Attaining United Nations Official Development Assistance Targets

1.1 The original formulation of the NIEO objective at the United Nations

The International Development Strategy for the Second United Nations Development Decade (2626 (XXV) 24 October 1970) set a development assistance target of 0.7 per cent of the gross national product of developed countries:

Each economically advanced country will progressively increase its official development assistance to the developing countries and will exert its best efforts to reach a minimum net amount of 0.7 per cent of its gross national product at market prices by the middle of the Decade.

The second IDS also requested that financial assistance be, in principle, untied, and that it be provided, to the greatest extent possible, on a longterm and continuing basis.

The Program of Action on the Establishment of a New International Economic Order (3202 (S-VI) (1 May 1974) urged the implementation at an accelerated pace by the developed countries of the time-bound programme, as already laid down in the International Development Strategy for the Second United Nations Development Decade, for the net amount of financial resource transfers to developing countries. It also urged an increase in the official component of the net amount of financial resource transfers to developing countries so as to meet and even exceed the target of the Strategy.

Development and International Economic cooperation (3362 S-VII) 16 September 1975) reaffirmed the ODA target and requested that:

Developed countries confirm their continued commitment in respect of targets relating to the transfer of resources, in particular the official development assistance target of 0.7 per cent of gross national product... and adopt as their common aim an effective increase in official development assistance with a view to achieving these targets by the end of the decade. Developed countries which have not yet made a commitment in respect of these targets undertake to make their best efforts to reach these targets in the remaining part of this decade.

* Frequently cited documents will be subsequently cited in abbreviated form.
The same resolution also suggested that concessional financial resources to developing countries be increased substantially, their terms and conditions ameliorated, and their flow made predictable, continuous and increasingly assured.

The Lima Declaration and Plan of Action on Industrial Development and cooperation (26 March 1975) stated that:

the developed countries should, in particular, increase their cooperation in order to make available to developing countries the resources required to sustain the growth effort essential for accelerating their social and economic development.

The stated targets for transfer of resources to developing countries should be fulfilled in the shortest possible time.

1.2 Specification and development of the NIEO objective at the United Nations, 1974-78

Resolution 150 (XVI) (October 1976) of the Trade and Development Board of UNCTAD reaffirm the need for developed countries to meet the 0.7 per cent target for the official development assistance. The resolution urged all developed countries to prevent the volume of their ODA from being affected by budgetary difficulties or balance of payments problems.

It suggested that ODA financial resources might be raised by the use of the profits from sales of monetary gold held by the International Monetary Fund.

The resolution made, inter alia, the following recommendation:

Developed countries should jointly study the various proposals made for altering the definition of ODA, including the proposal that development loans with a concessional element of less than 50 per cent should be excluded from the definition of such assistance;

Each developed country should use its best endeavors to improve the financial terms of its ODA so as to achieve an over-all grant element of at least 90 per cent;
An official development assistance loan should, as a general rule, be untied and to that end multilateral arrangements for the reciprocal untangling of ODA flows should be worked out as early as possible;
Official development assistance should be provided to recipient countries in the forms most appropriate to their developmental needs and priorities;

The 0.7 per cent target for official development assistance should be treated as the actual financial flow target and the one percent target for net financial resource transfer should be considered a broad indicator of financial cooperation;

All developed countries should distribute their official development assistance rationally and equitably among developing countries, without prejudice to existing bilateral and multilateral agreements between developing and developed countries;

A draft resolution submitted by Jamaica on behalf of the Group of 77 in "Text Remitted for Further Consideration Within the Permanent Machinery of UNCTAD" (Td/L.125, October 1976) reiterated the importance of General Assembly Resolution 3362 (S-VII) mention above. The resolution reaffirmed that:

All developed countries should effectively increase their ODA so as to achieve the target of 0.7 per cent of GNP for such assistance as soon as possible, and in any case no later than 1980. To achieve this end and to ensure that ODA flows are predictable, continuous and assured, the following measured, inter alia could be considered;

Introduction by developed countries of a development tax as a means of raising the required revenues, thereby avoiding discontinuity in appropriation by legislatures;

Use by the developed countries of the interest subsidy technique as a means of minimizing the budgetary burden of achieving the 0.7 per cent target and of generating a large expansion of concessional flows in a short span of time.

The 50 per cent grant principle and its definition were reiterated.

A draft resolution submitted by France on behalf of Group B urged that all donor countries increase effectively their ODA and to attempt as soon as possible to attain the target of 0.7 per cent of GNP set out in the International Development Strategy for the Second United Nations Development Decade. Official development assistance should be predictable, continuous and increasingly assured. The draft resolution agrees substantially in all other respects with the above mentioned draft resolution submitted by Jamaica, except a change appears in the overall grant element from 90 per cent to 84 per cent.

A report of the UNCTAD Secretariat on item 11 of the provisional agenda of UNCTAD IV (TD/188, 29 December 1975) insists on the necessity of both attaining the 0.7 per cent of ODA and of distributing it among the developing, capacity to usefully absorb private capital and to assure the servicing of the corresponding debts, and the necessity to assure an equitable distribution of income. The report mentions a suggestion concerning the institution of a special development tax in the developed countries. Such tax would permit a supplementation of the amounts normally reserved for development aid and would have the further advantage of increasing at the same rate as income in the developed countries.
1.3 Contribution of major international bodies, 1974–78

The final communique of the Commonwealth Heads of Government (1975) agrees with the 0.7 per cent and urges its speedy implementation. There occurs also an endorsement of the 84 per cent grant element (a reduction from 90 per cent). Terms of assistance for the poorer countries would be such that repayment would be at least 40 to 50 years with a grace period of at least 10 years and a maximum rate of interest no exceeding 1 per cent.

The Manila Declaration and Programme of Action (TD/195 5 May 1976) affirmed that 0.7 per cent ODA. It also re-affirmed all other targets that were mentioned in the above-cited UNCTAD document of October 1976.

There seems to be an agreement between developing and developed countries that a 0.7 per cent target must be met, according to a final report by a Commonwealth Expert Group (March 1977). The report expressed disappointment that many of the DAC countries had not met this target. In 1975, only two DAC countries, the Netherlands and Sweden had met it: Australia, Belgium, Canada, Denmark, France, Norway, and New Zealand were in a band from 0.66 to 0.52 per cent of GNP, West Germany of 0.40 per cent of Britain 0.37 per cent. Austria, Finland, Italy, Japan, Switzerland, and the United States transferred less than 0.30 per cent. The report said that regardless of their economic and social systems, and particularly those with per capita GNP over $2,000 to implement the United Nations target without further delay.