Instruments of Soft Power

The Donor That Came In from the Cold: OECD-Russian Engagement on Development Cooperation

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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 Russian economy. During the Cold War, the Soviet Union rejected Marshall 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. Toward 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 has since become an accession candidate to the OECD, although this process has now been postponed because of political tensions related to Ukraine. This postponement does not preclude stronger collaboration in the area of 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 to counter the perceived threat of Soviet communist 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 Soviets and western donors. During the late 1980s, this began to change as the Soviets struggled to maintain their development programs and sought ever more cooperation. Thereafter DAC members became donors to the former Soviet Union. Twenty years later, the Russian Federation straddles a unique middle ground between developed and developing countries and has a re-emerging aid program. This article reviews Soviet/Russian-DAC cooperation and suggests a 21st-century Russian-DAC relationship that will enhance development outcomes, at long last keeping a re-emerging donor out of the cold.

Key words: Development cooperation, development assistance, aid, official development assistance, Organisation for Economic Co-operation and Development, Development Assistance Committee, emerging donors, Soviet aid, Russian Federation, East-West, Cold War, Ukraine

Introduction

On 30 September 1961, the Organisation for European Economic Co-operation (OEEC), which had been created to administer the Marshall Plan, went out of existence, to be replaced by the
Organisation for Economic Co-operation and Development (OECD). All original OEEC European members plus Canada and the United States — 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% 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, industrialized countries, other international organizations 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). Its creation coincided with the priority accorded to development by newly elected US president John F. Kennedy. At the time, France, the United Kingdom and the United States accounted for 85% of western aid. Wider burden sharing was desirable. This was soon achieved with rising contributions, especially from Germany and Japan, and DAC members’ share of official development assistance (ODA) rose to more than 90% of the global total.

Surprisingly, the Soviet Union expressed an interest in joining the OECD during the foreign ministers’ conference 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, they considered that the Soviets 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 and suspecting that their motive for joining appeared to be “deliberately to obstruct the attainment aims of the organization” [U.S. Department of State 1960]. Even if the USSR was acting in good faith, according to the United States, the Soviet economic system in theory and 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 less 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 50-plus years of existence, the DAC has made significant progress on these core objectives. Over time, its members together with the 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 programs individually and jointly [OECD 1985].

1 The Marshall Plan is the short name of the European Recovery Programme, the United States’ initiative to help Europe rebuild after World War II and curb the spread of communism. 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 United States to Europe under the Marshall Plan.

2 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.

3 Aid is the voluntary transfer of resources from one country to another. It can be bilateral or multilateral. It encompasses various forms such as official development assistance (ODA), official aid and other official flows.

4 Burden sharing refers to a country’s relative contribution to overall ODA volume, usually assessed on the basis of its ratio of ODA to gross national income and taking account of its per capita income.

5 As of 2015, the DAC has had 14 chairs. For the first 38 years, all were from the United States; the first non-US chair, nominated by France, was elected in 1999, followed by chairs from the United Kingdom,
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 analyzing the particular problems of developing countries or engaging non-DAC members including the Soviet Union and Arab donors and more recently the Chinese through the China-DAC Study Group. Often there were efforts to reform the DAC to include the views of developing countries, although with varying results. As recognized 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 chair Maurice Williams’s suggestion of three reviewers for peer reviews – two from the DAC and one from a developing country. It seemed that the DAC was not ready to accept Third World review of members’ aid programs.

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 United States — 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. 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 program. Reviewing Russian-DAC engagement 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 article is based on recently declassified archival material from the OECD and draws in particular on the personal files and interviews of Jürgen Bartsch and Ruth Stock, formerly of the secretariat. It also connects this rich primary information with the recollections of Richard Carey and other OECD officials who were involved in non-DAC donor work at OECD.

The article reviews the limited but still revealing interaction over the years between the DAC, the OECD secretariat and former 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 like 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 article suggests 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 article posits

Germany, the United States and Norway. Unlike virtually all other OECD committee chairs, DAC chairs serve full time and reside in Paris.

The China-DAC Study Group was formed in 2009 to share knowledge and exchange experiences on promoting growth and reducing poverty in developing countries, including how international assistance can be effective in supporting this objective. Facilitating mutual learning on poverty reduction is the study group’s key principle [OECD, 2015].
that stronger cooperation between the Russian Federation and DAC donors would enhance development outcomes. The DAC is a useful vehicle to achieve that goal.

**DAC-Soviet Relations**

*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 program. The Soviet Union rejected Marshall 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 United States 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, and 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 program 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 U.S. provided $20.3 billion to less developed areas between 1954 to 1959, it estimated the Chinese-Soviet bloc provided just $3.8 billion [U.S. Department of State 1960]. However, there was increasing competition and the 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” [New York Times, 1960]. Some countries, including Burma, found the cost of Soviet bloc goods high and the quality poor. Nevertheless, the U.S. 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 United States and other western powers cooperated on aid issues through the DAG. But the exact nature of that cooperation was debated. Within the U.S. government under Kennedy, the State Department favoured a serious coordination of aid policies and programs via consortia. The Treasury was more conservative and opposed a committee, which would discuss particular problems or particular 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

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7 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 program 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 program 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 less developed countries (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[Central Intelligence Agency, 1974].
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 was an example where efforts by a western consortium might have proved useful.

The DAG and the DAC, which took over from the DAG in 1961, did not become an instrument in coordinating the western aid effort but ultimately converged on a narrower set of objectives focused 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 United States considered asking the Soviet Union to collaborate in the coordination of aid in the OECD, this was again rejected. OECD secretary general 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 U.S. 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. Yugoslavia had observer status from the creation of the OECD until the dissolution of the country, and Romania and Czechoslovakia, both members of the Council for Mutual Economic Assistance (Comecon), investigated the possibility of attaining associate status.8

Although the DAC kept track of Soviet donor activities, it also fostered some in-country cooperation between Soviet and western programs 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 USSR and Eastern European countries. DAC chair Edwin McCammon Martin discussed this suggestion with the Americans 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. U.S. 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 détente in Europe to an end and, with it, DAC-Soviet cooperation.10

Tracking Soviet Aid

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, 1970s and ’80s. In 1968, the OECD’s Development Centre issued a report that

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8 Indeed, a 700-page report was published on Soviet technology policy by the OECD’s Industry Committee. The Soviets showed an interest in the organization’s staff work on technology. The report suggested increasing incentives for scientific development but cautioned that centralized planning imposed limits on the efficiency of Soviet research.

9 The Council for Mutual Economic Assistance (1949–91) was an economic organization of Eastern bloc countries under the leadership of the Soviet Union.

10 The Prague Spring refers to the brief period in 1968 when the government of Czechoslovakia under party leader Alexander Dubček sought greater democracy and freedom from Moscow’s domination. It ended with a Soviet invasion, toppling Dubček and curbing reforms.
detailed Soviet aid based on Soviet statistical yearbooks. The report contended that aid was linked to a policy of foreign trade expansion and less attention was paid to development than to the optimization 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.

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, 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 country, and no distinction was made inside this group between advanced and less developing 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]. They 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.” So they did not accept comparison with DAC countries and did not supply official figures on their aid flows. 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]. Significant effort was devoted in the 1970s to find 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 — ten 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 program, especially developmental quality (e.g., absence of rural development projects), the highly political orientation of the program, the geographic concentration on a few recipients, the rather harder terms and the almost total absence of multilateral

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11 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 industrialized countries and LDCs, and to increase knowledge about and help achieve economic growth in LDCs [see Keysen, 2002].

12 The DRS is the World Bank’s external debt reporting system, created in 1951 and based on submissions by debtor countries.

13 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. 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.
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 focused on the problem of USSR support to Cuba in the form of subsidized prices. This type of economic support, which is not regarded as ODA, corresponded to 0.23% 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.15 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 steel works, 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 cited the example of a Soviet-built tin volatilization 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 Soviet fishing fleet’s rights in Africa. By 1985–90, Angola and Mozambique were looking to diversify their economic relations and participated in the Lomé Convention.16 There were also equipment failures in Helwan in Egypt, and in Bhilai and Bakano in India.

Commodity subsidies, commodity aid and balance of payment support comprised approximately 65% 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 a burden for the USSR [OECD 1987]. Comparing DAC aid efforts with those of the Comecon countries raised difficult conceptual and measurement problems.17

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 claims but, despite repeated requests from both OECD countries and the Group of 77 developing countries in United Nations Convention on Trade and Development, it did not receive a breakdown of Soviet “figures by individual recipients and forms of aid” [OECD, 1985, p. 118]. Bartsch described the nature of the statistics collected from a broad range of sources.

14 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].
15 The commercial motivation for economic aid was highlighted by the large communist credit to Argentina, intended to correct the imbalance in Soviet and East European trade with Argentina. The CIA estimated that total 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.
16 The Lomé Convention was a trade and aid agreement between the European Union and 71 African, Caribbean and Pacific countries, first signed in 1975 in Lomé, Togo. There have been three successive agreements, Lomé II, III and IV, with the last in place for 10 years (1990–2000). They were replaced in 2000 with the Cotonou Agreement, which entered into force in 2003.
17 One such problem as the fact that Comecon donors did not report their aid on a comparable basis. Estimates were collected by the secretariat from a variety of sources. Another problem was that the nature of aid given differed in important respects from that of DAC aid. General support for countries with close relationships, as distinct from broadly based development support, absorbed a much larger proportion of Comecon aid than of DAC aid. Moreover, burden-sharing comparisons were difficult because of the different nature of donor economies involved and their place in the world economy [Bartsch, 1981].
Bartsch, who holds a degree in Russian and had studied in Moscow for a year, collected information from the USSR Statistical yearbooks, other Soviet records, the German Friedrich Ebert Stiftung, 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 Stock was convinced about the accuracy of the figures; however, the Central Intelligence Agency (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.18 Despite active secretariat engagement efforts, the data-quality issue was never satisfactorily resolved, and more clarity on the accuracy of the numbers was achieved after the Cold War ended.19

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 the 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 president Robert McNamara [1990], “for forty 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.”

**Closer Cooperation and Potential Partnership**

A milestone in the contacts between the OECD and the USSR occurred in 1988 through a conversation between Jürgen Bartsch and Sergei Lavrov, then deputy director of Russia’s Department of International Economic Relations. A note of December 1988 summarizes 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 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 [1989b] 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 organization with which they had had “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 the secretary general’s office, judged it preferable to keep the development issue out of discussions. Even in the OECD’s Development Co-operation Directorate (DCD), one of

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18 The problem with CIA data was that if anything, even a comma or a potential faulty number, was scrutinized the CIA could not comment because it was drawn from confidential sources.

19 In the late 1980s, Bartsch travelled twice to Budapest to establish relations and collect information. In 1990, just before the reunification of Germany, he also visited East Berlin and obtained useful information, but after the reunification, the Germans asked the OECD secretariat to “take out what we had written on East German Aid” until they had verified the data because were concerned about the accuracy of the DAC figures. A Russian consultant was hired to correct the Russian figures in 1990; however, according to Ruth Stock, the consultant had no links with the Russian government, was looking to immigrate to Europe and brought no new information.
Führer’s own senior officials did not feel an “aid mentality” or experience would be helpful or relevant, given its sometimes conditioned reflexes. Others, such as then DCD deputy director Richard Carey, sought to keep development an integral part of the discussions.

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 chaired by the World Bank and the United Nations Development Programme (UNDP) on Guinea-Bissau in May 1989. Their subsequent participation in World Bank 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 requested the DAC to add them to the list of recipients and Bulgaria requested support from the OECD. Writing in 1990, Bartsch [1990] 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 Joseph Wheeler [1991] 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.20 Development aid was shorn of its Cold War underpinnings and freed from the “struggle for spheres of influence” [Kozyrev, 1988].21 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 co-operation 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 program was suspended and Russia became an aid recipient. Yet some of the broader lessons still inform DAC engagement 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.

The Emerging Role of the Russian Federation

In 1990, the OECD established the Centre for Co-operation with European Economies in Transition (CCEET), headed by Assistant Secretary-General Salvatore Zecchini and Jean-Pierre Tuveri.22 Its purpose was to channel advice and assistance for a wide range of activities to Central

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20 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.
21 Andrei Kozyrev was deputy chief of the International Organisations Administration in the Soviet foreign ministry. He 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” [Kozyrev, 1988]. His opinions were considered to carry the imprimatur of top officials, including Shevardnadze.
22 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.
and Eastern European countries and, soon after, the former Soviet Union, and to organize an
economic policy dialogue with these countries. In 1992, the United States called a conference
of donors to coordinate assistance to the New 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.

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. Those traditional developing countries rightly feared a
significant diversion of interest and funding from South to East. The first comprehensive re-
port on aid to Central and Eastern European countries and NIS was issued by OECD on the
basis of DAC members’ submissions to the secretariat. Total net aid to these countries in 1991
was $7.5 billion including debt cancellation, the largest donors being Germany and the United
States, accounting for 60% 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 program 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 program with Russia was by
far the largest and represented a significant percentage of the total CCET program. While the
register for tracking international assistance closed on 31 December 1995, Russia’s collabora-
tion with the OECD has continued ever since [OECD, 1995].

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23 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 of
Reconstruction and Development (EBRD) [1991] at the request of the Group of Seven (G7). A summary was
provided to the G7 at their Houston Summit in 1990 and the full study was published the following year. This
landmark report launched significant development cooperation between major international organizations
and the former Soviet Union. It was notable also as a significant joint analytical effort by four major international
organizations (the EBRD at the time was in a formative stage).

24 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.

25 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, which had the same definition as ODA except for the eli-
gible destination countries. Most Eastern European countries were only eligible for official aid.

26 Cooperation developed between DCD and CCEET on collecting aid data. The 1993 OECD budget
provided for the funding of the equivalent of one existing “A3” DCD post (the equivalent to that of a profes-
sional policy analyst).

27 The OECD-Russia program accounted in 1997 for “over 30 per cent of the overall Part 1 OECD budget
for non-member activities” [OECD, 1997].

28 At the instigation of Turkey, the DAC jointly with the Turkish International Cooperation Agency
(TICA) held two aid management seminars for the NIS (excluding Russia) in Antalya in January 1994 and
September 1995. They included officials from CCET (as it was now called). One of the messages from the NIS
participants, as reported in internal secretariat correspondence, was to encourage the OECD to support the
reform process in Russia in order to establish the best possible basis for future NIS relations with “their former
master.” Despite the apparent success of such seminars, CCET officials opposed their continuation mainly to
avoid any duplication with the UNDP and World Bank, which were better positioned to coordinate assistance
on the ground.
The exclusion of development cooperation from OECD’s 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 organization and are “considered and treated as an integral part of the core work ... co-operation with non-members is designed to be distinct from the OECD’s activities on development co-operation. 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 Organisation for Economic Co-operation and Development and the Russian Federation and the 1997 Protocol between the Russian Federation and the Organisation for Economic Co-operation and Development 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 (IDS) funded by the UK’s Department for International Development (DfID) 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 long-standing informal ties between the DAC/DCD and former Soviet Union/Russian Federation, the accession roadmap did not include development cooperation. On 12 March 2014, the OECD Council announced that it had “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 of Russian official development assistance (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 where 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 provide the APF secretariat) hosted by the OECD.29 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.30

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 and 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 [2012], at the Fourth High Level Forum on Aid Effectiveness in Busan in 2011, the 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” [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 and Xiaoyun, 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 and 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” [Trollo, 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 arena. While there was scepticism about possible motivations, the weakness of the Russian economy, the lack 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 geo-

29 The Africa Partnership Forum 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.

30 NEPAD head Firmino Mucavele was incensed that Russia had provided money to establish a unit in Paris instead of to the NEPAD secretariat, causing tense relations between the two secretariats for several years.
political strategic interests. Furthermore, Russian development cooperation had some support at home, with evidence that 75% 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 remains at 60% to 40%, with a regional concentration of assistance on Eastern Europe and Central Asia and strong sectoral commitments in health and food security.31 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 program [Gray, 2011; Maximova, 2013; Brezhneva and 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 (G8, Group of 20 [G20], BRICS [now including South Africa], high-level forums on aid effectiveness), and remains a candidate for OECD accession, although that process has been postponed. Russia held the presidency of the G20 in 2013 and holds the presidency of the BRICS for 2015, allowing Moscow to consolidate and harmonize the international development agenda, taking account its capabilities and priorities.32 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 half a billion dollars in aid. 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.

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 29 members. Inclusion in DAC statistics legitimates the aid efforts of non-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 strength-

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31 In April 2014, Konstantin Kosachev, head of Rossotrudnichestvo, the Russian agency that promotes international assistance, told reporters at a meeting in Mexico City that the 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 programs 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.

32 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, at Brussels [G7, 2014].
ening 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 recognized 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 2011c]. This was necessary, the strategy maintained, in order 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 co-operation 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, EU members that are not members of the OECD, Arab donors, international organizations, developing countries’ private sectors, private foundations and civil society organizations.

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].

Korea joined the DAC to become its 24th member in 2010, followed by Iceland, the Czech Republic, the Slovak Republic, Poland and Slovenia in 2013, bringing the membership to 29 out of 34 OECD members. The DAC has included international organizations, the International Monetary Fund, the World Bank and the UN system, in its meetings since the 1960s. Other organizations such as the United Nations Environment Programme and environmental non-governmental organizations, the World Trade Organization 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 co-operation, 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 2011d]. 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 cooperation, to ensure the DAC decision-making and dialogue

33 In relation to the same point applied to the wider OECD, see for example Neissan Alessandro Besharati [2013, p. 27, 29]: “Brazil, China, Indonesia, India, China and South Africa still see the benefits of engaging closely with the OECD, learning and drawing from its vast experience, knowledge and resources. ... While there could be political repercussions in becoming an official member of the Paris-based organisation, South Africa and the other [key partner] countries have realised that they can still reap the benefits of the work of the OECD without necessarily becoming part of the organisation.”

34 Portugal joined the DAC in 1960, withdrew in 1974 and rejoined in 1991 [OECD 2006a].
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 the Organization 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. In the 1970s, those efforts sprang from the fears engendered by the two oil crises, as a largely ad hoc response to very 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 the non-DAC donors to engage.

Conclusion

For more than 50 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. In spite of the suspension of the accession process, there remains much scope for forging closer links. 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.

The Russian Federation will likely expand its development program in the years to come and occupies an important middle ground between developed and developing countries. It is more comfortable with the DAC than some other non-member countries are [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 donors — yet successful engagement requires preparation and patient and persistent effort, and responsibilities must be made clear to all parties.

Give recent 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 recognized 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

35 There have already been several economic policy studies and other policy reviews of Russia by several OECD committees.
links are built on and lessons learned from previous efforts. 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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