

The Development Agenda in the OECD: A Historical and Political Perspective

La agenda de desarrollo en la OCDE: una perspectiva histórica y política

Gerardo Bracho Carpizo

Permanent Delegation of Mexico to the OECD
gbracho@sre.gob.mx



Abstract

This article presents a historical and political analysis of the evolution of the development agenda in the OECD, from its beginnings to the present day, focusing on the Development Assistance Committee (DAC) and the Development Centre. The aim is to show how these two bodies responded to changes in geopolitics and development paradigms during the first 60 years of the OECD, in order to better understand the current challenges facing the Organisation and its development agenda.



Resumen

Este artículo presenta un análisis histórico y político de la evolución de la agenda de desarrollo en la OCDE, desde sus comienzos hasta la actualidad, enfocándose en el Comité de Ayuda al Desarrollo (CAD) y el Centro de Desarrollo. El propósito es mostrar cómo estos dos organismos han respondido a los cambios en la geopolítica y los paradigmas de desarrollo durante los primeros 60 años de la OCDE para comprender mejor los desafíos actuales que enfrenta la Organización y su agenda de desarrollo.



Keywords

OECD, development cooperation, Development Centre, Development Assistance Committee, Global South



Palabras clave

OCDE, cooperación para el desarrollo, Centro de Desarrollo, Comité de Asistencia al Desarrollo, Sur global

The Development Agenda in the OECD: A Historical and Political Perspective¹

Gerardo Bracho Carpizo

Introduction

We live in a time of great change and uncertainty. The unipolar international order that emerged after the Cold War is crumbling, and it is unclear what will replace it. This article offers a historical and political overview of the evolution of the development agenda in the Organisation for Economic Co-operation and Development (OECD), from its beginnings to the present, through the Development Assistance Committee (DAC) and the Development Centre (Centre). The aim is to trace how these two bodies have adapted to changes in geopolitics and development paradigms during the first 60 years of the OECD's existence, in order to better understand the current challenges facing the Organisation and its development agenda.

The first section addresses the origins of the development agenda at the OECD, summarizing a little-known history that sheds light on the subsequent evolution of the DAC and the Centre. The second section focuses on the Cold War and describes how the OECD acquired its image as a “club of rich countries.” The third section examines how these bodies reacted to the collapse of the Cold War and the rise of China and other emerging

¹ I would like to thank Luisa Buenrostro for her support.

powers in the Global South. Finally, by way of conclusion, the challenges facing the OECD in the present day are outlined.

Origin and structure of the DAC and the Development Centre

The idea of creating the OECD took shape in late 1959, when the United States decided to become a full member of the Organisation for European Economic Cooperation (OEEC).² This initiative sought to create a new institutional space with three main objectives:

- Defuse the conflict between the trade blocs that arose among the OEEC members, formed by the Six of the European Community and the Seven of the European Free Trade Association.
- Provide a forum for inter-Atlantic economic discussions.
- Create a forum of Western donors, known as the Development Assistance Group (DAG), which would later become the OECD's DAC.

With this last project, the United States sought two goals: to ensure that its allies would commit to the new agenda of international cooperation for development (ICD) in order to achieve a “more equitable” distribution of the burden of aid and to better face the Sino-Soviet challenge in what was then known as the Third World, in the midst of the decolonization process. This vision led it to consider only its most important allies, which resulted in a DAG with just 8 members: The United States, Canada, France, the United Kingdom, Italy, the Federal Republic

² The OEEC was founded in 1948 to channel funds from the Marshall Plan. After concluding its original tasks in 1951, it devoted its efforts to coordinating issues of economic cooperation between European countries. By 1959 it had 18 European members, while the United States and Canada were associate members. This section is based on: Gerardo Bracho, “Diplomacy by Stealth and Pressure: The Creation of the Development Assistance Group (and the OECD) in 51 Days,” in G. Bracho *et al.* (eds.), *Origins, Evolution and Future of Global Development Cooperation: The Role of the Development Assistance Committee (DAC)*, Bonn, German Development Institute/Deutsches Institut für Entwicklungspolitik (DIE), 2021, pp. 149-230, at https://www.idos-research.de/uploads/media/Study_104.pdf (date of access: September 9, 2024).

of Germany, Japan and the European Commission, with the complication that the last two were not even members of the OEEC. For these and other reasons, the proposal generated dissent and criticism, both within and outside the OEEC.

Member countries such as Türkiye and Greece, which were considered underdeveloped, criticized a scheme that excluded potential beneficiaries. Neutral members such as Switzerland and Sweden, although not invited, would not want to be part of a club defined by geopolitics. Portugal felt excluded, despite its “colonial responsibilities,” and countries invited to the DAG, such as France and the United Kingdom, were not comfortable with the level of access that the United States would have to their zones of geopolitical influence. The U.S. proposal also raised concerns among Third World countries and at the U.N., which saw the DAG as a body that challenged its role as the legitimate multilateral home of the development cooperation agenda.

The United States was the undisputed hegemonic power in the Western world, but, amid so much criticism, it was unable to simply impose its will. The final outcome was the result of a mix of concessions, adjustments, and initiatives to make its proposal more acceptable. With decisive support from the United Kingdom, the DAC remained an “exclusive donors’ club.” However, it eventually opened up to all developed countries of the West, which it gradually incorporated: members and non-members of the OECD (Japan and Australia joined the DAC first, and then the OECD), large and small, neutral or aligned with the United States in the Cold War. Thus, although the DAC was clearly positioned in the Western bloc, it did not acquire the extreme political character that the Americans had originally hoped to inject into it. It thus became a committee of a more technical nature and less attractive to the U.S. State Department and other foreign ministries, but better adapted to promoting a genuine development aid agenda.

To defuse concerns beyond the OEEC, the United States launched a communications campaign to stress that the DAG/DAC would collaborate with the U.N. and promote an increase in global aid “for the benefit of all developing countries.” To this end, in May 1961 President Kennedy announced the establishment of a center for development within the OECD, which would serve as a bridge to the developing world. It is mainly through these

two bodies, the DAG, which became the DAC when the OECD began operating in September 1961, and the Development Centre, which was established in October 1962, that the OECD addresses the development agenda to this day.

The DAC, which can approve certain resolutions without going through the OECD Council, has had two main functions since its inception: the first, of a statistical nature, is to safeguard the concept of official development assistance (ODA) and record the extent to which its members meet the United Nations goal of devoting 0.7% of their annual gross national income as ODA; the second, of a normative nature, is to establish standards and “good practices” through peer reviews that, while producing “non-binding” recommendations, generate pressure for its members to adopt them. In addition, the DAC investigates issues on the IDC agenda. To date, the DAC remains a donor club and no recipient country has been a member. Mexico and other OECD developing countries act as “observers” in the DAC.

Although its profile has changed in the twenty-first century, the Development Centre was originally conceived as a think-tank to facilitate the exchange of ideas between the OECD and the Third World, offering scholarships to researchers from developing countries and organizing joint projects. The Centre would enjoy autonomy as a “Part 2” body of the Organisation (which OECD countries could join or not) allowing it to operate, across the entire development agenda, with greater intellectual rigor and flexibility. It was initially conceived as a body subordinate to the DAC. In practice, however, the Centre began to operate independently. Mexico joined the Centre when it entered the OECD in 1994.

The Cold War and the North-South confrontation: the OECD as the “club of rich countries”

As it became a more technical committee, the DAC had limited involvement in the East-West conflict. Instead, it played an active role in the other political division that emerged from the Second World War: the North-South confrontation. In this dispute, it was the coordinator of the Northern positions (representing the OECD) not by design, but by

circumstance.³ The DAC excluded recipient countries from its membership, arguing that their presence would prevent donors from discussing their aid policies in an “honest and productive” manner. It also feared that, were they accepted into the club, the successful recipients would use the forum to demand aid for themselves, to the detriment of others. It was not part of its vision to represent the North against the South, although when the historical circumstances presented themselves (as an *exclusive* club of donors) it turned out to be the ideal candidate to do so.

The political movement of the South began in Bandung, Indonesia, in 1955 and was consolidated in 1964 during the first meeting of the United Nations Conference on Trade and Development (UNCTAD), where the South was unified under a coherent alternative program. The prevailing paradigm of “modernization” considered the lack of productive capital to be the main obstacle to development. This approach, supported by the DAC, suggested that “traditional societies” could overcome this barrier through injections of external capital. Public aid, a significant part of this capital at a time when private capital flows were limited, played an important role in this paradigm. At UNCTAD, however, the South, led by Argentine economist Raúl Prebisch, adopted a different paradigm. Prebisch identified the problem of development to lie in an unjust world economic order, divided between an industrialized center and a periphery of producers of raw materials. Rather than aid, he advocated trade (“trade not aid”) in a “new international economic order” that would offer better terms of trade for raw materials and protection for nascent Third World industries.⁴

In response to this challenge, the DAC established itself as the OECD coordinator to formulate the response of the North, to which end it created a working group on UNCTAD. In collaboration with the OECD Trade Committee, the DAC helped the North to coordinate its positions *vis-à-vis* the Group of 77, cushioning the conflict by criticizing supposed “maximalist positions” of the South, while recognizing the need to reform the international

³ See Patricia Hongler, “The Construction of a Western Voice: OECD and the First UNCTAD of 1964,” in Matthieu Leimgruber and Matthias Schmelzer (eds.), *The OECD and the International Political Economy since 1948*, Cham, Palgrave MacMillan, 2017, pp. 137-158.

⁴ See Giuliano Garavini, *After Empires. European Integration. Decolonization and the Challenges from the Global South 1957-1986*, Oxford, Oxford University Press, 2012.

economic system on several fronts. The OECD thus consolidated its image as a “club of rich countries” in the North-South conflict, rather than as the economic arm of NATO in the East-West conflict, as was initially feared.

As for the Development Centre, the North-South political divide brought to light an internal tension in its mandate that its creators did not foresee. The Centre was intended to act as a two-way transmission belt for ideas between the North and the South. As long as there was no conflict between them, the scheme worked. But the emergence of UNCTAD complicated this mission, as the Centre often supported the positions of developing countries, which led to tensions within the OECD that, in the early 1980s, led to an institutional crisis resulting in budget cuts and a reorientation of its work program.⁵ It was the first time that the Centre, on the one hand, and the OECD and DAC on the other, came into conflict. It wouldn't be the last.

The end of the Cold War and the transformation of the international order

The end of the Cold War in 1991 radically upended the international order. With the peaceful disintegration of the Soviet bloc, the United States established itself as the sole superpower in a unipolar world. This also sealed a change in development models that had been brewing since the early 1980s. The statist approach, both in its radical communist version and in the capitalist variant focused on import substitution, was discredited. In its place, a neoliberal model centered on market mechanisms came to the fore. In this way, the disappearance of the East-West divide also eroded the North-South political divide, leading to a decline of Southern paradigms and institutions, such as the Economic Commission for Latin America and the Caribbean (ECLAC) and UNCTAD.

The DAC faced drastic changes. Neoliberalism helped drive the ongoing shift in the allocation of aid: from economic development (leaving it to market forces) to the promotion of social and governance agendas.

⁵ Véronique Sauvat, “The Development of the Centre,” in Jorge Braga de Macedo, Colm Foy and Charles P. Oman (eds.), *Development is Back*, Paris, OECD Development Centre, 2002, p. 18.

Meanwhile, over the 1990s, the end of the Cold War led to a significant drop in ODA, both because its political importance fell and because a large part of the resources in question were diverted to support the transition to capitalism in Eastern Europe. The DAC temporarily became an incongruent committee with two tasks: supporting and monitoring development aid and transition aid.

In a more positive development, the end of the geopolitical divide opened the door to a new era of international cooperation that allowed all the world's countries to unite around global agendas. The DAC seized this opportunity, contributing to the Rio environment summit in 1992 and subsequently playing a key role in designing the Millennium Goals adopted by the U.N. in 2000.⁶ These objectives promoted implementation agendas, such as the one on financing for development, articulated in the Monterrey Consensus (2002) and the one on the effectiveness of ODA, promoted by the DAC and reflected in the Paris Declaration (2005). These agendas were still based on the traditional North-South division which, although it had lost its political dimension, continued to have a precise connotation in the IDC agenda: the developed countries of the North had the responsibility of supporting the development of the countries of the South, including by allocating 0.7% of their annual GDP to ODA.

By the middle of the first decade of the new century, this socioeconomic dimension of the North-South divide also began to erode. The neoliberal paradigm fueled globalization and promised development to those who followed “the Washington Consensus recipe.” At a global level, progress was made in economic growth and productivity and in poverty reduction. However, the disparity in the South between countries and continents widened. While many countries stagnated or regressed, a handful of “emerging powers,” and China in particular, navigated globalization well and made significant progress. The U.S.-dominated unipolar regime entered a new phase: it had to co-opt or accommodate these new actors who, given their growing and expanding economic and political power, no longer fitted

⁶ Alexandra Trzeciak-Duval, “Tipping Point: Environmental Protection and Sustainable Development,” in G. Bracho *et al.* (eds.), *op. cit.*, pp. 468-499; and Richard Carey and J. Brian Atwood, “The DAC as the Birthplace of the MDGs: Motives, Messages and Midwives,” in G. Bracho *et al.* (eds.), *op. cit.*, pp. 341-358.

or were poorly represented in multilateral agendas and institutions that were out of step with the times.

In the context of IDC, the challenge posed by these powers (erroneously known as “emerging donors”) was how to accommodate countries that, without having left the South, acted decidedly more as providers of aid than as recipients, and so no longer seemed to fit into the North-South binomial. The DAC sought to address this challenge in the aid effectiveness agenda, which led from the Paris Declaration (2005) to the Fourth High-Level Forum on Aid Effectiveness in Busan (2011), and to the inauguration in Mexico in 2014 of the Global Partnership for Effective Development Cooperation (GPEDC).⁷ The Partnership moved the effectiveness agenda out of the DAC and placed it in an inclusive forum supported by a joint secretariat of the OECD and the United Nations Development Programme (UNDP). It was not built on the traditional basis of the North-South duo of donors and recipients, but on a trio of bilateral actors: recipients, donors and providers of South-South cooperation, with “differentiated commitments” with respect to those of the North. Unfortunately, the GPEDC did not live up to expectations. The main aid providers from the South soon withdrew and it lost its global character, becoming a forum for dialogue without tangible impact. In the end, the GPEDC failed to contribute to a new international order and fell victim once more to a global dynamic in which relations between traditional and emerging powers (China in particular) moved from a phase of cooperation to one of competition, reaching the threshold of open confrontation and the new Cold War that we are witnessing today.

The Development Centre has overcome, in its own way, the challenges of the new times. The consolidation of neoliberalism as a hegemonic idea has changed the coordinates. The Centre faced no risks as a result of adopting heterodox positions: the ideological battle had been exhausted. But a different threat emerged: in the new environment, the Centre seemed to have lost its meaning.

⁷ For this agenda and Mexico’s mediating role between North and South, see G. Bracho, *In Search of a Narrative for Southern Providers: The Challenge of the Emerging Economies to the Development Cooperation Agenda*, Bonn, DIE (Discussion Paper, 1/2015), 2015, at https://www.idos-research.de/fileadmin/migratedNewsAssets/Files/DP_1.2015.pdf (date of access: September 11, 2024).

Prebisch's structuralist school held that the Third World faced unique challenges and demanded a special branch of economic science that was dubbed "development economics." The neoliberal approach replied that there was only one economy, based on neoclassical thinking, which gave rise to recipes valid for everyone, rich and poor: free trade, minimal State regulation, and extensive privatization. In this scenario, the justification for the OECD to maintain a body specializing in developing countries lost weight. It was no coincidence that key members such as the United States, Japan and the United Kingdom left the Centre in the late 1990s.

In response to this existential crisis, the OECD Council sought to strengthen the Centre's ties with the Organisation. In 2002, with the aim of achieving greater coherence in the OECD's development policies, it created a "development cluster" that included the DAC, the Centre, the Sahel Group and the Centre for Cooperation with Non-Members (CCNM). Later, the Organisation's regular committees were urged to broaden their focus to developing countries. Yet this strategy has faced difficulties due to the challenges of coordination between different organs of the Organisation and because, contrary to the neoliberal creed, the realities of developing countries remain distinctive. For example, it is the Centre that has seriously addressed the issue of informal employment, typical of underdeveloped countries, one which the regular committee on employment and social affairs has avoided.

If the triumph of neoliberalism destabilized the Centre, the end of the Cold War offered it an opportunity to evolve: it allowed it to accept non-OECD countries as members and thus transform its profile and function. Originally, the Centre was reserved for OECD members, with the exception of Japan, which was initially included because it is a member of the DAC. In the new geopolitical context, the OECD Council modified this mandate to include the Republic of Korea in 1992 and then, in 1994, to allow the entry of other invited countries, albeit with the precaution of being able to expel them if circumstances changed.⁸ Under this new policy,

⁸ The following OECD documents document the evolution of the Centre's mandate: Decision of the Council of October 23, 1962 establishing a Development Centre of the Organisation [C(62)144/Final as amended]; Decision of the Council concerning the Participation of the Republic of Korea in the Development Centre C(91)137, September 18, 1991; Decision of

the Centre began to accept new non-OECD members (Brazil, Argentina, Chile and India) and since 2004, has expanded rapidly. The Centre currently has 54 members, including 29 non-OECD members, ranging from China to Guatemala and Senegal.

With this new composition, the Centre went shifted from being a think-tank to become an intergovernmental body oriented towards public policy. Since 2002, its structure and governance have been adapted to its new role. Management positions changed and the principal researchers, characteristic of an academic institution, disappeared. Instead, a structure similar to that of the regular committees was established, with a Council composed of delegates from member countries as the highest authority. The Centre stopped publishing academic works to focus on reports oriented towards public policy.

Under its new structure, the Centre accomplished two important tasks. The first, to carry out its original mission of serving as a bridge between the OECD and the developing world. Now, thanks to the Centre, governments of OECD and non-OECD countries have a forum in which to discuss substantive issues, and non-OECD countries will have greater access to OECD products. This new profile also allowed the Centre to establish relations with multilateral organizations in the South, such as the African Union and ECLAC, with which it collaborates on initiatives such as preparing the annual Latin American Economic Outlook and the “development in transition” agenda.

The second is to play a constructive role in the OECD’s response to the emergence of new powers from the South in the international order. The Centre was well placed to do so; by 2015, with the addition of China, it had included all of the G20 emerging countries, both OECD and non-OECD, in its membership. Although the renaissance of the South, under the aegis of these powers, did not generate a coherent alternative development paradigm to neoliberalism, it did introduce important nuances, such as the recognition that, along with market forces, strategic State intervention was behind the success of the “Asian model.” Without deviating essentially

the Council Concerning the Participation of Non-Member Countries in the Development Centre, C(94)13/FINAL, April 25, 1994.

from the neoliberal narrative, the Centre was once again able to serve as a transmission belt for heterodox ideas to the Organisation and as a forum for more open dialogue. Under this new format, the Centre initially enhanced its usefulness to the OECD, attracting back members that had left, such as the United Kingdom and Japan, which insisted on channeling more resources into studying China. But when relations with the South deteriorated, this same format became contentious and, as we shall see, tensions between the Centre and the OECD were reactivated.

In conclusion: current challenges

The post-Cold War international (dis)order failed to integrate the emerging powers. Cooperation turned into competition and quickly descended into confrontation, especially with China and Russia. We are on the threshold of a new geopolitical division which, compared to the previous one, is shaping up to be:

- More absurd: global challenges, such as climate change, require greater unity, while ideological division is more superficial (everyone supports capitalism), reviving the unhealthy logic of the “great powers.”
- More complex and expensive: the current blocs are more economically interconnected.
- More dangerous: nuclear weapons are more powerful and dispersed among more actors, and a greater willingness to take risks has arisen, based on an absurd complacency that they will not or cannot be used without unleashing global catastrophe.

During the “cooperation” stage, the DAC and the Centre built and fostered understanding between traditional and emerging powers. It wasn’t just a product of circumstances. The figures in charge played an important role: Ángel Gurría, who opened up the OECD to cooperation with emerging countries; Mario Pezzini, who welcomed them as members of the Centre, which he consolidated as an intergovernmental forum; Brian Atwood, head of the DAC, who was the architect of the GPEDC. However, cooperation failed due to geopolitical factors at a higher level.

The role of the OECD and its development bodies in the new circumstances is under debate. Some members are in favor of openly politicizing the OECD and strengthening its role as a spokesperson for the “Western bloc.” Others question this view and seek instead to defend the technical integrity of the OECD and its role as a promoter of international cooperation, to help ease geopolitical divisions. Mexico, along with several Latin American countries, supports this second option. But the alliance of Anglo-Saxon and Eastern European members that backs the first position has had more weight. At the OECD level, this has led to a greater focus on the ongoing wars in 2024 (in Ukraine and the Gaza Strip) and to a re-examination of cooperation with China.

As far as IDC is concerned, in its narrative and in its practices, the DAC and most of its members have distanced themselves from the South. They show distrust of South-South cooperation schemes or concepts such as the “Global South,” which they previously welcomed, and which they now perceive as being exploited by China.

In this context, tensions between the Centre and the OECD are resurfacing. Non-OECD members question the Centre’s relations with China and demand a clearer distinction between the two bodies, insisting that “the Centre does not represent the OECD.” Meanwhile, key members of the OECD are once again withdrawing from the Centre: The United Kingdom for a second time (2021), and Germany (2022).

In short, the world is facing a new Cold War, characterized by greater complexity and danger. The OECD and its development bodies must navigate these turbulent waters, deciding whether to submit to the logic of geopolitical confrontation or to defend their technical integrity and continue to strive, in a coherent manner, for the international cooperation that common sense and global challenges demand.