

## Executive summary

The world of development has changed radically since the Development Assistance Committee (DAC) of the Organisation for Economic Co-operation and Development (OECD) was established in 1961. At that time, most of the world's providers of development assistance were represented in this committee. Today, there is an ever-growing number of financing instruments and entities, contributing to an increasingly complex architecture of development co-operation. At the same time, the complexity of issues that impinge upon – and are influenced by – patterns of development across the globe is more evident than ever before. As J. Brian Atwood, Chair of the DAC, states in his introduction, “More than ever, national political leaders are fully aware that many of our pressing global challenges can only be solved with enhanced development solutions and therefore with better development co-operation.”

This special 50<sup>th</sup> anniversary *Development Co-operation Report* features contributions from noted actors in development who have helped in their various capacities to shape thinking on the important issues and needs that face us today. Presenting their contributions, Mr Atwood highlights the role the DAC has played over the past 50 years and signals its continuing relevance in meeting the challenges ahead.

In his foreword to the report, OECD Secretary-General Angel Gurría describes how the OECD will respond to the new development landscape and challenges by forging an ambitious, institution-wide development strategy. He highlights, in particular, the widening spectrum of development finance modes and sources, the special challenge of governance in fragile states and the role developing countries must assume in taking the development agenda forward.

United States Secretary of State Hillary Clinton prefaces the report by recalling how since its early days, the OECD – which evolved from the post-World War II Marshall Plan – has placed development at the centre of its work. She commends progress in this regard by noting, “Nations that only a few generations ago were crippled by endemic poverty and inefficient institutions now account for a fifth of global trade.” Among the challenges ahead, she points out that new development efforts will need to include measures to address climate change, unemployment, gender inequality and slowing economic growth in developing countries.

### Fifty years of development co-operation: What have we learned?

Former World Bank President James Wolfensohn reviews the contribution of the DAC to development by providing statistical resources, analysing policies, forging partnerships and co-ordinating global development initiatives. He notes, however, that the decades to come will see profound changes: “By 2050, the world's population will grow to just over nine billion people – most of whom will be in developing countries; and by mid-century, ours will be a significantly Asian world in terms of both population and economic strength.” He calls on the DAC to “continue its tradition of providing analysis and guidance that will help facilitate a peaceful adjustment to these changes and promote the possibilities of a more equal and stable world”.

In her chapter on the real wealth of nations, United Nations Development Programme's Administrator Helen Clark traces the history of the *Human Development Report* and the contributions it has made to reshape the meaning of development. She notes that on the whole, people today are healthier, more educated and wealthier than ever before. And while the income divide has generally worsened, gaps in health and education outcomes between developed and developing countries have narrowed. Looking ahead, she stresses the need for all partners in development to work together to nurture resilient, accountable institutions and systems that are capable of meeting sustainable development objectives, responding to citizens' needs, dealing with shocks, promoting social cohesion and peacefully mediating tensions and disputes.

African Development Bank President Donald Kaberuka takes an informed look at the special case of Africa. He notes that over the past 50 years, development policy has come a long way and draws out some of the important lessons. In many ways, he says, Africa has been a test-bed, reflecting shifts in donor policies and practices, as well as changes in the geopolitical climate. Looking forward, he emphasises that development requires dialogue and participation based on true partnership.

### **Gender equality, empowerment, human rights and the environment: What's stopping progress?**

The issues of gender equality, social justice, peace and prosperity are taken up by Michelle Bachelet, Under-Secretary-General and Executive Director of the United Nations Entity for Gender Equality and the Empowerment of Women (UN Women). She argues that to be effective, development must embrace these goals. While official development assistance (ODA) has helped to empower women and girls to fully exercise their rights as equal citizens, pervasive under-investment causes many countries to lag behind on important development goals. Bachelet recommends creating incentives to integrate gender equality perspectives into development assistance, increasing this assistance and supporting the capacity to identify, implement and monitor strategies that effectively remove the barriers that prevent women from realising their full potential.

On the subject of empowerment, Hernando de Soto, President of the Institute for Liberty and Democracy, focuses on indigenous peoples in the Amazon and how a series of myths and misconceptions continues to marginalise and exclude them from integrating into the world economy. He extends the argument to note that in the developing world, millions of people living off natural resources face such obstacles as property rights, legal recognition and registration when seeking to participate in and benefit from the global economy. While the concept of empowerment has guided discussions among international donors, de Soto says, they have found it difficult to put into practice. To encourage legal empowerment – a key to ensuring poor people can protect themselves from the drawbacks of globalisation and benefit from its advantages – de Soto identifies the following measures: understanding the gap between the formal legal and extralegal sectors, analysing how these two parallel economies operate, evaluating their problems and disconnections, quantifying their economic effects and figuring out how they might be integrated under one rule of law to create a productive and inclusive economy.

Drawing on her personal experience as the United Nations High Commissioner for Refugees and later as Japan's Administrator of Development Assistance, Sadako Ogata argues that the current state of world affairs is heightening the political, social and economic tensions that confront vulnerable people. She calls for policies and programmes that will benefit all constituents and help close the gaps between social groups. Truly inclusive development, she says, must emphasise the security and well-being of all peoples in all situations.

In his chapter, R.K. Pachauri, Chair of the Intergovernmental Panel on Climate Change, argues for the need to integrate political, social, economic and environmental perspectives to enhance people's capacity to mitigate and adapt to the consequences of climate change. Addressing climate change means simultaneously addressing several challenges at once; and a wide variety of policies and instruments are available today to help governments do so: integrating climate policies into wider development plans, defining regulations and standards, introducing taxes and charges, setting financial incentives and supporting research and development, to name a few.

### **New challenges, new goals: Is there a future for official development assistance?**

Based on his experience as DAC Chair (2003-08), Richard Manning looks closely at international concessional flows and the role the DAC can play in making future aid programmes more effective, responsible, accountable and transparent. In the advent of the "due date" of the Millennium Development Goals (MDGs), he calls for new targets, bringing in concerns such as transport, energy, human rights and empowerment. These new targets, he argues, should be complemented by a fresh look at aid measurement as well as the definition of official development flows based on a broad agreement among all providers of development co-operation.

In his chapter, former Director General of the French Development Agency Jean-Michel Severino argues that a profound reconsideration of the objectives, tools, targets and operational modes of development assistance is not only necessary and welcome, but also inevitable. Global challenges – magnified by demographic trends and climate change – require global responses, and development policy and finance should be part of that response. However, the way ODA is defined and ODA policies are currently designed – including their MDG overarching framework – is not adequate. For these policies to have a truly global scope and perspective, they should be redefined to promote a global social policy and a redistribution from the wealthiest people. And the new Millennium Development Goals should be redefined accordingly to include elements of global public goods and move away from an excessive focus on social indicators.

The annex on the profiles and efforts of DAC member countries has been expanded to include data that have never been included in this report before, on core *versus* non-core flows, aid untying, ODA in support of gender equality, flows targeted to meet the Rio Conventions and humanitarian aid.

Finally, the special 50<sup>th</sup> anniversary statistical annex takes a look at trends in development flows over the past 50 years, highlighting, among others things, ODA compared to other flows; ODA as a percent of gross national income (GNI) *per capita*; distribution of ODA by donor, region, type of country and sector; and aid quality indicators.