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**BACKGROUND REPORT FOR THE OECD STRATEGY ON DEVELOPMENT**

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## SHAPING OECD'S FUTURE WORK ON DEVELOPMENT

1. Development has been an integral part of OECD's mandate and core work since its foundation 50 years ago. OECD's work on development has enhanced the quality, effectiveness and impact of international co-operation, provided evidence-based analysis on the drivers of economic growth, focused on the search for innovative solutions to poverty and inequality and contributed to the promotion of partnerships for development and regional integration.

2. The OECD has contributed to the formulation of the Millennium Development Goals (MDGs) and helped forge a broad consensus on aid effectiveness through the Paris Declaration (2005) and the Accra Agenda for Action (2008) as well as the Busan Global Partnership for Effective Development Co-operation (2011) which is to be jointly supported in its working arrangements by the OECD and the UNDP and will bring together on an equal footing government and non-government stakeholders from both developed and developing countries. The OECD has also contributed to the inception and advancement of the G20 Seoul Development Consensus and its Multi-year Action Plan on Development.

3. The Organisation has built extensive working relations with many developing countries. Partner countries in Africa, Asia, Latin America and the Middle East have benefited from OECD's diverse policy tools as they strive to enhance their own policies. The Organisation works with partner countries in different policy domains including innovation, environment, investment, taxation, trade, agriculture, education and governance. Some developing countries and Regional Organisations have also become fully-fledged members of OECD Committees and other bodies, such as the Development Centre and the Sahel and West Africa Club.

4. These partnerships have become broader and deeper over time, and contribute to improve public policies with the support of evidence-based analyses, policy dialogue and peer learning. Today there is no aspect of OECD work which is not in some way relevant to sustainable development in those regions and countries.

5. At the OECD's 50th Anniversary Council Meeting at Ministerial level (MCM), Ministers reaffirmed their commitment to global development in the OECD's new *Vision* statement [C/MIN(2011)6/FINAL], endorsed a strategic *Framework* and mandated the OECD to design a Strategy on Development [C/MIN(2011)8]. The OECD Strategy on Development is consistent with the Organisation's founding mandate to promote development within and beyond its membership. It is based on OECD's accumulated experience on development, on promoting effectiveness and impact of international development co-operation as well as on its inter-disciplinary expertise in public policy making.

6. The *OECD Strategy on Development* [C/MIN(2012)6] responds to this new vision and sketches long-term orientations for the Organisation to achieve the main goal of the Strategy stated in the 2011 *Vision statement* and *Framework*: strengthening OECD's contributions to "higher and more inclusive growth in the widest array of countries". The articulation of ends, ways and means to achieve those goals is influenced by the context in which the Organisation operates. The analysis of the context – both the internal and external environment – allows for *inter alia*, identifying the strengths, weaknesses, opportunities and threats the Organisation faces in achieving its strategic goals.

7. Against this backdrop, this document provides the contextual analysis and factual background to the Strategy. It aims at explaining to a wide audience of stakeholders how and why the Strategy has been developed.

### **Rationale: the need for an OECD Strategy on Development**

8. The current context of global transformation is creating both opportunities and challenges for development. Against this background, there is a recognition that development approaches, strategies and tools need to reflect and better respond to such changing environment. Many developing countries are becoming important actors in international finance, trade, investment, innovation and development co-operation. Traditional concepts such as “North-South” and “donor-recipient” lose their meaning in this new context. At the same time, the new geography of growth and global poverty described in Chapter 1 raises important questions for traditional approaches to development. These elements have momentous implications for the OECD and call for a thorough reflection on its approach to support international development.

9. In such a context, critical sustainable development challenges are both global and increasingly complex and interconnected. This reinforces the need for:

- More comprehensive approaches to the design and implementation of development strategies and policies;
- Effective collective action, involving key actors and stakeholders through inclusive policy dialogue and stronger partnerships;
- Better understanding of the development implications of domestic policy choices and greater emphasis on policy coherence for development.

10. Effective development co-operation will remain a key instrument in tackling poverty, building resilience and promoting sustainable development. In order to ensure greater impact, international development co-operation efforts need to be supported by mutually reinforcing policies in a wide range of other areas. In this respect, policy coherence for development will be critical.

11. In the evolving global landscape, the effective sharing of policy experiences has become more important than ever. On the one hand, the sources of knowledge on what works and does not work to generate growth and sustainable development have broadened substantially. As a result, flows of knowledge are becoming more and more multi-directional. On the other, the increasingly diverse supply of development experiences is met by a growing demand for knowledge sharing. In this respect, and as acknowledged in the G20 Multi-year Action Plan on Development, the OECD has an important role to play, alongside other International Organisations in promoting effective knowledge sharing and mutual learning, strengthening developing countries’ access to relevant policy experiences and tools.

### ***Vision, Mandate and Objectives***

12. The *OECD Strategy on Development* responds to a new *Vision* endorsed by Members at the OECD 50th Anniversary Ministerial Council Meeting (MCM), which looks ahead to OECD’s important role in contributing to better policies for better lives, implementing a comprehensive approach to development, and moving towards a more inclusive policy sharing Organisation [C/MIN(2011)6/FINAL].

13. The Strategy envisions the OECD as an inclusive platform for policy dialogue, knowledge sharing and mutual learning to build more effective solutions and partnerships to address poverty

reduction, promote sustainable development as well as inclusive growth. To this end, and building on its strengths and comparative advantages, the OECD is committed to combine its expertise on a wide range of policy areas together with lessons learned from 50 years of development analysis and development co-operation.

14. Ministers also endorsed the *Framework for an OECD Strategy on Development* [C/MIN(2011)8], providing the Organisation with the mandate to broaden its approach to development, drawing more effectively on its multidisciplinary expertise and Committee/expert bodies in a wide range of policy areas, and its longstanding experience in development policies, aid effectiveness and development co-operation. The broad approach to development builds also on the 2008 OECD Ministerial Declaration on Policy Coherence for Development and the 2010 OECD Council Recommendation on Good Institutional Practices for Policy Coherence for Development.

15. As mandated by Ministers, the overarching goal of the Strategy is to contribute to “achieving more inclusive growth and sustainable development for the widest array of countries”. The Strategy on Development will then provide a more robust implementation of Articles 1 and 2 of the OECD Convention. To achieve this goal, the Strategy has three primary objectives:

- Integrate, where appropriate, the diverse perspectives, views and realities of developing countries in OECD analyses and policy advice to deepen shared understanding of the alternative impacts of different policy options;
- Combine more effectively its expertise in a wide range of policy areas together with lessons learned from decades of its leading role in development co-operation;
- Better leverage its policy recommendations, practices and instruments to provide a coherent approach to development by stepping up evidence-based analysis and identifying both negative and positive impacts of OECD policies on developing countries, building on the 2008 OECD Ministerial Declaration on Policy Coherence for Development.

16. The Strategy will enhance OECD’s contribution to global development efforts, among them the achievement of international development goals, such as the Millennium Development Goals (MDGs) and beyond. It will help the OECD contribute to the implementation of agreements emerging from international conferences and summits such as the Istanbul Action Plan emanating from the Fourth United Nations Conference on the Least Developed Countries (UN LDC IV) or the Earth Summit 2012 (Rio+20); and international development initiatives such as the G20 Multiyear Action Plan on Development.

17. The outcomes of the Busan 4<sup>th</sup> High Level Forum on Aid Effectiveness also provide the Organisation with an impetus to take forward this Strategy on the basis of shared principles and common goals, working closely with a diverse range of countries and actors to contribute to the new Global Partnership on Effective Development Cooperation as well as supporting the implementation of voluntary initiatives launched at Busan such as the new consensus on more effective institutions for development.

#### ***A Strategy based on consultations***

18. The OECD Strategy on Development has benefitted from various consultations with the objective of seeking the views from as many relevant stakeholders as possible in a transparent and inclusive manner. A series of face-to-face meetings with civil society, non-governmental organisations, international organisations and government officials from non-OECD Members have served as a platform for these stakeholders to provide their views on various key elements of the Strategy that have been incorporated into the final document.

19. Examples of these consultations include meetings with civil society organisations (CSOs) during the Civil Society Policy Forum of the World Bank-IMF Annual Meetings, in Washington D.C. (September 2011); with members of the DAC-hosted Working Party on Aid Effectiveness (October 2011); with representatives from partner countries, international organisations and CSOs at the Busan 4<sup>th</sup> High Level Forum on Aid Effectiveness (November 2011). More formal consultations were also conducted on the occasion of:

- the OECD Global Forum on Development ([www.oecd.org/development/globalforum](http://www.oecd.org/development/globalforum) in February 2012), which gathered experts from OECD and non-Member economies, including government officials, think tanks, CSOs and the private sector;
- the OECD Development Centre High Level Meeting (March 2012), which gathered high level government representatives from OECD and non-OECD Member countries (all 41 members of the Development Centre) and delivered a communiqué [DEV/GB(2012)3], providing the guidelines and support for future work within the Strategy;
- the DAC Senior Level Meeting (April 2012), which included representatives from all the international development banks, from emerging market economies and not-for-profit organisations (represented by the Gates Foundation) [DCD/DAC/M(2012)3/PROV].

### **What is the OECD Strategy on Development?**

20. The Strategy should be seen, first, as a corporate endeavour to guide the “whole-of-OECD” approach, ensure coherence of OECD work and define a long-term vision on development. All policy communities within the Organisation should contribute to this effort. The initiative involves all Members (including Committees), secretariat and partners (non-Members, other international and regional organisations and key stakeholders).

21. Second, it should be considered as a living and flexible instrument able to adapt to the evolving global context, to the diverse needs of countries at different stages of development, and to their specific institutional contexts and capacities.

22. Third, the Strategy should contribute to identifying the existing OECD processes, mechanisms, instruments and tools that are relevant for partner developing countries and other key actors, and provide orientations on how they could be combined, enriched and adapted to maximise the effectiveness and impact of the OECD’s work on development. It will contribute to building a holistic policy framework. This means on the one hand, an OECD better equipped to understand development processes and contribute to them, and, on the other, countries at different stages of development are able to identify and benefit from specific instruments, mechanisms and tools in interconnected policy areas relevant to their particular circumstances and needs. This will be done through more systematic policy dialogue and knowledge sharing between OECD and non-OECD countries.

23. Fourth, while remaining faithful to the high level of ambition set forth by Ministers in the *Vision* and *Framework* documents, the Strategy should be seen as evolutionary, rather than revolutionary, accompanying the Organisation and its Members in better structuring their contributions to world-wide development.

24. Finally, it should be seen as a basis to define a common agenda at the OECD for sustainable growth and progress, to identify framework conditions and institutional mechanisms, foster new and innovative sources of growth, mobilise resources, manage governance and measure progress.

### ***Underlying assumptions***

25. The Strategy is being developed on the basis of the following assumptions:
- Developing countries are key for the world economy and their development affects us all. Their role and place in the international architecture need to be reflected appropriately.
  - Development is multi-dimensional. To understand its prospects requires approaches that cut across multiple disciplines, as well as an inclusive dialogue to tap into diverse experiences of countries and key stakeholders.
  - Development is a long-term process of economic and social transformation. Attention should be paid to development trajectories and policy sequencing rather than to static comparisons.
  - Effective development depends more on the coherence of policies and effectiveness of implementation than on the impeccability of technical design.
  - There is a growing diversity of growth and development models which underscores that there are no one-size-fits-all solutions. Past frameworks and mechanisms applied to developed countries need to be reassessed and adapted for broader application in a more diverse set of developing country circumstances.
  - The OECD is ready to share its knowledge and work with countries at different stages of development, by strengthening its mechanisms to engage and respond to their different needs and contexts as well as to learn from their diverse experiences.
  - The OECD has relevant policy experiences and tools to share with developing countries to accompany them in diagnosing their key challenges and designing their strategies.
  - Developing countries are a source of good practice in a number of policy fields that could guide other countries (both developing and developed) in their policy choices.

### ***The audience of the Strategy***

26. As highlighted in the Framework endorsed by Ministers at the 2011 MCM, the Strategy aims to generate collective benefits for:
- *OECD Secretariat and Committees* - by providing guidance to different OECD policy communities on how to consider the implications of their policies for development and integrating the different policy coherence for development (PCD) dimensions into their work. The Strategy will contribute to identifying synergies, reinforcing existing collaboration and fostering joint initiatives among different policy communities. It will also help enhance their work by promoting a more holistic perspective to respond better to the needs and expectations of Members in the current global changing context.
  - *OECD Member countries* - by providing options and tools to accompany them in their efforts to reinforce their own capacities to design mutually reinforcing policies and applying whole-of government approaches to promote development.
  - *Partner countries and institutions* - by working with them on the basis of strengthened partnerships and policy dialogue, knowledge sharing and mutual learning to identify, assess

and implement coherent and integrated policy solutions for sustainable development and inclusive growth.

### *Guiding principles*

27. The Strategy is intended to guide the OECD work on development in the years to come. As such, the Strategy's implementation will be guided by the following important principles that are consistent and mutually reinforcing with the "shared principles to achieve common goals" agreed in the "Busan Partnership for Effective Development Co-operation" and those outlined in the G20 "Seoul Development Consensus for Shared Growth":

- align relevant OECD work to the Strategy;
- ensure that the Strategy-related activities are demand-driven and of mutual benefit;
- be consistent and transparent in managing diverse demand and designing activities;
- ensure transparency through full availability of information on the development-related activities;
- promote horizontal collaboration, involving relevant OECD Committees and Directorates;
- ensure cross-checking of recommendations provided within the Strategy activities;
- utilise the Strategy to deepen and expand OECD partnerships;
- ensure OECD's value-added complements and links with the efforts of others;
- co-ordinate work internally based on clear roles and responsibilities; and
- ensure regular monitoring and review of progress of the Strategy and its activities.

28. The effective implementation of the Strategy will also depend on complementary efforts to better understand public perceptions and opinion about global development issues and the role of the OECD, to assess demand for OECD's work on development, and to enhance the Organisation's communication on development, and recognition of the following additional principles:

- *Ownership* – Development paths and priorities must be owned by developing countries. Partnerships for development can succeed only if they are led by developing countries, implementing approaches that are tailored to their specific needs and circumstances.
- *Comprehensiveness* – Inclusive and sustainable growth can only be achieved through broader development focus. The multidimensionality and interconnectedness of development challenges require approaches that cut across multiple disciplines; that tap into the diverse experiences, knowledge and different perspectives from countries, international organisations and key stakeholders; and that take into account the need for policy coherence for development at the global and national level.
- *Flexibility* – Given the rapidly changing development landscape, flexible instruments adaptable to the evolving international context are key to respond to emerging development challenges and address issues which could have a direct impact on international

development efforts, while at the same time tackling more effectively the major and chronic problems of poverty, disease and hunger.

- *Inclusiveness and mutual learning* – Development requires participation of multiple stakeholders to build common ground on the essential ingredients to promote economic and social transformation. Dialogue and knowledge sharing on an equal footing with countries at different stages of development, international organisations and key stakeholders are instrumental to build ownership on approaches, priorities, policies, mechanisms, instruments and tools as well as to integrate their perspectives.
- *Differentiation* – There are no one-size-fits-all solutions in development. Adopting differentiated approaches, more diagnostic than prescriptive, will be key to identifying the varying needs of countries at different stages of development and develop better analysis considering their diverse economic and social contexts.
- *Value added and complementarity* – Identifying and building on OECD's comparative advantages in development strategies as well as in specific policy areas vis-à-vis the work of other international organisations on development will be key to identify synergies, ensure complementary and build stronger partnerships.

29. As outlined in the Framework endorsed by Members, the OECD will strengthen work on development in areas where it:

- Has core competences and can add value to other international efforts, and enhance complementarity with the work of other regional and international organisations;
- Responds to requests and needs expressed by developing countries themselves as well as by other development actors;
- Leverages its multi-disciplinary expertise, combining its wide experience on policy making and implementation on sectoral issues with its development expertise.

30. Against this background, Ministers identified four mutually reinforcing areas to guide the development of the Strategy:

- *Innovative and sustainable sources of growth.* Innovative options are needed to broaden the available sources of growth and combine income growth with sustainable improvements in well-being. Many countries have experienced solid economic growth over the past decade, but few have been able to achieve commensurate improvements in people's quality of life.
- *Mobilisation of resources for development.* Achieving development goals requires a multiplicity of financial resources. External sources of finance, such as development assistance, foreign investment and workers' remittances, can provide a significant stream of funding. But there is much scope for mobilising domestic resources, including savings and taxes, as the primary source of sustainable financing.
- *Governance for development.* Effective governance is a necessary condition for economic prosperity and social cohesion. Strong and accountable public institutions, government effectiveness, as well as transparent and fair management of public resources are central to stable and well-functioning markets, and efficient public service delivery. Institutions that enable the participation of citizens and hold government accountable are vital to the

development process. But effective governance is country specific and not a single policy fits all, hence the need for dialogue and sharing of experiences.

- *Measuring progress for development.* The identification of development indicators and their effective measurement are crucial to design better policies as well as to monitor and assess implementation. The need for a broader set of development indicators is recognised so as to complement existing measures of economic growth and take better into account the different dimensions of well-being and development. Equally important is the strengthening of statistical capacities in developing countries to enhance data quality, sharing and analysis.

### **Shaping a “whole of OECD” approach to development**

31. The Strategy on Development’s key objective is to promote a more comprehensive approach to development at the OECD, leveraging on the Organisation capabilities and expertise in several disciplines, integrating developing countries’ perspectives, views and realities where appropriate and promoting greater policy coherence. Such an approach should allow the Organisation to better identify the effects of policy interactions and spillovers and to adequately take into consideration policy sequencing and the political economy of reform. The leverage of the OECD multidisciplinary expertise will be carried out in partnership with developing countries and other relevant international and regional institutions.

32. In this respect, and in order to advance towards the objectives set forth by the 2011 Meeting of the Council at Ministerial level, the Secretariat: analysed the recent trends affecting global development and their implications for the design of the OECD Strategy on Development; established cross-directorate task teams that reviewed the Organisation’s key competences and comparative advantages in the four areas identified by Ministers; highlighted the links between those areas and explored possible working methods and deliverables that could leverage synergies and mobilise the multiple competences within the OECD and its policy communities. The results of this analysis are presented in the remainder of this document and serve as a background for the OECD Strategy on Development document [C/MIN(2012)6].

33. The remainder of the document is divided as follows: Chapter 1 sets the stage, by discussing the evolving international context in which the Organisation operates and stressing the related opportunities and challenges for development; chapter 2 focuses on the OECD’s core competences and how they can be better harnessed to enhance the Organisation’s contribution to worldwide development, as well as on the challenges faced by the OECD in pursuing this endeavour; chapter 3 concludes by offering orientations for an effective Strategy and describing OECD’s on-going work within the four priority areas identified by Ministers – innovative and sustainable sources of growth; mobilising resources for development; governance for development; and measuring progress for development – with a view of identifying some possible orientations related to the substance of the Strategy for the Organisation to achieve the Strategy’s overarching goals.

## CHAPTER 1 THE EVOLVING GLOBAL LANDSCAPE AND ITS IMPLICATIONS FOR DEVELOPMENT

34. The developing world as a whole is experiencing a transformation, which offers enormous opportunities for overcoming persistent development challenges. At the same time differences between the richest and poorest countries have never been larger, highlighting obstacles many countries continue to face. Effective national strategies are central to unleashing the full potential of developing countries to generate further opportunities for economic and social well-being or to help countries lagging behind take-off. Inclusive spaces for policy dialogue such as the OECD are crucial to bring together countries, allow them to exchange experiences with one another as they hone their own development strategies and manage their implementation.

35. Development is complex and multidimensional. It implies not only the economic transformation of society and a shift towards patterns of resource use that are economically, socially and environmentally sustainable, but also improvements in non-economic conditions. The Millennium Development Goals, which have their roots in the 1996 OECD-DAC strategy paper entitled “Shaping the 21<sup>st</sup> Century,” have focused the international agenda on human development concerns that affect people’s capabilities, including income poverty, education, gender equality, health and environment. The OECD Strategy on Development can help push the international agenda further by advancing the notion that beyond improving material conditions, development must equally improve other dimensions of well-being and quality of life.

### **A new development landscape**

36. Despite recent signs of vulnerability, improved growth performance in the developing world represents a break with the past. Global economic activity has been moving East and South due to the emergence of new poles of growth in large emerging countries (Figure 1). Since the early 2000s, growth rates in non-OECD economies as a whole have outperformed those in the OECD (Table 1). Developing countries’ contribution to growth did not falter during the downturn of 2008-09.

37. Even as the recovery has weakened in advanced countries and signs of vulnerability are appearing in emerging markets, non-OECD economies have affirmed their increased presence in global economic activity. After nearly half-a-century where the richest OECD countries accounted for two-thirds of global output, high growth in developing economies’ is set to reduce this share to less than half, over the next 20 years.<sup>1</sup> The health of many non-OECD economies has today become critical to the continued growth and stability of both the OECD countries and the world.

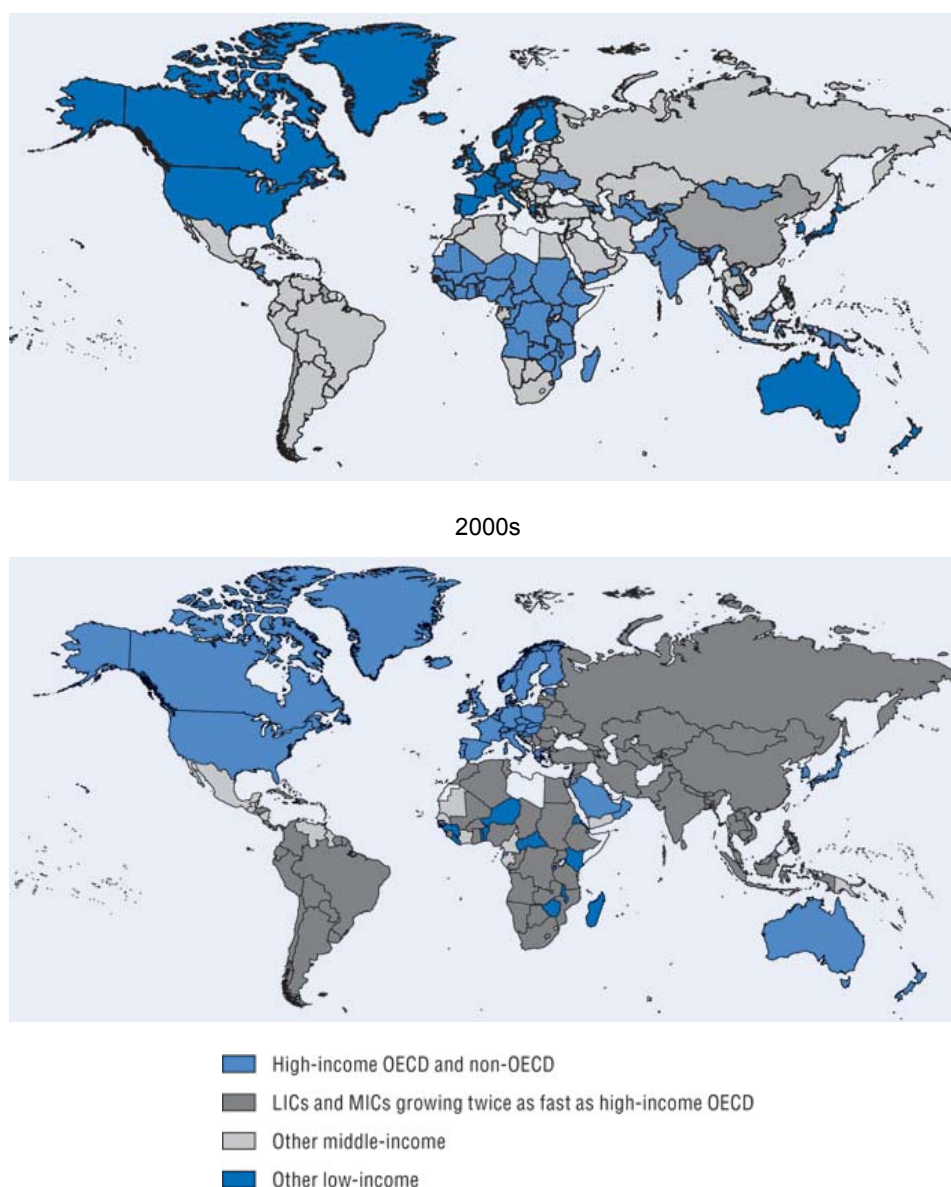
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1 This is in PPP terms. Trends when measured with market exchange rates are similar, despite differences in levels.

***Shifting wealth: the economic centre of gravity is moving East and South***

38. The recent increase in growth in the developing world is largely driven by Asia, which accounted for almost 50% of global growth in 2010 and is projected to reach 55% by 2015. This emergence of Asia as an engine driving global output represents a structural break with the recent past, but it is not a “new” phenomenon. Long-term historical statistics affirm that it is instead a re-emergence of an important economic player in the world economy (Maddison, 2007a).

**Figure 1. New poles of growth have emerged in non-OECD countries**



Source: OECD (2011a), *Perspectives on Global Development 2012: Social Cohesion in a Shifting World*, calculations based on World Bank (2011a), *World Development Indicators Database*.

**Table 1. Number of countries growing more than twice as fast as the OECD**

	1990s*	2000-7*	2000-10
<b>High Income countries (OECD and non-OECD)</b>	34	40	42
<b>LICs and MICs growing twice as fast as high-income OECD</b>	12	65	83
<b>Other middle-income countries (MICs)</b>	66	38	31
<b>Other low-income countries (LICs)</b>	55	25	16
<b>Total</b>	167	168	172

Source: OECD (2011a), *Perspectives on Global Development 2012: Social Cohesion in a Shifting World*, calculations based on World Bank (2011a), World Development Indicators Database.

39. Growth in developing Asia has important spillover effects for the rest of the developing world. The process of globalisation that integrated China, India and the former Soviet bloc into the global economy brought the world economy a new labour force totalling 1.5 billion workers, thereby doubling the number of people working in market-oriented economies. This expanded labour supply contributed to depressing equilibrium low-skill wages globally by as much as 15% (OECD, 2010a) and has driven investment in low-cost labour surplus countries.

40. Strong growth in large developing countries has also led to new demand for raw materials, energy and other commodities, thus driving a boom in prices. Sustained, high commodity prices have benefitted many countries but have also contributed to price volatility, leaving net food importing countries, including many Least Developed Countries (LDCs), particularly vulnerable. For example, while high raw material prices have led a sustained boom and inflow of resources to countries like Chile and Peru in South America, and Angola and Nigeria in Africa, they have increased volatility and social unrest in countries dependent on, for example, corn and wheat imports such as Guatemala, Honduras and Nicaragua in Central America, and Burkina Faso, Mozambique and several others in Africa.

41. Global interest rates have stayed low over the past decade in part due to a large amount of cheap savings available from the developing world. China's high savings rate and large current account surplus combined with the accumulated net asset positions of many commodity exporters in the Middle East and elsewhere have increased the amount of global liquidity looking for low-risk investment, thus helping maintain downward pressure on global interest rates. At the same time, many developing countries have switched from net debtor to net creditor status, thanks to strong growth performance, increased capital accumulation and improved macroeconomic policies.

42. In some developing countries, export-led growth strategies, strong commodity demand and pegged currency exchange rate mechanisms have led to a build up of reserves and widening global imbalances in the current account. This has mobilised substantial additional resources for financing development, but also threatens sustainability of the new growth engines over time, and underlines a need to identify more diverse, innovative and sustainable sources of growth.

43. Spillover from growth in large developing countries means that sustained long-term development is becoming a distinct possibility for many other developing countries across the globe. During the past decade (2000-2010), every non-OECD economy with more than 100 million inhabitants grew at more than double the OECD rate. This includes China and India, but also Bangladesh, Brazil, Indonesia, Nigeria, Pakistan and Russia. Smaller economies have also begun to converge. Prior to the 2009 global economic crisis, the African continent had enjoyed over 5% annual growth for nearly a decade, with some countries

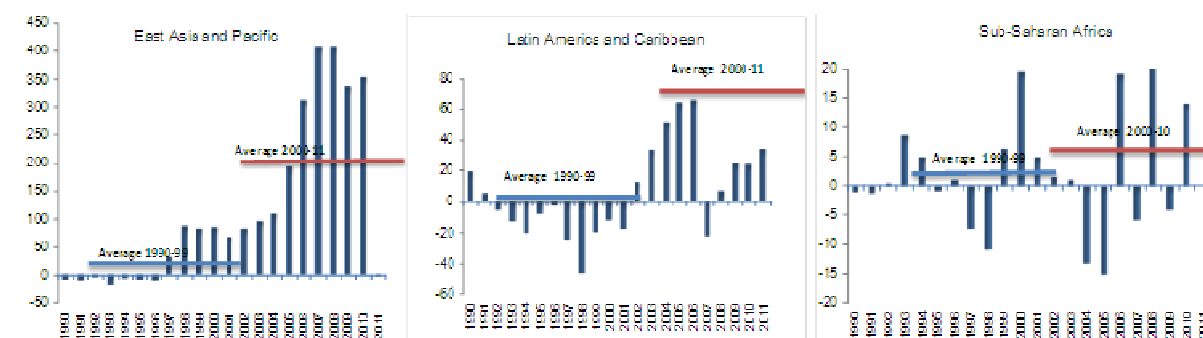
experiencing an outright boom. Latin America equally experienced a strong period of growth, particularly between 2003 and 2008, and is forecast to continue to grow well above OECD growth rates.

44. Over the same period, many developing countries have implemented stronger economic policies, as reflected by their control of inflation, improved public finances and build-up of reserves. Inflation, for example, declined from 12.7% between 1997 and 2003 to 7% in 2007 in the 38 African oil-importing countries. Strong macro-policy frameworks, allowing effective fiscal and monetary policies, are increasingly becoming the norm also in Latin America, for example in Brazil, Chile, Colombia, Mexico and Peru. Improved fundamentals, fiscal reforms and favourable debt dynamics have helped countries create more policy space, enabling them to employ counter-cyclical policies. Prudent economic policies and macroeconomic buffers helped many countries mitigate the impacts of the 2009 crisis, and raise hopes that development itself may be experiencing a break with the past.

45. The new economic landscape allows for better mobilisation of untapped development resources in fields such as trade and industrialisation. Increases in South-South trade and the rising importance of “new” trade partners for developing countries has improved trade balances across the developing world (Figure 2). In 2009 China accounted for 13.9% of trade volumes with Africa, making it a larger trading partner than the United States, which accounted for 13.1%.

46. Emerging trade partners in the developing world also include several OECD countries who have traditionally not been significant players in regions such as Sub-Saharan Africa. For example, Korea and Turkey account for 7.2% and 6.5%, respectively, of African trade with emerging partners, behind only China, India, and Brazil (AfDB, OECD, UNDP and UNECA, 2011). Similarly, South-South investment flows have been on the rise and changing patterns in global value chains – that is in the full range of activities from the creation, production and delivery of a product – are affecting a much broader group of developing countries nowadays.

**Figure 2. Trade balances in Eastern Asia, Sub-Saharan Africa and South America, 1990-2010**



Source: OECD (2011a), *Perspectives on Global Development 2012: Social Cohesion in a Shifting World* based on UNCTAD (2012), UNCTADstat (Updated May 2012).

*Human development and societal transformation*

47. Extreme poverty reduction in the developing world at the aggregate level has been substantial, largely due to high growth in China. Hundreds of millions have moved out of extreme poverty and the world is on track to achieve the Millennium Development Goal of halving the number of people living on less than USD 1.25 a day (Table 2). There are today more poor living in middle-income than in low-income countries, partly because countries such as China, India and Nigeria now belong to the middle-income category. Global poverty has also become increasingly concentrated in Africa and South Asia.

**Table 2. Declines in poverty, 1990-2008**

Poverty Headcount (% living on less than USD 1.25 PPP/day)							
	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	56%	51%	36%	36%	28%	17%	14%
Europe and Central Asia	2%	3%	4%	4%	2%	1%	0%
Latin America and the Caribbean	12%	11%	11%	12%	12%	9%	6%
Middle East and North Africa	6%	5%	5%	5%	4%	3%	3%
South Asia	54%	52%	49%	45%	44%	39%	36%
Sub-Saharan Africa	57%	59%	58%	58%	56%	52%	48%
<b>Total</b>	<b>43%</b>	<b>41%</b>	<b>35%</b>	<b>34%</b>	<b>31%</b>	<b>25%</b>	<b>22%</b>
Millions of poor							
	1990	1993	1996	1999	2002	2005	2008
East Asia and Pacific	926.4	870.8	639.7	655.6	523.1	332.1	284.4
Europe and Central Asia	8.9	13.7	18.2	17.8	10.6	6.3	2.2
Latin America and the Caribbean	53.4	52.5	53.6	60.1	62.7	47.6	36.9
Middle East and North Africa	13.0	11.5	12.3	13.6	12.0	10.5	8.6
South Asia	617.3	631.9	630.8	619.5	640.5	598.3	570.7
Sub-Saharan Africa	289.7	330.0	349.2	376.0	390.2	394.8	386.0
<b>Total</b>	<b>1,908.5</b>	<b>1,910.4</b>	<b>1,703.5</b>	<b>1,742.5</b>	<b>1,639.0</b>	<b>1,389.2</b>	<b>1,288.7</b>

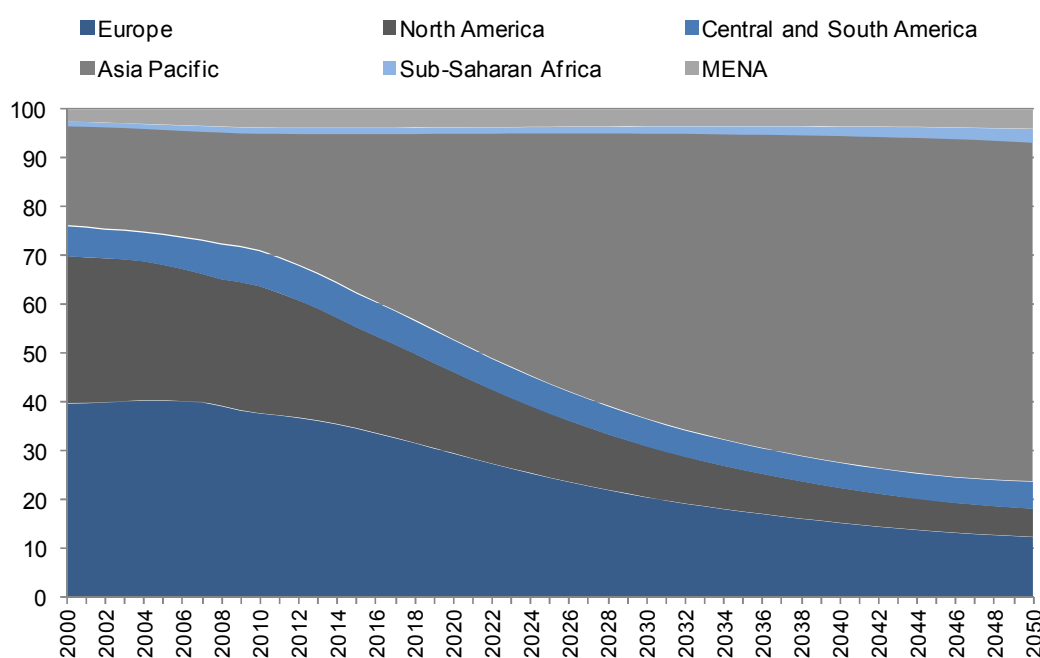
Source: Calculations based on World Bank / PovCalNet (2012) "An update to the World Bank's estimates of consumption poverty in the developing world", Briefing note, Development Research Group, January 2012 (updated May 2012).

48. The impact of growth on poverty reduction is stronger when it is inclusive across society. Innovative social policies such as conditional cash transfers have contributed to significantly reduce poverty in countries such as Brazil and Mexico. In fact, growth reduces poverty less where inequality is higher. The sources and patterns of growth, as well as the ability of poor people to connect up to growth processes, influence the impact of growth on poverty reduction. The impact of high and sustained rates of growth on poverty reduction is disappointing when growth is concentrated in areas and activities where most poor people do not earn their livelihoods.

49. High growth and absolute poverty reduction are neither sufficient, nor even necessary, to achieve progress on human development indicators. For example, between 1990 and 2008, East Asia experienced higher growth rates and more absolute poverty reduction than Latin America. Yet, declines in mortality rates among children under 5-years old, which were at roughly the same level in the two regions in 1990, were significantly higher in Latin America over the same period. Similarly, even though India has grown significantly faster than Bangladesh over the last two decades, Bangladesh has surpassed India in progress on a wide range of social indicators, such as greater life expectancy, child survival, lower fertility rates, higher immunisation rates, as well as many schooling indicators.

50. Strong growth and poverty reduction also help expand the size of the global middle class (Figure 3). This group of newly “non-poor” individuals in the middle of the income distribution will be key deciders of whether the strong performance witnessed in the developing world over recent decades continues apace. The rebalancing of export-led growth towards domestic consumption depends crucially on meeting the needs of this emerging middle class. If current trends continue, the bulk of the world’s middle class will be located in developing countries in coming decades creating a whole new set of policy challenges. Meeting the aspirations of this growing group of citizens should become a crucial political and economic goal of developing country policy makers.

**Figure 3. Global middle-class consumption, 2000-50**



*Note:* Global middle-class consumption is defined here as household consumption between USD 10 and USD 100 PPP/day. Projections hold most recent distribution constant (from PovcalNet database) and assume consumption equals income growth (projected by a Cobb-Douglas production function, a model of RER convergence based on the Balassa-Samuelson model, and UN population projections).

*Source:* OECD (2011a), *Perspectives on Global Development 2012: Social Cohesion in a Shifting World*, calculations based on Kharas (2010), “The Emerging Middle Class in Developing Countries”, *OECD Development Centre Working Paper*.

51. Persisting gender inequalities not only limits the contributions women make to the economy but also progress on broader development outcomes. In the last decade, there has been impressive progress made in closing gender gaps in education, particularly in primary education and in secondary and tertiary levels in some regions. Women’s workforce participation has risen in most developing countries, however in many countries, women have a greater share of informal non-agricultural employment compared to men. Despite strong growth in countries, highly adverse sex ratios at birth persist due to social norms which devalue daughters. The rising number of ‘missing’ women and girls in some countries presents a potential demographic crisis, where skewed sex-ratios may have serious social consequences with men unable to find female partners which could lead to social unrest, sexual violence and increased trafficking of girls and young women.

52. Finally, improvements in the standard of living in the developing world have been accompanied by improvement in governance indicators. The number of registered voters in developing countries that hold multiparty elections is nearly twice that of developed nations (Nation Master 2011). However, democracy encompasses more than its electoral dimension. It is also a system for political organisation of societies that enables citizens to effectively exercise their formal political, civil and social rights. The transformation of formal rights into a reality experienced by individuals, moving towards a more sustainable “citizen democracy”, is a challenge for democracies at any stage. Together with the improvement of living standards, the demand for high quality democracy is growing.

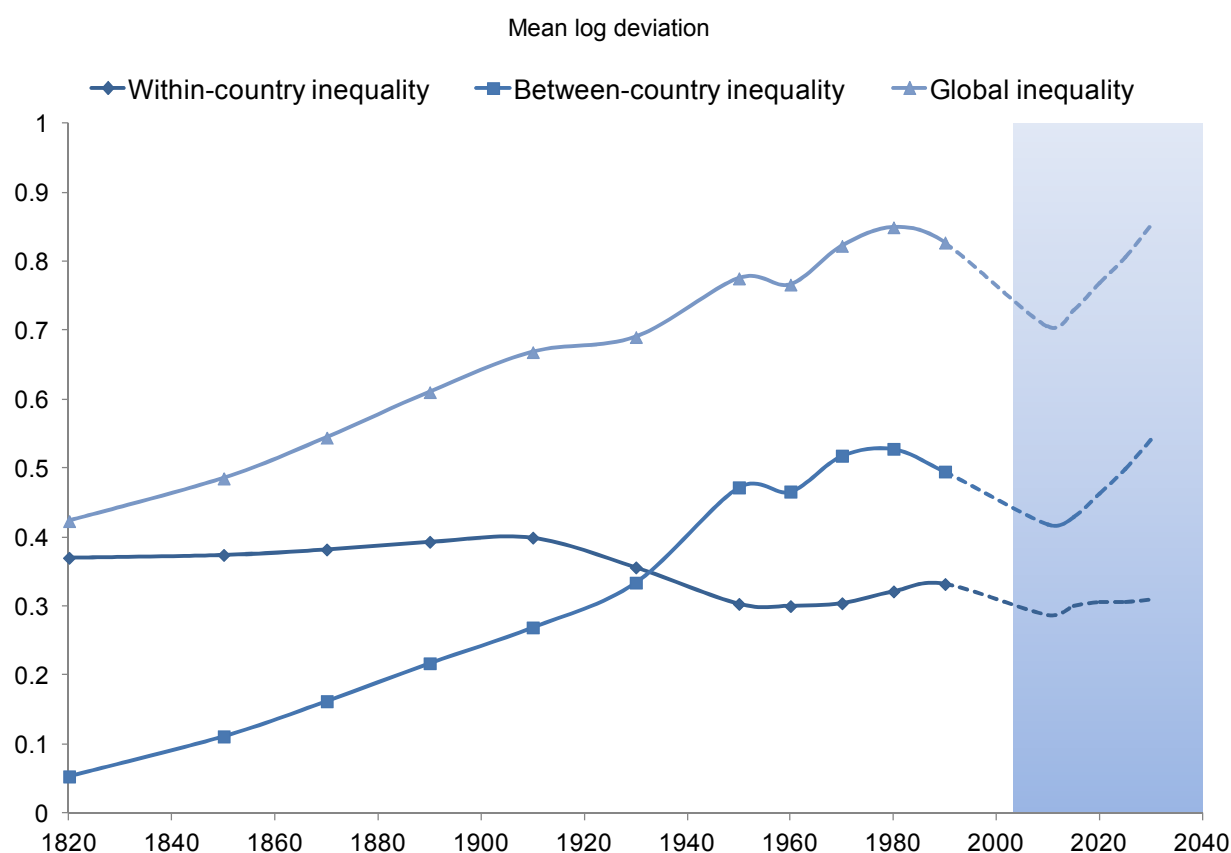
### **Old and new challenges**

53. As previously mentioned, the new economic geography and emergence of new growth poles create opportunities for development. Yet, many developing countries need to ensure they are well-positioned to fully leverage these opportunities and tackle the challenges associated with their integration in the global economy. The policies that governments choose to implement in this context will indeed determine whether development continues. The issue of how to find new and sustainable sources of growth is one which impacts OECD and non-OECD countries alike, and is an area where mutual dialogue may be particularly helpful. Developed countries have a strong need for new sources of growth, while developing countries wish to close their productivity gap.

54. Inequality and inequity are also enduring challenges. At the global level, income inequality still stems primarily from inter-country differences (Figure 4). Shifting wealth, by increasing per capita incomes in populous countries, has reversed the two-century long trend of increasing between-country inequality and thus led to a fall in global inequality of a proportion not seen since the European reconstruction after World War II. However, if growth does not become widely shared across countries going beyond the drivers of shifting wealth, inequality trends will return to their increasing path within a decade. Additionally, persisting gender inequalities compound this worrying trend and contribute to hampering the economic potential in many countries.

55. Furthermore, we need a better understanding of the consequences of the crisis on development and growth, as well as of the implications and sustainability of the strong growth experienced by several emerging and developing economies. The period of the largest expansion in the world economy is challenged, and the capacity of large advanced economies to continue absorbing the export growth in several developing economies might be limited.

56. Finally, regardless of individual situations, all countries face a common challenge in terms of dealing with global public goods – but also “bads” – including climate change, violent conflict, illicit financial flows and financial stability. As the economic fortunes of different countries become increasingly intertwined, national policy makers will continue to need effective forums for multilateral co-ordination and exchange. Organisations facilitating policy dialogue and peer learning, such as the OECD, are strongly positioned to provide support to countries, both at the national level – as governments overcome individual challenges – and at the international level – as governments pursue joint management of collective, global issues. These elements are explored further below.

**Figure 4. Composition of Global Inequality**

Source: Bourguignon and Morrisson (2002), "Inequality Among World Citizens: 1890-1992", for 1820-1992. OECD (2011) calculations based on Maddison (2007b, 2010), UN DESA (2008), "The World Population Prospects, 2008" and PovCalNet for 2000-30.

### *Challenges at the country level*

57. Development challenges and priorities differ across countries depending on their current level of integration into the world economy and their ability to take advantage of the emergence of new growth poles and shifting wealth. Strong and effective institutions play a crucial role in shaping a country's ability to reap the benefits of integration into the world economy.

58. Most developing countries experiencing rapid growth over the last decade have been able to accumulate resources and increase their policy space, gaining a stronger position to manage the current difficult environment and implement policies to help sustain their growth and manage potential setbacks. Other countries, in particular those with lower incomes, have not benefited equally from growth or have exhausted their macroeconomic buffers to contrast the social impact of the crisis. As a result, these countries may now be more vulnerable and less prepared to deal with fluctuations of the international economic cycle and external shocks. In this respect, the situation is particularly worrying for conflict-affected and fragile countries. The near term objectives of these countries are likely to differ sharply from those of countries that can rely on stronger institutions and are currently experiencing strong growth.

59. A selection of issues that affect developing countries and condition development is discussed below. These include: escaping conflict and fragility, closing the productivity gap, tackling unemployment and income inequality, building more cohesive societies, improving governance and institutions, and overcoming the middle-income trap.

*Escaping conflict and fragility*

60. The “conflict trap” is a structural and institutional challenge faced by a number of fragile, low-income developing countries, with significant spillovers for other countries. Violence can reverse development by cancelling the effects of an entire generation of economic progress. Countries suffering from high levels of violence and fragility are often also important links in global value chains of drugs trade, trafficking and other criminal or terrorist activities, which have harmful effects on more developed economies as well.

61. These countries, representing an estimated 1.5 billion people, remain largely unconnected to the global economy and are falling behind in terms of global development. Most of these countries were severely impacted by the global financial and economic crisis, which sharply reduced growth. Food riots in several countries showed the strong potential for social unrest. While FDI and remittances have been resilient throughout the crisis, both in commodity-exporters and other fragile states, there has been a dramatic contraction of domestic revenues, threatening cuts in education, health and social protection. Trade has also dropped and many countries, particularly non-oil exporters, face a widening trade gap as the growth of imports has outstripped the growth of exports since 2005. In 2009, only 5 out of 45 fragile states registered a trade surplus.

62. The *New Deal for Engagement* in fragile states reached at the High Level Forum on Aid Effectiveness in Busan recognises the need to ensure that conflict, security and justice issues – missing from the current MDG agenda – are brought into post-MDGs discussions after 2015.

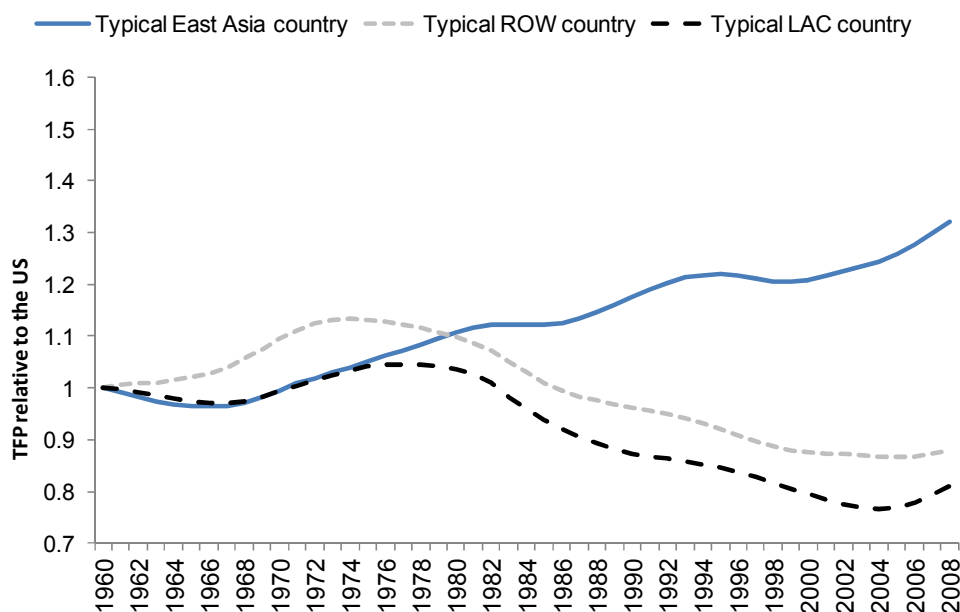
*Closing productivity gaps*

63. Over the last decade a number of developing countries, building largely on increased factor accumulation and internal resource transfer, have begun to catch up to productivity levels of OECD countries. However, a large group of countries still lack the ability to move up global value chains. They have not yet reached the minimum threshold of development necessary to successfully absorb the potential transfers of know-how, technology and skills that trade, FDI and R&D can offer.

64. Total factor productivity (TFP) growth has been almost nonexistent in some regions, notably Latin America, whereas in others it has outpaced OECD countries (*e.g.* East Asia, Figure 5). This lack of “catch up” in terms of productivity, which is widespread and has persisted since the 1960s, explains why certain regions continue to have a low income relative to the OECD average. This productivity aspect needs to be better understood. A closer analysis of productivity growth in specific country contexts will help capture not only the amount of knowledge, innovation, learning and entrepreneurship a country produces, but also how it uses it and how it transfers it.

**Figure 5. Productivity catch up (productivity index relative to US, 1960=1)**

Contrast with selected regions



Source: Daude and Fernández-Arias (2010), based on Heston, Summers and Aten (2006), *Penn World Table Version 6.3*, World Bank (2008), Barro and Lee (2000).

### *Tackling unemployment and income inequality*

65. In addition to barriers to enhancing productivity, many developing countries face rising domestic inequality and pressing social issues, notably youth unemployment. Inequality is a challenge common to both OECD and non-OECD economies. Income inequality increased in the majority of OECD countries between the mid 1980s and the mid 2000s. But income inequality has also increased in major emerging economies since the early 1990s. Indeed, in all the BRICS except for Brazil, income inequality increased during that period. The one region where income inequality has fallen in recent years is Latin America, thanks to a combination of improved social policies and the legacy of increased educational attainment. However, the levels of inequality in the region remain among the highest in the world.

66. In OECD and non-OECD economies alike, an increase in the share of income earned by top-earners has driven income inequality up. The increase in the share of national income that accrues to the richest 1 percent of the population was not only a feature of some OECD countries, but also of the evolution of the income distribution in countries such as Argentina, China, India or South Africa (Alvaredo, Atkinson, Piketty and Saez, 2011).

67. Growth patterns that better provide productive employment opportunities are a critical element in addressing the increase in income inequality. Global growth during the past decade was less employment intensive than in the past. While an extra point of GDP growth was associated with an increase of 0.47 percent in employment in the late 1990s, the same figure fell to 0.31 in the period 2002-09 (OECD, 2011b).

68. The global crisis has put employment creation firmly in the development agenda, as well as in the OECD country social agenda. While employment in developed economies was the hardest hit by the crisis, the rate of employment creation has also slowed down substantially in a number of developing regions in the aftermath of the crisis. The Middle East and North Africa have seen particularly sharp drops in employment growth of respectively 1.3 and 1.2 percentage points per annum (ILO, 2012). Moreover, labour productivity growth in both regions remains weak, therefore offering little prospect for work-sharing arrangements during the recovery.

69. The shared challenge of employment creation is most starkly seen in unemployment figures but unemployment figures understate the challenge of creating more and better jobs. The ILO estimates global unemployment to be around 200 million or 6 percent of the global workforce. However, the global unemployment rate would be almost one point higher if non-participation in the labour force is accounted for. Moreover, informal employment remains high in developing countries. As many as 55 percent of non-agricultural jobs are informal, which implies lower levels of protection against occupational hazard and social risks. Not only that, but informal employment has persisted despite growth in many emerging economies, even increasing in cases like India.

70. Youth unemployment is a particular source of concern. The analysis of the African Economic Outlook 2012 shows that the employment outlook for young people in Africa is challenging. Labour demand is the biggest obstacle to young people in African labour markets. Although many jobs have been created over the last decade, Africa's growth was not sufficiently inclusive to meet the need for jobs of a fast growing population. The private sector has been growing, but from too small a base to have a big impact. The public sector cannot grow as fast as the population and is a much less important employer among youth than adults. The informal and rural sectors will thus continue to play important roles as the absorbers of young people in need of an income, and should be seen for its opportunities.

#### *Building more cohesive societies*

71. In many developing countries, high inequality is also strongly linked to weak fiscal revenues and ineffective tax policies, together with increased returns to schooling and skills and the globalisation of job markets for certain professions, often connected to trade, finance and technology, that drive up the wage-gap (OECD, 2011a; OECD, 2011b).

72. The orientation of fiscal and redistributive policies is a challenge in many countries. The quality of public services matters. Demands for higher quality of public services have overtaken initial demands for increasing access in many countries. These increasing expectations present additional challenges for governments which have to go beyond the provision of high-quality services, for instance, by offering good quality health service in addition to building hospitals. If the quality of education, health care and other public services is low, citizens will be less inclined to contribute to the fiscal system, thus giving rise to a vicious circle. Governments can design policies aimed at fostering a social constituency to improve the provision of public services and to frame tax reforms that raise more revenue while paying greater attention to their redistribution effects.

73. The consolidation of a sizeable and stable middle class has also been associated with long-term growth and social equity in both OECD and developing countries. A strong middle class has positive externalities for growth through vigorous capital accumulation, be it physical (equipment, housing) or human (education and health). Moreover, it can be an engine to stimulate consumption and domestic demand, particularly fragile in developing countries, and a source of raising expectations *vis-à-vis* government services provision in terms of quantity but also quality.

74. However, the middle class is economically vulnerable in many developing countries: few have university degrees, many work in the informal sector and many of them risk falling into the ranks of the poor if they get ill or lose their jobs. Women tend to be overrepresented among domestic, home-based and unpaid family workers where earnings are low and where there are high poverty and social exclusion risks, and limited prospects of up-ward mobility. This “middle class” is quite dissimilar to the one that drove development in most OECD countries, in terms of education, job security or purchasing power.

75. To decrease this vulnerability and ensure that middle-class groups play a larger role in economic development, policies to promote social mobility and provide safety nets are fundamental. These policies can include pensions to prevent today’s middle-income workers from falling into poverty later in life, and better education, which contributes to ensuring that children achieve more secure livelihoods than their parents, while improving productivity and competitiveness of the economy as a whole.

76. Other social challenges include demographic transition and the need for increased social mobility, higher levels of education and equal rights for women. As an example, a large number of developing countries face a growing ‘youth bulge’, with its associated pressure on greater job creation. These diverse issues highlight the multiple challenges to overcome inequality and social exclusion, as well as the crucial role of social policies and effective institutions in supporting sustainable human development.

#### *Improving governance and institutions*

77. Institutions, organisations and capacities matter for sustainable human development as they shape incentives. Broadly defined, institutions include the rules and norms of behaviour that structure repeated human interaction (North, 1990). Both formal institutions (such as the judicial system or the public administration) and informal ones (such as family and kinship structures, traditional practices and social norms) impact on development.

78. As exemplified above, the concept of “developing countries” covers an increasingly wide range of countries in terms of size, income levels, human development and institutional capacity. This is particularly relevant given the difficulty and risks associated with exporting institutions. Evidence suggests that many attempts of transplanting institutions have not only failed, but have created perverse incentives for the development of capable administration. An important issue is therefore one of strengthening governance in the face of very different institutional contexts and constraints. These differences have implications for governance on several levels, namely, the institutional basis of countries, including differences in political systems, the type of state and legal frameworks, and the weight of formal vs. informal institutions.

79. These issues were recognised at the Fourth High Level Forum on Aid Effectiveness in Busan where 30 organisations and countries endorsed a *New Consensus on Effective Institutions* to ensure more effective sequencing of institutional reforms, responding to context and political economy factors, and guaranteeing that countries lead the assessments and measurement of institutional change.

80. Institutional settings thus determine the relative success of policies and strategies. In fragile states, where informal institutions trump rules-based institutions, governance failures are central to explaining the outcomes of public policies. Ineffective institutions can generate a loss of trust and legitimacy, making further reform attempts even less effective. The institutional differences between countries suggest that the OECD Strategy on Development needs to mobilise a range of mechanisms and tools capable of responding to the diverse needs of developing countries.

*Overcoming the middle-income trap*

81. An issue affecting many developing countries is the so-called “middle-income trap”. Very few countries have been able to maintain robust growth after reaching middle-income status and diversify the sources of growth away from cheap input and move up the value chain. Three-quarters of the countries classified as middle-income in 1960 have been trapped: they remained middle-income in 2009, or had regressed to the low-income group category. On the other hand in the last ten years, new growth drivers and their associated spillover effects have contributed to 30 low-income countries becoming middle-income countries.

82. To escape the middle income trap countries need to ensure growth remains sustained, diversified and broad-based. They will need to overcome structural bottlenecks to increase productivity, reduce inequalities, build strong institutions. The reasons behind this middle income trap must be better understood so that countries can identify policy mixes to better help them overcome it. If a sufficiently large group of fast-growing developing countries cannot overcome the middle-income trap, then growth will stagnate, further exacerbating disparities in the developing world and leaving behind hundreds of millions of low-income inhabitants, primarily in Sub-Saharan Africa.

***International challenges and international co-operation***

83. For a long time, the assumption was that a national government’s role stopped at its borders. Today, however, there is a growing need to manage global public goods (and often, public “bads”) and this will likely continue in the future. Integrated financial markets, international migration flows, climate change, global epidemics as well as transnational crime and conflicts are examples of issues with cross-border implications on development that require interventions at the international level and call for greater policy coherence for development.

84. Greater interconnectedness of countries’ economies and negative cross-border externalities are bound to influence the global distribution of income in direct and indirect ways (*e.g.* the relocation of productive activities and subsequent consequences in terms of labour mobility). Likewise, international co-operation is increasingly needed to co-ordinate effective stabilisation policies. The allocation of resources, redistribution of income and stabilisation of economic activity are thus no longer exclusive to countries themselves.

*Global challenges call for enhanced international co-operation*

85. Macroeconomic stability has proven difficult to achieve in the aftermath of the financial crisis, and much remains to be done to increase co-ordination within the OECD itself and with non-member countries. The strengthening of the G20, the adoption of its framework for strong, sustainable and balanced growth and the mutual assessment exercise is motivated by the recognition that promoting the emergence of new sources of aggregate demand and tackling global imbalances require better international co-ordination.

86. Securing strong, sustained, equitable and balanced global growth is in all countries’ interest:

- Strong growth harnesses the full range of policy options available, including monetary and fiscal policy, trade and investment, and financial and structural reform;
- Sustained growth transforms economies to base social and economic progress on ‘green growth’ strategies;

- Equitable growth narrows the development gap, further generating new poles of growth in the global economy;
- Balanced growth addresses global imbalances, including through structural reforms to spur investment in mature economies with current account surpluses and obviate the need for excessive precautionary savings in surplus emerging economies.

87. Tackling global imbalances requires the more active involvement of developing countries in the proposals for a new financial architecture. A large part of the undervaluation ascribed to currencies from developing countries (first of all China), for example, is a result of market forces, and it is likely that appreciation pressure on emerging economies will increase. The implications of this phenomenon call for more synchronisation between policies. Other challenges related to global liquidity, exchange rate misalignments or debt management usually require a collective response, and need to have a space to facilitate this discussion.

88. Addressing capital mobility is another important long-term collective challenge. It entails reforming the International Monetary System so as to equip countries with the policy tools necessary to make the most of international capital movements in support of long-term growth. There is a case for identifying the features of a common framework for capital account-related policies that would provide a level playing field for countries while preserving their ability to deal with short-term volatility. Next steps should include continued work on a menu of policies that can address capital mobility, including structural policies and the international framework for capital account-related policies.

89. Efforts in co-ordinating taxation have been particularly important to avoid the detrimental effects of tax competition among OECD members. Finding the right balance between an attractive tax regime for local and foreign investment, and securing the necessary revenues for public spending is an important policy dilemma, which requires regional or global agreements. As international mobile capital becomes more difficult to tax, the question is more relevant. The taxation of natural resource extraction has been identified as a future challenge, where compensating mechanisms need to be designed to avoid territorial inequalities.

90. Illicit transnational flows (including tax evasion, money laundering, trade and transfer mispricing as well as bribery of foreign officials) also pose a particular challenge, with a rising number of estimates suggesting that net financial transfers to developing countries are in fact negative once these flows are taken into account. Given the increased interconnectedness of the global economy, it is difficult for countries to address this type of challenge on their own. International co-operation is required to increase transparency and adopt more equitable international mechanisms.

91. The international community has for some time tried to jointly address the previously mentioned global challenges. It has, for example, tried to manage global public goods (as well as “bads”) and co-ordinate responses to international shocks. But more effective mechanisms for multilateral action are needed. Since the late 1990s, greater efforts have been devoted to mobilising international responses to global issues such as tackling development gaps. The Millennium Development Goals (MDGs) and the Monterrey Consensus on Financing for Development are an example of this type of international action, galvanising unprecedented efforts to meet the needs of the world’s poorest via a global re-distribution of income.

92. Similarly the G20 facilitated a quick, co-ordinated response to the immediate challenges raised by the 2008 financial crisis and has emerged as the leading forum for international economic co-operation. The G20 is also gradually providing a forum through which not only monetary and financial policies, but also structural issues (including taxation, trade and investment, energy subsidies and anti-corruption) can

be addressed. With the adoption of the Seoul Consensus on Shared Growth, G20 Leaders have also recognised that addressing development gaps is part and parcel of their efforts to promote strong, sustainable and balanced growth. They committed to promote “sustainable economic, social and environmental development” and refocus their “priorities and efforts to remove the bottlenecks for low-income country (LIC) growth”. The Multi-Year Action Plan articulates this commitment in nine growth pillars and specific actions. Its implementation offers a unique opportunity not only to enrich the development debate, by sharing knowledge on their diverse development experiences and strategies, but also to consider the spillovers from G20 actions on low-income countries’ growth prospects.

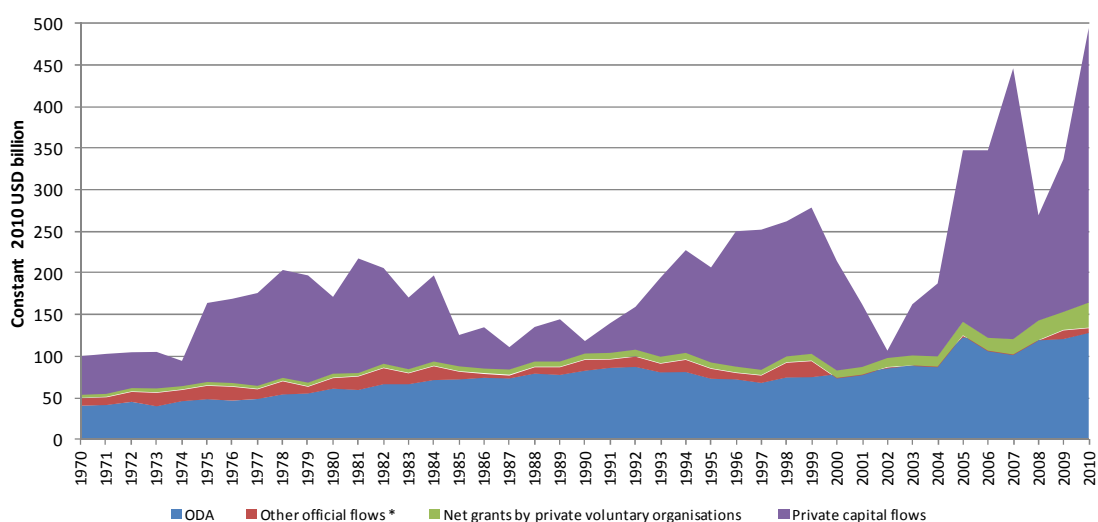
#### *Development co-operation in the evolving global landscape*

93. International development co-operation is also undergoing major changes. Since the DAC first defined government grants and soft loans as official development assistance (ODA) at the end of the 1960s, these flows have been the steadiest source of development finance (Figure 6). In 2010, ODA reached a historic high of USD 129 billion (preliminary) though this still represents a shortfall of USD 19 billion relative to 2005 Gleneagles commitments. Higher aid levels have returned, and LDCs have been the main beneficiaries. Nonetheless, the current resource-constrained environment may significantly impact aid budgets in the coming years.

94. Development co-operation as a form of international financial transfer has also made a strong contribution to national development. The Republic of Korea has shown how a combination of strong leadership, growth and leveraging aid investments in, for example, infrastructure and more effective institutions such as taxation systems can significantly reduce aid dependency and foster sustainable growth patterns.

95. A further trend is the ever-growing number of financing instruments and entities, contributing to an increasingly complex architecture of development co-operation.

**Figure 6. DAC members' total net resource flows to developing countries, 1970-2010**



Note: \* Net OOF flows were negative in 2000-01, 2003-04 and 2006-08.

Source: OECD (2011c), *Development Co-operation Report 2011*, OECD-DAC (Updated April 2012).

96. There are new and different perspectives on how to promote development, including those from China and Brazil, and South-South co-operation is now an important dimension of the new development co-operation landscape, adding to more traditional North-South modalities. South-South and triangular co-operation now totals some USD 15 billion a year and the concessional part of these flows share many features of ODA. But this proliferation of actors, which also now includes the private sector, foundations and civil society, increases the fragmentation of efforts and raises difficulties for their co-ordination at country level.

#### **Box 1. Aid effectiveness 2005-10: An overview of progress**

##### *Substantial progress*

- The proportion of developing countries with sound **national development strategies** in place has more than tripled since 2005.
- High-quality **results-oriented frameworks** to monitor progress against national development priorities are in place in one-quarter of the developing countries first surveyed in 2005, with statistics related to the Millennium Development Goals becoming increasingly available.

##### *Moderate or mixed progress*

- While non-state actors are more involved in the design of national development strategies in many developing countries, there are still challenges to providing an **enabling environment for civil society** activities in some others.
- Efforts to improve support for **capacity development** have been mixed. While donors met the target on co-ordinated technical co-operation, support for capacity development often remains supply-driven, rather than responding to developing countries' needs.
- Over one-third of all developing countries participating in the 2011 Survey on Monitoring the Paris Declaration showed an improvement in the **quality of their public financial management systems** over the period 2005-10. At the same time, one-quarter of them saw setbacks in the quality of these systems.
- Donors are using developing country systems more than in 2005, but not to the extent agreed in Paris. In particular, donors are not systematically making greater use of country systems where these systems have been made more reliable.
- Overall, donors did not make progress in further **untying aid** across the countries participating in the 2011 Survey.
- There are promising examples of efforts to improve **transparency** around aid.

##### *Little or no progress*

- Aid for the government sector is not captured systematically in developing country budgets and public accounts.
- Little progress has been made among donors to implement **common arrangements or procedures** and conduct joint missions and analytic works.
- **Aid is becoming increasingly fragmented**, despite some initiatives that aim to address this challenge.
- The **medium-term predictability of aid** remains a challenge in developing countries because donor communication of information on future aid to individual developing country governments remains isolated rather than being the norm.
- Most developing countries have yet to implement thorough **mutual (government-donor) reviews of performance** that benefit from broad participation.

Source: OECD (2011d) *Aid Effectiveness 2005-10: Progress in implementing the Paris Declaration*, OECD, Paris.

97. In addition, and more than ever before, development is not only about national challenges, but also includes global ones such as climate change, food security and those induced by demographic trends – by 2050 the world’s population will grow to just over nine billion people, most of whom will be in developing countries. The development co-operation agenda thus needs to encompass such global issues.

98. Development co-operation principles are being actively used to change behaviour in donors and developing countries alike, to catalyse policy reforms, promote institution building and leverage other sources of development finance, including domestic resource mobilisation as well as domestic and foreign investment. As a result, improvements have been made in delivering aid and using it more effectively to achieve desired development outcomes. However, significant room for improvement remains (see Box 1). In particular, evidence from an independent evaluation on aid effectiveness highlights the importance of the challenges involved in dealing with a broader set of development finance, including private and South-South flows (*Wood et al.*, 2011).

99. Efforts to date to make aid more effective have led to broad international agreements on development co-operation. The Fourth High Level Forum on Aid Effectiveness – held in Busan, Korea, at the end of 2011 – marked a turning point in international discussions on aid and development. The conference, co-hosted by the OECD, delivered a number of important outcomes, the most important of these being the **Global Partnership for Effective Development Co-operation** – emerging from the Busan outcome document, an international agreement endorsed by all major stakeholder groups, including emerging economies, which continue to confront poverty but are engaging increasingly in co-operation. Some of the key principles, namely ownership, results, transparency and accountability, were agreed as reference points for South-South and triangular co-operation. A commitment was also made to “examine the interdependence and coherence of all public policies – not just development policies – to enable countries to make full use of the opportunities presented by international investment and trade, and to expand their domestic markets.” The following summarises the main achievements:

- The Busan Partnership for Effective Development Co-operation, also known as Busan outcome document, is the most inclusive agreement on global co-operation for development: donors, South-South co-operation partners, developing countries, CSOs, private sector representatives and others participated in its formulation and lent their support to the final product. This agreement was underpinned by an inclusive and transparent negotiation process, under the auspices of the OECD-DAC-hosted Working Party on Aid Effectiveness.
- Developing countries were at the centre of the deliberations in Busan, as they were in the process leading up to the Forum through the Working Party on Aid Effectiveness. They drove the negotiations on the outcome document and they fuelled – and led – the discussions on the unmet commitments from the Paris Declaration on Aid Effectiveness: 78 countries participated in the 2011 survey, managed by the Working Party on Aid Effectiveness, to monitor the implementation of the Paris Declaration.
- A number of forward-looking agreements – on results, transparency, fragmentation, fragile states, climate change, South-South co-operation, effective institutions and the private sector – laid the groundwork to enable countries, firms and CSOs to begin to implement the Busan commitments immediately.
- A commitment to work together under a new Global Partnership for Effective Development Co-operation, supported by the OECD and the United Nations Development Programme to implement the commitments reached at Busan.

100. Numerous OECD-DAC and Working Party on Aid Effectiveness work streams were actively involved in the launching of a number of international agreements on core development challenges at Busan, including:

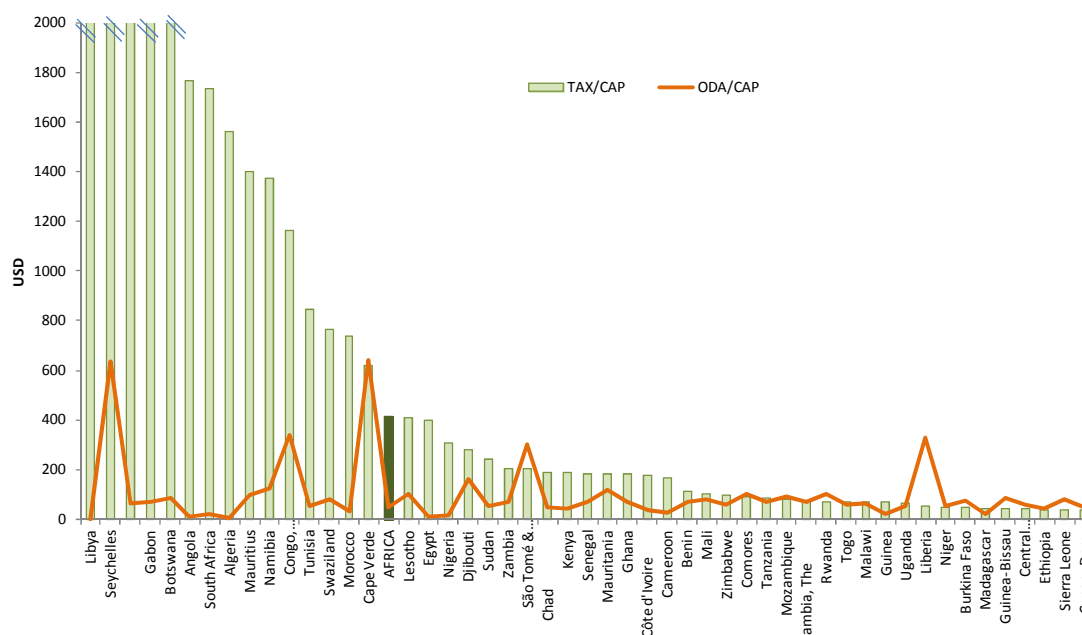
- The New Deal for International Engagement in Fragile States;
- The Busan Joint Action Plan on Gender Equality and Development;
- The Busan Action Plan for Statistics;
- A New Consensus on Effective Institutions and Policies;
- A Joint Statement on public private co-operation for broad-based, inclusive and sustainable growth.

101. Priorities for effective co-operation going forward include:

- A better understanding of how institutions and capacities in developing countries can be strengthened in order to plan, monitor deliver and account for sustainable development outcomes. In particular, core state functions, through more targeted support, can better catalyse the leveraging of financial and other resources for sustainable development, and capitalise on the opportunities created by the changing global landscape.
- Traditional donors, in particular OECD Members, have an important role to play in untying aid so that value for money is improved and local procurement enhanced.
- Transparent practices for development co-operation underpin efforts to ensure broader fiscal transparency and accountability in developed and developing countries.
- A rational international architecture for development co-operation is called for, recognising that the emergence of new actors brings with it new challenges in terms of fragmentation and proliferation and ensuring focus on country level implementation while reducing bureaucracy and keeping global structures light. More effective, responsive and whole-of-government approaches to addressing peacebuilding and statebuilding in fragile developing countries are urgently called for.

102. An antidote to aid dependency is to mobilise domestic resources through an equitable and efficient tax system, but this remains a key challenge for many developing countries. Large discrepancies remain between OECD and most non-OECD countries with respect to domestic resource mobilisation, both in terms of size and composition. Differences within regions are also substantial. For example, in Africa average taxes per capita are now higher than aid levels, although not on a country-by-country basis (Figure 7). Shifting away from tariffs and customs duties in favour of value added taxes (VAT) has been difficult for many developing countries, as has moving toward simpler, more equitable and transparent tax systems. Many developing countries additionally face constraints with respect to broadening their tax base, given the prevalence of informality in their economies.

Figure 7. Tax revenue and ODA per capita in Africa



Source: OECD (2010b), *African Economic Outlook, 2010: Public Resource Mobilisation and Aid in Africa*.

### Policy coherence for development

103. As stated in the Monterrey Consensus, achieving the internationally agreed development goals, including those contained in the Millennium Declaration, demands a partnership between developed and developing countries. Each country has primary responsibility for its own economic and social development, and the role of national policies and development strategies cannot be over-emphasised.

104. In an interconnected and globalised world, more than ever the impacts of policies adopted by any one country are felt far beyond that country's borders. Policies implemented by advanced and emerging economies are especially likely to have a global reach and influence the growth and development prospects of lower-income countries. One of the OECD Development Strategy's primary objectives, therefore, is to enhance policy coherence for development (PCD), *i.e.* supporting our member country governments to design policies that are more coherent with and supportive of development goals. It is consistent with the comprehensive approach to development taken by the G20 aiming at enabling growth in developing countries, as well as the discussions held in Busan at the Fourth High Level Forum on Aid Effectiveness in 2011.

105. Development challenges cannot be tackled by a single development cooperation Ministry or a single country. Nor can aid alone address the diverse needs of developing countries. Integrated approaches to development in which policy coherence is a core component are needed to respond more adequately to increasingly complex development challenges and to generate more positive long-term impacts. Policies other than development co-operation, in areas such as macroeconomic management, agriculture, fisheries, trade, environment, science, technology, energy, health, security, investment, taxation and migration can all have a profound impact on the prospects of developing countries. But policy coherence for development also has a domestic dimension: developing country governments themselves can maximise the growth and poverty reduction impact of their own policies by assessing and effectively tackling their possible incoherencies. Strengthening public sector governance, for example, will help minimise tax evasion and

corruption in different sectors of the economy. Similarly, financial and monetary measures to stimulate growth will be more effective if they are reinforced by appropriate social policies.

106. In a global economy, neglecting the international spillover effects of domestic policies may undermine the pursuit of other policy objectives and also render international development co-operation efforts ineffective. As a result, there is a recognition and consensus at the highest political level on the importance of greater coherence and continued efforts to ensure that development concerns are taken into account across relevant policy areas.

107. In addition, the evolving global economic landscape and the increasing importance of major emerging economies has emphasised the need to broaden the approach to policy coherence for development in order to reflect and respond better to this changing environment. In this new context, policy coherence for development is also about creating an enabling environment for mutually supportive policies to unleash the development potential of countries as well as addressing common challenges. As highlighted in the Monterrey Consensus, national efforts (policies) need to be supported by an enabling international economic environment to send the right policy and market signals, create confidence, and facilitate cooperation and exchange among sectors and governments. From this perspective, PCD can facilitate the design of collective responses to global development challenges, and build common ground on global public policies and the provision of global public goods.

#### **Development trajectories: What approaches to better support national strategies?**

108. Today's global economic landscape has created new opportunities for development in many countries. The extent to which countries will be able to seize those opportunities lies in their capacity to identify and tap their specific resources and to address their binding constraints. Equally important will be countries' capacity to design an effective mix of policies to mobilise these resources, to assess their political feasibility and to sequence their implementation. As the global economy becomes more interconnected, this identification of comparative strengths and weaknesses becomes particularly important, helping countries work out how they can best fit into increasingly global markets. In sum, individual policies should be part of an overall national development strategy, which in turn is rooted in diagnostics rather than prescriptions.

109. Past prescriptive approaches assumed that all developing countries face similar problems, and that general economic reforms in areas like financial and trade liberalisation, deregulation and privatisation of public services would lead to similar results. However, "copying" policies may not be effective, given that country specific bottlenecks and constraints can often interact with one another, reducing the efficiency of imported reforms as well as their impact on growth (Hausmann, Rodrik and Velasco, 2005). Institutions and endowments, bottlenecks and constraints need to be taken into account if individual policies, and national development strategies are to succeed. Heterogeneity means that countries will always follow different development trajectories and that no "ideal" strategy can be applied to all. Hence, successful strategy building starts with a diagnosis of national conditions and binding constraints.

110. The re-emergence of China and India has also highlighted the heterogeneity of policy solutions and the co-existence of distinct development trajectories. The role of public investment and physical and human capital accumulation in emerging Asia suggests there are alternative paths for development, ones which go beyond the experiences of high-income countries in North America and Europe. The development experience of the OECD countries themselves highlights that government investment and interventions played a significant role in the process of their structural transformations. Developments in China and India suggest that success is a matter of achieving an appropriate balance between government, markets, policies and institutions.

111. An equally important factor for the success of a national development strategy is **sequencing**, for which prescriptive approaches have historically given little guidance. Sequencing is relevant because initial reforms must resolve binding constraints (*e.g.* in the political economy) if they are to catalyse growth. Similarly, the impact of framework conditions will vary at different stages of structural transformation. As an example, reducing barriers to entrepreneurship may be beneficial to countries at all levels of development, but reducing barriers to trade may need to be sequenced in order to allow the domestic sector to adjust before an economy can benefit from more open trade.

112. The best diagnosis and sequencing can be frustrated if political economy considerations are not taken fully into account. Political economy factors contribute significantly to shaping the development of institutions. Political and technical challenges involved in actually realising reforms are enormous but often underestimated. It is not so much *what* to do, but *how* to do it that often constitutes the real challenge. Despite a broad consensus on the need for reforms in many fields, their depth, scope and timing differ considerably across countries and across policy areas. For this reason, exchange of experience – success and failure – is very important. Work on making reform happen has shown that there are no universal solutions, but some important common features of successful reforms can be identified.

113. In order to identify correct policy mixes and sequencing, countries require spaces within which to share information on the global context, share policy knowledge, compare lessons on reform and identify specific actions. Their policy dialogue and knowledge sharing can be supported by data and evidence-based analysis, and solid methods to measure results. As it will be discussed later, the OECD provides a highly specialised setting to support both better development policy and international dialogue and co-ordination on key actions.

114. National conditions influence the design and implementation of development strategies, but external conditions play an increasing and more visible role. As the reach and interconnection of economic activities across countries has grown, countries are becoming “spatially” smaller and cross-country externalities and connectivity are becoming larger. Together with public goods, spillovers across countries have become more important and visible all the time. Spillover effects can stem from several sources, including increasingly global activities such as financial transactions. The globalisation of financial markets has combined with other factors to reduce the countercyclical power of national policy and the ability of countries to act independently from one another. External conditions can in this way constrain the policy space available to governments when designing development strategies, thus increasing the complexity of government action.

115. Interactions at the international level will increasingly have to be considered in country-level development strategies, as decisions taken in these forums have growing impacts at the national level. On the one hand, governments should enhance their ability to foresee and internalise the implications of other players’ actions and international frameworks in the design of their own strategies, but also adjust their policy tools accordingly. On the other hand, they should find ways to contribute to the growing role of global governance.

## CHAPTER 2

### THE OECD: PROMOTING DEVELOPMENT IN A NEW GLOBAL LANDSCAPE

#### What the new global development landscape means for the OECD

116. Chapter 1 shows that the development landscape is evolving rapidly. The OECD needs to adjust to these new dynamics if it is to continue delivering on its mission of contributing to a stronger, cleaner and fairer world economy. As stated in the *Framework for an OECD Strategy on Development*: “The pressing need for enhanced co-operation to address common challenges and to achieve sustainable economic growth globally has become self-evident. Development is therefore an investment in our common future.”

117. When building an OECD strategic approach to development, both the opportunities and the challenges arising from the changing economic global landscape need to be pertinently addressed. Responding to global trends, supporting Members in enhancing policy coherence for development, as well as engaging in policy dialogue with non-Members, involve a series of opportunities and challenges for the Organisation and its Members which in turn highlight strengths and weaknesses in the OECD’s current approach to development (see Annex for a description of strengths, weaknesses, opportunities and challenges faced by the OECD).

118. The half-century experience in supporting economic development provides the OECD with important tools and lessons for identifying common challenges, propose principles of good practice, and agree on soft law instruments to help governments to improve the quality of their policies. Additionally, the OECD’s convening power across policy communities can permit building strong partnerships with non-Member economies as well as International Organisations. The work within the Development Cluster<sup>2</sup> has been illustrative of the OECD’s capacity to strengthen its bonds with the development community.

119. In an increasingly complex development landscape, the OECD needs to take a more strategic approach to development, building on its established competencies, capabilities and track record. Simply mapping what is being done already will not be enough, nor will applying existing OECD instruments and approaches to developing countries. An adaptation of frameworks and an upgrade of the skills of the Organisation may be necessary to support the new approach to development. The Organisation also needs to manage demand from developing countries effectively, collaborate with others to strengthen the overall impact on development and avoid duplicating the efforts of other stakeholders. Finally, given the interdependence of all economies, a more strategic approach must aim to benefit developing countries and OECD countries alike.

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2 The Development Cluster consists of the Development Co-operation Directorate, the Development Centre, the Africa Partnership Forum Support Unit, Paris 21, the Sahel and West Africa Club, and the Global Relations Secretariat.

## **The OECD's core competencies and comparative strengths: opportunities for OECD's work on Development**

### ***Contributing to better policy making for better lives***

120. It is useful to recall three core mechanisms through which the OECD contributes to better national policy-making: generating and diffusing ideas and best practices; undertaking policy evaluations and policy dialogue; and generating comparative data and indicators (Martens and Jacobi, 2010).

121. The OECD's core mechanisms help underline the Organisation's comparative advantages. Idea generation feeds political debates and contributes to the development of new policy aims and goals. Policy evaluation and reviews help the Organisation assess a country's policy efforts and promote mutual learning through dialogue. Data generation makes it possible to compare economies and measure progress. These elements all contribute to the effectiveness of the distinctive OECD working method: evidence-based policy dialogue. The OECD brings together government experts and other stakeholders to discuss joint agendas, share experiences on specific policies, review evidence and identify the best ways to implement reforms. An equal footing and peer learning are cornerstones of these exercises.

122. The OECD has been active in development since its establishment. The three afore-mentioned core instruments have been at the heart of this work on development. Over time, it has:

- Helped generate global ideas – from the polluter-pays-principle, to the Millennium Development Goals and the concepts of aid and development effectiveness – and advance the global development agenda;
- Reviewed the development impact of policies in areas such as development co-operation, trade, agriculture, investment, innovation, taxation, and migration;
- Engaged increasingly in evidence-based policy dialogue on development with developing country governments, international and regional organisations, and other key stakeholders;
- Produced data to monitor the implementation of development-related commitments and assess the impact of OECD policies on developing countries;
- Added value to global efforts in the field of Policy Coherence for Development, starting with the “Action for a Shared Development Agenda” endorsed at the 2002 Ministerial Council Meeting and focussing over the years on the coherence between OECD countries' aid and non-aid policies.

123. OECD's instruments have been deployed with a diverse scope. Some have a potentially global reach, such as the generation and analysis of data and indicators on financing for development or measuring progress of societies. Others are more country-specific, such as investment or territorial development policy reviews. Others still have been developed and applied to specific regions or groups of countries, such as the mutual review of development effectiveness or the establishment of regional initiatives in areas like investment, innovation or taxation.

124. Against this backdrop, the OECD's comparative advantages in development lie in its:

- Focus on improving policy design and implementation, through evidence-based analysis, policy dialogue and peer-learning, and on making reform happen;
- Access to wide networks of policy makers and practitioners in Member countries and several emerging and developing economies;
- Cross-cutting and multidisciplinary approach to global issues.

125. Building on these advantages and on existing OECD work on development, the Organisation can identify ways to better respond to the needs and demands of developing countries and to opportunities to contribute to the global development agenda (*e.g.* on PCD, or on the post-2015 international development framework and goals, among others).

*Independent and evidence-based policy diagnostics and advice*

126. The OECD provides arms-length diagnostics, independent and evidence-based policy advice, and can mobilise analytical capacities in multiple disciplines to tackle policy problems and help improving policy performance. Such approaches are based on tools and standards that are mutually agreed and applied by Members, and increasingly also by non-Members.

127. The OECD combines development-specific strengths and sound thematic competences across a wide range of policy fields that are relevant to development. It can thus operationalise a more holistic approach to development, one that can identify and focus on the binding constraints to growth and development. OECD expertise extends beyond that of its various directorates. Indeed, the OECD's access, via its diverse policy communities, to the expertise of policy practitioners and international networks, constitutes a unique comparative advantage of the Organisation.

128. The OECD's thematic strengths also provide international frameworks for multilateral co-operation (*e.g.* in economic policy, tax co-operation, education and migration). These frameworks underpin diagnostic tools and analytical frameworks of global reach (*e.g.* the well-established Programme for International Student Assessment, PISA, the Programme for the International Assessment of Adult Competencies, PIAAC, or the Inclusive Green Growth toolkit that is being developed in the framework of the G20), which can provide thematic and structured platforms to bring together developed and developing country perspectives in support of knowledge sharing and mutual learning for more effective development policies. As will be described further in the following chapter, these strengths can be used in different ways: in providing policy support for individual countries, for groups of countries that share similar development challenges and binding constraints, and in scaling up selected OECD activities with global reach.

*Dialogue and reviews: building networks of policy communities and supporting mutual learning*

129. Improving the quality of policies and implementing reforms is a common concern for OECD and non-OECD governments. This is an area where the OECD has established unique working methods and has a proven track record. The expertise of a wide range of policy communities and international networks, backed by comparative statistics and evidence-based analysis, is brought together and shared through policy dialogue and peer learning. These elements, combined, allow for high standards of public policy making and its effective implementation.

130. The OECD co-ordinates and hosts networks of policy communities, drawing on national experts and bringing together a large spectrum of experiences, ideas and practitioners' knowledge. These networks also offer an opportunity for the OECD to mainstream and strengthen the development dimension of work across OECD directorates and policy communities, with a view to promote greater policy coherence for development.

131. The OECD's capacity to activate such networks bears great potential for development. Inclusive platforms for global, regional or local dialogue and mutual learning can be particularly valuable for developing countries to access a wide range of experiences and knowledge in a cost-effective manner, as they strive to design and implement better policies and assess their impacts.

132. In fact, over the last 20 years, the OECD has developed a broad and diverse range of formats and mechanisms for dialogue with developing economies, which benefit from strong convening power and developing-country participation. Some of them have taken the form of horizontal initiatives engaging different Directorates and Committees to address the multi-dimensional nature of development challenges. These policy networks and dialogues span areas as diverse as economic policy, investment, public governance, tax policy and administration, development effectiveness, agriculture, education, environment and energy – with global and regional dimensions. Some notable examples include:

- International partnerships for development (*e.g.* the OECD Development Centre and the DAC-hosted Working Party on Aid Effectiveness);
- Global Forums and international initiatives, regional initiatives (such as in LAC, MENA and West Africa);
- Multi-stakeholder initiatives (*e.g.* the Informal Task Force on Tax and Development, the International Dialogue on Peacebuilding and Statebuilding, the Gender Initiative);
- OECD Enhanced Engagement programmes with the Key Partners – Brazil, China, India, Indonesia, and South Africa – as well as the Southeast Asia regional approach.

133. Policy networks also bring in participants from private firms, civil society organisations, think tanks and parliamentarians to help ensure awareness of the viewpoints and interests of a wide range of stakeholders. In these ways, the OECD offers a broad and diverse range of mechanisms where developing and OECD countries can engage on an equal footing and advance together the international development agenda.

#### *Data Generation*

134. Statistics are at the heart of the OECD work. Data and indicators support our governments' capacity for policy design and evaluation, strategic foresight and innovation. For this reason, the OECD has developed a quality framework for statistical activities, designed to enable the OECD to systematically assess, compare and improve statistics. Not neglecting that the quality of statistics can also be assessed against internationally accepted methodological standards produced by international agencies, the specificity of OECD statistics is that their quality is assessed against their "fitness and pertinence for use" *vis-à-vis* users' needs (*e.g.* data accuracy is crucial, but the quality of data depends on timely production, accessibility, and consistency with other data).

135. Data and indicators developed within the Organisation cover almost the whole spectrum of policy-making and the measurement of progress of societies, and are used by a wide range of stakeholders, including developing countries. The Organisation is working on improving not only the quality, but also

the access to data within the framework of the Statistical Data and Metadata eXchange (SDMX) initiative, involving several International Organisations, to foster standards for the exchange of statistical information<sup>3</sup>.

136. Finally, the Organisation is engaged in encouraging and assisting low-income and lower middle-income countries to design, implement, and monitor a National Strategy for the Development of Statistics. The Partnership in Statistics for Development in the 21st Century (PARIS21) is a global forum and network that brings together International Organisations (EU, IMF, OECD and WB) and practitioners to promote, influence and facilitate statistical capacity development as well as a better use of statistics.

### ***OECD's role in fostering policy coherence for development (PCD)***

137. The OECD has worked to promote PCD for its members, since the early 1990s, and the approach has evolved over time. A Ministerial mandate in 2002 focused the Organisation's efforts on two main dimensions: 1) avoiding impacts that adversely affect the development prospects of developing countries, and 2) exploiting the potential for positive synergies across different policy areas.<sup>4</sup> Hence, OECD's work on PCD has consisted of analysing and assessing the policy dimension, as well as promoting good practices on the institutional dimension of coherent policies. Work on the policy dimension has evolved over the years and encompasses the active engagement of thematic directorates and Committees, which are encouraged to take into account the impacts of their policy advice on developing countries. A specific publications series – *the Development Dimension* – highlights the findings and presents the benefits of coherent policies and the costs of incoherent policies, thus creating an evidence-based foundation for PCD.

138. The Ministerial Declaration adopted in June 2008 [C/MIN(2008)2/FINAL], further strengthened the dual-focus of OECD's PCD work. In the Declaration, Ministers reaffirmed their commitment and resolved to continue efforts to ensure that development concerns are taken into account across relevant policies. They requested the OECD to help enhance understanding of the development dimension of policies and their impact on poverty reduction. A new element was to strengthen dialogue with partner countries in sharing experiences on the effects of OECD Members' policies on development and to consider the increasing relevance of PCD in developing countries' policies. They also called for better international co-ordination to help ensure that benefits of globalisation are broadly shared. The Declaration also stated that in addition to economic and financial policies, trade, agriculture, migration, environment, and science and technology, coherence is necessary in regards to energy and security.

139. A solid evidence base is crucial to sway public opinion and convince decision makers to act, but specifying the nature, scale and impact of policy incoherence and quantifying its costs present major methodological challenges. Addressing these challenges successfully is an important step on the road towards coherence and begins with the identification of policy examples that undermine development objectives, as illustrated in Box 2.

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3 The sponsors of the Statistical Data and Metadata eXchange (SDMX) initiative are: BIS, ECB, Eurostat, IMF, OECD, UNSD and the World Bank.

4 "OECD Action for a Shared Development Agenda" From the OECD Council at Ministerial Level, Final Communiqué, 16 May 2002.  
[\[http://www.oecd.org/document/46/0,2340,en\\_2649\\_33721\\_2088942\\_1\\_1\\_1\\_1,00.html\]](http://www.oecd.org/document/46/0,2340,en_2649_33721_2088942_1_1_1_1,00.html)

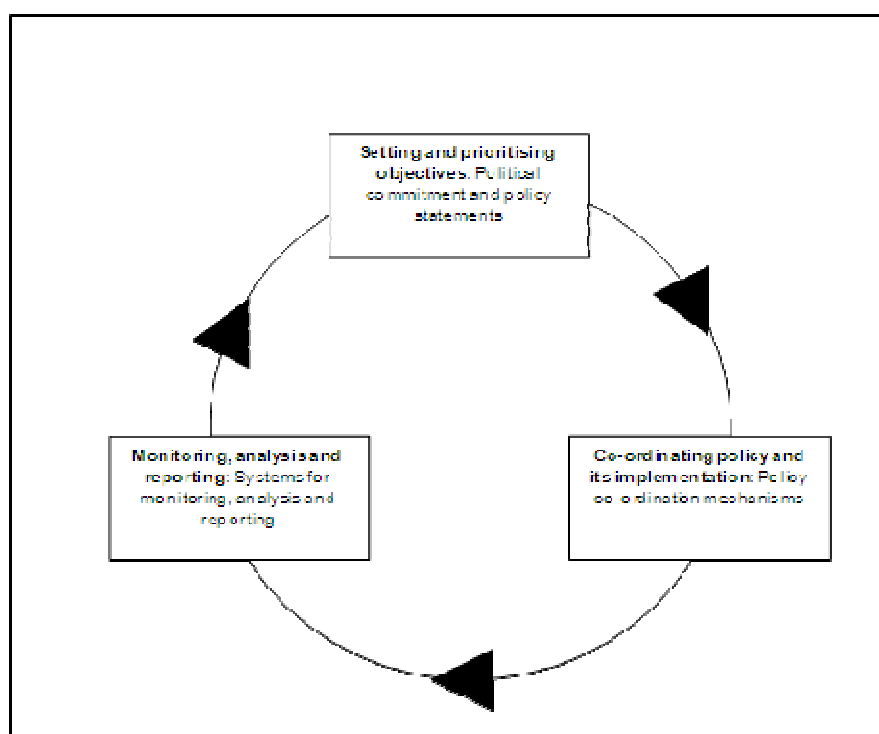
**Box 2. Undermining development - examples of incoherencies**

- With high food prices, a new set of policy challenges has come to the fore, not least that of ensuring global food security. Almost one in seven people go to bed hungry every night, while one third of the food produced for human consumption gets lost or wasted. This implies obligations on developed and developing countries to address in a coherent manner the availability *and* access sides of food security.
- The IEA World Energy Outlook estimates that EU fossil fuel subsidies amounted to USD 558 billion in 2008 and USD 312 billion in 2009. At the same time, biodiesel and bioethanol imports into the EU are subject to considerable import duties, depriving developing countries – of which many are environmentally and economically more efficient producers – of the potential benefits of trade in biofuels.
- Total illicit flows from developing countries have been estimated to be between USD 850 billion to USD 1 trillion per year, far exceeding inflows from Official Development Assistance and Foreign Direct Investment. Tax evasion is estimated to account for 60 to 65% of all illicit flows; 30 to 35% is attributed to criminal activities and 3% to bribery and theft by government officials. While illicit flows are not policy incoherencies in themselves – but the result of criminal actions – this shows the importance of addressing the root causes of problems, rather than increasing ODA and/or FDI to compensate for the consequences of those problems.
- Over half of the fish eaten in the developed world originates from developing countries. At the same time, valuable fish stocks in many coastal areas of the developing world are severely threatened by over-fishing and weak regulatory environments.
- The cost of treating disease is vastly greater than the cost of controlling or preventing disease. In a time of global recession, the disparity in health outcomes between developed and developing countries will most likely widen. The WHO estimates that close to one billion people are affected by neglected infectious diseases, yet less than 1% of the drugs that have entered the market since 1975 were developed for these diseases.
- Rich countries often have favourable migration policies targeting health workers, while at the same time providing development assistance to poor countries health sectors.

140. The DAC peer review process has played an important role in promoting institutional frameworks which can ensure that the development dimension is taken into account at all stages of policy making. Since 2002, a specific chapter on policy coherence for development has been systematically integrated into all DAC peer reviews. Based on the findings of the 2003-07 cycle of these reviews, the OECD has developed a framework for promoting and assessing Members' progress towards PCD. This is conceptualised as a three-phase cycle, with each phase supported by a “building block”: (i) political commitment and policy statements; (ii) policy co-ordination mechanisms; and (iii) systems for monitoring, analysis and reporting (Figure 8).<sup>5</sup>

5 OECD (2009): *Building Blocks for Policy Coherence for Development*, Paris. [<http://www.oecd.org/dataoecd/14/53/44704030.pdf>]

Figure 8. The policy coherence cycle



141. The importance of good institutional mechanisms for policy coherence for development was emphasised in April 2010 when the OECD Council adopted a Recommendation on Good Institutional Practices in Promoting Policy Coherence for Development.<sup>6</sup> The Council Recommendation called on Members to take further measures to strengthen PCD. It identified institutional practices and lessons learned, drawing on DAC peer reviews and on work by the OECD Public Governance Committee, to foster “whole of government” approaches to policy-making and help to better integrate consideration of development issues in designing and implementing national policies.

142. The building blocks – and the lessons learned – also apply to the OECD as an organisation. In 2007, the OECD established a dedicated Unit in the Secretary General’s office to promote PCD and to ensure that this work benefits from a co-ordination mechanism, consistent with its own good institutional practice recommendations. The PCD Unit has contributed to encourage Committees and Directorates to identify inter-linkages across policy areas to strengthen the integration of the development dimension in their programmes of work, enhance synergies and develop joint projects.

#### *Policy coherence for development in a new global landscape*

143. The OECD’s comprehensive approach to development reflects ongoing global developments. It reinforces the need for deepening, broadening, and complementing the work OECD is already doing, by going beyond institutional approaches and building solid evidence of concrete impacts through economic analysis of the effects of OECD Member policies – and possibly those of other countries – on developing countries. In particular, there is a need for developing methodologies and indicators to better monitor and assess impacts of Member policies and minimise negative policy externalities and maximise positive

6 [http://www.oecd.org/document/32/0,3746,en\\_2649\\_18532957\\_46160096\\_1\\_1\\_1\\_1,00.html](http://www.oecd.org/document/32/0,3746,en_2649_18532957_46160096_1_1_1_1,00.html).

synergies. This entails engaging in a more systematic dialogue with developing countries as well as other relevant stakeholders on the costs of incoherent policies and the benefits of coherent ones in order to generate political will for action. This dialogue is particularly needed given the heterogeneity of developing countries and the fact that policies might affect each country differently. Without feedback from developing countries, country-specific impacts are difficult to determine.

144. Despite the strong political will expressed by ministers in the Ministerial Declaration on Policy Coherence in 2008, as well as the efforts made by most DAC members to put in place the necessary institutional mechanisms, limited progress has been made in delivering better policy coherence for development. Experience with peer reviews on institutional practices and mechanisms for PCD has shown that the three building blocks identified in the OECD Council Recommendation on good institutional practices for PCD are necessary to raise awareness and build efficient decision-making, but not sufficient to translate into greater PCD policy making. There is a need for deepening thematic and cross-sectoral analysis and develop impact assessments. A key challenge to achieve progress is the lack of robust methodologies and indicators to measure progress as well as of specific evidence-based impact analysis adapted to country contexts.

145. Another challenge today is to create a dedicated space where countries and relevant stakeholders can hold exchanges on policy incoherence, and build common ground on how to make their collective development efforts more coherent and effective. Low-income countries often find themselves in “receiving” mode, with little influence over the policy agenda at international level. Research shows that even relatively weak countries gain from informal co-ordination where countries in a network share their views (in opposition sometimes to the dominant view).

146. The OECD has the capacity to provide such a practitioner-to-practitioner space, offering a venue to share views and experiences between advanced, emerging and developing economies and provide a structured dialogue platform to seek policy solutions. The Due Diligence Guidance on Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas is an example of an agreement developed through broad consultations among practitioners. The OECD can thus foster a dialogue on cross-border issues that OECD countries might otherwise not be in a position to address and that developing countries cannot resolve alone. It can promote mutual assistance and policy co-operation.

147. As part of the comprehensive approach to development advocated by the OECD Strategy on Development, the Organisation needs to scale up its work on PCD to:

- *Ensure that OECD's policy advice is coherent with development*, by assessing and monitoring the impact of the OECD's broad work on development. This involves raising awareness on the benefits of PCD, mainstreaming the development dimension throughout the Organisation and its Committees, re-focusing the analytical work to take into account the impact of specific policies on development outcomes, identifying in particular areas of policy incoherence and ensuring that our policy advice is coherent and consistent with development objectives.
- *Support more effectively OECD Members in their efforts to design policies consistent with development*, by developing evidence-based analyses on the costs of incoherent policies as well as on the benefits of more coherent policies and providing a platform for dialogue on these issues with developing countries and key stakeholders. The OECD could also reinforce members' capacities to design mutually reinforcing policies for development across a wide range of economic, social and environmental areas.

- *Contribute through a PCD perspective to the analysis of key global issues, such as food security, illicit financial flows, climate change and green growth.*

148. To facilitate the sharing of good practices and evidence-based analysis on PCD, the OECD launched in November 2011 a web-based *International Platform on Policy Coherence for Development*.<sup>7</sup> The Platform seeks to ensure alignment with both substance and principles of the OECD Strategy Development. It is inclusive and open to all stakeholders, including civil society, and it adds value to ongoing national and international efforts to promote PCD.

### ***OECD participation in international and global initiatives***

149. As challenges are increasingly shared by the international community, there is a need for collective action to provide global public goods and prevent global public “bads”. The OECD offers a global platform to strengthen OECD Member responses and to support and help advance international agendas, provide for the exchange of knowledge and best practices.

150. The OECD has actively contributed to give “voice” to developing countries and take action on their own development objectives, through the work with non-Member economies. Their participation in the different committees and working groups, their role within the development cluster (*e.g.* The OECD Development Centre’s membership, where non-OECD countries play on an equal footing to OECD Member countries; and the DAC-hosted Working Party on Aid Effectiveness) and the permanent exchange with OECD Members has been increasingly important in redefining the relationship with developing economies. The comprehensive thematic scope of these partnerships, as well as the multi-dimensionality in the approach of the OECD to development issues, has been characteristic of the work of the Organisation and will be stressed in future initiatives.

151. The current agenda of the OECD on development is embedded within a group of larger global initiatives, and its contribution to these forums needs to be highlighted. Three main global initiatives could link current work with future activities of the OECD: *i)* the post-2015 international development framework and goals; *ii)* the G20 Development agenda; and *iii)* the role of OECD within the agreement of the Global Partnership for Development.

### ***Millennium Development Goals and the post-2015 framework***

152. The MDGs, whose origin could be traced to the mid-1990s within the OECD/DAC, focus on dimensions of development beyond economic progress, and stress people’s capabilities, including income education, gender equality, health and environment. The post-2015 debate has highlighted the need to reassess the development goals going forward and take other factors into consideration.

153. The first element deals with well-being among the population as a real dimension of development. The second involves equity, a development goal that has not been properly discussed in the MDGs agenda. Equity, not only of income but also of opportunities, is an important catalyser for attaining most of the other development goals. Other dimensions, such as security (conflict and fragility), inclusive green growth, governance and accountability, justice, social capital, voice and participation and empowerment could be included in the debate and the definition of objectives after 2015.

154. The OECD programme of work has been addressing issues beyond the current MDGs agenda. The programme for the measurement of well-being and progress, for instance, is based on the analysis of

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7 Visit <https://community.oecd.org/community/pcd>

indicators at the individual and household levels, and extends to non-OECD economies. This is an important starting point for the future definition of well-being measures for development.

155. Additionally, the discussion on the heterogeneity of development trajectories (in Chapter 1) is also relevant for the role that the OECD could play in helping to design goals and indicators for the post-2015 agenda. The failure of the implementation of some MDGs highlights the difficulty of matching global objectives included in the MDGs agenda with national development strategies. This can in part be explained by differences across countries in terms of resources, economic stability or institutional framework. However, it also highlights the need to better target specific development goals and, if required, to cluster and allocate specific goals to country groups.

156. The possibility of overlap with other international institutions in the area of monitoring development progress exists, but contributions from the OECD would also be opportune. The OECD is already working with other organisations within the Inter-Agency and Expert Group on MDGs Indicators. Future MDGs strategies, monitored by the UNDP and other specialised development agencies (for instance, the World Health Organisation), could rely on the OECD expertise in building robust and comparable indicators. In this sense, it is important to position OECD valuable instruments in the post-2015 agenda.

#### *G20 Development Agenda*

157. The OECD has vigorously contributed to the inception and advancement of the G20 Seoul Development Consensus and its Multi-year Action Plan (MYAP) on Development. These contributions, alongside with the relevance of several OECD initiatives and tools, have been regularly acknowledged by G20 countries, most recently in the 2012 Report of the G20 Development Working Group. The Strategy on Development has integrated several principles and pillars of the G20 Consensus for Shared Growth agreed in Seoul, and it covers several thematic areas dealing with the MYAP nine pillars which are essential for resilient and inclusive growth.

158. Synergies can be easily found between OECD current work on the four pillars identified in the Framework for the OECD Strategy on Development (see chapter 3), in which the OECD is actively working on, and the G20 development agenda. OECD's work cuts across several issues highlighted in the G20 development agenda:

- ‘innovative and sustainable sources of growth’ is directly related to the first development principle of the G20 agenda, which focuses on strong, sustainable and balanced growth, as a condition to narrow the development gap;
- ‘mobilising resources for development’ is directly linked to the pillar of domestic resource mobilisation in the G20 agenda, and the need to strengthen tax regimes and fiscal policies in developing countries, as well as international tax cooperation;
- ‘governance for development’ relates not only to the G20 agenda for action on combating corruption, promoting market integrity and supporting a clean business environment, but also to the G20's focus on systemic issues where there is a need for collective action, through South-South and triangular co-operation;
- ‘measuring progress for development’ is particularly relevant for the G20 principle of outcome orientation, which focuses on feasible, practical and accountable measures to address clearly articulate problems that are serious blockages for improving development prospects.

*Global Partnership on Effective Development Cooperation*

159. The OECD co-hosted, with Korea, the *4th High Level Forum on Aid Effectiveness (HLF-4)* in Busan. Reaching the agreement was underpinned by an inclusive and transparent negotiation process, under the auspices of the OECD-DAC-hosted Working Party on Aid Effectiveness. The Busan Outcome document endorsed by all major stakeholder groups, including emerging economies mandated the OECD, along with the UNDP, to support the effective functioning of the Global Partnership on Effective Development Cooperation, building on the collaboration to date and their respective mandate and areas of comparative advantage (§ 36d, Busan Partnership document).

160. The activities undertaken by both organisations will build on their existing work and comparative advantages, with the OECD drawing on its methodological and analytic expertise to support implementation of Busan commitments at the global level, including assessing progress through a global monitoring framework. Additionally, the OECD will provide support to DAC member countries in implementing their commitments.

161. A number of forward looking agreements were also agreed with inputs from the OECD—on results, transparency, fragmentation, fragile states, climate change, South-South cooperation, effective institutions, private sector, statistics and gender equality—which laid the groundwork to enable countries, firms and CSOs to begin to implement the Busan commitments immediately.

**What challenges does the OECD face to enhance its contribution to development?**

162. The Organisation is already “active in development”, using an increasing number of its tools to support developing countries as they strive to enhance their own policies. However, there is widespread recognition both among OECD Member countries and the Secretariat that this work can be done more effectively, in particular by better mobilising relevant expertise from across Directorates outside the Development Cluster and different policy communities. Consultations with stakeholders from government and civil society in both Member and non-Member countries, including on the occasion of the Development Centre 50<sup>th</sup> Anniversary High Level meeting [see DEV/GB(2012)3] broadly confirm the view that there is ample scope for enhancing the effectiveness of the OECD’s work on development and PCD and better exploiting its core and multi-disciplinary competencies through joined-up approaches.

163. Although there are numerous examples of OECD Directorates and Committees working together on issues relevant to developing countries (*e.g.* aid for trade, food security, water, green growth, tax and development), the bulk of this work is currently undertaken in an *ad hoc* fashion. In order to offer coherent, effective support to non-Member countries the Organisation needs to promote greater coordination across Committees/Directorates and to bring together its diagnostics and its multi-sectoral expertise, adopting comprehensive and integrated approaches for supporting development.

164. A clear challenge is the OECD’s capacity to present and communicate its work on development. The OECD needs to explain better what it is already doing in the area of development and how its expertise can be relevant for developing countries as well. However, in some areas of work, the outside perception is that instruments have been conceived primarily for a set of advanced and relatively homogenous economies and may be inappropriate for developing countries. Internally some Committees with already heavily charged programmes of work, may perceive the engagement with developing countries, or on development issues as a challenge. Translating the mandate of the 2011 Ministerial Council into reality and addressing development issues in programmes of work and budget will require political decisions from Committees. Moreover, financial and human resources are crucial aspects to be considered when discussing the implementation of the OECD Development Strategy.

165. The OECD has a range of tried and tested activities to support dialogue on development and engagement with non-Members, and with international processes such as the G20. In addition to the full participation of non-Member countries to OECD bodies such as the Development Centre or the Global Forum on the Exchange of Information for Tax Purposes, these activities include: country and regional economic outlooks and strategies; statistics, indicators and surveys; peer and policy reviews; instruments and tools, such as codes, guidelines and best practices. These activities have generally been developed among OECD Member countries, and many will need to be reassessed before being applied more broadly to developing countries. In several instances, however, the Organisation has been able to adapt its work to respond to emerging needs and demands. Examples include:

- Cross-directorate efforts such as the green growth strategy or the responses to requests from G8 or G20 Leaders;
- Consultations and negotiating processes with a large number of non-OECD countries, such as the revision of the Guidelines for Multinational Enterprises;
- Country-specific work, such as economic assessments and economic surveys of some emerging economies.

166. The Organisation thus has an organisational flexibility that allows it to create new or adapt existing approaches and structures at a thematic, inter-disciplinary level. Examples of this include work on tax and development, and on fragile states via the International Network on Conflict and Fragility (INCAF). The OECD has also successfully engaged in policy dialogue with non-member communities such as in the case of the Policy Framework for Investment (PFI). The PFI is an example of a coherent approach towards creating the enabling environment for domestic and foreign investment. This tool, developed with the full involvement of many non-member countries, is adapted to a wide range of political contexts and able to enhance benefits for society and. Despite these examples, a key challenge for the OECD is to manage a more systemic engagement with non-Members.

167. OECD's enlarged coverage of development issues and increasing integration of developing-country perspectives could challenge its organisational structure and Committees. Ensuring a coherent and substantive engagement with developing countries with different income levels and diverse institutional frameworks is not an easy endeavour. Targeted policy advice to contribute to effective knowledge sharing should be demand-driven and allow for different political, economic and governance contexts entering into the discussions. As noted in the *Framework* document, a key element of the Development Strategy should be the application of a more comprehensive approach to development, and achieving this may require an "upgrading" of the organisation's knowledge and skills to ensure that policy options and recommendations are more relevant for developing countries.

## **Managing Developing Country Demand: What should the OECD consider?**

### ***Responding to demand***

168. The new OECD Strategy on Development must respond to the needs and expressed demand of developing countries or regions to engage with the OECD. Currently, the Organisation provides *ad hoc* services to non-Members. Mostly these respond to particular requests for policy guidance in specific policy areas like growth, public sector reform, investment, agriculture, innovation, SMEs and entrepreneurship. In other cases, developing countries participate, upon demand, as equal partners in structured debates with medium-term perspectives (*e.g.* in areas such as tax and development, regional economic outlooks or development effectiveness). The variety of approaches used, sometimes in the context of specific frameworks such as Global Forums, and sometimes using the tools and approaches designed for OECD

Members, reflects a bottom up, demand-driven engagement. The Strategy must bring structure and prioritisation to this engagement.

169. A more strategic approach to development across the OECD calls for identifying and managing the demand from developing countries, which might otherwise be uncoordinated, piecemeal and contribute little to the OECD's strategic objectives in the field of development. The OECD will therefore need effective ways to identify demand and match it with the supply of activities undertaken in the framework of the Strategy. This will also require building on existing scanning devices and listening posts in the OECD (e.g. regional initiatives and global forums, notably the Global Forum on Development) that already involve and include stakeholders from many developing countries. Work within the Development Strategy must ensure a close fit with the OECD Global Relations Strategy.

170. The OECD will also need metrics to identify the organisational, financial and human resource implications of activities conducted under the Strategy, in order to compare the incremental costs of expanding developing country participation in its work (e.g. adding a country to an existing statistical series, undertaking a dedicated policy review) to the benefits both parties will draw from stronger engagement.

***A two-way street: learning from the experiences of others***

171. The Strategy on Development must be of mutual benefit for OECD as well as developing countries. The Strategy must therefore not only shape a more strategic and effective contribution by the OECD to development by increasing knowledge on partners practices, experiences and expertise but also contribute to reshaping the OECD's role in the global landscape and global governance of development. Increasingly, OECD and non-Member countries have common interests in jointly discussing issues related to sustainable and inclusive development. Similarly, the changing centre of global economic gravity requires the OECD to engage with and learn from the experiences of others in areas such as growth, trade and innovation. The Strategy should provide a means to accomplish both these objectives.

172. A strong Strategy on Development will see the multidisciplinary expertise of the Organisation be leveraged to dialogue more effectively with developing countries on the design and implementation of national strategies; it will consolidate the OECD's role as an open and inclusive forum for policy dialogue; and, it will provide the Organisation with the capacities to promote more effective, consistent and coherent policies for worldwide development in responding to the needs of developing countries. In particular, the Organisation could work with non-Member countries to enhance policy co-ordination and coherence, with a view to improving the international policy environment that impacts on developing countries' growth prospects.

173. On the other hand, it can engage with developing countries to share knowledge and offer targeted policy advice on what institutions and policies can have the greatest impact on development. In certain areas this may imply providing advice on how to identify the binding constraints to growth and helping them design a strategy to address and overcome them and make reform happen. The OECD Strategy on Development must therefore focus on the Organisation's core competencies where we can add value and ensure the existing policy advice work is conducted in a more coordinated and effective manner.

***Building and strengthening strategic partnerships***

174. Because development is a core part of the agenda for a large number of international organisations, the way the OECD positions itself in the international architecture is central. A major difference between the OECD and other international organisations active in the field of development is

the OECD's lack of presence at the country/field level in developing countries. In this context, ensuring regular consultation, building synergies and avoiding duplication with other bodies is essential.

175. A glance at the activities of other international organisations working on development highlighted some of the critical topics needing most attention and where cooperation could be strengthened: structural policies for sustainable growth, climate change, food security, taxation, international trade and migration, among others. The OECD has (sometimes unique) expertise on specific areas of these issues. The activation of such resources to effectively broaden the Organisation's approach to development requires identifying its strengths in each specific area and seeking strategic partnerships with other organisations where appropriate.

176. The OECD's added value relates more to policy formation and less to operational activities. In order to promote capacities needed to effectively implement development policies, the OECD must therefore engage in strategic alliances. For a start, this means building on the capacities of its Members, which have field-level expertise. However, it also means broadening strategic partnerships with other organisations. Current examples include joint work with the WTO on Aid for Trade, with the FAO on food security, the production of regional economic outlooks with UN Regional Economic Commissions and Regional Development Banks and the close co-operation with several International Organisation in the framework of the G20 development agenda (*e.g.* the joint work with ten other Organisations on food price volatility and on agricultural productivity, or the joint work with WTO and UNCTAD on Trade and Investment).

177. The OECD will need to raise awareness, promote knowledge and address misconceptions about its nature, value and working methods. Through more effective communications and consultation with stakeholders (*e.g.* civil society organisations), the OECD can demonstrate that it has a broad set of instruments relevant to developing countries and in some cases developed with them. It also needs to communicate more effectively about the instruments it has designed with the full participation and demand of low income countries and fragile states (*e.g.* due diligence guidelines for mineral exploitation or the New Deal in the area of conflict and fragility). Another important message is that the OECD is 'open for business' in a structured, strategic and prioritised way, willing to engage in a two-way relationship with the full spectrum of developing countries, regardless of their stages and trajectories of development.

### CHAPTER 3

#### TOWARDS A WHOLE-OF-OECD APPROACH TO DEVELOPMENT

178. Development is our common concern. Enabling development through more coherent OECD policies and a more conducive international architecture, supporting developing country governments in their own design of better policies, and promoting mutual learning is in our own interest. Tackling development gaps is part and parcel of international economic co-operation and efforts to address global policy interdependence. These are areas where the OECD has core competencies to offer and wide policy networks to mobilise. This chapter illustrates how the OECD could develop and undertake a “whole-of-OECD approach” to development under the Strategy on Development.

179. Building a “whole-of-OECD” approach to development will not happen overnight and from simple juxtaposition of existing projects. It means identifying ways to better align and co-ordinate development activities across the OECD, including with the Organisation’s participation and contribution to global development processes; refining and developing working methods to effectively combine expertise across Directorates and policy communities; identifying and managing demand; and monitoring impacts.

180. Moreover, as it emerges from Chapter 1, sustaining the ability of the Organisation to respond effectively and in a more comprehensive manner to development challenges requires a closer understanding of the structural transformations taking place in the developing world, and their repercussions for our Member countries and the global economy at large.

181. In other words, building such a comprehensive approach will require experimenting, testing, assessing impact and fine-tuning. The good news is that we do not start from scratch.

#### **How can the OECD work better?**

182. The Strategy is an opportunity to improve the way the Organisation deals with development issues and how it engages with developing countries as well as in international processes. A more strategic and more comprehensive approach to development will:

- Better align and co-ordinate existing work on development to avoid fragmentation of efforts, increase impact and contribute more effectively to the OECD’s strategic objectives in the field of development.
- Ensure consistency with the OECD participation in global development processes – taking into account both the OECD’s contribution to the global agenda on development and its contribution to policy coherence for development.
- Acknowledge the links between the four pillars and the consequent need to identify, where appropriate, cross-cutting areas of work that will leverage synergies and mobilise the multiple competences within the OECD and its policy communities.

*Better align and co-ordinate existing work on development*

183. The OECD has expanded considerably its engagement with non-Members and work on development issues. Over the last decade, a growing number of Committees and Directorates outside the Development Cluster have actively engaged with developing countries, often achieving important results. In some instances, these are horizontal projects that bring different parts of the OECD to work together. Often these activities involve other International Organisations.

184. Yet, the sum of the current OECD activities on development does not constitute a Strategy and scope for better co-ordination and alignment exists. Actions that could contribute to increase synergies and efficiency and, in turn, maximise impact, include for example: better information sharing on what activities are being carried out and in which countries; enhanced co-ordination in dealing with non-Member countries; practical guidance on how to include and address development concerns in different Committees' programmes of work; improved modalities to conduct joint analytical work and missions.

185. Discussions on the implementation of the Strategy will have to identify the main challenges and opportunities to promote joined-up approaches. As a result, the Strategy could promote on the one hand, better alignment and co-ordination in the implementation of existing activities, as well as their possible deepening in the future; and on the other hand, new horizontal activities, cutting across the four pillars identified in the Strategy Framework, with a view to experimenting with new organisational and conceptual approaches to development.

186. The Strategy will continue to contribute to identifying the existing OECD products – processes, mechanisms, instruments and tools – relevant for partner countries and other key actors. It could also provide orientations on how they might be combined, enriched and adapted to maximise the effectiveness and impact of the OECD's work on development. It will also support Committee's engagement to transition piecemeal activities into a whole-of-OECD effort in development. Finally, efforts should be deployed to ensure consistency between the Strategy on Development and the Global Relations Strategy;

*Ensure consistency with the OECD participation in global development processes*

187. The OECD's participation in international processes is necessary for the Organisation to engage with non-Member economies and better reflect in its own work the relevant and emerging issues from the global development agenda. It helps ensure relevance of the OECD's activities in the area of development. It also provides an opportunity to raise awareness among developing countries about the new Strategy, engage in policy dialogue with them and, over the medium term, test whether the activities implemented in the framework of the Strategy, including those related to policy coherence for development, are having an impact.

188. At the same time, participation in such processes is an important opportunity for the OECD to contribute to advancing and shaping the global development agenda. They allow the Organisation to prove the usefulness of its expertise and use it to tackle global development challenges, thereby contributing to achieving the Strategy's objectives.

189. For these reasons, the implementation of a comprehensive and inclusive approach to development cannot ignore the interaction with those processes. Adequate efforts should be made to ensure consistent and adequate information flows, as well as awareness on what the "whole OECD" could do to support the global development agenda.

*Acknowledge the links between the pillars: Four inter-twined pillars for development*

190. Four themes, relevant to nearly all developing countries, have been identified by Ministers when endorsing the *Framework* document of the OECD Strategy on Development. These four pillars or areas of work make up the heart of the OECD's new strategy on development:

- Innovative and sustainable sources of growth;
- Mobilising resources for development;
- Governance for development;
- Measuring progress for development.

191. Although not exhaustive, these themes are fundamental for development and are core competencies of the OECD, where it adds value to the work of other organisations and development stakeholders. These four areas are also closely interconnected. As such, the impact of the Organisation's work on development can be maximised by leveraging synergies among them. In many respects, the Organisation already responds to the demand from developing countries in these areas – and beyond – but today responses are often piecemeal and sector specific. While some areas feature in horizontal initiatives being implemented by the Organisation, more joined-up approaches that leverage the multiple competencies of the OECD and its policy communities are needed. More cross-cutting and joined-up approaches could help the Organisation overcome the limitations of a 'silo approach' to development and increase its impact.

192. Since the Strategy's key objective is to promote a more comprehensive approach to development, understanding how the four pillars together contribute to achieving development objectives has become an important stepping stone toward building the Strategy itself and identifying meaningful and demand-driven areas of work. New horizontal and cross-pillar areas of work will be part of the Strategy effort to identify new contributions from the OECD to be more relevant in development and adjust its analytical framework. This type of initiative arises from the cross-fertilisation of the thematic Task Teams that have worked on the four pillars.

193. Identifying innovative and sustainable sources of growth is key to development. But the composition of growth also matters: it is important that it be diversified and sustainable over time, and that both environmental and social dimensions are taken into account. In this respect, the mobilisation of resources for development – domestic or external – is vital. To maximise returns from financial resources, countries need effective governance for development. Institutions strongly influence the relative efficacy of policies and reforms and effective governance is country specific. Meanwhile, all governments face the common challenge of measuring progress for development, assessing the impact of policies and their contribution to sustained, inclusive development. Progress goes well beyond observing improvements in material conditions, stretching also into other dimensions of well-being.

*Pillar 1: Innovative and sustainable sources of growth*

194. Economic growth is a key determinant of poverty reduction and development. But even though many economies are able to initiate growth, sustained expansions associated with economic development, poverty reduction and major improvements in the quality of life are less common. Identifying policies that

increase the economic, environmental, and social sustainability of growth, as well as its impact on poverty reduction and economic development becomes then a priority for most developing economies.

195. The identification of these policies is not straightforward. Factors that initiate and help sustain economic development often differ according to the stages and trajectories of the development process. Consequently, countries need specific – tailor-made – policies, institutions and framework conditions to make the transition successfully through the different phases. Accordingly, the impact of regulations and framework conditions change along the process of structural transformation. New activities might require different factors, institutions and policies to support their expansion. For example, in low-income economies, improvements in agricultural productivity might be a fundamental contributor to economic growth, whereas in middle-income countries, a policy priority might be to create opportunities outside the agricultural sector, to increase the employability of poor people, in particular women, and to facilitate the movement of labour from agriculture to other sectors.

*Pillar 2: Mobilising resources for development*

196. The Monterrey Consensus on Financing for Development acknowledges the importance of taxation, international investment, financial markets and private sector development, aid, migrant remittances, trade and debt. Underlying the Consensus is the expectation that mobilising financial resources—whether private or public, domestic or external—is critical for development and the achievement of the Millennium Development Goals (MDGs).

197. A decade on, the Monterrey Consensus remains valid, but the international environment has changed, particularly as a result of shifting patterns of wealth and the emergence of new growth engines, the economic crisis and the increasing relevance of international initiatives to tackle complex global challenges. Today we acknowledge that accumulated benefits from the economic boom years present new opportunities for financing development, although the crisis will test the sustainability of those gains. In a much larger resource mobilisation agenda, taxation, investment and aid are three key resource policy areas for development.

*Pillar 3: Governance for development*

198. Governance matters for development.<sup>8</sup> It matters for less-developed and emerging countries as much as it has done for OECD Members over the past 50 years. Evidence and analysis have shown that societies with more effective and accountable governing institutions perform better on a range of issues, from economic growth, to human development and social cohesion.

199. Nevertheless, governance should be seen as *more* than an input to economic growth. Governance is both an end in itself and a means to other development outcomes. In fact, the link between governance and growth is not a simple one. Better governance and institutions are needed to lower transaction costs, reduce uncertainty and ensure sustainable development. However, the association between better scores on measures of governance and development indicators, like per capita income, may reflect a virtuous circle that the most dynamic countries have been able to develop rather than a linear or causal relationship.

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8 By governance we mean the exercise of economic, political and administrative authority to manage a country's affairs at all levels. It comprises mechanisms, processes, and institutions through which citizens and groups articulate their interests, exercise their legal rights, meet their obligations, and mediate their differences (as defined by institutions such as the WB and UNDP). Institutions include the definition and exercise of citizens' rights – e.g. voice and influence over public policies is shared across society – that make societies more inclusive and broaden access to opportunities generated by economic growth.

200. Certain conditions are relevant for achieving a greater contribution of governance to development. On the one hand, governance may contribute to equity and social cohesion as much as it will to growth if institutions are able to level the playing field in society. On the other hand, strengthening governance also entails taking into account the weight of both formal and informal institutions. Both state and non-state institutions can shape the enabling environment for change. Finally, heterogeneity among countries means that reform agendas in the field of governance need to be country-specific, country-owned, realistic and sequential, recognising that the appropriate functioning of core institutions is key to the success of more sophisticated interventions.

*Pillar 4: Measuring progress for development*

201. Today, measuring progress is at the top of international, national and even community level agendas. The economic crisis has called into question many of the traditionally held principles or “truths” which have guided economic and social policies for the better part of the last 50 years. Today, better policies need to be based on sound evidence and a broad focus; that is, not only on people’s income and financial conditions, but also on their health, competencies, levels of interpersonal trust and confidence in government institutions as well as on the quality of the environment where they live and work, their overall life satisfaction. Measuring well-being means capturing stocks and flows from economic resources, measuring expectations and satisfaction of individuals as well as looking at their distribution and sustainability. Finally, to be effective, these policies need to be measured, tracked and evaluated. And in this sense, only an independent, transparent and trusted statistical system can be used to monitor progress and hold governments accountable.

202. Since 2000, the focus of global efforts in measuring progress in developing countries has been on the Millennium Development Goals (MDGs), probably the most well known and used set of global “progress” indicators, which focus on aspects that go ‘beyond GDP’. The 2015 MDGs deadline is fast approaching and many countries are set to achieve their respective MDGs<sup>9</sup>. The UN Secretary-General recently proposed the consideration of new ‘sustainable development goals’ to take the global agenda forward after 2015. Furthermore, in a resolution adopted in July 2011, the UN General Assembly invited countries “to pursue the elaboration of additional measures that better capture the importance of the pursuit of happiness and well-being in development with a view to guiding their public policies.”

**Current OECD work on the four pillars**

203. As stated in Chapter 2, the OECD is already “active in development”. In fact, it uses an increasing number of its tools to support developing countries in each of the four pillars of the *Framework for an OECD Strategy on Development*.

*Pillar 1: Innovative and sustainable sources of growth*

204. The OECD assesses the overall macroeconomic and structural situation of its Member countries through the EDRC reviews of *OECD Economic Surveys* and *Going for Growth* surveillance. Other OECD products, such as the OECD Outlook, processes such as peer reviews, instruments such as codes and principles, and tools such as statistics and surveys are also currently undertaken with the aim to identify policies for sustainable growth. Since the endorsement of the OECD Green Growth Strategy, these reviews include specific elements addressing the greening of growth. Many of these products are already or could be expanded beyond OECD Members to cover, for instance, Strategic Partners as is the case, for example, with the *Economic Outlook* and *Economic Surveys*. Important work for the identification and

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9. [http://www.beta.undp.org/undp/en/home/librarypage/mdg/MDG\\_Report\\_2011.html](http://www.beta.undp.org/undp/en/home/librarypage/mdg/MDG_Report_2011.html)

diversification of sources of growth is also being conducted in the framework of the OECD Innovation Strategy.

205. Other tools such as “Getting it Right” and thematic country reviews and brochures represent OECD first attempts to developing more comprehensive multi-sectoral analysis. In other instances, outputs have been designed explicitly for developing countries based on their demands and with their active involvement, as is the case, for example, with the Policy Framework for Investment and the Regional Economic Outlooks of the Development Centre.

*Pillar 2: Mobilising resources for development*

206. The OECD cannot claim the necessary depth of competencies in many aspects of the resource mobilisation agenda, particularly when compared to some of the other international organisations. However, the OECD makes unique and deep contributions to three key resource policy areas that can help developing countries with the challenges they face: taxation, investment and aid.

207. The OECD is also well placed to analyse, monitor and make recommendations on the interaction between different resource flows. Over several decades, the Organisation has built up databases, tools and dialogue platforms in each of the different resources, for a wide set of countries. An example is the partnership between the DAC, the Committee on Fiscal Affairs (CFA) and the Development Centre on tax and development, and discussions are underway to turn the Advisory Group on Investment and Development into a joint body of the Investment and the Development Assistance Committees.

*Pillar 3: Governance for development*

208. The OECD has built expertise in several substantive areas relevant to developing countries that can be grouped in three major domains: effective public management and institutions, inclusive governance and governance for development co-operation.

209. In what concerns effective public management and institutions, the OECD draws significantly on practitioner knowledge through its committee structures and networks of officials to identify the major determinants of more effective institutions in different contexts. As the diversity of government functions increase and societies grow more demanding, governance means the ability to listen and to engage other actors in the design and implementation of public policies, going beyond central government into a more inclusive governance framework. These instruments and good practice are increasingly discussed with non-Members. Moreover, as the modalities and quality of aid and other forms of development co-operation affect to varying degrees the quality of governance in recipient countries, OECD donors have paid increased attention to such interaction and engaged in dialogue with developing countries to strengthen country systems and capacities.

*Pillar 4: Measuring progress for development*

210. The measurement of progress has been a central preoccupation for the OECD, both in Member and non-Member economies. The DAC was instrumental in defining the MDGs back in the 1990s and has since contributed to UN-led monitoring. The OECD also pioneered three interactive platforms, namely, Wikiprogress, Wikigender and Wikichild, where users from all over the world can share their ideas and data about progress in specific dimensions.

211. The launch of the “Better Life Initiative” in 2011 is the most recent example of how the Organisation is given centre stage to the measurement of progress of societies. The Initiative includes the recently published *How’s Life?* study and the *Your Better Life Index*, a new interactive web-based tool that allows users to choose the weights they wish to attach to various dimensions of life according to their own

preferences so as to compare overall well-being across countries. *How's Life?* is a first attempt at the international level to present a set of comparable well-being indicators for advanced and emerging economies alike. *How's Life?* considers not only the country averages of indicators, but also their distribution, hence fully integrating inequality considerations in each of the dimensions of well-being that are analysed.

### **Three levels of engagement to operationalise the whole-of-OECD approach to development**

212. The four thematic areas of the Strategy constitute an important baseline for future OECD work on development. These thematic areas are closely interconnected and play a key role in adopting a comprehensive approach to development. Taken together, they offer a holistic framework from which Member and Partner countries could identify a set of specific instruments, mechanisms and tools in interconnected policy areas, relevant to their particular circumstances and needs. In attaining this framework, the Strategy on Development combines the four pillars and identifies three levels of engagement for the OECD work on development. For each of these activities, it is relevant to see the position of the Organisation vis-à-vis other international bodies, identify complementarities and areas for co-operation.

213. In achieving the goals and objectives of the Strategy, a whole-of-OECD approach will contribute to enhance the OECD's engagement at three complementary levels: *i)* with Members to support them in their efforts to design policies consistent with development; *ii)* with international efforts seeking effective solutions to current and emerging global issues and development challenges; and *iii)* with developing countries strengthening policy dialogue, knowledge sharing and mutual learning. A number of proposals for action have already emerged according to these levels of engagement. These are presented in the annex of the Strategy document [C/MIN(2012)6] as options to implement the Strategy. Some of these proposals expand existing horizontal initiatives; others forge new connections between areas of expertise within the Organisation into innovative lines of further work.

#### *Strengthen Members' capacities to design policies consistent with development*

214. Strengthening policy coherence is one of the overarching goals of this Strategy. Activities should be designed to better understand the positive and negative impacts of diverse policies on development, and to explain the nature, scale, costs and impact of policy incoherence. A concurrent aim is to reinforce Members' capacities to design mutually reinforcing policies for development across a wide range of economic, social and environmental areas.

215. In an increasingly interconnected global economy, neglecting the international spillovers of domestic policies can undermine development objectives and the effectiveness of international development co-operation efforts. The OECD has developed good practice guidance on institutional mechanisms but experience has shown that this is not sufficient to translate into greater PCD. The Strategy will seek to deepen the Organisation's work on PCD to develop more systematic approaches to evidence-based analyses on the costs of incoherent policies as well as on the benefits of more coherent policies.

216. The OECD will work with partner institutions to develop robust PCD indicators to monitor progress and assess the impact of diverse policies on development. It will also contribute to the analysis of key issues, such as global food security, illicit financial flows and green growth, addressing the identified obstacles faced by developing countries at different stages of and on diverse paths to development. The OECD will provide a platform for dialogue with developing countries and key stakeholders on PCD issues. Building on the 2008 Ministerial Declaration on PCD [C/MIN(2008)2/FINAL], the Strategy will also foster PCD in the OECD; contribute to the mainstreaming of the development dimension throughout the Organisation and its Committees; identify particular areas of policy incoherence; and ensure through

guidance, annual Flagship reports and other tools that the OECD's policy advice is coherent and consistent with development.

*Contributions to global development initiatives*

217. The OECD offers inclusive platforms to strengthen Members' and Partners' responses to global challenges and to support and help advance international agendas. Within the different international process the OECD is particularly well placed to contribute to *the MDGs and the post-2015* work. The OECD contribution to the MDGs agenda is well established and there is large potential to further contribute to shaping the post-2015 development framework, such as by advancing the notion that well-being and quality of life are important dimensions of development, despite important differences across countries in these dimensions.

218. Another forum where the OECD has and can continue to contribute is the *G20 Development Agenda*. With the adoption of the Seoul Development Consensus for shared growth and its Multi-year Action Plan, G20 leaders recognised that addressing development gaps must be part of the global collective efforts to promote strong, sustainable and balanced growth. The OECD Strategy and its four inter-related core thematic areas could cut across several issues stressed in the G20 agenda.

219. The OECD will also build on the experience it has gained through the Working Party on Aid Effectiveness in working with key partners, including International Organisations, bilateral agencies, developing countries, parliamentarians, civil society and the private sector in supporting the delivery of the commitments made in Busan and fostering the Global Partnership for Effective Development Co-operation (Busan High Level Forum). This includes the voluntary initiatives agreed at Busan such as A New Deal for Engagement with Fragile States and the New Consensus on Effective Institutions.

*Strengthen engagement with developing countries through policy dialogue and knowledge sharing*

220. The OECD is well-placed to promote knowledge sharing and policy dialogue activities between its Members and developing countries. The Strategy offers a unique opportunity to experiment with new ways of applying the OECD working methods of policy dialogue, engaging OECD and developing countries that share similar structural features or policy challenges, and promote mutual learning. In this sense, the Strategy will seek to contribute to a more effective engagement and mutually beneficial collaboration with developing countries. Two innovative ways of achieving this purpose will include: *a)* developing tailored and multi-dimensional policy reviews for individual countries in coordination with relevant international organisations, and *b)* applying a "clustering" (or regional) approach through knowledge sharing, bringing together a group of countries – OECD and non-OECD Members – that share similar structural features of policy challenges. Both efforts will entail horizontal collaboration across the OECD and promoting partnerships with actors present in the field, as appropriate.

221. Priority areas that emerged from consultations within the OECD Secretariat and with developing country stakeholders to undertake such policy dialogue and knowledge sharing activities include issues such as sharing good practice in strengthening budget institutions for fiscal transparency; reviewing the policy framework for investment; sharing good practice in promoting inclusive green growth; sharing good practice among OECD and developing countries in dealing with common challenges (*e.g.* high-dependence on natural resources; participation and upgrading in international production networks; sizeable immigration or emigration flows); identifying innovative and sustainable sources of growth through multi-dimensional diagnostics reviews in developing countries; enhancing regional economic monitoring capacities; and facilitating long-term institutional investment in infrastructure projects.

222. Regarding knowledge sharing and policy dialogue, the Organisation has unique contributions to make in several areas, but is also well placed to work with other organisations. The G20 has asked the OECD and UNDP to support other organisations for the establishment of three pilot knowledge-sharing platforms in the area of skills, social protection and tropical agriculture. Another relevant example is the green growth initiative, where the OECD has joined efforts with the United Nations Environment Programme (UNEP), the World Bank and the Global Green Growth Institute (GGGI) to facilitate co-ordination and dissemination of knowledge and tools in this area. Finally, the OECD is already working with Regional Development Banks and UN Regional Economic Commissions in conducting countries analysis in the framework of its Regional Economic Outlooks. When consulted about the specific knowledge sharing and policy review activities, these Organisations have expressed a keen interest in deepening their engagement with the OECD.

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**ANNEX**  
**OECD: STRENGTHS, WEAKNESSES, OPPORTUNITIES AND CHALLENGES**  
**TO IMPLEMENTING THE STRATEGY ON DEVELOPMENT**

		<b>Strengths</b>	<b>Weaknesses</b>
<b>Opportunities</b>	<b>The OECD has an increasing role in the Global Development Agenda</b>	<ul style="list-style-type: none"> <li>■ 50 years of experience: source of lessons in development of policies and application (MDGs indicators, monitoring aid pledges, reviewing aid effectiveness, development tools and instruments)</li> <li>■ Evidence-based policy evaluation and data generation</li> <li>■ Convening power to bring together policy communities for knowledge sharing and mutual learning</li> </ul>	<ul style="list-style-type: none"> <li>■ Continued perception that the OECD cannot be the sole standard setter with a changing centre of gravity in the global economy</li> <li>■ Negative perception of standards and regulations by some developing countries (avoiding "one-size-fits all" approach)</li> <li>■ Perception that the OECD does not have the legitimacy to be the sole thought leader in areas of interest to, for example, the G20</li> </ul>
	<b>Policy Coherence for Development: strong political backing from OECD ministers</b>	<ul style="list-style-type: none"> <li>■ Ability to gather political high level Members of OECD to agree that this is an area of priority</li> <li>■ Recognised perceived strength of the OECD, including amongst multilaterals</li> </ul>	<ul style="list-style-type: none"> <li>■ Progress is weak in specific areas and solid evidence is lacking</li> <li>■ Lack of effective cross-Committee work on this issue</li> </ul>
	<b>Country and cluster/regional level engagement: demand for expertise and mutual learning</b>	<ul style="list-style-type: none"> <li>■ Multi-sectoral expertise in Committees, policy communities and OECD staff</li> <li>■ Advice not linked to conditionality frameworks and funding decisions</li> <li>■ Experience on building dialogue platforms at regional level (e.g. Latin American Initiative)</li> <li>■ Experience in setting up dialogue platforms with broad array of stakeholders including in fragile states (G7+, Paris21, etc)</li> </ul>	<ul style="list-style-type: none"> <li>■ Norms and Standards that may not be applicable to all types of countries and circumstances</li> </ul>

		Strengths	Weaknesses
<b>Challenges</b>	<b>Competing organisations in the global governance of development</b>	<ul style="list-style-type: none"> <li>■ Experience with working alongside multilaterals and within the global governance of development (G20, G8, UNDCF etc)</li> <li>■ Experience in managing the WP-EFF for follow up implementation under Global Partnership</li> </ul>	<ul style="list-style-type: none"> <li>■ Member only organisation means that it is not all encompassing</li> <li>■ Lack of mechanisms to engage systematically with multilaterals</li> </ul>
	<b>Lack of progress in PCD</b>	<ul style="list-style-type: none"> <li>■ Multi-sectoral committees working within the organisation touching on many issues of relevance to development</li> <li>■ Good practice experience and benchmarking on institutional mechanisms that promote policy coordination</li> </ul>	<ul style="list-style-type: none"> <li>■ Lack of OECD Committee interest in expanding their work programmes</li> <li>■ Lack of work with developing countries to monitor and assess impacts of member states' policies and to quantify costs of non-PCD.</li> </ul>
	<b>Identifying demand in country and avoiding duplication with others</b>	<ul style="list-style-type: none"> <li>■ Convening power of the organisation</li> <li>■ Experience with consultations with governments, CSOs, private sector, academia and others (e.g. Global Fora).</li> <li>■ Flexibility to support demand in new emerging areas of work (e.g. food security, green growth, etc).</li> <li>■ Existing mechanisms for identifying demand from non OECD member countries</li> </ul>	<ul style="list-style-type: none"> <li>■ Responses to demand are currently ad hoc</li> <li>■ Follow on from consultations could be better managed and tracked</li> </ul>
	<b>Capacity within the organisation to deliver an increasingly complex agenda</b>	<ul style="list-style-type: none"> <li>■ Committees and staff across the organisation working on a wide variety of policy areas that are either directly related to development or that increasingly matter for development</li> </ul>	<ul style="list-style-type: none"> <li>■ Depth of expertise across a topic area – i.e. number of staff working on a specific topic compared to multilateral organisations</li> </ul>