Chapter 1

The OECD Development Assistance Committee at 50 and the challenges of a changing world

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For the past half century, the OECD Development Assistance Committee (DAC) has monitored development assistance finance and advised on appropriate development policies with the objective of ensuring better lives for people in developing countries. As James Wolfensohn writes in this chapter, the DAC has provided the necessary information and analysis, and has helped other institutions to set objectives and programmes to meet development challenges.

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. The DAC must continue its tradition of providing monitoring, analysis and guidance that will help facilitate a peaceful adjustment to these changes and promote a more equal and stable world.
It is indeed a pleasure to celebrate the 50th anniversary of the OECD Development Assistance Committee (DAC). For the past half century, the DAC has spearheaded and monitored significant advances in how we think about development, co-ordinating our actions and moving with the times. With the objective of ensuring better lives for people in developing countries, the DAC has monitored development assistance finance, ensuring that it is as effective as possible, and has advised on appropriate development policies.

The 50 highlights of these 50 years, brilliantly presented on the occasion of this anniversary on the OECD DAC website, illustrate how far we have come – and how important the DAC’s role has been in defining what official development assistance (ODA) is and how to measure it; tracking aid and promoting commitment to the 0.7% target; tackling debt, gender, poverty and environment issues; spearheading the Paris Declaration on Aid Effectiveness (2005); promoting aid transparency with partner countries in the driver’s seat; and promoting the voice of fragile states, for instance through the recent Dili Declaration on Peacebuilding and Statebuilding (2010). These are just some of the highlights, too numerous to enumerate in full. Clearly, the story of development and the success of aid efforts would have been much poorer without the coordinating and catalytic role of the OECD DAC and its capability to adapt to change.

Today, the DAC has many challenges to face, which most likely will call for it to expand its scope of activity as well as its membership. In October 2010, J. Brian Atwood was elected Chair of the DAC, following Eckhard Deutscher’s constructive three years in office. Brian has remarkable experience and a reputation for getting things done. Leaving his senior position at the head of one of the leading United States (US) academic institutions to take up this role, he also brought with him a distinguished record in the US government and as Administrator of the United States Agency for International Development (USAID) from 1993-99. The DAC is in fine hands.

A history of solid contributions

I know of no institution that has contributed more than the DAC to the work of development practitioners through the provision of statistical resources and policy analysis to ensure the effectiveness of development initiatives. In doing so, it has reached out to create partnerships with non-OECD members, including multilateral organisations such as the World Bank, and has led efforts to co-ordinate global development initiatives. Two initiatives stand out in my mind: the Working Party on Aid Effectiveness, the coalition of developing and developed countries, international and grassroots organisations, and public- and private-sector actors spearheading international efforts to make aid work better; and the International Dialogue on Peacebuilding and Statebuilding, where governments from states experiencing conflict and fragility work with their development partners to exchange views and devise solutions for their special circumstances.
Not content to rest on its historical initiatives, the DAC has also engaged in building statistical capacity, which is essential for nations that need to take charge of their own development. Today, it is using a proven approach to help 120 countries build statistical measurement systems so that they can target and measure the impact of their poverty reduction policies. Already, 93% of these countries have embarked on their own national statistical strategies.

Under the leadership of the OECD Secretary-General Angel Gurría and the DAC Chair, the 24 members of the DAC, together with observers from the World Bank, the International Monetary Fund (IMF) and the United Nations Development Programme (UNDP), concentrate on two key objectives. The first is to develop international co-operation to advance the capacity of developing countries to fully participate in the global economy. The second is to provide within the developing countries themselves assistance to the population in overcoming poverty so that they may participate more fully in their societies.

Yet after 50 years of work – and the many contributions outlined above – it is with sadness that we realise that there is still very much to be done: half of our planet is still living on under USD 2.50 a day, with one billion of these living on under USD 1.25 a day.

The challenges ahead

In this publication, Helen Clark (Chapter 2) reminds us most effectively of the subjects covered by the UNDP’s annual Human Development Reports. There is little I can add to her analysis and commentary except to note once more that for the development community, the leadership of the OECD DAC and the focus of its many reports has been of enormous importance: it has provided necessary information and analysis, and helped other institutions to set objectives and programmes to meet the continuing challenges that face us.

Helen Clark’s excellent contribution allows me to take a different approach, looking ahead to the coming decades and the new challenges we will face around the world. Today, approximately 6.8 billion people inhabit our planet. Approximately one billion of these are in richer countries, with the remainder living in the developing world. For nearly three decades – until 2002 – this population distribution was matched by a division of global gross domestic product (GDP) in which the scales were markedly tipped in the other direction, with approximately 80% going to the less populated, more developed countries and only 20% going to the remaining five billion people in the world at that time.

The proportions of these shares of global wealth started to change after 2002, with the distribution today nearer to 70% and 30%. The rapidly growing countries of China and India, as well as those in the rest of Asia, are responsible for most of this change. It is interesting to observe that in the years 1500 and 1815, China and India accounted for approximately 50% of global GDP; it is widely believed that by 2050, they will reach this share once more, with Asia as a whole accounting for 65% of global GDP. By that point in time, the share of the G7 countries – which until 2000 accounted for 65% of global GDP – is expected to fall to 25%; OECD countries as a whole are projected to move from their 80% share to 35% of global GDP.
The face of this new and challenging world is already visible today: China has just become the second economic power in the world after the United States of America. It is also worth observing that today, developing countries already hold more than 70% of global reserves, with China – whose holdings in various currencies are equivalent to USD 3 trillion – accounting for approximately one-third of these reserves.

By 2050, the world’s population will grow to just over nine billion people, with virtually all of this growth taking place in developing countries. At that point in time, the OECD countries will have just over one billion people, compared to over eight billion in the developing world where India will take the lead as the most populated country. I should caution, of course, that all these projections could be off somewhat in terms of timing and amounts; what is clear, nonetheless, is that they are directionally correct and that by mid-century, ours will be a significantly Asian world in terms of population and economic strength. The top ten economic powers of 2000 will be replaced by China, India, Brazil, Russia, Indonesia and Vietnam, among others, and the old-world leadership that we have come to accept will be substantially redefined.

Such changes in the distribution of power will have to be reflected in the membership of international organisations, as we are beginning to see in the Bretton Woods institutions; they will undoubtedly also affect the composition, role and work of the OECD DAC. Already, countries like Chile, Korea, Mexico and Turkey have moved from the ranks of aid recipients to those of active OECD members and more changes are likely.

Africa and the environment

In this transforming world, it is important to comment on the special challenge of Africa. Africa today has between 800 and 900 million people; by 2050, its population will approach two billion, representing nearly 20% of the world’s population. Today, Africa has less than 2% of global GDP and the projections for substantial per capita growth, precluding significant interventions, are not promising. Certain countries may reach 3-4% of global GDP and per capita income may rise from USD 600-700 per year to USD 3,000-4,000. This will happen, however, in a changed world: by that date, people in China and India are projected to have more than USD 30,000 dollars per capita per year and citizens of many European countries and the United States will have more than USD 80,000. In such a scenario, with ready flows of information and the improved forms of communication that will surely be available, it should be no surprise if the populations of the 54 countries in Africa are restive, demanding more from the global commons – either through peaceful or disruptive means – or seeking to migrate to the richer countries.

In this respect, one cannot fail to note the current turbulence in the Middle East, where several “elected” or self-appointed governments and leaders have been rejected. The stability of the monarchies and princely kingdoms currently responding to the demands of their people – with both increased distribution of resources and shows of military power – remains to be seen.

Finally, one cannot fail to mention the environmental challenges we will all face with diminishing supplies of water and changing sources of energy to lessen our existing dependence on hydrocarbons. R.K. Pachauri (Chapter 7) ably discusses this set of issues in his chapter. Let it suffice to say here that these challenges have the potential to unite the world and to cause conflict as well.
The next generation of solutions

I respect all the projections and estimates I have referred to, which are, I believe, very likely in terms of direction, although less certain in terms of timing. They present a huge challenge to the OECD countries, which in my judgment are not adequately responding.

Let me start with the education of the next generation. China and India each have more than 300,000 students studying abroad, with more than 100,000 each in the United States alone. Students from the United States, by contrast, still prefer to study abroad in Europe or Latin America. There are only 13,000 students from the United States studying in China and barely 3,000 in India. I spoke recently at a university in Beijing to an audience of 700 students and faculty. I spoke in English and there was no translation. A Chinese speaker in the United States or Europe would surely not have a similar experience with the local knowledge of his or her language.

All of this is to say that we in the West must make a very careful assessment of our competitiveness and our education systems if we are to respond to the challenges ahead. It is essential that we prepare now for the significantly Asian world of 2050. In addition, we and our Asian friends must increasingly address our attention to Africa if we are to have greater equity and with it, greater peace and stability.

Upon his re-appointment for a second term of five years on 1 June 2011, Mr Gurría stated that “the pursuit of relevance continues to be my guiding objective in order to improve the well-being of our citizens and help design better policies for better lives”. In support of such a worthy objective, the OECD DAC in the decades to come must give leadership, as it has in the past, so as to guide the world to a peaceful adjustment to the new realities. Based on the past 50 years, we can expect fine data, analysis and suggestions for action to help everyone accept the new challenges and to promote the possibilities of a more equal and stable world.

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Notes


2. The best-known target in international aid proposes to raise official development assistance (ODA) to 0.7% of donors’ national income. In 1969, the Pearson Commission proposed a target of 0.7% of donor gross national product (GNP), taken up in a United Nations resolution on 24 October 1970. DAC members generally accepted the 0.7% target, with some exceptions: Switzerland, not a member of the United Nations until 2002, and the United States, which does not subscribe to specific targets or timetables but supports the resolution’s more general aims. With the revised System of National Accounts in 1993, gross national product was replaced by gross national income (GNI). The target is therefore shown in terms of an ODA/GNI ratio.