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Development Co-operation Report 2014
Mobilising Resources for Sustainable Development

Summary in English

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The Millennium Development Goals come of age in 2015, yet many development challenges remain and others are emerging. The post-2015 goals currently being discussed by the international community under the auspices of the United Nations General Assembly will integrate social, environmental and economic concerns into a single set of Sustainable Development Goals.

This Development Co-operation Report (the second in a trilogy on the post-2015 goals) asks what can be done to mobilise the resources needed to finance the achievement of these goals?

How to fund sustainable development?

Official development assistance (ODA) has, until recently, been seen as the main source of funding for development (Chapter 1). Many more resources will be needed, however, to finance a broader set of global Sustainable Development Goals. At the same time, ODA is only one part of flows targeted to support development: at nearly USD 135 billion in 2012, ODA represented only 28% of all official and private flows from the 29 member countries of the OECD's Development Assistance Committee (DAC). Overall in 2012, developing countries received USD 474 billion from DAC countries, including ODA as well as "other official flows": finance provided by public bodies at close to market terms and/or with a commercial motive (Chapter 4); private finance at market terms, such as foreign direct investment (Chapter 5); and private grants from philanthropic foundations and non-governmental organisations (NGOs) (Chapters 8 and 9). This reflects the growing diversity in financial options available to developing countries – options that are becoming increasingly innovative, and that have great potential for leveraging even more finance (Chapters 6, 11 and 15).

The wealth of ideas contained in this Development Co-operation Report bears witness to a new era of opportunity in development finance. Developing countries are supporting each other through South-South co-operation (Chapter 3); foundations, direct giving (Chapter 8) and social business (Chapter 16) are offering new options; and remittances from migrant workers hold huge potential.Yet not all these types of finance may be founded on the same core principles as ODA – nor may they all have sustainable development as their goal.

All this calls for taking a fresh look at the role of ODA relative to other resources.

There are also other reasons – beyond financial ones – for reviewing the role of development co-operation in the context of efforts to attain sustainable global development:

- Sustainable development is no longer a matter of the "North" giving "aid" to the "South"; it is a question of balanced sharing of opportunities, responsibilities and options.
- More and more developing countries are fuelling their own development, and are providing development co-operation themselves (Chapter 2).
- Poverty reduction and sustainable development increasingly hinge on progress towards resolving "problems without passports" – war and conflict (Chapter 19), environmental and climate challenges (Chapter 18), a precarious financial environment, unfair trade terms (Chapter 21) and infectious diseases – problems that traditional development approaches are not equipped to tackle (Chapter 17).

Addressing such global challenges requires the contribution of all actors – each of whom needs to take responsibility for individual and collective action.

ODA still matters

In the context of these widening windows of opportunity and growing challenges, ODA remains vital for sustainable development, especially when used strategically and "smartly". For example:

- ODA can provide crucial funds and backing for the fragile and least developed countries, which find it hard to attract or raise other resources (Chapter 19).
- ODA can be used to make investment attractive in high-risk situations by spreading and sharing risk, and by creating incentives (Chapters 11, 12 and 15).
- ODA can help countries raise and manage their own domestic resources through capacity building and sharing of good practice (Chapters 7 and 14).
- ODA can support the creation of a positive development and investment environment through policy reform in areas such as investment and trade (Chapters 12 and 21).

Development will increasingly be sustained from within

Developing countries are increasingly using their potential to fuel their own development and move out of "aid" dependency. They are doing so, for example, by:

- Building the capacity of their tax systems. In absolute numbers, tax revenues dwarf ODA: the total collected in 2012 in Africa was ten times the volume of development assistance provided to the continent (Chapters 1, 7 and 14).
- Finding creative ways of harnessing the expanding pool of remittances sent home by migrants working overseas. Remittances are the largest source of external finance for many developing countries, reaching USD 351 billion in 2012 – higher than both ODA and foreign direct investment (Chapter 10).
- Creating the policies and environment required to attract investment by businesses in other countries, including other developing countries (Chapter 12).
- Tackling corruption and the loss of money through illicit financial flows (Chapter 13).

Next steps

The world can fund sustainable development: the resources are out there. The challenge for the global community is to take stock of the funding options available and to harness, co-ordinate and track them to achieve the post-2015 goals. Some key actions highlighted in this report include:

- Target ODA where it is needed most – the least developed countries and fragile states – and use it to mobilise other resources.
- Re-engineer the ODA concept to ensure it is fit for purpose in the current financial environment.
- Make innovative use of all sources of finance with potential for achieving the global post-2015 Sustainable Development Goals.
- Improve co-operation and mutual reinforcement among all financial providers on efforts targeted at achieving the post-2015 Sustainable Development Goals.
- Support local and global policy reform in the areas of tax, finance, investment and trade, and ensure coherence among domestic and international policies.
- Step up the legislation and co-operation needed to stem illicit international flows.
- Be politically courageous and innovative in financing global goods such as a stable climate or peace and security and start developing the structures and mechanisms needed to deliver them.

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