

**DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE**

DAC Network on Poverty Reduction

ACCELERATING PROGRESS TOWARDS ACHIEVING THE MDGS

DAC INPUT INTO THE UNGA REVIEW

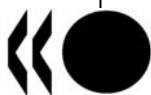
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This note is for DISCUSSION under Item IV of the agenda for the meeting of the DAC Network on Poverty Reduction (POVNET) [DCD/DAC/POVNET/A(2010)2].

This note aims to stimulate reflection on DAC and donor preparations for the UNGA MDG Review in September 2010. It is in two parts. The first part is the note prepared for the DAC meeting on 16 March [DCD/DAC(2010)8] which looks at preparations from the overall perspective of the DAC and across all the MDGs. The second part takes a narrower look at some of the issues likely to be most central to POVNET interests, and focuses on the poverty MDG, the role of pro-poor growth including gender, fragile states, and climate/green growth dimensions.

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PART I¹

ACCELERATING PROGRESS TOWARDS THE ACHIEVEMENT OF THE MDGS

DAC INPUT INTO THE UNGA REVIEW

Discussion Point 1: How do Members perceive the ongoing political and policy relevance of the MDGs?

1. The idea of a compact set of interrelated development targets as a political rallying point for development cooperation came from the DAC in 1996 and then became, via the Millennium Declaration of 2000, the MDGs, a broadly-owned outcome-based set of concrete development objectives which could be measured, tracked and be the basis for mutual accountability.

2. The MDGs have exerted a powerful impact on public discussion and international cooperation, providing:

- a common reference point for development dialogue and co-operation across the whole international system, including Heads of State and international organisations, and at national and sub national levels.
- a beacon for mobilising public interest and participation in development efforts, helping to motivate established and new Foundations, NGOs, the private sector, and prominent individuals who have become champions of development.
- a political foundation for decisions to embark on major development finance initiatives, including large –scale debt relief, ambitious aid targets and new global funds.
- a basis for strengthened efforts to develop national statistical systems as a foundation for evidence-based policy-making in developing countries.

3. The impact of the MDGs on development progress is less clear. It is widely believed that while the targets may be met globally because of the outstanding performance of a widening range of emerging economic powers, China and India in particular, many countries will not meet the targets, especially countries in Africa. At the same time,

- some recent studies are providing evidence that progress may be faster than previously estimated, with the trajectories of economic and social progress in low income countries having clearly turned upwards since the mid-1990s, though with great variations in the impact on poverty reduction, and with large numbers of very poor people still in the middle-income countries.
- countries experiencing war or ongoing political fragility have suffered setbacks and the most serious underperformance against the targets is to be found in these countries. But there is evidence that the establishment of stability does provide a basis for rapid catch-up.

1. Part I of this document was originally prepared for discussion at the DAC meeting on 16 March 2010 and circulated as DCD/DAC(2010)8.

4. There has been extensive debate on whether the MDGs have accentuated the shift of aid to social and ecological services and away from productive sectors. But a number of points should be made in this regard,

- the social goals in the MDGs stimulate essential high return investments in human capital (including gender equality as a major accelerator of economic and social transformation), and hence in the possibility of accelerated development;
- the Aid for Trade agenda, under the Global Development Partnership goal, has helped to bring additional aid to productive sectors.
- there is now renewed attention to food security and agriculture and to infrastructure development.
- emerging donors are heavily focussed on productive sectors and infrastructure.

Is it agreed that the MDGs continue to be a valid and indispensable basis for international dialogue and co-operation on development, and that an extensive debate on alternative frameworks would take scarce political energy that should be devoted to identifying ways to accelerate progress and incorporating new issues?

Discussion Point 2: What are the opportunities/challenges opened up by the shifting global economic patterns, emergence of new actors and new/reformed global economic governance arrangements in crisis context?

5. The emergence of new economic powers over the last two decades has changed the shape and the dynamics of the world economy. Furthermore the financial crisis of 2008-2009 has revealed financial fragility in a number of developed countries which will take some time to repair, with both private and public debt levels and financial regulation now key agenda items for many OECD countries. The strategy for treating these issues extends beyond the financial and macro-economic agenda to social and structural policy issues, including employment and social protection as well as innovation systems.

6. Developing countries meanwhile have largely coped better with the crisis than expected and growth is resuming more quickly than in developed countries. The emerging economies with their expanding wealthy and middle classes, are providing a source of strong demand for commodities and food from developing countries and are also supplying investment, technology and a range of development finance, both public and private, from banking flows, to export credits to aid. The BRICs as well as a number of other emerging economies all have both public sector and private sector corporations with the capacities and interest in investing in developing countries.

7. The success of the emerging economies is creating new interest in their varied and heterodox development paths, with more attention now being paid to the evidence that governments can play a strategic role in promoting development by identifying key orientations and incentives, and investing in the institutions and public goods essential for igniting and sustaining high levels of economic growth, based on an enterprise economy with fast learning processes. And new information technologies are changing the development possibilities in developing countries. Broad-band internet is now extending its global reach and will in the coming few years be widely accessible on hand held devices in developing countries. Climate change adaptation imperatives and mitigation opportunities will also be key new factors. Fertility rates are falling fast in many developing countries (though not so fast in the poorest), meaning that

women's education and economic roles has major potential as an accelerator of economic growth and social progress. For all these reasons, development paths will not be the same as in previous decades.

8. As witness to the profundity of these new trends and patterns in the global economy, new global economic arrangements have emerged, in the form of the G20, which draws on intellectual and policy support from the major international institutions, including the OECD. And adjustments to the voice of developing countries in the Bretton Woods institutions are imminent. At the same time, consensus building and collective action across a range of areas is becoming more complex, as the experience with the Doha Development Round of trade negotiations and the Copenhagen Accord bear witness. Meanwhile the G8 is moving to establish more systematic tracking and accountability for undertakings announced in recent years, particularly in the development field.

9. In the OECD itself, the policy of enlargement and enhanced engagement is moving forward, bringing a qualitative change to the scope and nature of policy analysis and discussions. An increasing range of emerging countries is involved in country and regional studies across a wide spectrum of subjects, many of which involve peer processes and are published. The Development Centre now has nearly 40 members and the DAC hosts/supports two major global partnerships: on aid effectiveness and on conflict and fragility. And with the agreement to create a set of OECD-wide development goals, the OECD Council is moving towards a more whole of OECD and whole of government approaches to development, including with a new flagship publication – following up the 2008 OECD Declaration on Policy Coherence for Development and very much in line with the DAC Reflection Group report emphasis on the importance of global public goods and policy coherence.

How do SLM participants see the new patterns and dynamics in the global economy and economic governance arrangements impacting on development prospects and on the opportunities for new broadly-based partnerships for development. What role might the MDG Summit play in this context?

10. Discussion Point 3: What are the key substantive challenges, responses and opportunities that should be the focus of this MDG Review?

11. The development agenda associated with the MDGs has continued to deepen and broaden since the Millennium Summit. Areas of emphasis in the international development agenda include:

- Climate change and development strategies - global and local
- Conflict and fragility – investing in peacebuilding and statebuilding
- Economic Growth, Innovation and Social Protection – building broad partnerships for pro-poor growth
- Food security – raising agricultural productivity, developing markets and institutions, nutrition
- Regional and global enterprise economies – markets, investment and infrastructure
- Health systems and maternal and child health
- Aid and Aid Effectiveness – reinforcing ownership and accountability and people-centred development
- Development Finance - Tax and Development, Financial Systems

12. Such topics could be incorporated into updated or expanded elements of MDG 8. A number of recent and current initiatives can be drawn upon and the OECD/DAC has work on most of these items which could be drawn upon.

How might issues such as the above be worked into or associated with expanded/updated MDGs, including MDG 8? What might be the priorities? Where could a submission from the OECD Secretary-General best make a contribution?

PART II

POVNET PERSPECTIVES ON THE MDG REVIEW

I. Introduction

13. The MDG framework has provided a reference and rallying point to mobilise efforts in support of the MDGs. The DAC was very much involved in developing the precursor to the MDGs – the International Development Goals – and thus fully supportive of them.

14. Good progress has been made towards achieving the MDGs, but it has not been uniform by any means. African countries risk serious shortfalls in important areas and the global crisis reveals the fragility of that progress. Account needs to be taken of the rapid convergence trajectories of African countries that are nevertheless not going to meet the MDGs. But even when e.g. the MDG poverty target is met, there will still much to do to improve the livelihoods of those living just above \$1.25 a day.

15. No matter the progress that can be made by 2015, there will still be much to do thereafter. The OECD strives for a stronger, fairer and cleaner world economy, one in which developing countries participate in and benefit from a more inclusive globalisation. Major efforts will therefore be needed to meet unmet targets, to effectively tackle risk and vulnerability, to reduce inequality, and to deal with the opportunities of increasing globalisation and the challenges of climate change and green growth.

16. The landscape in which these actions are needed is changing rapidly. The situation in developing countries will be much more heterogeneous, new donors and other providers of development finance will have more fully entered the development scene (e.g. China, India, foundations), policy coherence for development and global public goods will increasingly guide actions and the ‘new DAC’ will have progressively shifted focus from aid effectiveness to development effectiveness. Policy makers worldwide, and including G8 and G20 groups, will be paying more attention to tackling systemic, global issues that need truly global responses and improved international governance of economic relations.

17. Meeting the MDGs is a political, not technical challenge. Aid, alone, was never the solution, but efforts are required for it to better mobilise resources for development from other sources, be it new donors, other sources of international finance (e.g. foreign investment, remittances), domestic resource mobilisation and by reducing capital flight, corruption and tax evasion.

18. The increased focus on managing for results and mutual accountability and imperatives to improve value for money increase pressures to show aid – and its associated partnerships - works.

19. New issues central to sustainable economic, social and political development have gained importance since the MDGs were agreed and efforts after 2015 will need to address these, e.g. economic growth and private sector development, climate change, conflict and fragility, governance and accountability.

20. Finally, will the international community remain focused on ‘development’ or will attention move towards ‘wellbeing’, complementing emphasis on material wellbeing with relational and subjective dimensions of values, norms and behaviours? How will that influence how we think, measure and do ‘development’?

II. Key policy messages

a) *Economic growth needs to be more pro-poor to achieve MDG1*

Meeting the MDG poverty reduction goals needs growth to be more pro-poor

21. Rapid and sustained poverty reduction requires pro-poor growth. Despite robust growth in poor countries until the global recession (e.g. average annual growth in Sub-Saharan Africa was around 6% prior to the crisis), the impact on reducing poverty has been disappointing. Even if the global target is reached, some regions will fall far short (especially sub-Saharan Africa) and as many as 1 billion people will remain in extreme poverty after the 2015. Donors need to engage in better partnerships with developing countries' own poverty reduction efforts to increase the benefits of economic growth for poor people. This needs to be done through policies that promote pro-poor growth – enabling poor women and men to contribute, participate and benefit from growth. It needs donors to support efforts to underpin growth in areas where the poor earn their livelihoods (e.g. agriculture), to improve the ability of poor people to connect up to growth (e.g. by improving occupational and geographic mobility and markets working in pro-poor ways) and to support the empowerment of poor women and men.

Employment, social protection and empowerment are essential for growth to be pro-poor

22. Recurring crises expose the vulnerability of poor people. Empowerment, employment and social protection are critical avenues to achieving pro-poor growth, but they have not received sufficient attention from policy makers and donors. Actions in these areas are mutually reinforcing. Better and more productive jobs raise incomes and help finance social spending. Social protection increases the productivity and employability of poor people. Empowerment helps poor people to be involved in decisions affecting their livelihoods and for decision makers to be accountable to the poor.

Poverty has many dimensions; policies should target the synergies across the MDGs and manage the trade-offs

23. The MDGs are indivisible and complementary. Donors need to work more effectively with developing countries to fill critical gaps to accelerate progress in achieving the MDGs rather than shifting focus and resources from one MDG area to another. Policies to tackle the multiple dimensions of poverty are mutually reinforcing and must go hand in hand. Progress in one dimension, (e.g. growth that is more pro-poor), will accelerate progress in others (e.g. by generating public revenues to support education and empower women) and vice versa. Policy dichotomies do exist, but they have been overemphasised; there are real trade-offs, but they need to be better managed.

Strong partnerships between all stakeholders are essential to empower the poor with livelihood decisions to move out of poverty

24. A pro-poor and partnership lens on areas important for growth and poverty reduction requires donors to rethink their agendas and approaches. The Paris Declaration and the Accra Agenda for Action, reflecting agreed mutual accountability between developing countries and donors, shows that stronger partnerships with developing countries and other stakeholders is the best means of delivering aid effectively to support in-country policy processes and developing country-owned poverty reduction efforts. These partnerships also need to go beyond government to government processes, building the political and administrative cultures and capacities necessary to demonstrate accountability to the needs of the poor, to develop and use country level processes that are inclusive of the poor and that empower poor women and men to be involved in the key policy decisions. One example of such efforts is the Comprehensive African Agriculture Development programme (CAADP) – an African developed and owned framework to channel resources to support national agriculture strategies and reduce donor fragmentation.

b) *Without progress towards gender equality and the empowerment of women, none of the MDGs will be achieved*

“There is no development strategy more beneficial to society as a whole – women and men alike – than the one which involves women as central players” (Kofi Annan).

25. Strengthening women’s rights changes things for the better – for both women and men. Gender equality and empowered women are not only development goals but are also powerful catalysts for multiplying development efforts. Investments in gender equality, particularly in health and education, yield the highest returns of all development investments. Such investments result in reduced rates of maternal mortality, better educated and healthier children and higher household incomes and stronger economic growth.

Investing in women pays off

26. Women are essential for achieving poverty reduction and all the MDGs. Investment in gender equality and women’s empowerment has a strong impact on the poverty and growth potential of future generations and on making use of the full human resource potential of countries. For example, in India, increasing the ratio of female to male workers by 10% would result in an 8% increase in GDP. In sub-Saharan Africa, agricultural productivity could increase by up to 20% if women’s access land, seed and fertiliser were equal to men’s. And women with 7 or more years of schooling have between two and three fewer children than women with less than 3 years education.

But there is still a long way to go

27. Achieving gender equality will never be a "quick fix". It will take consistent action and long-term commitment from all development actors. Progress towards achieving Millennium Development Goal 3 – *promote gender equality and empower women* – is mixed. Whilst some progress has been made in some regions, greater effort is required.

It is time to raise the game and intensify our efforts – to innovate and leverage partnerships

28. Efforts to ‘raise the game’ have been characterised by increased collaboration, fresh approaches and innovation in programme design and implementation by donors and partners – but these efforts need to be intensified. Only a joint effort will enhance gender equality and women’s empowerment and thus contribute to achieving all the MDGs. What’s needed is shared vision for all development actors (developing countries, bilateral and multilateral donors, the private sector, and individuals).

c) *Attaining the MDGs in fragile and conflict affected states is even more difficult; a change of focus is needed from the donor community*

Progress towards the MDGs is slowest in fragile and conflict affected states

29. Progress to date on attaining the MDGs has been slowest (and sometimes negative) in fragile and conflict-affected countries. Although only accounting for one fifth of the population of developing countries, fragile states account for one third of people living in extreme poverty. Among countries with the lowest levels of human development, more than half are in violent conflict, or emerging from it.

Fragile and conflict affected states pose unique challenges and donors need to change their approaches

30. It is clear that international development assistance is not achieving the required impact in these contexts. A better understanding of the unique set of challenges associated with conflict and fragility and

respect for local ownership and local mechanisms of social organisation will be necessary. Above all, accelerating progress towards the MDGs in these countries requires more and better aid, flexible modalities for engagement and a change of focus from the donor community.

31. The results from the recent OECD's Fragile States Principles Monitoring Survey (2009) confirm that donor efforts in conflict and fragile states need to be re-focused in order to address enduring challenges such as weak government capability and accountability, the disconnect between the state and citizens, a culture of impunity, a legacy of corruption, crime and violence (including gender-based violence) and the lack of economic opportunities (especially for young people).

Peace building and state building are priority challenges

32. The international community will need to step up its support for locally owned peacebuilding and statebuilding processes to achieve any sustainable progress towards the MDGs. As a starting point, this will require a shared understanding internationally and in-country of key peacebuilding and statebuilding goals and priorities. The development of an International Dialogue on Peacebuilding and Statebuilding as a commitment emanating from the Accra Agenda for Action is a positive step forward.

How to attain the MDGs in conflict and fragile needs to be a priority issue for the MDG Review

33. The OECD DAC is keen to ensure that the specific set of challenges faced in conflict and fragile settings are prioritised as part of the MDG Review summit. There is a need for a high degree of complementarity between the MDG Review Summit and other on-going processes to improve development effectiveness in conflict and fragile situations. These include efforts to focus attention of world leaders at the G20 on the need to address conflict and fragility; to achieve a better UN response through implementation of the UN Secretary General's report on 'Peacebuilding in the immediate aftermath of conflict'. There is an urgent need to develop a more robust evidence base on how to address conflict and fragility through the World Bank's World Development Report; and to gain improved international coordination through a successful review of the UN Peace Building Commission.

III. Green growth must be shared growth

Beyond meeting the MDGs, green growth is essential for environmental sustainability and poverty reduction

34. Poor countries and poor people are most vulnerable to negative environmental changes. 50% of the population in Africa live in drought-prone and climate sensitive areas. Such threats are much more immediate for poor countries than for OECD countries. They are facing major environmental threats, such as climate change, deforestation, soil degradation and water depletion. At the same time, for the majority of developing countries, providing basic education, ensuring food security, and delivering essential services such as water supply and sanitation will remain overarching priorities. Green Growth must aim to enhance secure livelihoods for the poor, while encouraging sustainable natural resource use and a shift towards a low-carbon development path. For these countries green growth and poverty reduction must go hand in hand and the international community can provide critical support to make it happen and to assist poor developing countries in sharing ownership of the green growth agenda.

Development co-operation is an essential part of a Global Green Growth Strategy

35. Although MDGs address some elements of sustainable development, such as biodiversity and water availability, the environmental agenda has expanded in recent years. For example, coping with climate change will increasingly be an important development issue, with important policy coherence and global public goods dimensions. Although climate change mitigation is a central pillar of the Green

Growth, it is not the only one. Development co-operation must address how poor countries can cope with natural resource and adaptation challenges. The DAC works towards enhancing policy co-ordination and coherence to achieve more rapid progress towards the MDGs and creating a successful shift towards "Pro-Poor Green Growth", i.e. environmentally sustainable growth that supports long term poverty reduction. In addition developing countries require human, institutional and infrastructural capacities to manage the challenges of climate change and take advantage of opportunities offered by green growth.

Enhanced co-benefits between development and environment are needed

36. Global Green Growth requires the active involvement and contribution by developing countries. For example, shifting to a low-carbon growth path and halting deforestation in developing countries are indispensable components of Global Green Growth. However, it should not be expected that developing countries take the same actions as developed countries do. Many challenges, such as poverty reduction, food security and education, require priority attention in developing countries. Therefore, a Global Green Growth Strategy should respect developing countries priorities and seek the development of low carbon growth approaches which promote poverty reduction and shared growth.

IV. Issues for discussion

- i) From a POVNET perspective, particularly with a focus on poverty reduction and the role of pro-poor growth, have we set out above the main issues that the MDG Review needs to address – what is missing, what needs more emphasis?
- ii) How can we get the key policy messages into the MDG Review, via DAC processes and member country preparations?
- iii) What should POVNET be doing to accelerate progress towards achieving the MDGs, in the short term (e.g. via events with partner countries and other stakeholders) and in the longer term (e.g. in areas such as empowerment/accountability, green growth and poverty reduction, etc)?