

DEVELOPMENT CO-OPERATION DIRECTORATE
DEVELOPMENT ASSISTANCE COMMITTEE

DAC Network on Poverty Reduction

ACCELERATING PROGRESS TOWARDS THE MDGS THROUGH PRO-POOR GROWTH:
POLICY MESSAGES FROM THE DAC NETWORK ON POVERTY REDUCTION (POVNET)

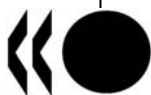
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I. Introduction

Donors need to adapt to a changing landscape for development co-operation

1. Good progress towards meeting the Millennium Development Goals (MDGs) is being made in many countries, but major efforts are needed to meet unmet targets. The landscape in which donors operate to achieve the MDGs is changing rapidly. The situation in developing countries is becoming much more heterogeneous, new donors and other providers of development finance have entered the scene (e.g. China, India and private foundations), and policy coherence for development and global public goods will increasingly guide donor actions as their focus shifts from aid effectiveness to development effectiveness. Policy makers worldwide, including the G8 and G20, will be paying more attention to tackling systemic, global issues that need truly global responses and improved international governance of economic relations. And new issues central to sustainable economic, social and political development have gained importance since the MDGs were agreed. Efforts after 2015 will need to address the issues of empowerment, productive employment and decent work, inequality, climate change, conflict and fragility, and accountability.

II. Key policy messages for accelerating progress towards the MDGs

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

2. The MDGs are indivisible and complementary. Donors need to work more effectively with developing countries and other stakeholders 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 (i.e. economic, human, socio-cultural, political, protective, gender and environmental) are mutually reinforcing and must go hand in hand. Progress in one dimension (e.g. growth that is more pro-poor, i.e. more effective in reducing poverty) will accelerate progress in others (e.g. by generating public revenues to support social services and infrastructure). Likewise, social protection and empowerment – e.g. of women – can unlock the productivity and entrepreneurship of large numbers of people in ways that significantly boost growth. Policy dichotomies do exist, but they have been overemphasised; there are real trade-offs, but they can be better managed.

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

3. Sustainable economic growth is central to effective, long-term poverty reduction strategies. But rapid and sustained poverty reduction requires pro-poor growth – a pace and pattern of growth in which poor women and men contribute, participate and benefit. Despite robust growth rates in many 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. The growth-employment-poverty reduction nexus has been largely overlooked in policy formulation and implementation. Donors need to support efforts to underpin growth in areas where the poor earn their livelihoods (e.g. agriculture and informal businesses) and to improve the ability of poor people to connect up to growth (e.g. by improving occupational and geographic mobility and making infrastructure and markets work better for the poor). Private sector development policies need to pay much more attention to the informal economy.

Agriculture and rural development policies not only need to increase investment and productivity in agriculture but must also promote off-farm income and employment opportunities. Infrastructure should focus more on what really matters to poor people (e.g. roads that connect them to local and regional markets).

III. What policy and institutional reforms are needed to improve MDG performance by 2015 and beyond?

Employment, social protection and empowerment are essential for making growth more pro-poor

4. Recurring crises expose the vulnerability of poor people. Employment, social protection and empowerment are critical avenues to achieving pro-poor growth, but they have not received sufficient attention from policy makers and donors. Yet they bring double dividends as actions in these areas are mutually reinforcing. Better and more productive jobs raise incomes and help finance social spending and infrastructure. Social protection increases the productivity and employability of poor people, encouraging them to move, for example, to higher-yielding crops or businesses with brighter prospects. Empowerment helps poor people to be involved in decisions affecting their livelihoods and for decision makers to be accountable to the poor. Policies in these areas need to extend beyond the formal economy and the public sector to encompass the informal economy in which most poor people seek their livelihoods.

Achieving the MDGs requires stronger progress towards gender equality

5. Strengthening women's rights changes things for the better – for both women and men – and contributes to pro-poor growth. Gender equality and empowered women are catalysts for multiplying development efforts. Investments in gender equality yield the highest returns of all development investments and will result in accelerated progress towards achieving all the MDGs, including those that are most seriously off track. Investing in women pays off with reduced rates of maternal mortality, better educated and healthier children and higher household incomes. But, there is still a long way to go to in building and implementing a shared vision on gender equality for all development stakeholders.

Attaining the MDGs in fragile and conflict-affected states is even more difficult

6. Progress towards the MDGs is slowest in fragile and conflict-affected states, where one third of people in extreme poverty live. Accelerating progress towards the MDGs in these countries requires better aid, flexible modalities for engagement and a change of focus from the donor community. Donors need to step up their support for sustainable, peaceful livelihoods (through employment and social protection) and locally owned peace building and state building processes to achieve sustainable progress towards the MDGs.

Green growth must be pro-poor

7. Poor countries and poor people are most vulnerable to negative environmental changes. Fifty per cent of the population in Africa live in drought-prone and climate-sensitive areas. At the same time, for the majority of developing countries, tackling abject poverty, providing basic education, ensuring food security and decent livelihoods, and delivering essential services such as water supply and sanitation will remain overarching priorities. Consequently, for poor countries, green growth and poverty reduction must go hand in hand and development co-operation should promote 'pro-poor green growth', i.e. environmentally sustainable growth in which poor women and men can participate, contribute and benefit. This must be an essential part of the OECD's Green Growth Strategy which respects developing countries' priorities and seeks the development of low-carbon growth approaches that promote sustainable poverty reduction and pro-poor growth.