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DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

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**REPORTS FOR THE DAC HIGH LEVEL AND OECD MINISTERIAL COUNCIL
MEETINGS ON PROGRESS MADE ON CONFLICT, PEACE AND DEVELOPMENT
CO-OPERATION AND ADDRESSING EXCESSIVE MILITARY EXPENDITURES
IN DEVELOPING COUNTRIES**

At the 1997 meeting of the OECD Council at Ministerial Level, Ministers requested that OECD report back to them on progress made in 1998 in the fields of Conflict, Peace and Development Co-operation [C/MIN(97)20] and in carrying forward work on Addressing Excessive Military Expenditure in Developing Countries [C/MIN(97)21]. This progress report, reflecting inputs by the Informal DAC Task Force on Conflict, Peace and Development Co-operation is submitted to the DAC for CONSIDERATION and APPROVAL at its meeting on 27 February 1998.

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**REPORTS FOR THE DAC HIGH LEVEL AND OECD MINISTERIAL COUNCIL MEETINGS
ON PROGRESS MADE ON CONFLICT, PEACE AND DEVELOPMENT CO-OPERATION AND
ADDRESSING EXCESSIVE MILITARY EXPENDITURES IN DEVELOPING COUNTRIES**

**I. Follow-up to the work of the DAC Task Force on Conflict, Peace and Development
Co-operation -- Helping improve donors' efforts in conflict situations and their aftermath**

1. Development ministers and heads of aid agencies endorsed in 1997 the DAC's Guidelines¹ to help orient the actions of donors working in rapidly changing situations of conflict and potential conflict. This type of work by development experts and practitioners, working together as the DAC Task Force on Conflict, Peace and Development Co-operation to share their experience and formulate policy guidance, was the first of its kind on these important issues. These Guidelines -- which are still in the form of a "work in progress" -- are now being widely disseminated and explicitly tested, because donors recognise that further learning is needed in these complex and evolving fields. After an adequate period of testing and feedback, the DAC will consider up-dating and supplementing the existing guidelines.

A. *Completing work on the most difficult coherence and co-ordination questions*

2. Targeted work continues in 1998 through an informal DAC Task Force with a priority on completing items that have proved to be the most complex and difficult. Several in-depth studies were commissioned by the Task Force on *Civilian and Military Means of Providing and Supporting Humanitarian Assistance; Development Co-operation Incentives and Disincentives in Influencing Situations of Conflict and Civil Violence; and, Contingency Planning and Preparedness in the Context of Humanitarian Emergencies.*

3. Work on *Development Co-operation Incentives and Disincentives* has proven to be the most challenging, with complex and sensitive questions of methodology and analysis. A preliminary review will form the basis for a multi-donor project focusing on experience with development instruments in certain country-cases. This process will help explore lessons learned on the effectiveness of various incentives and disincentives in different circumstances and conflict situations. Successful practices and modalities will be identified to help donors work toward more coherent and co-ordinated policies in this area. This work will be well underway in 1998, in close collaboration with policy experts and practitioners. The United Kingdom, Sweden, Denmark and Canada have taken principal responsibility for individual country-case studies and workshops, with the results to feed back to the DAC.

B. *Exploring further themes not sufficiently addressed in the DAC Guidelines*

4. Two main areas of growing concern to DAC Member countries and others are the roles of development co-operation in assisting and promoting security sector reform, and developing a better understanding of the benefits and risks of humanitarian and development co-operation activities in conflict-prone settings.

5. The restoration of legitimate civilian authority and a sense of security are urgent priorities in post-conflict settings. The growing demands and expectations placed on development co-operation

1. Development Co-operation Guidelines Series, *Conflict, Peace and Development Co-operation on the Threshold of the 21st Century*, OECD, 1998.

agencies to support peacebuilding processes warrant further examination, notably to identify the full potential and limitations of development co-operation instruments. The Norwegian authorities are commissioning a policy-research study in this areas -- involving a number of DAC Members and the secretariat -- with the intention of feeding back results to the DAC. These efforts will be closely co-ordinated with work to help address excessive military expenditures in developing countries.

6. As part of the trend to measure and monitor overall development co-operation performance, there is a need to develop generic performance indicators to monitor the effectiveness of development and humanitarian aid activities targeted at conflict prevention and peacebuilding. This need has been drawn to the attention of relevant evaluation experts and others with a view to helping identify the most effective practices, particularly for conflict prevention, an area identified as needing to be further developed in the next revision of the DAC Guidelines.

C. Strategies for testing and implementing the Guidelines on the ground

7. The Task Force will continue to pursue possibilities for disseminating, testing and obtaining feedback on the Guidelines from field missions and practitioners. It is expected that the Guidelines would benefit from some process in which actual experience, and needs on the ground, can be compared to experience and orientations outlined in the Guidelines. Dialogues are now being opened with various developing countries (e.g. Mali and Uganda) where active attempts are underway to build more just and stable societies, and where there is a willingness to share this hard-won experience with the donor community. A partnership approach will be emphasised, building, to the extent possible, on the eight pilot country cases involved in the DAC's Participatory Development and Good Governance work.

II. Progress towards addressing excessive military expenditures in developing countries: an interim report on activities and ways ahead

8. Military expenditures deemed to be excessive are both a serious concern for, and in, many developing countries, including some of the poorest, and most highly-indebted. Increasingly this concern is shared within the countries concerned and among their external partners. Such expenditures not only impose a non-productive burden on spending countries but they can indeed be counterproductive in advancing the goal of national security, as they can contribute to a climate of regional insecurity, and lead to increased defence spending levels by neighbouring countries.

9. Work in the DAC has recognised that the provision of security is an essential public good and a responsibility of all governments and that national security needs assessments are very difficult to ascertain. Nonetheless, poor governance of the defence sector, where decision-making lacks basic transparency and sufficient civilian oversight, inevitably results in significant *on* and *off-budget* military spending and revenue sources, and opens up greater dangers for corrupt government procurement practices (on both the supply and demand sides). In addition, the widespread availability of small arms and other supply-side issues can perpetuate violent conflict and needs to be addressed from a policy-coherence perspective.

10. Development co-operation experience demonstrates that levels of military spending appropriate to country circumstances and well-functioning defence forces that are subject to adequate civilian control can contribute to an enabling environment for sustained development. The Proposed Agenda Towards Addressing Excessive Military Expenditure in Developing Countries submitted to the OECD Ministerial Council [C/MIN(97)21] in 1997 sets out actions that could help promote efforts to maintain effective dialogue on military expenditures with developing countries and to approach the question of the

widespread availability of arms in conflict areas. In deciding on how best to carry forward this work the DAC has identified two priority areas. Part A sets out actions that can be carried out by the DAC itself, while Part B outlines areas that go beyond the direct competence of DAC, but where (by working with others) it might be able to play a catalytic role.

A. *Issues for the Development Assistance Committee*

11. Data limitations and the lack of transparency and comparability in budgeting practices often hinder effective policy dialogues on excessive military expenditure concerns and impede progress in addressing these questions through other instruments. The DAC will help identify how and where donors can most effectively complement the efforts of the International Monetary Fund and the World Bank as well as developing countries themselves. The DAC and the Development Co-operation Directorate have already had positive discussions with these institutions on specific areas for continuing shared attention, linked to established work in the governance field. Further efforts will focus on ways to help:

- improve budgetary and policy transparency, fiscal responsibility and public participation in decision-making, and;
- strengthen knowledge of military spending and military roles as background for programming of co-operation and policy dialogues with developing countries.

12. The DAC will supplement this work with a survey of current approaches by development agencies and formulate best practices for better supporting developing countries' own efforts to track, report, and control military spending and increase security at lower levels of expenditure.

B. *DAC contributions towards strengthening policy coherence*

13. Many issues covered by the Agenda submitted to Ministers in 1997 go beyond the direct purview of the DAC and even the OECD. Development co-operation is just one of the fields involved, but it can play an important supporting, and sometimes catalytic, role. The 1997 policy statement by the DAC High Level Meeting stressed that promoting coherent policies and engendering more responsible supply-side behaviour must be part of broader actions to effectively tackle military expenditure. A more comprehensive approach would contribute to achieving stronger partnerships with developing countries (maximising the value of the development assistance contribution), in addition to improving coherence within and between DAC Members, all important priorities of the *21st Century Strategy*.

14. To the extent possible, this more coherent approach by external partners should also extend to support for local and regional initiatives to reduce demand and cross-border flows, such as the recently established moratorium on the supply of light weapons in West Africa, which may offer a promising response to the supply question, particularly in conflict, or conflict prone, regions.

15. Members have indicated the need for dialogue between development co-operation agencies and other actors, such as export credit and arms control agencies, to promote more information flow and help move towards more coherence in policies in the respective areas. In this regard, a proposal has been made to hold an informal consultation between Members of the DAC and the Wassenaar Arrangement. The OECD Secretariat is also currently collaborating with the Government of Belgium in its planned conference on sustainable development and disarmament issues to be held later this year. Members have been encouraged by the work of the United Nations on small arms, and efforts will be made to co-operate with, and draw upon, these efforts.

16. Other efforts aimed at avoiding unproductive expenditures are also currently being explored. Following the OECD discussions last year, the importance of making progress in this area was noted by the Denver G7 meeting. In this connection, the relevant OECD directorates are considering how best to follow-up the United Kingdom's "Debt 2000: The Mauritius Mandate" initiative. The export credit element of the initiative, which sets out to limit officially supported export credits and financing to the Highly Indebted, Poorest Countries, reserving financial support for productive expenditures (i.e. those which contribute to economic and social development) is the subject of ongoing discussion in the OECD Working Group on Export Credits and Credit Guarantees.