked for. It was everybody's business.

In large part thanks to the open and inclusive process, the new goals were alive and kicking from day one, a virtual movement in their own right. They were owned by an unprecedented range of key players: the governments that had negotiated them, the coalitions in civil society that had fought for their issues and contributed to an ambitious outcome, a wide range of private companies and industries, academic and scientific entities, and

most importantly global citizens. But all this said, there was no shortage of questions and concerns. Would governments prove committed and capable of taking on such a large and multifaceted agenda and translate it into meaningful action? Were 17 goals and 169 targets just way too much for anyone to wrap their heads around? Would donor countries take the SDGs seriously in their own countries while staying committed to supporting developing countries? How to mobilise the enormous resources needed to finance the agenda, much beyond the capacity of the public sector? How to plug the many gaps when it came to putting in place indicators for measuring progress?

We are now already over five years into the SDG era. At this moment, countries around the world in both North and South are, albeit at different speeds and levels of commitment, integrating the goals into development strategies, policies across sectors and in budgets. A large number of companies are presenting in annual reports their results against the SDGs and some have taken significant steps to integrate the relevant goals into their business strategies, across industries as diverse as agriculture, food and beverages, telecoms, textiles, energy, consulting and finance. The UN system has undergone a complex reform intended to ensure it provides countries with more integrated and effective support. Regional institutions such as the European Union (EU) and the African Union, development finance institutions such as the World Bank (WB) and the regional development banks (RDB), the Organisation for Economic Co-operation and Development (OECD) and countless other bodies have incorporated the SDGs into their strategies. The SDGs have entered school curriculums, universities are offering SDG courses and the goals are even being talked about in religious services around the globe.

New partnerships have sprouted to tackle cross-cutting challenges, directly inspired by the core ideas of the 2030 Agenda. The World Benchmarking Alliance, for example, has been set up to generate benchmarks to track progress by business against the SDGs, to enable investors of all kinds to make investment decisions based on SDG performance, over and above traditional metrics focusing mostly on money-making potential. EAT is another example, a science-based global platform for food system transformation established to drive changes across food systems from farm to fork, to deliver better outcomes for people and planet.

And yet, the jury is still out. Compared with the MDG era, it is clear that we are far ahead in terms of action and mobilisation of a wide range of stakeholders. But the bar of ambition is also so much higher this time. Concerns are mounting that too many countries and businesses are not following through with the level of commitment that is required, and that some have even turned their backs on the promises made in 2015. Many countries seem distracted by seemingly more urgent issues, such as disputes related to migration and refugee crises, and now, above all, the COVID-19 pandemic. It is clear that most countries of the world are not yet on track to achieve many or most of the SDGs. Just three to four years from now we will reach the mid-point of the SDG era and by then the 2030 Agenda, as a collective promise to the peoples of the world, could be discredited as a massive failure, unless we see significantly stepped-up efforts before then, not least through the enormous investments that are now needed to recover from the impacts of COVID-19.

However, getting global agreement on the 2030 Agenda in 2015 was a massive accomplishment, made possible by a unique combination of vision, leadership, circumstances and innovations that combined to make the seemingly impossible possible. Keeping the spirit and momentum alive towards 2030 will require more of the same, in fact a whole lot more of it, especially at the country level but also globally. Now is therefore a good time to take a step back, and look back at how it happened.

Many people could give an interesting account, filled with solid doses of blood, sweat and tears, a few moments of euphoria and countless, endless meetings that often seemingly went nowhere. Each story would be distinct from the next. Here is mine.

16.2   Changing view of global goals 2001-2010

I served as State Secretary of International Development in Norway when UN Secretary-General Kofi Annan announced the MDGs. Honestly, I did not have much time for them. They seemed to me an overly simplistic approach to something as complex as development, at the expense of serious policy-making and complex reforms. I viewed them as a smart move communications-wise, but that was it for me.

But by 2005, I knew better. By then I could see the difference that a set of shared goals was now making. That same year I joined the United Nations

Development Programme (UNDP), an organisation that played a central role in grounding the MDGs in countries around the globe. The goals were forcing stronger political attention to critical poverty and health deprivations causing misery for billions of people. They had helped reverse the decline in official development assistance (ODA) that we saw in the 1990s. They were starting to seep into national development strategies and budgets, and international partners were using them to guide priority setting. Global partnerships were being formed or revitalised to support stronger action. As a "common currency" they were making aid coordination a bit easier. I could see that there was not an either/or between a set of shared, morally compelling goals and more "brainy" development policy. At the same time, I and others worried about the MDGs' lack of attention to governance, conflict and violence, and the cursory treatment of job creation and environmental challenges.

By 2008, I was on the barricades. The global financial crisis in 2008-9 nearly killed off global commitment to the MDGs. I witnessed several conversations with policy-makers where it was suggested that it was time to move on, to redefine the agenda. People were tired of yesterday's concepts. With the arrival and leadership of Helen Clark as UNDP Administrator in 2009, we and other partners launched a big counter-offensive, mobilising developing countries to tell their stories about the difference the goals were making. It worked. The MDG Summit in 2010 took stock of the encouraging progress being made around the world, renewed commitments despite the overall gloomy economic picture, and ushered in a major acceleration programme led by UNDP to zoom in on gaps and bottlenecks country by country.

At this summit, conversations were heard for the first time about "post-2015". What do we do after the MDG deadline? The SG wisely announced that focus had to remain on finishing the MDG job, but that he would initiate an "inclusive and transparent" dialogue on what should happen next. That got me and others thinking.

16.3   Towards sustainable development 2010-2012

It seemed obvious to me and many colleagues that "pulling a quick one" as Annan did in 2000-01 by simply announcing goals and targets formulated by experts, would be both totally wrong and politically impossible this time around. There would have to be some kind of open and inclusive process, in order to build support and legitimacy. Everybody now knew how powerful

the MDGs had become. There was no way different countries and other constituencies would simply sit back and await the wisdom of experts at the UN or anywhere else. At a minimum, governments around the world would take a huge interest in debating what the focus of the next goals should be. We also saw a huge opportunity: unlike at the beginning of the millennium, it was now possible – due to advances in computer-mediated and mobile communications and the growth in bottom-up civil society policy networks – to create a virtual global conversation, to bring millions into a UN-led effort to define "the world we want".

I felt this was an opportunity that the UN could not afford to miss, a way to breathe life into the opening words of the UN Charter: "We, the people of the United Nations". As co-chair of the MDG Task Force which brought together representatives from all UN development agencies, I introduced a proposal, developed by UNDP colleagues Paul Ladd and Jose Dallo, for that global conversation. It laid out a plan for unprecedented national consultations in scores of countries around the world, multiple thematic consultations with experts and practitioners at the global level, and an online engagement platform audaciously named worldwewant2015 (UN, 2015c). Later, Ladd and Claire Melamed (ODI [Overseas Development Institute]) proposed a massive online and offline survey to capture the priorities of people everywhere, MyWorld2015 (UN, 2012b). Over the course of late 2011 and early 2012 we built support for the whole package, revised it several times, and got it approved and then funded by several partners. By mid-2012 we were ready to roll, but awaiting what would come out of the Rio+20 Conference on Sustainable Development.

I also found myself co-chairing a UN system-wide post-2015 Task Team (UN, 2013) that the SG set up to prepare an initial, "stage-setting" report aimed at providing strategic recommendations on the issues that a new agenda and new goals would need to grapple with. Some 60 UN agencies and offices around the world signed up to take part in it. Many were the times I was told what a hopeless task we had, that this project was doomed to fail. Apparently there was no way that 60 specialised entities could ever agree on a shared vision. We brushed that aside while making it clear to colleagues in the task team that we all had to rise to the occasion, above narrow agency mandates, to prove the sceptics wrong. This was our chance within the UN to shape the direction of the agenda. If we ended up with what many expected – a "Christmas tree" sprinkled with each entity's favourite decorations – all of us and the UN as a whole would look incapable and silly. Meanwhile, at

UNDP we cleared an entire floor to host a UN-wide secretariat tasked with promoting a coherent effort across the system.

One day in mid-2011, a former UNDP colleague and now foreign ministry official from Colombia, Paula Caballero, stopped by my office. The conversation had a profound impact on how I viewed the scope, direction and ambition of the post-2015 agenda. Caballero told me that Colombia would go all out for a new framing of the global development agenda. Colombia, she said, wanted renewed, global commitment to sustainable development, given the urgent economic, social and environmental challenges we were now facing. In short, Colombia – and Caballero especially – wanted SDGs. And they wanted them agreed at the Rio+20 Summit the following year, or at least an agreement to develop such goals. These SDGs, she said, should apply universally, to all countries, North and South. I asked her if she thought she could get sufficient political support from other countries. She looked at me and said: "Yes, but we need your help. Can you, and can UNDP, help us?"

Conflicting thoughts ran through my head. On the one hand, I was deeply moved and excited. Caballero had laid out a vision that coincided with my own thoughts. I totally agreed that we needed a new framing, and that sustainable development and universality had to be key ingredients. But I was worried too. There would be staunch opposition. A lot of people saw no need to go much beyond an upgrading of the MDGs, with continued focus mainly on addressing poverty in poor countries. Even though sustainable development had been embraced by the world almost 20 years earlier as a balancing act across economic, social and environmental priorities, a lot of people saw sustainable development as nothing but a euphemism for environmentalism and wanted to leave the entire concept behind. Very few were excited about the Rio+20 conference. Many were surprised that Brazil even wanted to bother with another Rio summit. Bringing the discussion to Rio could also derail and politicise the post-2015 process as we had been contemplating it within the UN system. And, what sort of clout could Colombia have anyway? But I knew that Caballero had the right vision and I threw doubts and caution to the side. "Yes," I said, "I'm with you." I also told her that getting the actual goals agreed in Rio would not be wise nor possible. Much more time would be needed in order to allow for an inclusive and open process, and for the political proceedings that would be needed. Besides, we had until the end of 2015 to work it all out.

16.4   Rio+20 almost derails sustainable development dream

By Rio+20 in June 2012, Colombia had done an incredible job mobilising support for SDGs. A "hard core" of several Latin American and European countries were working near-seamlessly to build support for the idea. The host nation Brazil was engaged with strong ideas of its own while ceaselessly reading the political landscape looking for ways to find common ground. This was critically important, as there was plenty of opposition at several levels. Some did not like the idea of SDGs at all, while others fought against having a decision that would unleash a political negotiation process to determine the goals. It was becoming increasingly clear that developing countries were quite united behind a demand for negotiations. Their "nothing about us without us" argument was hard to argue against.

In the months prior to Rio, I had been busy on two fronts: first, together with colleagues I had been using the run-up to build support in UNDP and the wider UN system for a broader framing of the agenda than we had contemplated so far. The UN Task Team's report (UN, 2013) became a particularly important tool for widening understanding and support for embracing sustainable development and universality, and we went beyond that to making the case for tackling inequality, conflict and violence, and governance. It was issued after Rio, but its thinking (and advanced drafts) was already in circulation. Secondly, we invested in dialogue with a wide range of governments and civil society actors to build greater appreciation for the imperative of a more integrated, less siloed approach to development and how sustainable development as a concept and SDGs as shared commitments could be instrumental. In a nutshell, we felt that the real challenge before us was to once and for all bring together two rather entrenched communities, with largely separate worldviews and even separate governing bodies: one dedicated to (economic and social) *development* and the other to (mainly environmentally) *sustainable development.* However, many saw it differently. A number of governments did not see "post-MDGs" and SDGs as necessarily one and the same. Some felt that a successor framework to the MDGs would be needed to maintain commitments to development cooperation and to finish the job of eradicating poverty, while the SDGs would address other, more global challenges. The host country Brazil was the lead proponent of this view, while at the same time skilfully searching for a consensus formula. With the risk of two separate post-2015 tracks growing almost by the day, we were working extra hard to argue for one consolidated effort, while preparing for the possibility of having to support two separate

tracks. A forum of UN member states in New York, regularly convened by Japan, became particularly important during this period, preparing the ground for what was to come.

Only weeks before the opening of Rio, UK Prime Minister David Cameron announced that he would be leading a high-level panel (HLP) on the Post-2015 Agenda (UN, 2012c) to be established by the Secretary-General. The news deepened tensions and distrust in the already difficult negotiations ahead of Rio, which were then in the final rounds. Many developing countries saw the panel as an attempt to "override" what they saw as an imperative to be confirmed in Rio: an intergovernmental process, led by member states themselves. On the other hand, many developed countries felt that a proposal had to be developed first, before entering negotiations. Otherwise, it would be extremely difficult to produce a meaningful result. They saw the panel as a way to achieve this.

During tense days and nights in Rio I found myself in the corridors and negotiation rooms, trying to be helpful. I realised that any agreement would have to include a decision to undertake an intergovernmental process to define the goals, otherwise the SDGs as a viable concept would die right there in Rio. On the other hand, developed countries could not support such an approach without language that would somehow connect the SDGs to the post-2015 development agenda, and they were also adamant that if the new agenda was going to cover the economic, social and environmental dimensions of sustainable development, issues related to quelling and preventing conflict and promoting good governance also had to be part of the deal. Many pointed out that the new agenda was not only about the legacy of the Sustainable Development Summits; the iconic Millennium Declaration (UN, 2000b) from 2000 also had to be honoured, which among other things emphasised the importance of democratic governance. From our side in the UN system, we were working for language that would authorise us to support the negotiations and to bring in the voices of people around the world. For me and my UNDP colleagues, the work of the UN Task Team and the consultations that we were ready to unleash were hanging in the balance.

It all came down to the wire. On overtime and in the wee hours of the night, there was finally a deal (UN, 2012d) along lines put forward by Brazil as a take it or leave it offer. It implied a distinct process to elaborate SDGs, but it was articulated in such a way that it pointed towards "post-2015" as the destination, and it did call for an open and inclusive process and for the

UN to provide substantive support. On the other hand, the HLP was not mentioned. Instead, the outcome document mandated the establishment of an open working group (OWG) to be made up of experts from 30 member states selected from within the UN regional country groupings. The OWG was tasked with developing a proposal to the UNGA, guided by the Rio outcome document. The mood was not good. Few were particularly happy with the outcome, some were incensed, some thought and said "this can never work". I thought to myself: "It has to work. Our job is to make it work."

The morning after, I ran into Amina Mohammed, the recently appointed special advisor to the UN secretary general on post-2015 planning. We had reached the same conclusion: if we organised ourselves well, we could help make it come together. We returned to New York and went to work.

16.5   The world we want: the global conversation takes off

As New York's summer turned to fall, our ambitious consultation project gathered steam. We were in a great hurry. We knew we had to be able to not only run national and thematic consultations around the globe and get the global MyWorld survey underway, we had to manage to make sense of the results and present consolidated reports in time for the results to be available for the HLP and the OWG. The panel represented the greatest challenge timing-wise. It went to work in July with a condensed meeting schedule and aiming to have a report ready by June 2013. We knew we had to be able to present at least early results by late winter of 2013, and a final report ahead of the General Assembly in September 2014. But UN country teams responded to the challenge with speed and agility. They were staging and facilitating national consultations around the world, bringing a vast array of people and constituencies into the expanding post-2015 loop: women's organisations, youth groups, farmers, big and small business, labour organisations, slum dwellers, people with disabilities, indigenous people, ethnic and sexual minorities, and more. In parallel, UN agencies took the lead in organising the global thematic consultations, bringing experts and interest groups together into large virtual loops combined with meetings hosted by countries with a particular interest in a given theme. The consultations covered the MDG areas, but also stretched out into the controversial areas that would become the SDGs: governance, security and disasters, inequalities, population dynamics (migration, age), and of course environmental sustainability. In

a way they circumscribed the topics and gave the initial trajectory to the SDGs. The UN Millennium Campaign under the leadership of campaign director Corinne Woods, had designed MyWorld2015 (UN, 2012b) as a UN-civil society-private sector partnership, and it was quickly gathering votes from around the world. In parallel the UN Global Compact (UN, 2000c) was mobilising the private sector, producing a report capturing business perspectives and recommendations. Jeffrey Sachs, Director of the Earth Institute at Columbia University and the SG's special advisor on the MDGs, launched the Sustainable Development Solutions Network (UN, 2012e) dedicated to generating contributions and recommendations from the academic and scientific communities.

By early 2013, the global conversation was unfolding. The worldwewant web portal (UN, 2015c) captured it all as it happened. The name had been a leap of faith: we had been far from certain that involving millions in the process would produce any clear patterns and priorities. As a matter of fact, many had criticised the effort on the grounds that we would get millions of views but fail to make sense of the result, risking disappointment both from the HLP and the OWG, but more importantly letting down everybody we had brought in on the promise of being heard. However, now we found ourselves marvelling at the emerging results: there were clear patterns appearing. It turned out that people around the world had a fairly clear idea about the world they wanted to live in, there were recurrent concerns and wishes coalescing into commonly held priorities. We presented results to the HLP as it drafted and finalised its impressive report. We shared them with governments in capitals around the world, and at the UN just as the OWG finally got underway in March 2013. Perhaps most importantly, the results revealed that both North and South in important respects had been right in Rio: in essence, the world people wanted was one where we would both build new goals that would meet the bar of sustainable development, but also honour and build on the MDGs and capture key elements from the Millennium Declaration that had been left out of the MDGs, especially freedom from violence and fear, and responsible governance. They certainly in many respects validated the vision that Caballero and Colombia had first put forward. Finally, the consultations left no doubt about one thing: people around the globe absolutely wanted shared, global goals.

16.6 The HLP delivers but who will listen?

With consultations still running at full steam, spring 2013 saw the HLP entering its final rounds of deliberations. Together with colleagues I had engaged actively to make sure the HLP had access to the growing body of results from the consultations as it convened its meetings in different parts of the world. Despite considerable differences across the membership, the panel was moving towards a sustainable development framework reflecting two key slogans: "leave nobody behind" and "people and planet". The still confidential list of 12 proposed goals in many ways echoed and concretised the broad conceptualisation of the initial UN Task Team report and reflected many of the patterns we had detected through the consultations.

The big question on everybody's mind, however, was what would happen next? Would the panel report become the proposal that UN member states would consider through the OWG? Or would it be considered through some kind of separate process? Or would it be largely ignored? During this period, I kept hearing UN colleagues ask themselves and others how and when the "separate tracks" would merge. And I kept repeating that the answer was partly in our hands. It was really up to us to work them together by working together. We needed to reinforce the logic of one, shared, global agenda by feeding the same evidence and voices we were now accumulating into all relevant bodies within and beyond the UN.

There were now several processes moving at different speeds, and while some trains, such as the HLP, were coming to their destination, others had hardly started the journey. It was only in March 2013 that the OWG finally got under way. Meanwhile, UNGA president Vuk Jeremic was conducting large thematic sessions of his own on post-2015 with member states and civil society. UN Regional Commissions organised regional consultations. With all the moving pieces, coordination was a must. Already right after Rio+20, the UN SG had constituted an informal coordination team of four senior colleagues with Amina Mohamed in the lead, joined by John Hendra from UN-Women, Shamshad Akhtar from the Department of Economic and Social Affairs (DESA), and myself. We did what we could to encourage collaboration and coherence.

In June, the HLP presented its final report (UN, 2012c). It was eloquent, ambitious and quite well received around the world. At the UN, some countries were enthusiastic, others politely dismissive. In the OWG the developing countries made it clear that while the report had some good

suggestions, it had no formal status and it was up to individual member states to make use of the content in the negotiations, as they saw fit. At the end, this was pretty much what happened. The excellent report with its proposed 12 goals did not become the blueprint many had hoped. But it was far from dead on arrival. Over the ensuing months, it worked its way into the OWG deliberations by osmosis. It helped that quite a number of OWG delegates had also been involved in the panel.

16.7   A very open working group

As predicted by many, the OWG proved tough to put together and get going. After months of jostling within the various regional groups, the result was even messier than the Rio+20 outcome: instead of 30 experts from 30 countries, it ended up with 70 countries, organised in 30 small groupings of 2-3 countries, sometimes in unusual constellations (e.g., Japan, Iran and Nepal; India, Pakistan and Sri Lanka). Compounding matters even more, several countries that were not among the 70 made it clear they intended to participate actively. So for all practical purposes, the OWG had become a "committee of the whole" of the UN, and on top of that it had been agreed that "major groups" (civil society, labour, business) would have full access to the proceedings. To many it looked like a train wreck. However, it would soon become apparent that the unconventional but open and inclusive design was actually a key strength.

In March 2013, the well-chosen co-chairs of the OWG, Csaba Korösi and Macharia Kamau, the UN ambassadors of Hungary and Kenya, presented a dense one-year programme of work, with monthly three-to-five-day thematic discussion sessions in New York through March 2014. This was to be followed by deliberation of the actual OWG report between March and July 2014, through monthly consultative sessions. During the months prior we had been quietly gearing up to provide support to the demanding agenda, by organising a dedicated technical support group from across the UN development system with some 40 members. Now, papers were being drafted, reviewed, discussed and revised at feverish speed. In the first substantive OWG session in April 2013 dedicated to poverty, I found myself on the podium, presenting key messages from our collective work. I could draw from both the best available knowledge and evidence on the topic from across the UN as well as portray results from the global and national consultations. I felt as I was sitting there that we were helping to

bring together the famous "separate tracks" of development and sustainable development.

I also quickly realised that something interesting was going on. This OWG was not your typical UN committee. Despite the inevitable reading of prepared, often stale, statements by some, there were many who reacted to presentations with thoughtful observations and questions in real time. Members were talking among themselves about the issues, as opposed to sticking to traditional positions. It turned out that the unusual combination of countries into small groups was conducive to a more open and informal dynamic as group members had to discuss among themselves and coordinate their interventions, making the typical North-South dichotomy of the UN less dominant. The way the two co-chairs led the proceedings, expertly supported by a DESA team led by Nikhil Seth, was another gift to the process. They set the open and deliberative tone from the get-go, and they steadily built trust – often a scarce commodity in multilateral negotiations these days – as month followed month. Third, it helped that all meetings were held in the open, webcast around the world and with civil society organisations (CSO) as active participants.

To me, the most interesting pattern emerging was that there was a group of countries that clearly wanted SDGs more than others. They consistently kept a high degree of pressure on the rest to stay the course and move towards an ambitious outcome worthy of a sustainable development agenda. This informal coalition had started to emerge in the run-up to Rio+20 and included mainly small and mid-size countries, some of them at the high-income level but most were middle income countries. All had democratically elected governments. Colombia was still the central force, but many others had stepped up considerably: Peru, Mexico, Guatemala, Sweden, Norway, the Netherlands, Switzerland, Indonesia, Pakistan, and of course Hungary and Kenya. They all seemed driven by the vision articulated by Colombia's Caballero: that all countries needed to commit to balancing and integrating economic, social and environmental policy-making and action to secure a common future, and that shared goals agreed at the UN and supported by the UN were the only way to achieve this. I wondered optimistically if this was a sign of positive things to come: a new driving force for the common good emerging across the North-South divide, made up of mostly mid-size democracies acutely aware of the need for collective action and multilateralism to address our shared vulnerabilities and solve global

challenges. The world, and the UN, would definitely be better off if this were to be the case.

A leading US-based think tank, World Resources Institute (WRI, n.d.), started to convene periodic retreats to help advance thinking and dialogue among these and an expanding circle of countries as well as some of us from the UN system, with funding from some of the donor countries involved. The retreats explored what an integrated and integrating set of goals and targets could actually look like, the meaning of a universal agenda, and how to go about developing indicators to track progress.

Somewhat predictably, among the thorniest issues as the OWG moved into drafting mode in the spring of 2014, were whether or not to have goals related to democracy, governance and peace. Over the course of the OWG's work, I was intensely involved in informal and formal discussions around these issues, which we in UNDP saw as critical. We saw strong evidence that progress towards the MDGs had been weak or absent precisely in countries hit by turmoil and instability. And the upheavals in many Arab countries had demonstrated that significant MDG progress was far from a sufficient condition for securing sustainable development. Inclusive and fair governance mattered. We saw the new agenda as a unique opportunity to merge two powerful paradigms into one: sustainable development as first articulated by the Brundtland report (UN, 1987) and human development as conceptualised by Mahbub ul Haq with Amartya Sen in the first "Human Development Report" (UN, 1990) in 1990. At the same time, we understood the risk: disagreement ran deep on these issues and could topple the entire project.

It went down to the wire in the OWG, but in the end the group managed to reach a difficult compromise on one goal – the iconic Goal 16 – dedicated to "just, peaceful and inclusive societies". Besides Western/Northern countries, many in the coalition mentioned above played an important role, as well as a group of seven post-conflict countries (the so-called g7+) led by Timor Leste, and several African countries. A number of very active CSOs, such as the Open Society Foundation, contributed. It helped considerably that these issues had emerged as a strong priority in the national consultations around the world and the MyWorld survey, which by then had grown to millions of votes. Some key countries reversed or softened their initial resistance in light of these results. In return, the countries most vocal against goals in these areas got a concession: language specifically on democracy

was not included. In addition, the countries of the North had to be more accommodating on core demands from the South: there would be goals on growth and industrialisation, and specific targets under each goal for "means of implementation".

The OWG finished its work in July 2014. After the usual frenetic overtime drama that has become a dependable fixture of multilateral negotiations, the co-chairs could announce that the group had delivered on its Rio mandate: to give the General Assembly a proposal (UN, 2015d) for a set of SDGs and associated targets. And what a feat it was: 22 years after the first Rio Conference had established the ideal of sustainable development – of balancing and integrating the economic, social and environmental – the unwieldy OWG had defied the odds and produced a set of truly ambitious and universal goals, with targets that weaved together economic, social and environmental strands across the goals. While many criticised the result, complaining that there were way too many goals and targets, or that some targets could not be measured or lacked sufficient ambition, I felt immense satisfaction with the result. I was convinced that these goals, if allowed to go live from 1 January 2016, would carry enormous power to help transform our world for the better. I saw the number of goals as a strength rather than a weakness: they would appeal to much wider constituencies than the MDGs. They would rescue development from the confines of the aid industry. They had already mobilised unprecedented interest around the world. They were owned by the governments who had negotiated them. Most importantly, Caballero's dream – which I had fully shared – was about to come true: the same set of goals for all countries, for eradicating poverty while safeguarding our planet. Sustainable development had finally emerged as the only acceptable way to do development. The time had arrived for abandoning and rejecting the notions and practices of economic expansion as destructive assault on the natural systems and functions we depend on.

Since a majority of the UNGA had already participated actively in the OWG, most of us understood the significance of the moment. These goals were unlikely to change much, and they would form the centrepiece of the next global development agenda – as long as member states would only manage to agree on what still remained to be negotiated. How to finance the agenda was now the question foremost in people's minds.

16.8   How to finance the SDGs?

Just as the OWG finished its work in the summer of 2014, I moved to the United Nations International Children's Emergency Fund (UNICEF). UNICEF had been active throughout the whole process, advocating for the inclusion of goals and targets that mattered to children, and for an overall strong emphasis on equity and "leaving nobody behind". But now the focus of everyone's attention quickly shifted to a looming and challenging question fraught with political tension between North and South: how to finance such a big and ambitious agenda? Member states had decided, again after difficult negotiations, to go ahead with a third conference on financing for development (FFD) in Addis Ababa in July 2015, essentially to try to reach agreement on the thorny issue of money, right ahead of when the agenda was supposed to be adopted. It meant that final negotiations on the post-2015 agenda and on how to finance it would run in parallel.

There was clearly plenty to worry about with this high intensity, high stakes approach. When exhausted negotiators emerged from – as usual – difficult overtime sessions in Addis in July and announced a deal, it was met with mixed reactions. Many felt the "action agenda" laid out in the FFD accord (UN, 2012f) lacked real commitments. Most saw it as just "barely enough" to get sufficient momentum ahead of the final post-2015 negotiations the following weeks. But there were some reasons to celebrate: the final major barrier for adoption of the new agenda was removed. And FFD established a more comprehensive vision for financing sustainable development by looking across public and private, domestic and international sources. It was more or less accepted that delivering on the SDGs would require aligning the direction of travel of trillions of dollars in global capital markets with the SDGs and achieving the same with public sector finance. ODA would have to become a catalyst for this massive shift.

The combination of the FFD result and the positive momentum and excitement around the new SDGs that so many governments and people had worked so hard to define over more than three years, proved to be enough. The 2030 Agenda officially became the world that the world wanted to create, on 24 September 2015. The SDGs became our shared, preeminent global reference point. They redefined development as a truly shared, global endeavour, embracing its complexity and the fact that specific challenges such as quality education, hunger, gender inequality, infrastructure development, and climate change had to be addressed in a much more integrated way.

16.9 Keeping the spirit and promise of the 2030 Agenda alive

Negotiating a globally-shared development agenda, hard as that will always be, is one thing. Actually transforming policies, institutions, investments and collaboration to deliver that agenda country by country is infinitely harder, and also a very different endeavour. And yet, I will argue that the unique process that produced this agenda, coming on top of decades of actual experience by governments, development institutions and a host of other actors, holds some important "secrets to success" that we need to leverage in the years ahead.

It is everybody's business. The visionaries that first articulated the case for a new set of goals insisted that they had to be global, applying equally to all countries. They also argued that they needed to challenge and involve not just governments but also business and society more broadly. The World We Want initiative brought millions into the process of deliberating and designing the agenda. Goal 17 captured the essence of this vision by radically expanding on the much more narrowly defined MDG8 of building a global development partnership. These ideas of universality, partnership and inclusion proved essential to build unprecedented and unstoppable momentum into the difficult deliberations of the agenda. As we now struggle to build momentum for acting to achieve the SDGs, it is critical to exploit the enormous potential of these same ideas. Today we see many leaders in government, mayors of cities big and small, business executives and others taking real, courageous steps to tackling challenges across the SDGs. By tapping into all the pent-up readiness by multitudes of individuals, civil society organisations, trade unions, academic institutions and others to contribute, they can multiply their impact many times over.

Build coalitions of the willing. The process that delivered the SDGs proved the importance of softening up entrenched and often rather stale patterns of "groupthink" by different groups and coalitions. The design of the OWG and the extensive use of informal workshops away from the formal negotiations contributed to a dynamic where those countries most eager to deliver an ambitious new agenda could band together against all the forces that would settle for less or even rather see the negotiations fail. A coalition of medium-sized countries from South and North proved to be particularly decisive in breaking the traditional stalemate between developing and high-income countries at key moments. But other stakeholders across business, academia,

civil society and the multilateral system also contributed significantly. As we look forward, we will need to see similar coalitions of the willing emerge within countries as well as at the global level. Without it, politics as usual will suffocate implementation momentum and accountability will be undermined. We have already seen that the review of progress at the UN has become bedevilled by the old acrimony between North and South. Only by reinvigorating the coalitions that delivered the SDGs can this be effectively countered.

Ensure policy coherence and integrated policy-making. The SDGs embody a core insight from decades of development practice: effective development depends on coherence across sectors and themes. While focussed efforts targeting particular problems such as specific diseases have their place, they cannot substitute for a broader health sector strengthening nor for addressing challenges in other sectors that contribute to health outcomes or are impacted by health interventions. EAT's Lancet Commission on Food, Planet and Health report makes a clear case for a much more integrated approach to food production and consumption, in order to address not "just" hunger and malnutrition, but also climate change, biodiversity loss and human health. Food, gender inequality and urbanisation are examples of areas where doing the "right thing" can have powerful multiplier benefits across multiple sectors. These opportunities need to be exploited to the maximum in the years towards 2030.

Be ambitious and refuse to budge, but build trust. There is no substitute for being stubborn, and fair. What Caballero, the OWG chairs and countless others had in common was their insistence on sticking with the core ideas behind the SDGs, while at the same time embracing and demonstrating an open and inclusive approach. Leadership of implementation demands the same. Compromising on the core values and principles of the SDGs will derail consensus, sap energy and trust, and cause failure.

Dare to be political. The negotiations were intensely political, and still the process delivered. There is a lesson to be learnt here as well. The SDGs to some extent rescued development out of the clutches of development technocrats, but so far the game of implementation is yet again in danger of being too dominated by the development professionals. Yet, there is enormous potential in revitalising political parties and programmes on the basis of the SDGs. When and if we start to see parties across the political spectrum formulating their party programmes with the explicit purpose of

achieving the goals for their countries and citizens – something eminently doable – we will know that we have entered a territory where the goals will have far-reaching consequences and can actually be achieved.

16.10 Conclusions: The future of development cooperation

Over the last 60 years or so, development cooperation has played an important role in shaping the world we live in and tackling critical challenges faced by developing countries. For sure, countless mistakes were made, motives were often mixed (to put it mildly), and large sums of money were wasted or had little impact. Nevertheless, the evidence is clear that on balance, development cooperation has delivered enormous benefits for people and nations. The shared, global agenda for sustainable development we now have would have been unthinkable without this contribution, including the way in which it helped crystallise the insights underpinning the 17 SDGs. The big question at this point in time is this: now that we have this shared, universal agenda that asks all actors to contribute in all countries of the world, what exactly should development cooperation become? Can it continue to be mainly a club of donors and agencies concentrating on making the most of aid from mainly rich to mainly poor countries? Or, irrespective of how useful that function continues to be, does it need to transform itself into a much larger endeavour that embraces the very "everybody's business" nature of the 2030 Agenda by pulling a much wider array of actors and interests into the discussion?

Some argue that the latter is already happening to a degree, at the UN, at the OECD and in other fora around the world. But old perceptions and habits die hard, and much discussion probably remains before existing institutions and the people they are made up of catch up with the 2030 Agenda and figure out how to configure themselves and complement others to tap its enormous potential. Our hope with this book is that it will help us catch up and speed up. Less than 10 years remain of the SDG era and humanity's future hangs in the balance.

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17   The development policy system now and in the future[256]

Victoria Gonsior and Stephan Klingebiel

Abstract

This chapter identifies and examines fundamental changes observed in the development policy system over recent years across three dimensions – narratives (why?), strategies (how?) and operational approaches (what?). The changes are diverse, ranging from new narratives applied to the development policy context (such as the migration narrative, climate change consequences and the COVID-19 pandemic), to new strategic considerations (such as developing countries' graduation issues), new instruments (in the form of development finance at the interface with the private sector), and new concepts for project implementation (application of frontier technologies). We discuss the implications and effects of these trends in terms of holistic changes to the wider development policy system. Do these changes go hand in hand and ultimately build on each other? Or are we observing a disconnect between the narratives that frame the engagement of actors in development policy, their strategies for delivery and their operational approaches in partner countries? Based on a literature review and information gathered in expert interviews and brainstorming sessions, this chapter sheds light on these questions by exploring current trends and presenting ongoing disconnects between the why, what and how in the development policy system. Further, we argue that the importance of such disconnects is increasing. In particular, continuing or even amplifying disconnections in the development policy system become more problematic given the availability of a universal 2030 Agenda for Sustainable Development and the need for a wider system of global cooperation to scale up delivery to achieve the Sustainable Development Goals (SDG).

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256 This chapter partly draws on Klingebiel & Gonsior (2020).

17.1   Introduction

Prior to the COVID-19 pandemic, at the end of October 2018, Federica Mogherini[257] and Bill Gates[258] each delivered a speech at a public debate in the European Parliament on "Innovation in Development: The Future of European Union (EU) International Cooperation". While Mogherini mainly emphasised the importance of the new migration narrative for development cooperation and the EU's partnership with Africa, Gates focused on technological innovation within projects in the health sector to address global health challenges. These two contributions highlight just two of the key changes that we can observe within the development policy system. The former involves a narrative focussing strongly on migration with steadily diminishing space for collective action, in spite of a much more demanding global agenda – a tendency that can also be observed in response to the pandemic (Brown, 2021). The latter emphasizes innovative technological advances within the operational dimension of development cooperation – nowadays also seen in countries' COVID-19 response through the delivery of vaccines using drone technology (Prabhu, 2021) – often spurred through the engagement of new actors who are becoming increasingly active in the development policy system.

From our perspective, these inputs are at the same time connected (different types of innovations within different dimensions are taking place in parallel) and disconnected (the speeches address very different dimensions of development policy challenges). However, they illustrate an important observation: disconnections in the development policy system continue to persist and potentially amplify. The outbreak of COVID-19 as a global health emergency and the resulting socio-economic crisis is testing global structures of cooperation. We assume that COVID-19 may turn out to be a super-accelerator of a number of trends (multipolarity, cooperation that is increasingly multi-directional, etc.) that existed in the international system before the pandemic (Haas, 2020; Duclos, 2020; Klingebiel & Izmestiev, 2020; Brown, 2021).

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257   Former High Representative of the European Union for Foreign Affairs and Security Policy / Vice-President of the Commission.

258   Co-founder of Microsoft, co-chair of the Bill and Melinda Gates Foundation.

From a bird's-eye view, what are the impacts, implications and effects of continuing and potentially amplifying disconnections for the wider development policy system itself? For example, do changes in the migration narrative lead to changes in operational approaches for migration; or do technological health advances inform and support the creation of new narratives around innovation? And how do the pandemic and the world's response influence such tendencies?

While one might argue that disconnections within a policy system by itself are not a new phenomenon, we argue that the importance of such disconnections has increased in the recent past. The Sustainable Development Goals (SDG) represent a more complex and multi-faceted goal system than countries have ever agreed on before. This chapter postulates that serving such a complex goal system, while responding to the pandemic, requires addressing the interrelationships among the different system dimensions to a greater extent. Thus, the persistence of disconnections in the development policy system becomes problematic in the context of the availability of a universal agenda and the need to scale up delivery to achieve the SDGs.

The changes within the development policy system we identify here began to emerge roughly around 2010.[259] This chapter's main purpose is to present and discuss these changes across three dimensions of the development policy system:

- Narratives, concepts and theories (why?);
- Strategies and institutional set-up (how?); and
- Instruments, modalities, tools and activities (what?).

We examine the relationship between the dimensions and in particular the continuing and potentially growing disconnections between the why, what and how in the development policy system.

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259 Regarding main phases of the development policy discourse, we follow the sequences discussed by Esteves & Klingebiel (2021).

The information used in this chapter – not least in the figures introduced in sections 2 and 3 – has been gathered from a literature review, individual expert interviews and expert group discussions. The literature consulted addresses discourses on global challenges and global solutions, both from within and outside the development policy system along with ideas on "rethinking" and transforming development and development cooperation. This chapter builds on a qualitative research design around and beyond the outcomes and findings of the literature consulted.[260]

A comprehensive overview of all current debates, trends and reactions is beyond the scope of the chapter.[261] The chapter is presented mainly from the specific perspective of donors on the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) and is thus influenced by their point of view and the underlying narratives in which they are embedded. However, the presentation also reflects a variety of responses at different levels by diverse actors and is informed by the main global and southern debates on development cooperation and global sustainable development. Also, COVID-19 as a global health emergency and the resulting socio-economic crisis are testing global structures of cooperation. The challenges give rise to new forms and expressions of transnational cooperation. We briefly discuss some consequences of COVID-19 on the development cooperation approach in the concluding part of the chapter.

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260 During the study, 22 explorative expert interviews and a number of focal group discussions and brainstorming sessions complemented the literature review. Explorative expert interviews were held with employees in managerial or strategic functions of bilateral development agencies, representatives from different directorates at the OECD and several academic stakeholders at the end of 2018 and early 2019.

261 For a comprehensive overview on the state of the debate see Chaturvedi et al. (2021).

17.2   Conceptualising the development policy system

17.2.1 Definitions

In this chapter, the term "development policy system" refers to a complex system, which is based on rules that underpin, govern and structure development policy and a set of incentive systems that ideally steer behaviour and decision-making processes in the desired direction, much of which the DAC has sought to influence in its 60 years of work.

Development policy comes into play at three levels: (i) the level of partner countries – improving local living conditions through development cooperation; (ii) the international level – involvement in shaping global framework conditions and international regulations in line with development goals; (iii) the domestic level in donor countries – improving policy coherence for sustainable development, as well as providing information and delivering education on development and development cooperation (Ashoff & Klingebiel, 2014, p. 1).

Neither country groups nor development approaches are entirely fixed or stable (Esteves & Klingebiel, 2018). On the contrary, the development policy system in its entirety is a decentralised policy sphere, in which different principles and practices intertwine. For example, since 2010 the DAC has included South Korea[262] – a country formerly of the Global South, which has 'graduated' and signed up as a full member to the DAC's policy guidance and practices (Calleja & Prizzon, 2019). At the same time, a low-income country, such as Rwanda is increasingly profiling itself as a partner in sharing its own development experiences as a provider of South-South cooperation (SSC), and different understandings of development cooperation are contested in international development debates. The Global Partnership for Effective Development Cooperation (GPEDC), jointly managed by the DAC and the United Nations Development Programme (UNDP), is intended to be the main platform for actors on development effectiveness topics. However, the degree to which it can be classified as global in nature is debatable as major actors such as Brazil, China, India and South Africa are not participating.

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262 For a discussion of the terms "Global South", "South" and "South-South cooperation" see Haug (2020); Kohlenberg & Godehardt (2020) and Fiddian-Qasmiyeh & Daley (2019).

17.2.2 Three system dimensions: why, how and what

We use the development policy system as an entry point through which changes can be observed in three system dimensions:

- The **why dimension** poses the question of why the development policy system is changing and presents **narratives, concepts and theories from within and outside the development policy system**.
- The **how dimension** poses the question of how changes in the development policy system occur and addresses system changes from **strategic and institutional** perspectives.[263] It presents changes aiming at institutional reform and managing resources as well as the creation of interface modalities between various policy fields.
- The **what dimension** asks what these changes translate into and presents **instruments, modalities and tools as well as operational activities**. It groups changes within an instruments, modalities and tools cluster and within an activities cluster.

Figure 2 presents the three dimensions, with their corresponding fields, and sub-clusters and issues within those fields.

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263 Here, for example, the still increasing number of development cooperation actors and the high number of operational development activities ("projects") is an important factor of the political-economy of a fragmented development policy system (Klingebiel, Mahn & Negre, 2016).

Figure 2: **The why, how and what of the development policy system**

Narratives, concepts & theories

Outside the development policy system
- Increasing global challenges & less collective action
- Multipolarity/ multiplex world
- Beyond "North/South divide"
- Megatrends

Inside the development policy system
- From MDGs to SDGs
- Rationale of DC
- Con-/Divergence of norms in DC
- Migration & security nexus
- Application of megatrends to DC
- Post-aid effectiveness

Strategy & institutional set-up

Institutional reform & managing resources
- Allocation models for (non-)financial resources
- Institutional structures for cross-border cooperation

Interface modi between various policy fields
- Multi-actor partnerships & "orchestration"
- Policy coherence for sustainable development
- Nexus management/whole of government
- Cross-cutting themes (e.g. gender, results)

Instruments, modalities, tools & activities

Instruments, modalities, tools
- Using DC differently
- Private sector engagement (through DC)
- Cooperation formats beyond North/South
- Knowledge generation & diffusion

Activities
- Locally-driven solutions
- Use of evidence for DC
- Application of frontier technology
- Emergence of social entrepreneurship

Notes: DC: development cooperation; MDGs: Millennium Development Goals; SDGs: Sustainable Development Goals

Source: Authors, based on information gathered through expert interviews, focal group and/or brainstorming discussions and the literature consulted

17.2.3 The importance of growing disconnections since 2010

A conceptualisation of the development policy system across three dimensions provides the basis for assessing whether observed changes build on and re-inform each other to create synergies and to overcome continuing disconnections. While one might argue that the phenomenon of disconnections within a policy system by itself is not a new one, we argue that the importance of such disconnections has been increasing, over the last decade, roughly since 2010, hindering the capacity of transnational cooperation and global cooperation to derive sustainable solutions.

The SDGs have moved the political agenda from a simple to a complex goal system. They succeeded the Millennium Development Goals (MDGs), but emerged from the sustainable development policy community, rather than the development cooperation community. While significant progress in achieving the MDGs was made, a wide variety of challenges remained and within the prevailing framework of the MDGs *"development and sustainability aspirations were being approached disjointly"* (Kharas & Rogerson, 2017, p. 18). Homi Kharas and Andrew Rogerson list, for example, the underdeveloped role of non-state and private actors, the inadequate concern for peace and institutions and the strong emphasis on goals that were relatively easy to measure. The SDGs aim at addressing these shortcomings and introducing a narrative to the development policy system, which is wider in scope and which accounts for development in developing and developed countries alike (Fukuda-Parr, 2017; Fukuda-Parr & McNeill, 2019; TWI2050, 2018).

Simultaneously, and especially in recent years, the growing pressure of these global (sometimes regional) challenges has been contrasted with a reduced readiness and willingness of several main actors to take collective action. The intermittent withdrawal of the United States (US) under the Trump administration from the 2015 Paris Climate Agreement and the threat to withdraw from other multilateral mechanisms, such as the World Trade Organization (WTO), is but one example of the shrinking willingness for collective action among key actors. The changes based on the Joseph Biden administration are far-reaching; nevertheless, the trend of "thinning multilateralism" and more international confrontational constellations might continue also in the post-Trump era.

Other trends have further contributed to profound structural changes. The growing role of rising (super-)powers, especially China and India, and

several other dynamic countries (such as Turkey and Indonesia) has a strong impact on global governance structures (Zürn, 2018; Gray & Gills, 2018; Chaturvedi et al. (Eds.), 2021; Paulo & Klingebiel, 2016). The rise of the Group of Twenty (G20) is a reflection of this trend. Acharya (2017) provides an in-depth analysis of several main aspects related to a "multiplex world" which goes well beyond multipolarity and is a world of *"multiple modernities, where Western liberal modernity (and its preferred pathways to economic development and governance) is only a part of what is on offer"* (Acharya, 2017, p. 277).

These developments, coupled with yet unknown implications and the potential for a super-acceleration of trends as a result of the pandemic, are producing an environment within which opportunities to address solutions for global sustainable development through joint approaches are eroding and where confrontation among states is more pronounced.

17.3 Changes and disconnections in the development policy system

Changes within the development policy system that occurred throughout the last decade are manifold. Here we examine each of the three dimensions. For each dimension, we select and present one particular example, which we elaborate in more detail and then examine across all three dimensions.

17.3.1 Narratives, concepts and theories

The first dimension asks why changes in the development policy system are occurring and presents the landscape within which the development policy system is embedded. Generally, such changes can be attributed to wider narratives, concepts and theories both within and outside the development policy system (see Figure 3). Narratives, concepts and theories are informed by and refer to ideas[264] that connect trends and events and define the landscape within which the development policy system is embedded.

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264 See for a more general debate on "ideas" in international relations, for example, Acharya (2012) and Williams (2004) .

Figure 3:   Narratives, concepts and theories within and outside the development policy system

Narratives, concepts & theories

Outside the development policy system
➢ Increasing global challenges
➢ Less collective action - minilateralism
➢ Multipolarity/multiplex world
➢ Beyond the "North/South divide"
➢ Megatrends:
  • Digitalisation
  • Demographic change
  • Inequality decreasing between countries but increasing within countries
  • Urbanisation
  • Decarbonisation
  • Resource scarcity
  • Potentially destructive technology

Inside the development policy system
➢ From MDGs to SDGs: Agenda 2030 & Paris Climate Agreement
➢ Rationale of DC: national self-interest
➢ Convergence/divergence of norms in development cooperation
  • Changing demand & supply structures
  • Convergence and dual role of MICs
➢ Migration & security nexus
➢ Application of megatrend debates to DC
➢ Post-aid effectiveness debates

Notes: DC: development cooperation; MDGs: Millennium Development Goals; MICs: middle-income countries; SDGs: Sustainable Development Goals

Source: Authors, based on information gathered through expert interviews, focal group and/or brainstorming discussions and the literature consulted

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What do the changes identified in Figure 3 imply when looking with a bird's-eye view at the development policy system? In order to shed light on this question the predominant migration narrative prior to the pandemic is discussed in more detail. Migration, along with the transparent manifestation of national self-interest, influences the development policy system in a way which turns out to be a major game-changer.

17.3.1.1 Why? – The migration narrative

Coming from outside the development policy system, the migration narrative has clearly prompted change within the system, demonstrating that while sustainable development challenges today span national borders, collective action is diminishing and countries are increasingly looking inward. A main trigger for a changing narrative, especially in the EU and US, lies in the much more pronounced, even dominant, place of migration in overall political debates, with highly relevant connections to the development narrative. A new demand to bring "national interests" transparently on board in formulating development policy considerations for OECD countries is one indication in this regard (Barder, 2018; Hulme, 2016; Keijzer & Lundsgaarde, 2018; Mawdsley, Murray, Overton, Scheyvens, & Banks, 2018). Motivations and

priorities in development policy today address, for example, Brexit-related objectives for the United Kingdom (UK), and migration-related goals both for the US administration (under Donald Trump) and (in a different way) for European donors (EU institutions and member states). Thus, the migration narrative is of increasing concern to many actors, both outside and within the development policy system.

A new narrative of changing donor interests is largely replacing the former aid and development effectiveness discourse promoted and supported by OECD DAC donors. As such, managing migration has become a driving force for increasing official development assistance (ODA) budgets and for revisiting the rationale for development cooperation.

17.3.1.2 (Dis-)connections to the other system dimensions: how and what

With the aid effectiveness agenda pushed aside and ODA budgets in several OECD DAC countries increasing to respond to the new migration narrative, the question arises to what extent actors in the development policy system have responded in the two other dimensions – how and what. Within the strategic dimension ("how"), the migration narrative touches issues of allocation priorities (in terms of country selection and priority sectors/ activities). Bilateral development cooperation actors aim at channelling their funds to countries of origin and transit countries, the argument being the need to address the "root causes" of displacement and reintegrate migrants in their countries of origin.

Within the operational dimension ("what") these allocation aspirations are finding traction within special funding vehicles and concepts, such as the EU Emergency Trust Fund for Africa and the EU Migration Partnership Framework (Castijello, 2017). Programmes and activities aim at the creation of jobs within countries of origin as well as reintegration. However, many scholars argue that migration is multifaceted and requires broader approaches that lead to cooperation with partner countries (Schraven, Angenendt, & Martin-Shields, 2017). Furthermore, academic debates are emphasising that improved living conditions (supported by development cooperation) do not lead to less migration pressure.

17.3.1.3 Discussion

With eroding momentum for aid effectiveness and little political interest in the SDGs among the wider public, actors in development policy tend to focus on short-term challenges, such as the current migration narrative and today the pandemic, instead of on high-level debates on a long-term vision for development policy. Even though the importance of the SDGs is widely acknowledged, compared with the migration narrative, the 2030 Agenda for Sustainable Development cannot seem to find similar political traction outside development policy in domestic debates in OECD countries. These fundamental shifts result in widespread discussions regarding the need for a fundamental recasting of the development policy system, reflected in calls for "rethinking" or "transforming" development cooperation. Such calls are becoming numerous and prominent in discussions among practitioners (e.g., OECD/DAC 2017a, p. 2) and academics.

At the same time, there is no institutional set-up or platform at the meta level where the development policy system lens can be embedded within its wider system environment and within a broader concept for global sustainable development. OECD's DAC, whose role as a rational development policy actor is recognised, could be a force for innovation but displays little appetite for fundamental reflections.[265] In addition, while the OECD represents a large number of countries it still only represents a specific group of industrialised democracies. The United Nations (UN) fora and entities dealing with development cooperation topics, such as the UN Development Cooperation Forum (DCF), have a global mandate and bridge the science-policy interface.[266] However, they are neither effective in providing a platform for innovative discussions nor in setting effective rules for development cooperation.

17.3.2 Strategies and institutional set up

While the first dimension describes why the development policy system is changing through a presentation of narratives, concepts and theories, the

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265 Periodic reflection exercises at senior levels have shaped important DAC agenda over the years, such as described in Chapter 10 on the MDGs, and could be a way forward.

266 See, for example, the UN Global Sustainable Development Report aiming to strengthen the science-policy interface at the high-level political forum (HLPF) on Sustainable Development (UN, 2020).

second dimension addresses how changes in the development policy system occur. We present how changes occur from a **strategic and an institutional perspective**. A strategy typically involves the development of a long-range plan to achieve broader objectives, as identified by debates on narratives, concepts and theories (why). Such long-range plans and corresponding institutional adjustments could also emerge as a response to changing operational activities (what) and attempts to structure, merge or scale up such activities.

A number of changes within the strategic dimension have occurred (Figure 4). These range from allocation models for financial and non-financial resources to corresponding institutional structures for the above-mentioned attempts to structure, merge or scale up activities and include, but are not limited to, Multi-Actor Partnerships (MAPs). Figure 4 presents these changes in two sub-clusters: (i) institutional reform and managing resources; and (ii) interface modalities between various policy fields.

Figure 4: Strategy and institutional set-up within the development policy system

Strategies and institutional set-up

Institutional reform & managing resources
- ➢ Allocation models for (non)-financial resources:
  - Thematic allocation
  - Geographic allocation
    - Geographical political mandates: engagement in domestic development in OECD countries
    - "Beyond" ODA graduation/gradation & exit:
      - New forms of cooperation
      - Adjustments to eligibility criteria
      - Using other resources beyond ODA
      - Hand over to other policy fields
      - Exit options
    - "Within" ODA graduation: from LDC to LIC to MIC
  - Allocation for bi- and multilateral channels
- ➢ Institutional structures for operationalisation:
  - General set-up within the government system
  - Use of business models within aid agencies (incentive systems and customer orientation)
- ➢ Global DC architecture:
  - Platforms and initiatives:
    - Global, e.g. GPEDC
    - Regional, e.g. LAC-DAC dialogue
- ➢ Southern cooperation approaches

Interface modi between various policy fields
- ➢ Policy Coherence for Sustainable Development
- ➢ Multi-actor partnerships & "orchestration":
  - Sectoral platforms and initiatives, e.g. EITI, Global Delivery Initiative
  - Private Sector Engagement through ODA
- ➢ Nexus management/whole of government
- ➢ Cross-cutting themes (e.g. gender, results)

Notes: DC: development cooperation; EITI: Extractive Industries Transparency Initiative; GPEDC: Global Partnership for Effective Development Cooperation; LAC-DAC: Latin American and Caribbean countries – Development Assistance Committee; LDC: least-developed country; LIC: low-income country; MIC: middle-income country; OECD: Organisation for Economic Co-operation and Development; ODA: Official Development Assistance

Source: Authors, based on information gathered through expert interviews, focal group and/or brainstorming discussions and the literature consulted.

Again, conceptualising changes across three main dimensions might lead to the perception that each of these dimensions exists in its own silo. However, system interactions typically are at work, re-inform each other and create overlaps and interconnections.

While many potential paths exploring those overlaps and interconnections could be considered, we analyse them based on one example, cooperation with middle-income countries (MICs). As several preceding chapters illustrate, global dynamics have moved the world order beyond a North/ South dichotomy. As such, development success in many developing countries and regions is demanding a response to the question of how cooperation with more advanced countries might be strategically organised. Within this context, one topic that is of particular interest is "graduation": a decrease in the number of ODA-eligible countries leads to a fundamental questioning of the relevance of ODA and a global ODA target.

17.3.2.1 How? – Cooperation with MICs

The list of ODA recipients provided by the DAC and the history of ODA recipients show a significant graduation trend over the past decades. In the future, only a limited number of countries, mostly low-income countries (LICs) and fragile states will be relying on development cooperation as currently classified. As of January 2018, Chile, together with the Seychelles and Uruguay, graduated from the list of ODA-eligible countries. Sedemund (2014) projects that "over the period until 2030, 28 developing countries with a total population of 2 billion are projected to exceed the income threshold for ODA eligibility". Graduation, first of all, simply means that a country's Gross national income (GNI) per capita surpasses the current threshold for ODA eligibility. As a result, development policy programmes and projects in support of those countries cannot be reported as ODA expenditures any longer.

From the strategic and institutional perspective, graduation, in the sense of how funds are being categorised, seems to be only a technical aspect and after all implies, most importantly, an increase in countries' GNI and hence an increase in prosperity, reflecting development success. However, if graduation thresholds are being maintained, graduation comes along with a number of questions that remain to be answered. These questions include, for example, ongoing cooperation activities that are, at the time of graduation, in place: will cooperation activities be continued using funds from ODA actors

or will they be continued using alternative sources of funds? Alternatively, will they be restructured to address the likely different demands of a more prosperous country, or will they simply be phased out or stopped the moment funds are not ODA-eligible any longer?

Even more broadly, for development cooperation, graduation implies a significant reduction in the number of partner countries, not least of some of the most important ones (e.g., in terms of population size). While this does not automatically imply a cut-off to all international relations, it does involve a reflection on how cooperation in general could be organized between OECD countries and multilateral institutions on the one hand and graduated developing countries on the other in order to contribute to the provision of global public goods (GPG), for instance in relation to global health issues. When funds spent in graduated countries can no longer be declared as ODA, does this automatically imply that actors beyond the field of development policy take over? Moreover, if so, do these actors (already) have appropriate resources and professional capacities for this type of cross-border cooperation? A new series of DAC reports on transitions beyond ODA status addresses such questions on a country by country basis (see OECD, 2018d).

Within this context, main actors in development policy not only search for potential new forms of cooperation, but also discuss adjustments to eligibility criteria, the use of other resources beyond ODA, a handover or link to other policy fields as well as exit options at a strategic/institutional level. The elaboration of the strategic dimension is crucial to add a missing link and as such to fully explore possibilities for cooperation with MICs within and beyond the development policy system. For example, in their cooperation with India, the UK Foreign, Commonwealth & Development Office (FCDO) and the US Agency for International Development (USAID), *"take on a central role as hubs for expertise, knowledge and partnership building"* (Paulo, 2018). The OECD Development Centre, on the other hand, discusses the concept of "gradation" rather than graduation, whereby development is understood as a continuum of not just the income category but of a number of multiple categories identifying well-being multi-dimensionally (ECLAC/OECD, 2018). The OECD Development Centre has a programme of Multi-Dimensional Country Reviews (see https://www.oecd.org/development/mdcr/). Further, the OECD's Global Relations Secretariat, economic peer reviews and country policy reviews by other OECD committees are

generating development cooperation activities beyond the development cooperation system, geographically and thematically.

17.3.2.2 (Dis-)connections to the other system dimensions: why and what

Within the "why" dimension, cooperation with MICs, or more specifically with rising powers, has been discussed both inside and outside the development policy system for some years already. At the same time, the findings of development institutions and think tanks are not very conclusive on the topic or the implications for policy. For example, some argue that the poverty narrative of development cooperation remains valid and should lead to a clear focus on LICs. Other debates are rather emphasizing global challenges as a crucial frontier for the development policy system and the important role MICs are playing in the provision of GPGs.

The "why" for doing development in the Global South only has long been questioned (Horner, 2017a). As the examples above illustrate, from outside the development policy system, the world is moving beyond the geographical binary North/South divide with economic, human and environmental issues being relevant to countries irrespective of their level of income (Horner, 2017b). Even though the phase of global economic convergence is slowing down for several countries, the period since the beginning of the 2000s has been characterised by a phase of "shifting wealth" (OECD, 2018c). Within the development policy system, in the past, development cooperation was guided by a geo-economic typology of the world, "developed countries (North), with the responsibility to offer aid; and developing countries (South), with the right to receive it" (Bracho, 2015, p. 1).[267] Today, though, it is acknowledged that developing countries cannot simply be clustered as a homogeneous group any more and the composition of the "Global South" has become highly complex.

Within the operational dimension, with a changing narrative and context, actors in development policy are increasingly considering MAPs and incorporating southern approaches to development policy, including but not limited to SSC and triangular cooperation instruments. As a result, a

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267 Bracho (2015) provides a historical presentation of the North-South and South-South cooperation traditions and discusses its development with a special focus on the emerging donors.

whole variety of projects has emerged (displayed within the OECD trilateral cooperation project repository), going further than the past common understanding of such categories as "provider of SSC", "beneficiary partner" and "provider of North-South cooperation" (OECD/DAC, 2019).

17.3.2.3 Discussion

The analysis shows that there are disconnections among the three dimensions. The identification of these is not only crucial for adjustments within the development system. To address key emerging themes in a changing context it is also important to identify development system issues that potentially create artificial boundaries hampering cooperation with other policy fields. The development policy system operates under its corset of rules and regulations for ODA, which does not provide incentives beyond traditional North-South cooperation. In terms of providing focus and credibility, this can be regarded as a strong point of the ODA system. At the same time, it does not embrace or trigger other forms of cross-border cooperation (e.g., in those cases where non-ODA eligible countries would benefit) in support of global sustainable development.

Further, the analysis shows that a number of aspects not only span across dimensions but also beyond the development policy system to build interfaces to other policy fields such as those required to deliver the SDGs. The response to pandemic and global health more generally, climate change, scientific cooperation and security issues are all important examples. The annual Munich Security Conference serves as an illustration since the format has broadened its agenda over the years from a narrowly defined security approach to an understanding of security that is much more complex and related to topics like public health. A similar broadening of the interface between the development and energy transition agendas characterises the United Nations Framework Convention on Climate Change (UNFCCC) Conference of the Parties (COP) process, although the climate change financing debate in the COP continues along traditional North-South lines.

Overlaps that exist not only among the dimensions of the development policy system, but also beyond the development policy field, raise important issues of roles, responsibilities and operationalisation for addressing today`s most pressing challenges. Traditional actors in the development policy system typically employ geographic strategies

(geographic allocation of resources, etc.) with a rigid developing "recipient" country focus. However, regarding the pressing challenges of issues spanning beyond national borders one has to question whether such an approach is still appropriate and whether an incentive system which is (at least to a large extent) more issue-based might be more suitable. The recent trend for some donors to allocate their resources in accordance with global issues ("thematic allocation") and to use vertical funds is an indication in this regard (Keijzer, Klingebiel, Örnemark, & Scholtes, 2018; Paulo, Janus, & Holzapfel, 2017; Thalwitz, 2016).

17.3.3 Instruments, modalities, tools and activities

Strategic responses to changing narratives also need to be translated into tangible action. The **third dimension, hence, addresses the question "what" these changes translate into, focussing not only on instruments, modalities and tools but also on the resulting operational activities and projects.** Figure 4 presents an overview of main changes that can be observed within the development policy system over the last decade in terms of instruments, modalities, tools and activities.

These changes are presented in two categories: i) instruments, modalities, tools and ii) activities. Changes in the first category include: using ODA differently in terms of results- and performance-based approaches; new forms of policy-based lending; non-financial transfers, such as knowledge and technology; and the creation of interfaces with the private sector. Changes in the field of activities, on the other hand, focus much more on project implementation and group new concepts based on local problem-driven solutions; the application of frontier technology; and the use of evidence, through instruments such as randomised control trials (RCTs).

Figure 5: **Instruments, modalities, tools and activities within the development policy system**

Instruments, modalities, tools & activities

Instruments, modalities, tools
- ➤ **Using DC differently**
  - Results & performance-based approaches
  - New forms of policy-based lending (LICs and MICs)
- ➤ **Private sector engagement**
  - Public private mechanisms
  - Managed funds (e.g. The Global Fund, Gavi)
  - Development impact bonds
  - Impact investment
  - MIcrocredits
  - Blending
  - Challenge funds (e.g. InsuResilience and finance for innovation such as Global Innovation Exchange)
  - Safeguard mechanisms
- ➤ **Cooperation formats beyond North/South**
  - Triangular cooperation (beyond trilateral formats)
  - Domestic resource mobilisation
  - Supporting foreign direct investment
  - Export finance
  - Identification/development of norms and standards
  - Remittances
  - Provision of finance by new donors
- ➤ **Non-financial transfers**
  - Knowledge (e.g. generation, dissemination, sharing experience)
  - Technology

Activities
- ➤ **Sourcing and embedding locally-driven solutions**
  - "Doing Development Differently"
  - Problem-driven iterative adaptation
- ➤ **Use of evidence**
  - Randomised controlled trials
  - Experimental design
  - Measuring & tracking development innovation
  - Data, including geocoded data
  - Use of evaluations
- ➤ **Application of frontier technology**
  (e.g. Drones, 3D printing, blockchain, artificial intelligence)
- ➤ **Emergence of social entrepreneurship** (e.g. Toms shoes, US; Wecyclers, Nigeria)

Notes: DC: development cooperation; Gavi: The Vaccine Alliance; LIC: low-income country; MIC: middle-income country; MDG: Millennium Development Goals; SDG: Sustainable Development Goals.

Source: Authors, based on information gathered through expert interviews, focal group and/or brainstorming discussions and the literature consulted.

When examining the changes presented in Figure 5 the question again arises whether they have occurred in isolation, or whether they have translated into changes within the other dimensions. Each of the elements in the table would merit exploring and debating in more detail, but this would go beyond the depth of this chapter. However, one particularly striking example that emerged from our interviews is the term "innovation".

Outside the development policy system, innovation has become a buzzword and social entrepreneurship in particular has gained increasing attention around the world. Social entrepreneurs develop business solutions to address a particular problem. Examples of social entrepreneurship can be observed all over the world and can range from charitable shoe production by private individuals (e.g., TOMS in California/US) to new recycling methods addressing shortcomings in public service delivery (Wecyclers in Lagos, Nigeria). However, actors in the development policy system have also picked up the term. Thereby, a whole cosmos of expertise around new

designs of development interventions has generated a lot of pioneer research and activities.

17.3.3.1 What? – Innovations at the operational level

Within the "what" dimension, innovation at the local level is rooted in local voices and often operates closer to self-reliance, with private sector cooperation and demand-driven feedback loops. These demand-driven feedback loops are important to strengthen ownership and trust and reduce the risk of efforts not being taken up or even being sabotaged. Innovation can then be a central element for development as it is rooted within the local context and "establishes a bridge between the territory, social and political contexts, and economic activities" (Cassiolato, Pessoa de Matos, & Lastres, 2014).

In the development policy system, debates on locally driven solutions can be found within concepts such as doing development differently (DDD) or Problem-Driven Iterative Adaptation (PDIA). These approaches build on locally identified and selected problems and are designed adaptively in order to inform project development and maximize impact (Andrews, Pritchett, & Woolcock, 2013). Development initiatives are thus incorporating rapid cycles of planning, action, reflection and revision that stimulate experimentation to maximize impact for the beneficiaries.

Further, applying frontier technologies for development cooperation interventions is a game-changer in many regards, adding a universe of activities with a fundamentally new design. Actors in development policy increasingly apply frontier technology within their implemented projects and operational activities. The UNDP report "Moon Shots and Puddle Jumps" presents diverse examples based on innovative locally-driven ideas ranging from frontier technology to development finance that are embedded within development cooperation projects (UNDP, 2018). Interest, ideas and project innovations in development cooperation applying frontier technology are vast. Frontier technology is then not only being used to design systems and processes more efficiently, but to solve particular problems at hand or even to spur the transformation of industry functioning. Blockchain, for example, could potentially increase transparency and traceability through a secure transfer of value and data directly between parties (OECD, 2018a, p. 3). However, experience in project implementation involving frontier technologies, scaling up of such projects and embedding lessons learnt

within a wider narrative for innovation remains limited. Development cooperation actors have to not only discuss implementation, scaling up and narratives, but also the accompanying array of challenges that need to be considered when embedding frontier technologies in development policy activities (OECD, 2018b).

17.3.3.2 (Dis-)connections to the other system dimensions: why and how

Incorporation of innovation in the "how" dimension remains limited, with relatively few examples. USAID integrated their appetite for organisational evolution by establishing a Global Development Lab. The lab functions as an innovation hub with a portfolio of more than 1000 projects, in cooperation with a variety of actors ranging from academic and private partners to non-governmental organisations (NGOs). Another example of embedding a culture for innovation, experimentation and creativity as a strategic direction can be found within Global Affairs Canada (GAC). GAC staff are asked to apply experimental approaches to between one and two per cent of development cooperation programming.

Besides organisational and strategic adjustments among bilateral cooperation partners, the debate on "innovation" as a broader theme has only found traction through the creation of the International Donor Innovation Alliance and the uptake of the topic within the DAC. In 2017, DAC members gathered together to discuss the topic "A new DAC: Innovations for the 2030 Agenda" (OECD/DAC, 2017b).

A complete bridge to the "why" dimension and its corresponding narratives, concepts and theories does not yet exist (OECD/DAC, 2017b). Some scholars address innovation from a technological perspective (Brook, MacMaster, & Singer, 2014). However, we argue that the establishment of a collective narrative going beyond technology is a crucial missing link in understanding the causes of change in the development policy arena and, as such, in fully embedding innovation within the development policy system. Such a narrative, concept or theory is not straightforward and clearly extends beyond technology as a megatrend.

17.3.3.3 Discussion

The analysis of the innovation example shows that even though changes within all three dimensions (why, how, what) are taking place, they are not applied holistically throughout the dimensions, resulting in disconnections. Current changes are initiated by "development policy frontrunners". Thus, change still often occurs in the form of pilots or in niches, which are not yet in the mainstream development discourse or in the actions of development institutions. Innovation is one example, with highly relevant changes at the operational level but so far limited impacts on strategies and especially on development narratives.

17.4 Conclusion: Towards global cooperation for sustainable development?

This chapter has used the development policy system as an entry point and has structured observed changes along three main dimensions: narratives (why?); strategies (how?); and operational approaches (what?). Based on the analysis presented in previous sections we draw six overall conclusions and aspects for further discussion of the future of development cooperation:

First, the key changes occurring across the three dimensions are largely disconnected in the development policy system. The changes that impact the development policy system are diverse, ranging from new narratives like migration or the pandemic, to strategic considerations*,* e.g., graduation implications; recent instruments, in the form of development finance at the interface with the private sector; and new approaches to project implementation, including the application of frontier technologies. However, often changes in terms of a narrative do not lead to related changes in terms of strategies and operations and vice versa: technological innovations at the operational level do not always lead to consistent shifts in the strategic and narrative dimensions. Furthermore, neither academic debates nor policy-oriented discussions take these disconnects into account.

Second, key actors within the development policy system (including government departments and implementing agencies) tend to focus on their traditional policy fields, limiting their ability to broaden their vision. As such, the development system's political economy increases the perception of some actors that they are part of a "dying system" or a system whose influence is diminishing (Janus, Klingebiel &Paulo, 2015). We

assess the re-emphasised focus on poverty reduction in some international development cooperation debates as a reflection of such a traditional and narrow development policy perspective. Although reduction of extreme poverty remains a valid and significant rationale for the development policy system, it implies a shrinking "market" (What are the main tasks for development cooperation in the future?) and a "running out" of a business model (What are the main needs for cross-border cooperation in the coming decades?) for the future.

Third, actors in development policy need to acknowledge their limitations, which are rooted in the universality of the 2030 Agenda and the creation of a point at which diverse agendas converge outside the development policy system. This implies significant disconnections beyond the development policy system, and more generally beyond the Policy Coherence for Sustainable Development (PCSD) agenda. How should foreign, trade, security and national health policies, particularly in light of the pandemic, as well as other policy areas be adjusted accordingly? In that sense, re-determining system boundaries, redefining interfaces to other policy areas, as well as playing into institutional settings at the meta level are crucial aspects for such a new understanding of the development policy system in the context of global sustainable development.

Fourth, against this background and in light of the present disconnections we propose a focus on potential contributions, comparative advantages and certain limitations of the development policy system. Thereby, neither self-preservation for the development policy field, nor questioning the overall framing of development policy as such are at the heart of the debate. Rather, development policy, and more specifically the development policy system, should be positioned as a chosen platform for wider discussions. For example, the development policy system is composed of a vast number of transnational platforms, networks and institutions that support coordination beyond national borders and across a wide-range of themes and stakeholders.

In addition, main actors in the field have acquired a substantial amount of knowledge, especially with regard to operational modalities and realities. Knowledge about implementing and delivering projects abroad and establishing cross-cultural and sectorial networks of partners for cooperation constitute indistinguishable comparative advantages of the system – none of which are readily available within other policy fields for the time being.

Fifth, resources allocated to the development policy system, especially ODA, can function as an innovation hub, a catalyst or even a last resort. Development actors are already beginning to label activities and strategies as "innovations", although this is rather a niche role so far. Other policy fields may generate innovations but often cannot offer similar resources. This creates the potential for development cooperation actors, international and local alike, to engage systematically in cutting-edge advances spurring the most promising avenues for sustainable development.

Sixth, we assume a strong need to scale up transnational cooperation, as essential for global sustainable development. From our understanding such an overarching concept for cooperation – which would go well beyond development cooperation and policy – does not yet exist. We label such a wider concept global cooperation for sustainable development (GCSD).

In our understanding, GCSD includes manifold actions focusing on norms (norm generation, setting or diffusion) and operational activities.[268] These actions and activities are (at least partly) intended to contribute to sustainable development by bringing together (at least) two actors who cooperate across borders. Actors involved in GCSD might come from a variety of backgrounds; they include, among others, governmental and legislative actors, civil society organisations (CSOs), private sector actors, think tanks and other academic institutions. Simple forms of GCSD might be based on governmental representatives coming from two countries. More complex forms of GCSD would, for example, include multi-actor constellations with a need for 'orchestration'. GCSD might refer to cooperation efforts to reach a variety of goals. The 2030 Agenda with its SDGs, the global COVID-19 response and the Paris Climate Agreement are prominent components requiring global co-operation for sustainable development.

Also, the COVID-19 pandemic and the resulting socio-economic crisis are testing global structures of co-operation.[269] The challenges give rise to new forms and expressions of transnational cooperation. We expect that the future framing of development cooperation will be significantly impacted by the global health crisis. With the crisis acquiring global dimensions, the provision and support of global public goods seems to be increasingly more

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268 A more detailed discussion on this can be found in Kloke-Lesch (2021).

269 The final three paragraphs draw heavily on Klingebiel & Izmestiev (2020).

important. The North-South Cooperation model remains important, but it is continuously losing significance as the predominant cooperation model in developing regions (Mawdsley, 2019; Chaturvedi et al., 2021). South-South Cooperation has received a push – at least in terms of visibility but has also spurred creative solutions. At the same time, we also see other forms of cooperation becoming increasingly prominent (Swiss, 2021), including "South-North cooperation" (e.g., China's medical support to Italy) and "East-North cooperation" (e.g., Russia sending medical material to the United States) (Klingebiel & Izmestiev, 2020).

These examples further highlight cooperation that is increasingly multi-directional and universal. Will the pandemic accelerate these developments and herald a new form of cooperation, or do they indicate the reinforcement of existing tendencies with even further diminishing space for collective action? We do not know the details of what a post-COVID-19 world will look like. However, we do know that effective international cooperation is fundamental for dealing with existing and emerging global challenges. As international cooperation is weakening in many areas, the increasing role of rising powers and their impact on development cooperation norms and standards through South-South cooperation may become even more influential. COVID-19 may turn out to be a super-accelerator of a number of trends that existed in the international system before the pandemic (Haas, 2020; Duclos, 2020). Addressing the needs of the most vulnerable countries through development cooperation will be an essential part of future cooperation structures. The establishment and adjustment of institutional structures will mainly be a non-linear process; it will take place through incremental steps and adjustments. However, change can also happen through abrupt political decisions (like the US' decision on its World Health Organization membership).

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18   Concluding thoughts

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18.1   Introduction

Can history repeat itself? This question has been at the heart of this book. It was the idea that inspired the creation of the modern aid effort. Repeating Europe's post-war resurgence backed up by the Marshall plan through development for the whole world was "one of the great enterprises of history". This required the mobilisation of ideas, theories, concepts, resources and political will to confront the problems of what at the time were "a third of the human race seeking to live a better life on their own terms". In the 1960s, Seymour described the Development Assistance Committee (DAC) of the Organisation for Co-operation and Development (OECD) as a body which represented the conscience of the rich nations. John F Kennedy saw its value as a place where "we can pool our vast resources and skills, and make available the kind of long-term capital, planning and know-how without which these nations will never achieve independent and viable economies, and without which our efforts will be tragically wasted" (Coffin, 1962).

From the start, the objectives of the DAC have been to expand the flow of resources to less developed countries, to improve the terms and conditions of aid and to increase its developmental effectiveness. As we have seen, geopolitical considerations were a driver of the aid agenda, shaping its priorities, volumes and institutions (e.g., Chapters 4 and 5). While development results generally equated with geopolitical benefits. Geopolitics did distort but did not fatally undermine the development effort – as is often claimed.

The DAC fashioned a process that promoted common policies, considered broad as well as regional and sectoral development issues, gathered performance data from low-income countries, and, with members and the secretariat candidly critiquing one another, evaluated members' assistance programmes individually and jointly (Chapter 7). This was the start of the DAC's life-long mutual learning process. Development turned out to be an economic and social process of extraordinary complexity – which led the DAC to approach the issue with increasing realism and understanding. In

the 1990s, following the end of the Cold War, the DAC designed a strategy for "a new global partnership with developing countries […] to achieve global results". Its publication "Shaping the 21st Century: The Contribution of Development Co-operation" gathered strong consensus around a series of goals for global development and these formed the basis for the Millennium Development Goals (Chapter 10).

DAC pioneered the aid effectiveness and later development effectiveness agendas, contributing to aid delivery that is more effective, while remaining custodian of official development assistance (ODA) statistics (Chapter 6) and reviews of member development cooperation policies and strategies (Chapter 11). It developed supplementary guidelines and orientations for good practice in a range of policy areas such as good governance, evaluation of aid programmes, private sector development and various aspects of gender equality, inclusion and environmentally sustainable development (Chapters 13 and 14). It engaged non-DAC donors, in particular the Soviet Union, Arab donors and China (Chapters 8 and 9).

Sixty years on from the DAC's creation, the scale of that challenge and the commitment to that great enterprise have changed, yet there is no end in sight. The current mandate of the DAC is to promote development cooperation and other relevant policies to contribute to the implementation of the 2030 Agenda for Sustainable Development (Chapter 16), including "sustained, inclusive and sustainable economic growth, poverty eradication, improvement of living standards in developing countries, and to a future in which no country will depend on aid" (OECD, 2018).

Has development triumphed? The answer depends on how we measure success. Originally, the target was indeed *development*, understood as constructing economies that would be capable of generating inclusive and, as Walt Rostow termed it, "self-sustained growth" into the future (Rostow, 1956). In other words, poor countries would become viable modern economies like those of North America and Western Europe. In this sense, the answer would be no: very few countries have reached this level of development, while many became wealthier but at the same time more unstable, unequal and dependent. Yet, later on, the bar was lowered: aid was now aimed to "reduce poverty" rather than to achieve development in a more holistic sense. In this more limited view of success, the answer is a qualified yes.

Poverty, especially extreme poverty, has contracted substantially in the last 60 years. Keeping these two measures of success in mind, the question is: does aid help or hinder development? This question is essential for assessing the DAC and is assessed in section 3. Has the DAC made a difference in increasing aid effectiveness? What criticisms has it been subject to and how valid are these criticisms (Section 4)? In the face of mounting global pressures in an increasingly complex, interconnected, multi-polar and fragile world, is there still a role for aid and the DAC? How might its role and influence evolve in the future? Section 5 looks at some of the risks that are emerging to its usefulness and credibility. Section 6 ends this book asking if it is time for an obituary for the DAC and the development cooperation effort.

18.2   Rationale and relevance

This book is replete with examples of how DAC has instigated major behavioural changes in the development community in its 60-year history. As an inter-governmental, member-driven body, it has discharged this role while managing internal tensions and external pressures. The critical leadership and influence of DAC chairs in this enterprise come through in several chapters.

We have explored the DAC's origins, core objectives, achievements and limitations. Given the diversity of interests and objectives involved in the field of development co-operation, the need for basic qualitative norms, monitoring and agreed disciplines has long been recognised and has been pursued principally through the DAC. Supplementary guidelines and orientations for best/good practice have been developed in a range of policy areas such as good governance, private sector development, aid for trade, state fragility, gender equality and various aspects of environmentally sustainable development. In addition, the DAC has set the statistical norm for classifying and measuring aid flows, although its work in this area does have limitations as noted in recent articles. It also serves as a forum for the exchange of ideas on best practice and its role in peer-based evaluation is particularly important in encouraging mutual learning and accountability.

We recognise that the development mission in general is in transition, that legitimacy issues are serious, and that conceiving of development cooperation beyond ODA is essential but challenging. The lines between public and private support are blurring and the future of ODA as a credible instrument

of international cooperation is in doubt. In this context, it is appropriate to ask if the core instruments, statistics, peer reviews and policies of the DAC remain vital as partner nations, new providers, civil society and the private sector further define and expand their roles. This book encourages scholars and policy-makers to consider the future of the DAC in the context of its 60-year history. We suggest that such an examination will reveal strengths that remain relevant in a world that is seeking to address a multitude of challenges relating to finance, trade, climate, security, food and energy, as well as women's empowerment and voice in relation to all of them.

18.3   Has development cooperation been effective?

Assessing the success of DAC is interwoven with the question of whether development co-operation activities have made a difference. Aid is one element in a combination of factors ranging across macroeconomic stability, institutional quality, favourable investment climate, democratic and effective governance (Klasen, 2005). These factors can increase incentives, opportunities and capabilities for employment and entrepreneurship. Inclusive labour markets that afford rapid employment growth, a financial system that offers wider access to people and an efficient regulatory system can help create the conditions for new, more productive activities and the movement of resources and labour from traditional activities to these newer ones, raising overall productivity (Huang & Quibria, 2013).

The DAC has always recognised that developing country policies are the primary factor in affecting development outcome but that donors can help. From the very beginning aid was about self-help, that aid could not be "a substitute for honest and efficient government, and that the success of the development efforts depends primarily on the soundness of development plans and policies and the ability of the recipient country to execute them" (OECD, 1962, p.30). Furthermore, all DAC countries contended that the costs of development should be "to the largest extent possible, be financed by the developing countries from their own resources". Though the problems of inadequate savings and taxation were noted, development co-operation would only make a difference if it was "matched by effective self-help efforts, including sound economic, social and financial policies on the part of developing countries themselves" (OECD, 1962, p. 32).

Aid can be beneficial in getting the fundamentals for growth right; supporting government capacities, strengthening governance, addressing

infrastructure deficits and improving poor education, health and social protection systems. Such assistance is particularly important for low-income countries and especially for fragile and conflict-affected states (Chapter 12). ODA represents significant amounts of their external finance, especially when compared to middle-income countries. Possible declines in ODA due to COVID-19 threaten the functioning of the state in poorer developing countries.

It is difficult to be definitive about the contribution of aid to economic growth. Given the heterogeneity of aid projects, programmes, providers and partner country situations as well as the important number of factors which affect growth, to ask for a "proof of the effectiveness of aid is like asking for a proof of the effectiveness of taxation" (OECD, 1985, p. 254). The amounts of aid involved are also relatively meagre. While William Easterly (2003) and Dambisa Moyo (2009) contend that trillions of aid dollars have been poured into Africa without a significant return, Finn Tarp (2006) estimates that the median distribution of aid per capita is a mere $31.5 per year. The number of cross-country empirical studies attempting to measure the contribution of aid to economic growth has proliferated, but they are plagued by conceptual and methodological challenges. David Roodman (2007) states that while aid has eradicated diseases, prevented famines, and done many other good things, its effects on growth, given the limited and noisy data available, cannot be easily gauged.

The emerging consensus in the literature however is that aid has a positive, if small effect on growth. Arndt, Jones & Tarp (2012) found that it was reasonable to believe that aid worth 1 per cent of a country's gross domestic product (GDP) raised economic growth by 0.1 per cent per year on average during 1970-2000. That is a small but helpful impact. Clemens, Radelet, Bhavnani & Bazzi (2012) re-examine three of the most influential published aid-growth papers and found that increases in aid have been followed on average by increases in investment and growth. The most plausible explanation is that aid causes some degree of growth in recipient countries, although the magnitude of this relationship is modest, varies greatly across recipients and diminishes at high levels of aid. Tarp in several extensive reviews of the aid-growth literature concluded that the bleak pessimism of much of the recent literature is unjustified and the associated policy implications drawn from this literature are often inappropriate and unhelpful. Moreover, as recalled in Chapter 14, the extent to which GDP growth is a satisfactory measure of development progress has been questioned since the

1960s. The evidence suggests that aid has been and remains an important tool for enhancing development.

18.4   What role did the DAC play? How significant was it?

The previous section suggested that aid has been used to improve health and education and therefore improve well-being. As a result, people across the developing world are healthier, live longer, lose fewer children, learn to read and write, and have more rights. The DAC's central role has been to improve the effectiveness and impact of aid by delivering assistance through budgets and national processes responding to country-defined needs and priorities under national leadership. Other aid effectiveness principles can make aid delivery more efficient and reduce transaction costs.

As long as there are no equivalent alternatives, the DAC should retain its Peer Reviews, since they have proved their worth as a quality assurance and mutual learning instrument. This is true of other DAC instruments, and for the most part its monopoly is safe, e.g., the Development Co-operation Forum seems not to constitute a threat to the DAC. This book has shown the relevance of the DAC in a number of development areas. Other observers, more detached from the Committee than ourselves and our co-authors also arrive at positive conclusions. Thus, for example, Guido Ashoff (2005) produced an encouraging assessment of the role of the DAC from the vantage point of German development cooperation. He concluded that the DAC had "a genuine function to perform, it can look back on a remarkable record, and it still has potential that Germany can and should tap". Peter Carroll looked at the way the Committee influenced the aid volumes of Australia, concluding that at least initially there was considerable learning on behalf of Australian aid officials from their experiences with the DAC (Kellow & Carroll, 2017). Thérien (2002) asserted that the DAC was "indispensable for collecting data, defining standards, making evaluations and carrying out research". However, he also noted that, as a "donors' club", the DAC promoted discussions within an exclusive circle, and without the participation of Third World representatives. By virtue of its mode of operation, the DAC has clearly put limitations on the principle of a North-South partnership in aid policy making" (Therien, 2002).

As Carroll and Kellow (2011) noted about the OECD as a whole, such institutions are rather difficult to assess. The nature of the OECD's work and subtle influence "makes it more difficult for it to demonstrate its worth,

but its value is no less for this". Many see the DAC as somehow deficient because its work does not result in legally binding obligations, but this soft law approach is also a source of the DAC's influence and a key to its future role. There is a very important if subtle role for the DAC. It provides a forum for a network of policy-makers and uses a subtle force of soft persuasion – this can be an under-appreciated means of influence. The largely voluntary nature of the measures that are the products of the DAC can be more effective because they can embody clarity and higher quality that give rise to fewer concerns by Members, precisely because they rarely threaten the members' key interests.

In this book we have generally discussed the DAC as one body with a unified voice. However, different countries have different philosophies, and the DAC tries to encourage good practices and at the same time, operate on the basis of consensus and "didn't want to push anybody out of the club or scare them away. Some are more field-based; some are more Headquarters-based. They are all different" (Michel, 2005). In engaging non-traditional donors, it is becoming even more diverse stretching the spectrum of starting assumptions, aims, objectives and methods. The ODA debate in particular has exposed the differing positions on what constitutes concessionality and the political forces at work in determining statistical rules and standards.

18.5   Future risks

If overall the DAC has played a positive role, there are issues currently being discussed which tend to ignore many of the lessons of history and risk undermining it. In this volume, Chapter 6) argued that recent changes in rules for quantifying ODA have rendered it incoherent as a statistical measure, "making it a faulty tool for monitoring and analysis. ODA now fails to meet basic statistical quality standards". While ODA was never perfect and arguments about whether it includes too many activities or too few have persisted for over 50 years, this is a serious threat to the credibility and usefulness of the DAC.

Another area is on the use of aid money to support private investment. For much of its existence, the DAC created a "demilitarised zone" between developmental and commercial credits. This ensures that governments provide financing in ways that minimise trade distortions and safeguard the quality of aid allocations. The OECD Arrangement on Officially Supported Export Credits offers the most extensive framework for the orderly use of

officially supported export credits. In practice, this means providing for a level playing field (whereby competition is based on the price and quality of the exported goods and services as opposed to the financial terms extended) through eliminating the distortion of trade flows with aid money.

The World Trade Organization (WTO) Agreement on Subsidies and Countervailing Measures also contains disciplines the use of subsidies. Under the agreement, a country can use the WTO's dispute-settlement procedure to seek the withdrawal of the subsidy or the removal of its adverse effects. This agreement defined a subsidy as a financial contribution from a government that confers a material benefit to the borrower. If ODA acts as a subsidy, it could lose its exemption status under WTO trade rules and be seen as a distortive trade measure.

As was evident in the chapters examining the formation of the DAC, the political lens is an essential one in viewing the actions of development actors. The Cold War context (1960-1990) motivated the origins of the development effort, its end necessitated a shift of focus and a new role for more effective development co-operation (1990-2015). The possibilities of a new Cold War are currently emerging. The framework for development financing was laid at the outset but has evolved – developing and refining the concept of ODA and its relation to other credits (export financing, mixed credits, and more recently TOSSD). The peer reviews have helped establish a community striving to improve practices and policies. These issues, and the DAC's contribution to different policy areas, such as environment, gender equality, and fragility, (Chapters 12, 13 and14) have been shaped by political forces and global shocks and shifts.

Competition for influence in Africa and other emerging regions in terms of infrastructure provision, new markets and access to raw materials has been a subtext of development even as the world pursues a universal development agenda. Political factors no doubt influence the evolving priorities with a tension between economic, security, and political objectives of donors with effectiveness, social and humanitarian needs often prioritised by developing countries. Several chapters have addressed this tension in one way or another. A question poses itself: can the DAC continue to maintain a character of independence promoting fair standards in the interests of both its Members and developing countries? The answer is not straightforward, as shown by the shift from the Millennium Development Goals (MDG) to the Sustainable Development Goals (SDG). Whereas the DAC provided the

framework for the development of the MDGs, it played only a marginal role in the origins of the SDGs (Chapter 16). Furthermore, the context within the OECD itself has changed where an annual discussion of development in Council has been replaced by an annual discussion on the SDGs, which are now universally applied to all countries. It is expected that all policy communities have something to contribute – whether related to tax and development, trade and investment frameworks, global environment issues or social affairs (health, education, inequalities). The development discourse has become mainstream, more centrally located within the UN system, and more dispersed even within the OECD. Given these shifts we may well ask if the DAC can remain relevant. The tone of this volume has been positive yet not apologetic. In spite of the risks, it is likely the DAC still has a role to play, but it will be different from its past role.

A space with such institutional memory and experience is necessary because recent years have demonstrated that the context for global cooperation, including development cooperation is continually shifting, evolving and subject to radical uncertainty. Populism, globalisation backlash and even nativism is affecting politics and policy formulation in several OECD countries (and in the Global South) with significant implications for ODA (Marschall & Klingebiel, 2019). Consensus on ODA norms, aid effectiveness and humanitarian objectives has broken down with national commercial and security interests of donor countries increasingly shaping the agenda. The United Kingdom for instance has crafted, "Development Diplomacy" to reframe its development co-operation policies and strategies. This will affect and constrain the credibility and impact of norm setting in the DAC.

The COVID-19 pandemic and the increasingly apparent consequences of climate change are illustrating that ODA is operating in the context of global emergencies. The effects of the pandemic risk rolling back years of developmental progress. Global crises should not be regarded as exceptional. They illustrate the conditions and context of global cooperation suggesting the need to invest in systems thinking, anticipation and resilience (which the DAC is doing already to some extent), to inform policy innovations (with many lessons from the pandemic). It seems to be likely that ODA and the work of the DAC will be affected from those fundamental changes. This is most likely relevant for the ODA narrative (e.g., a further emphasis on the global public goods aspect), for the respective strategies (for example, a new need to reflect on graduation policies for ODA) and operational approaches

(just to mention the potential of satellite technologies for development cooperation).

The 2030 Agenda for Sustainable Development is a successful normative framework that defines development as a universal aspiration for inclusiveness and sustainability. Yet, the implementation of this agenda is characterised by power struggles and unresolved contestations (Chaturvedi et al., 2021). This is true especially for the field of development cooperation. A missing globally accepted platform for policy dialogue on this topic and a competitive nature between ODA providers and several relevant South-South Cooperation providers have led to a context where development cooperation can be seen as an illustration of "contested collaboration".

While the Bandung "mutual benefit" concept dates back to 1955 and the DAC concept of a "common development effort" to 1960, the more pronounced confrontational situation between China and the USA and its allies is now the key vector in this context. The prospects for "ideational convergence" between China and OECD donors then become a central question. Is then the evident influence of the DAC on the mandate and programme of the China International Development Cooperation Agency (CIDCA) – which encompass country strategies (including the BRI), transparent statistical systems and evaluation programmes – a basis on which such convergence could be possible in an SDG-grounded global cooperation system? (China State Council Information Office, 2021; Janus & Tang, 2020; see Box 5 Chapter 2 above.)

18.6 Final thoughts

Richard Manning (DAC chair 2003-2008) characterised his early dealings with the DAC as featuring a sterile debate about aid volumes and aid quality with interminable discussions about untying which went nowhere. Indeed, former OECD development director Helmut Führer suggested that the failure to agree disciplines on untying at the 1970 High-Level Meeting (HLM) was his greatest disappointment – it eventually took 30 years before a consensus emerged. Sometimes change requires the constellation of a range of political and economic forces. Manning began to see that the OECD's and the DAC's 'soft law' approach could nevertheless be valuable and that the right product at the right time could be massively influential.

History does not end and drawing a line under this story has proved challenging. The context of development co-operation and the interaction of countries, rich and poor, is shifting seemingly on a daily basis – with new contests for economic markets and political influence, from rare earth metals and the benefits of a transition to a greener economy to the shifting patterns of comparative advantage and the location of global production. However, a careful review of the history of this effort suggests that this is not an anomaly but in the nature of complex, adaptive and highly politicised development system, continually evolving, changing and reorganising itself. The DAC has attempted to bring some order to this, through shared standards and goals, good practices, rules of the game.

The editors of this volume have accumulated decades of experience with the DAC, and viewed it from the secretariat and member perspectives. Atwood's and Manning's experience highlights that understanding any governmental body – its nuances, forces and dynamics which are missing from the archival records – requires intimate knowledge and direct experience. We have worked with many of the dedicated staff who made a significant contribution to the DAC and ultimately helped donor agencies do their work better. Helmut Führer, when asked to identify the contribution of the DAC said, "we work with the one dedicated instrument our governments have to impact on development". That basic observation remains central to this day. DAC member countries still affirm that development cooperation will remain an ongoing enterprise and a policy domain within the ambit of the OECD, connected, as at its origin, with the global governance processes in play. The DAC remains an enduring actor therefore, a source of standards and peer pressure, and a place where voluntary agreements can change the behaviour of nation-states. However, if it is to be globally relevant in the wider narratives discussed in Chapter 17, it must seek to remain a trusted, inclusive and open partner and provider of quality statistics, policy advice and good practice. These are the lessons of its own history.

Helmut Führer also said he never expected that someone would look at the history of the DAC and his role in it. We hope we have done justice to this story and that this volume will inspire systematic studies and critiques of DAC policies and processes that recognise and understand their historical evolution.

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