

*OECD Journal on Development*

**Development Co-operation - 2005 Report - Efforts and Policies of the  
Members of the Development Assistance Committee  
Volume 7 Issue 1**

*Summary in English*

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This report gives an insight into some of the big and intractable issues that members have been working together to address in 2005. Will donor countries reach the annual target of USD 130 billion by 2010? Where is aid going and how can it be used more effectively? Does technical co-operation - paying experts from developed countries to work in developing countries - make sense? Is enough being done to stimulate growth to benefit the lives of poor people? What conclusions can we draw from our collective failure to achieve the gender equality in schools target in 2005?

If donors are to reach the agreed 2010 target, the pace of aid levels is going to have to increase rapidly by 60 per cent between 2004 and 2010. This means an average increase of over 8 per cent per year, at a time when OECD budgets are under great pressure. An apparent aid 'boom' in ODA is predicted in the short term, but a good deal of this is the writing off of unserviced debt to a handful of countries and will not imply enhanced resource transfer to the vast majority of developing countries.

**There is no question that development issues have had an exceptional profile in 2005.** The year started with the world riveted by the appalling destruction wrought by the Indian Ocean tsunami of 26 December 2004, and the unprecedented outpouring of contributions not only from governments but from ordinary people around the globe. In July, the food crisis in Niger showed the fragility of the international system for coping with a far more predictable humanitarian emergency. An exceptionally violent hurricane season in the Caribbean and Gulf of Mexico, and a devastating earthquake in the region of Kashmir in October, together with more evidence of food security problems in southern Africa, meant that there was no let-up in demand for humanitarian assistance.

**On the political side,** the May OECD Ministerial Council meeting welcomed an OECD statement on the follow-up to the Millennium Declaration and Monterrey Consensus, committing OECD countries to intensify efforts to meet the Millennium Development Goals. The Gleneagles G8 Summit in July and the UN General Assembly Summit session in September served to put development issues at the top of the international agenda, in parallel with the closely related issues of climate change and security and human rights. The year closed with the World Trade Organisation (WTO)

meeting in Hong Kong which focused on how to deliver on the Doha promise of a "Development Round".

This profile has been matched by **the weight of analysis**. In January, the UN Millennium Project delivered a report on how to turn the Millennium Development Goals (MDGs) from global aspiration to reality for each developing country. The report highlighted that, given existing trends, most of the goals will be missed in many developing and transition countries, and argued for using existing tools, such as Poverty Reduction Strategies (PRSs), in a more ambitious and comprehensive way, complemented by other measure such as "quick wins" in the shape of scaled-up interventions along tried lines. The agreement at September's Millennium Summit to establish a Peace Building Commission underpinned the international community's commitment to preventing violent conflict and supporting countries to make the transition from war to peace. Also in March, the UK-financed Commission for Africa delivered its report, which contained a wide-ranging set of proposals for both African countries and their development partners to respond to the challenges faced by the continent. The OECD and the Economic Commission for Africa complemented this work with the first mutual review between Africa and the OECD. The World Bank's World Development Report contained a new analysis of the significance of equity in the development process.

The year also saw some real action. The ending of the **Multifibre Arrangement** – the last act of the Uruguay Round – unleashed remarkable changes in textile trading patterns, despite being painful for many developing country suppliers and temporarily constrained by the reimposition of controls in some key markets. Agreement was reached to wipe out multilateral debt owed to the International Monetary Fund (IMF), the International Development Association (IDA) and the African Development Fund (ADF) for well-performing countries under the Heavily Indebted Poor Country (HIPC) initiative. A major reduction in debt was agreed for Nigeria, Africa's most populous country. Moreover, important decisions were taken on both the volume and the effectiveness of aid, as detailed later in this chapter.

More significantly, following the impressive level of growth in 2004, developing countries seem to have continued to grow at rates of income per head well in excess of OECD countries with Africa at last showing evidence of significant (though still too small) increases in income per head. In a number of countries governance indicators continued their positive rise. The sharp rise of oil prices brought windfall benefits to oil exporters and imposed a drag on the growth of others, but its negative effects on developing countries in aggregate seem, at the moment of writing, to have been less severe than expected.

In short, 2005 reminded us that significant changes are needed if the condition of the world's poor is to improve at anything like the rate implied by the MDGs. But it also did something to build an increasingly purposive joint enterprise to accelerate progress in tackling levels of deprivation and inequality that the world can no longer accept.

The OECD DAC Secretariat estimate that DAC members' total net disbursements of ODA will rise from USD 79.5 billion in 2004 to USD 128.1 billion in 2010 (in constant 2004 US dollars), an increase of virtually USD 50 billion. This potentially means the largest expansion in ODA, as measured by the DAC, since the Committee was formed in 1960. However, despite encouraging indications, there is still uncertainty as to whether

the levels of aid pledged at Monterrey for 2006 will be delivered and despite a "boom" in ODA in the short term donors will have to increase other forms of aid sharply if they are to get near the levels set for 2010.

**With aid budgets set to increase, can aid be delivered more effectively?** If development is indeed becoming a more concerted joint enterprise, inherited patterns of aid delivery need to change further and a number of initiatives have reshaped the way many donors have planned and delivered their assistance over the past few years. Most significantly the OECD DAC co-sponsored The Paris High-Level Forum of March 2005 and the agreed Declaration marked an unprecedented level of consensus and resolve to reform aid to make it more effective at combating global poverty. The results should provide a strong stimulus to local efforts to change patterns of behaviour between donors and between donors and recipients in ways that should encourage more sustainable development.

**Building capacity** is the central and one of the most difficult tasks to achieve in development. Whether we are talking about the "capable state", and the ability of public institutions to deliver services or set an effective environment for development, or about the capacity of the private sector, civil society or individuals, the genuine development of capacity is the key to sustainable progress. Results are seldom quick. TC and capacity development are by no means synonymous. But we must look at how far TC programmes can better reflect some of the insights of the work of the DAC, the UNDP and others on capacity building, and how post-secondary education programmes can be shaped to support local institutions that help build capacity. Too often efforts have focused on upgrading the skills of individuals without paying attention to improving the performance of the organisations in which they work, let alone the broader institutional context in which organisations themselves exist. This can lead to frustration of the trained individuals and minimal impact on the organisations. A more strategic and longer-term approach to upgrading key institutions may be required, into which programmes to improve the skills of individuals would then be integrated.

The lessons learned about capacity development point to a lack of a persistent and patient approach, with donors' short-term project goals displacing longer-term incremental changes. The scaling up of aid over a decade provides an opportunity to set more realistic timescales for the capacity development endeavour, backed up by more predictable aid flows. Scaled up aid necessitates serious attention to issues of aid dependency, particularly in Africa and small countries in general and key governance risks surrounding the scale up challenge also need to be acknowledged.

We are also now at a critical juncture in the path towards the MDGs and the 2015 rendez-vous. The failure to meet the target of equal participation in schools by girls and boys illustrates the need to reflect in particular on how the gender dimension of development can be taken forward effectively.

There is increasing understanding about the limitations of "gender mainstreaming" as a strategy on its own. There is a genuine commitment, individually and collectively, to acknowledge some of our failures and to explore ways of "upping our game". We need to use the considerable energy and innovation around rethinking approaches to the delivery of aid, to share our failings, to learn from each other's experiences and to work collectively with renewed determination.

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