

Beyond the Millennium Development Goals: Towards an OECD contribution to the post-2015 agenda

- As the 2015 deadline for the Millennium Development Goals (MDGs) approaches, the United Nations and the international community at large have started to work on a new development framework.
- With its report *Shaping the 21st Century*, the OECD played a pivotal role in developing the MDGs. The OECD is now looking forward to contributing to a new era for global development.
- This overview paper – the first in a series of contributions – outlines a preliminary proposal for a contribution to the post-2015 era which reflects the OECD mission of supporting governments in designing “better policies for better lives”.
- This thinking represents the Organisation’s commitment – reflected in the recently-launched *OECD Strategy on Development* – to engage with member countries and emerging and developing countries; to share expertise and knowledge through mutual learning, respecting countries’ ownership of their own development; and to strive towards more coherent approaches to development.
- The proposal consisting of 11 elements intends to help provide a global, holistic, measurable and meaningful development framework. It involves a two-level approach:
 1. a **global level** with a small number of high profile goals and targets
 2. a **national level** consisting of goals, targets and indicators defined and tailored to the diverse starting points, specific contexts, priorities and capacities of each country
- This is a preliminary proposal. It is not intended to be an exhaustive list of OECD contributions, but a draft list of ideas for where the OECD could best start to get involved. More detailed papers will be produced in co-operation with different OECD directorates, reflecting in detail the 11 elements outlined here.

New times, new goals?

The United Nation’s MDGs comprise eight development goals to be achieved by 2015. The OECD played a pivotal role in defining the MDGs, especially through its publication *Shaping the 21st century* (OECD, 1996). With two years to go to meet the MDGs, the OECD is actively increasing its efforts to support their achievement. Despite progress in some areas, improvements have been highly uneven across goals, countries and regions, especially in so-called “fragile states” and countries affected by conflict. In order to sustain the momentum generated by the MDGs, the UN is leading the process to develop a successor framework after 2015, which will address the shortcomings of the existing MDGs, the outcomes of Rio+20,¹ as well as new global challenges (Box 1).

Box 1. How the UN is maintaining the goals momentum beyond 2015

Work has already begun on a new agenda and framework within the UN, its concerned agencies and beyond. The official post-2015 debate will start with a High-Level Meeting at the UN General Assembly in 2013 (UNGA 2013). The UN Secretary General (UNSG) has set up a UN System Task Team on the Post-2015 UN Development Agenda and nominated a High-Level Panel of Eminent Persons on the Post-2015 Development Agenda to help prepare the new framework.

The United Nations Conference on Sustainable Development (Rio+20) calls for a set of sustainable development goals (SDGs) to be submitted to the UN General Assembly in 2013. These should be “coherent with and integrated into the United Nations development agenda beyond 2015” (UN, 2012a: paragraph 246). It also recognises “the need for broader measures of progress to complement gross domestic product in order to better inform policy decisions”, and requests that the United Nations Statistical Commission launch a programme of work in this area building on existing initiatives (UN, 2012a: paragraph 38).

Rio+20 also saw the establishment of the United Nations Sustainable Development Solutions Network (UNSDSN) in August 2012. This independent global network of researchers aims to identify and share the best pathways for achieving sustainable development. Amongst other things, it will provide technical support to the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda.

Sources: UN System Task Team on the Post-2015 UN Development Agenda (2012), *Realizing the Future We Want For All: report to the Secretary General*, www.un.org/millenniumgoals/pdf/Post_2015_UNTTreport.pdf; UN (2012a), *The future we want: Outcome document of the 2012 United Nations Conference on Sustainable Development*, <http://sustainabledevelopment.un.org/futurewewant.html>

Since the establishment of the MDGs in 2000-01, times have changed. The process of shifting wealth has altered the way we think about the issues and the measurement of poverty reduction, social development and progress more broadly. The first decade of the new millennium witnessed a rapid convergence in countries' per capita income as parts of the developing world, especially China and India, grew faster than the advanced economies of the OECD. This growth and increasing heterogeneity within the developing world make the so-called North-South division an outdated concept. Large disparities persist in standards of living, and worries are rising regarding the sustainability and environmental costs of such rapid growth (Box 4). Nevertheless, this growth has helped to reduce extreme poverty; the world may have already achieved the first target of MDG 1.A – *i.e.* to halve the proportion of people living on one dollar a day (in 2005 US dollars, compared to 1990 as base year). According to the UN's Millennium Development Goals Report for 2012, the proportion of the extremely poor² fell from 47% in 1990 to 24% in 2008 (UN, 2012b).

Other aspects of the new context in which the post-2015 goals framework will operate are the following:

- **New geography of growth:** The shift in the world's economic centre of gravity away from OECD countries towards emerging countries has implications for the global balance of economic power. Developing and emerging economies have outperformed OECD growth since the start of the millennium and account for a larger share of world GDP. The new engines of growth and the emergence of South-South linkages also create new opportunities for developing countries. With this fresh dynamism, many parts of the developing world are growing in stature and voice.

- **New actors, new resources:** The new millennium is also characterised by a more diversified landscape of development actors. Global development is being financed by many more varied sources, ranging from a more diverse set of countries to different private sources of financing.
- **Greater interdependence:** The world is facing new, more interlinked global challenges. We need to identify new sources of growth and a new growth paradigm (such as inclusive green growth³), deal with climate change and the unsustainable use of natural resources, restore financial stability, and ensure better global governance in a globalised economy.
- **New geography of poverty:** The new geography of growth is paralleled by a new geography of poverty. Most of today's extreme poor live in middle-income countries, but by 2025 most absolute poverty will once again be concentrated in low-income countries,⁴ especially in so-called "fragile states".
- **Growing inequality:** Concerns are mounting about the impact of greater inequality within developed, emerging and developing economies on growth, social cohesion and political stability. Income distribution and relative poverty need to be carefully observed. Moreover, many of those who have escaped extreme poverty in the developing world are still poor, remain vulnerable and lack safety nets to cope with shocks.
- **Broader measures of development:** The utility of gross domestic product (GDP) or gross national income (GNI) as valid measures of development has been called into question. The search is on for (complementary) tools for measuring progress which better reflect natural and social capital in national accounts and capture non-monetary dimensions of well-being.
- **Country and context specific approaches:** There is growing recognition that the needs and priorities of individual countries are not adequately reflected in global negotiations and processes of setting global goals and standards. Such processes should not result in blueprint, one-size-fits-all approaches to development. Instead, initiatives are needed that reflect the realities and challenges of each situation.
- **Pressure for results:** A series of interconnected global crises has tightened government budgets and raised pressure to improve efficiency and demonstrate value for money. Governments are increasingly focusing on measuring results (*i.e.* outputs and outcomes) alongside or even instead of inputs.

These new realities do not diminish the transformative power of global goals. It is important to recall that the Millennium Declaration and the MDGs reflect a universal consensus and focus action around a small set of clear, politically-salient, measurable and time-bound ambitions. They have helped steer development efforts, increase mutual accountability and mobilise support from the development community and beyond. Against this background, the OECD recognises the challenges in shaping a new, ambitious, concise and results-oriented framework. Governments still have to decide whether the new framework will build on the existing goals, potentially including and agreeing on new ones (such as the sustainable development goals and others), or whether it will start from scratch (*i.e.* a "One World" approach).

The OECD's ideas on the post-2015 agenda

The OECD promotes evidence-based policies for better lives worldwide. What can the Organisation bring to the post-2015 framework discussion in this new context for development? The OECD suggests that the evolving framework, including goals, targets and indicators, should be global, holistic and measurable:

Global, holistic and measurable goals

- **Global: Moving beyond an exclusively developing country focus to take a global perspective.** The old North/South division does not work any longer in a globalised world with new emerging economies. Some countries outside the OECD are now driving global growth and playing a greater role in many areas (managing demographic change and urban development, mitigating climate change, protecting natural capital, promoting gender equality and women's empowerment, fighting communicable diseases, ensuring peace and stability, etc.). The increasing interconnectedness of our world means that the effects of national policies are often felt beyond national borders. Post-2015 goals should start from the premise that "we are all in this together", that problems and solutions do exist everywhere, and that all countries face challenges that should, therefore, be addressed through co-operative approaches. A post-2015 goals framework needs to be relevant to all countries and should propose truly global goals with shared – but not equal – responsibilities for all countries.
- **Holistic: Encompassing the poverty and human development agenda of the current MDGs, as well as the sustainable development goals.** The result should be a single, comprehensive and coherent agenda with one set of global goals. The new framework should also recognise other aspects that support a good quality of life. This means finding ways to measure such things as social and natural capital and well-being, and to move beyond average progress indicators to detect and monitor degrees of inequality in each dimension of life. A human rights approach could provide the frame of reference, while an explicit focus on gender equality and women's empowerment will continue to be necessary in its own right and for achieving all the other goals.
- **Measurable and meaningful: Driven by goals which are defined and can be measured by the countries themselves.** We have learned that setting goals without the underlying data and statistical systems in place is useless at best and counterproductive at worst. Goals must not only be measurable, but they must also be meaningful, *i.e.* they must reflect the realities and priorities of individual countries. For example, countries that are affected by conflict face the greatest challenges in achieving the MDGs. Their governments are increasingly critical of the MDGs as they do not address the core causes of fragility: political participation, security and justice.

A two-level approach

How can these principles be implemented in practice? The OECD suggests a two-level approach for goal-setting:

1. *Level one:* Establish a small set of global goals reflecting universally-agreed outcomes.
2. *Level two:* Each country translates the global goals into specific targets and indicators which reflect their specific level of development, context, responsibility and capacity. They should also include equality dimensions including gender equity and, where possible, make full use of data disaggregated by sex.

Ways and means for achieving goals and monitoring progress need to be explored in a process that ensures policy space for country leadership, as agreed at the High-Level Meeting on the Millennium Development Goals in 2010.⁵ Goals and targets at both global and country levels need to be supported by appropriate indicators to monitor progress and by mechanisms to evaluate the effectiveness of the policies in place. Information needs to be provided on relevant policy instruments (*i.e.* the ways and means of achieving the goals), other “enablers” and monitoring facilities, including indicators of the statistical capacity of countries.

Fleshing out the proposal: 11 ideas for moving forward

In shaping the post-2015 era, the OECD proposes 11 initial elements organised into two categories: regarding **A) outcomes** (*i.e.* goals); and **B) tools** (*i.e.* means to achieve the goals) (Figure 1).

A) Outcomes including principles underlying future goals

Element 1: Measuring what you treasure and keeping poverty at the heart of development

Element 2: Developing a universal measure of educational success

Element 3: Achieving gender equality and women’s empowerment

Element 4: Integrating sustainability into development

B) Tools for achieving existing goals and developing future goals

Element 5: Strengthening national statistical systems

Element 6: Building effective institutions and accountability mechanisms

Element 7: Developing and promoting peace and statebuilding goals (PSGs)

Element 8: Ensuring policy coherence for development

Element 9: Sharing knowledge and engaging in policy dialogue and mutual learning

Element 10: Promoting the Global Partnership for Effective Development Co-operation

Element 11: Measuring and monitoring development finance

Figure 1: The OECD vision: tools and outcomes for the post-2015 framework



A) Outcomes including principles underlying future goals

Element 1 ⇨ Measuring what you treasure and keeping poverty at the heart of development

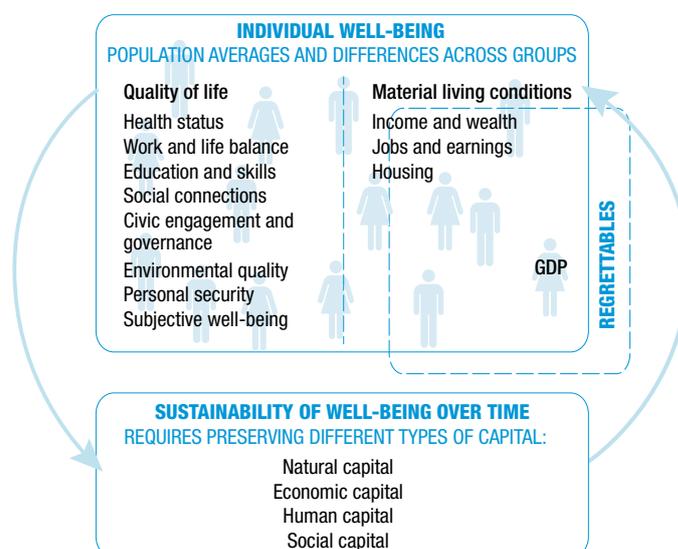
MDG 1 (“eradicating extreme poverty”) has not yet been achieved, even though the world may have achieved part of it (MDG target 1A, see above). Different poverty definitions paint different pictures: the UN MDG Report 2012 tells us there are still about 1.4 billion people living in absolute poverty, while the Multidimensional Poverty Index (MPI) identifies many more poor people: 1.65 billion.

Understanding poverty in all its dimensions tells us that improving income and material conditions is not enough. Meeting other basic needs is equally important (*e.g.* housing, health, education, security, a pollution-free environment, clean water, support from the community, effective non-corrupt institutions). It is also essential to increase people’s access to opportunities and to reduce inequalities. Poverty measures should also move beyond absolute thresholds to reflect distribution, *i.e.* relative poverty.

For these reasons, there are growing calls to put the broad notion of “well-being” at the core of the post-2015 development agenda. For example, UN Resolution 65/309 – led by Bhutan and adopted unanimously by the United Nations General Assembly in July 2011 – calls for a “more holistic approach to development” that promotes sustainable happiness and well-being. Amongst other proposals, the resolution invites member states to develop measures that better capture the importance of the pursuit of happiness and well-being in public and development policies. In New York in April 2012, a follow-up high-level meeting – Happiness and Well-being: Defining a New Economic Paradigm – defined a new measurement agenda.⁶

Since well-being is a complex and multi-dimensional phenomenon, assessing it requires a comprehensive framework that includes the large number of components whose interrelations shape people’s lives. The OECD’s Better Life Initiative could help respond to the UN call for new ways to measure well-being. It has the notion of “people’s well-being” at its core.⁷ Its approach, as implemented in the report *How’s life?*, offers a framework that is relevant for all countries. It involves

Figure 2: *How’s Life?* The OECD’s framework for measuring well-being and progress



Source: OECD (2011) *How's Life? Measuring Well-being*, OECD Publishing, Paris, available at www.oecd.org/howslife

11 dimensions described in terms which capture average achievements as well as inequalities (Figure 2). The framework distinguishes between well-being today and well-being tomorrow, thereby stressing the importance of developing better measures of sustainability. All these aspects are included in the OECD well-being framework (OECD, 2011).

While this framework has mainly been implemented in the affluent part of the world, it is now being extended to emerging economies and could also be adapted to the realities of low-income countries. For example, recent discussions at a number of regional conferences⁸ reveal that the framework's well-being dimensions appeal to people around the world, regardless of their country's level of economic development. While the specific aspects and supporting indicators for each dimension will differ across countries and regions, the framework provides a common language for most of the well-being initiatives currently undertaken by the statistical community worldwide.

Element 2 ⇒ Developing a universal measure of educational success

While the importance placed on primary schooling, educational access and equity in the MDGs will be retained, a post-2015 education-related goal is likely to include a stronger focus on the quality and equity of learning and incorporate the secondary education level. This will present the international community with a major challenge in developing and agreeing how to measure learning through a universal metric. The OECD is well placed to contribute to this challenge having built substantial experience with the Programme for International Student Assessment (PISA). Developed by the OECD and first conducted in 2000, PISA provides the most comprehensive and rigorous international assessment of learning outcomes (numeracy, literacy and science) in education. It involves testing about

Box 2. How PISA is driving better education in Brazil

Brazil presents an excellent example of the progress that a country can make by building on its participation in PISA to improve schooling outcomes. When Brazil first participated in PISA in 2000, it performed lower than any other country in the assessment. Ten years later, by using both national and international benchmarking to focus efforts and establish tools to improve their education system, the average PISA scores for 15-year-old students in Brazil have improved in reading (an improvement of 16 score points), mathematics (33 score points) and science (15 score points). To place these improvements in context on the PISA scale, 39 score points is considered to be equivalent to one year of schooling. Brazil's improvement, particularly in mathematics, places it among the PISA countries that have shown the most significant improvements.

half a million 15-year-old students from around 70 countries every three years. Alongside the test itself, PISA collects background information on students, schools and systems, which allow the factors to be identified that are associated with quality and equity in schooling outcomes.

Partner countries can benefit significantly from participating in PISA (Box 2): to date 28 low income and middle-income countries have participated. Building on these positive experiences, the OECD has prepared the ***PISA for development***

project to increase emerging and developing country participation in PISA. The project aims to improve the policy relevance of PISA for developing countries by making PISA survey instruments more relevant for the contexts found in developing countries, but which produce scores that are on the same scale as the main PISA assessment. The increased numbers of developing countries participating in the PISA 2015 cycle mean that the results could potentially serve as a baseline for measuring progress worldwide.

Using its experience with PISA and its analysis of policies for efficient and effective educational systems, the OECD will also contribute to the thinking of UNESCO's Learning Metric Task Force⁹ and to other relevant fora that are responsible for developing and agreeing on post-2015 education goals.

Element 3 ⇔ Achieving gender equality and women's empowerment

There is no chance of making poverty history without significant and rapid improvements to the lives of women and girls in all countries. The OECD's 2012 report *Closing the gender gap: Act now* emphasises that strong, sustainable and balanced economic growth depends on greater gender equality in all countries. Research by the OECD Development Centre has found that discrimination against women is also undermining the achievement of key development indicators such as child health, maternal mortality and educational attainment.

The post-2015 development agenda should therefore take a two-pronged approach to gender equality:

1. retain a stand-alone and explicit goal on gender equality and women's empowerment
2. include gender-specific targets and indicators in all other relevant development goals to measure essential dimensions such as: violence against women and girls; women's economic empowerment and ownership of assets; women's leadership; access to reproductive health services; girls' completion of a quality education; and women's role in peace and security

The UN has invited the OECD to bring its expertise and knowledge on gender equality and women's rights in development to processes led by the UN on the post-2015 development agenda. Papers have

also been prepared – on measuring discriminatory social institutions and on paid and unpaid work – for the UN Women/UNICEF consultation on addressing inequalities in the post-2015 framework.¹⁰ The OECD will continue to share its expertise on gender equality, drawing, for example, on the OECD gender initiative on gender inequality in education, employment and entrepreneurship; the work of the DAC Network on Gender Equality (GENDERNET); and the Social Institutions and Gender Index (Box 3).

Box 3. Social Institutions and Gender Index

Among the key root causes of unequal outcomes for women and men are social institutions – norms, laws and practices – which discriminate against women and girls. While conventional measures of gender inequality focus on areas such as education and employment, the Social Institutions and Gender Index (SIGI) captures discriminatory social institutions such as early marriage, violence against women, son bias and restricted access to productive resources. The SIGI is made up of 14 variables, grouped into 5 sub-indices: discriminatory family code, restricted physical integrity, son bias, restricted resources and entitlements, and restricted civil liberties.

The SIGI sheds light on dimensions of gender inequality, such as violence against women and family discrimination, that are fundamental to women's empowerment, yet often overlooked. Furthermore, analysis using the SIGI finds that countries with high levels of discrimination against women perform poorly on human development outcomes such as educational attainment and child health. A greater focus on discriminatory social institutions in the post-2015 development framework will be vital for tackling the root causes of gender inequalities and accelerating progress towards several development outcomes.

More information: www.genderindex.org

Element 4 ⇔ Integrating sustainability into development

Natural assets represent on average 26% of the wealth of developing countries (compared to 2% in OECD economies), and these countries are likely to be dramatically affected by climate change. Reconciling

development strategies with environmental protection and sustainable resource management is therefore a priority for developing countries. The OECD's environmental outlook to 2050 highlights the negative social, environmental and economic consequences of a "business-as-usual" development pathway (Box 4). Developing countries still have an opportunity to reconcile economic growth with environmental protection by leapfrogging the polluting approaches and avoiding the mistakes of OECD countries' historic development pathways. This underlines the dire need for a new approach to growth that is both inclusive and green, and comes with shared but differentiated responsibilities.

The future we want – the outcome document of the Rio+20 conference (UN, 2012) – calls for a global economy that allows developing countries to grow, while ensuring that natural assets continue to provide the resources and environmental services on which well-being relies. It states that developing universal sustainable development goals is one concrete approach to help countries achieve this.

Green growth is a means to achieve sustainable development and represents a radical departure from existing models of growth. It aims to foster economic growth while ensuring that natural resources continue to provide the resources and environmental services on which well-being relies. For developing countries, the social or "inclusive" dimension of green growth is particularly pressing. The OECD has built substantial expertise in green growth, and its green growth strategy (OECD, 2011f) summarises extensive experience in implementing green growth approaches across a range of countries. The OECD is currently finalising a report on *Putting green growth at the heart of development*, which builds on substantial consultations with developing country policy makers and evidence from countries' own experiences. The Report will help developing countries to craft national policies to green their growth and highlights ways to strengthen international co-operation. It will emphasise the links between poverty reduction and natural resource management, as one of many key issues that are central to pro-poor growth and social protection in developing countries.

As part of its green growth strategy, the OECD is also working closely with partner organisations and a wide range of countries in developing and applying green growth indicators to help them track their progress towards sustainable development and green growth. A long-term agenda has been developed to improve indicators and measurement tools. This work is linked with and integrated into the broader OECD work on measuring well-being and progress beyond GDP (Element 1).

Box 4. The costs of inaction to address environmental challenges in developing countries

Conventional models of growth threaten food production, water security and livelihoods. An additional 1 billion people are expected to live in severely water-stressed areas by 2030, and global terrestrial biodiversity is expected to decline an additional 10%, leading to a loss of essential ecosystem services. With growing levels of dangerous air emissions from transport and industry, the global number of premature deaths linked to airborne particulate matter is projected to more than double from today's levels to 3.6 million a year by 2050, widely surpassing malaria as a global killer. Most of the increased deaths will occur in emerging economies like China, India and Indonesia, where premature deaths from air pollution are expected to grow from 0.6 million in 2000 and 1.6 million by 2050. Failure to act could also lead to a 50% increase in global greenhouse gas emissions by 2050 and global mean temperature increases of 3-6°C by the end of the century. Developing countries are particularly vulnerable to climate change impacts, which will lead to more severe and frequent natural disasters that will harm local livelihoods, economic growth, and health and well-being.

Source: OECD (2012), OECD environmental outlook to 2050: The consequences of inaction, OECD, Paris.

The OECD is also promoting common approaches to green growth in collaboration with relevant groups. A key example is the development and implementation of the System of Environmental-Economic Accounting (SEEA), an international standard for integrating environmental and economic statistics that was endorsed by the UN Statistical Commission in 2012. Another is the Green Growth Knowledge Platform (GGKP), a partnership between the Global Green Growth Institute, the OECD, the United Nations Environment Programme and the World Bank. This global network of experts helps countries to advance in measuring, designing and implementing green growth policies.

B) Tools for developing and achieving future goals

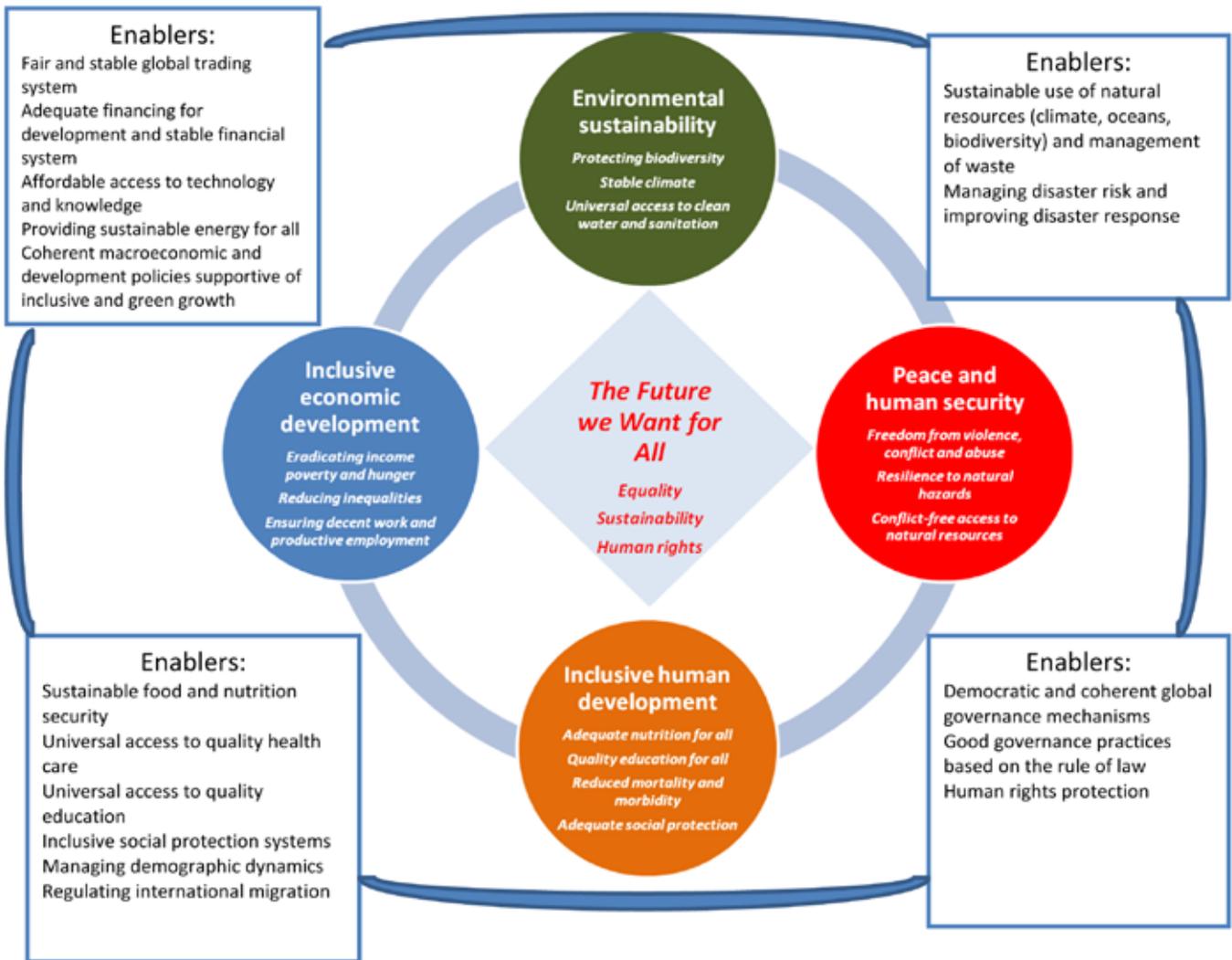
Challenges in our interconnected world economy are global and require co-ordinated responses. Economic shocks can reverberate quickly, and externalities such as climate change, financial instability, social and economic inequality and conflict can have serious and wide-ranging consequences worldwide. Effective implementation of a post-2015 framework will require dealing with systemic and structural conditions that constrain development and inclusive sustainable growth. This is why the UN sees the need for identifying a set of “development enablers” (Figure 3) which can also help to define goals and means for a post-MDG framework. The OECD has several areas of expertise and experience to offer in creating this enabling environment, including its work on:

- strengthening national statistical systems
- building effective institutions and accountability mechanisms
- developing and promoting peacebuilding and statebuilding goals
- ensuring policy coherence for development
- sharing knowledge and engaging in policy dialogue and mutual learning
- promoting the Global Partnership for Effective Development Co-operation
- measuring and monitoring new approaches to finance development

Element 5 ⇔ Strengthening national statistical systems

Partner countries repeatedly describe in their consultations with the OECD how they struggle to apply the MDG framework due to the lack of capacity in their national statistics offices to collect and analyse the required data. This situation may worsen if the new goals are not accompanied by robust investment in national statistical capacity so that countries can start collecting data themselves without having to rely on external partners.

Figure 3.The UN integrated framework for realising “the future we want for all”



Source: UN System Task Team on the Post-2015 UN Development Agenda (2012), *Realizing the future we want for all: Report to the Secretary General*, www.un.org/millenniumgoals/pdf/Post_2015_UNTReport.pdf.

The OECD is one of the founding partners of the Partnership in Statistics for Development in the 21st Century (PARIS21), a global partnership between data producers and users. Together with the World Bank – another founding partner – PARIS21 has developed the *Busan Action Plan for Statistics* (BAPS) as a framework for strengthening statistical systems to support national development needs.¹¹ This framework has three overarching objectives: 1) to fully integrate statistics into decision making; 2) to promote open access to statistics; and 3) to increase resources for statistical systems. To achieve these objectives there also needs to be better links between the collection and analysis of data and policy formulation and implementation. This will most often mean strengthening the institutional framework for evidence-based policy making.

Adopted at the Fourth High-Level Forum on Aid Effectiveness, the BAPS will drive global statistical developments over the next decade and help mobilise resources for capacity development – a prerequisite for the implementation of any post-2015 development framework at the country level.

It could also be used to guide the formulation of the post-2015 development goals. The OECD is fully committed to supporting the implementation of the BAPS and to helping strengthen partner countries' statistical capacity, notably by providing conceptual and methodological advice for the development, collection and analysis of data for the post-2015 development framework.

PARIS21 organises events such as statistics producer/user dialogues – which help to develop and implement National Strategies for the Development of Statistics – and its joint programme with the World Bank on documenting and disseminating micro data. PARIS21 can draw on this rich experience in order to shape a new development framework and link the interests of the policy community and statistics producers.

Element 6 ⇔ Building effective institutions and accountability mechanisms

One of the conditions for economic growth, and for making the goals achievable and sustainable, is the presence of effective institutions. The rules and culture of institutions govern their level of accountability and transparency and therefore their responsiveness both downstream to citizens, civil society and businesses, and upstream to policy-makers in terms of implementing policies and devising solutions that are in line with overall government objectives. Building more effective institutions is a critical link in terms of supporting development goals and defining the actions that need to be taken. Societies with more effective and accountable governing institutions perform better on a range of issues from economic growth to human development and social cohesion. Effective institutions contribute to lowering transaction costs, reducing uncertainty and ensuring sustainable development. Investing in institutional building and governance, by strengthening transparency, control of corruption, accountability mechanisms and the rule of law, is essential to laying a solid foundation for sustainable economic growth.

Strengthening institutions and making them more effective involves the following actions:

- clarifying strategic objectives by improving performance indicators and the cascade of objectives from strategic plans to individual performance management
- building capacity at the level of middle and senior management for policy and administrative planning
- improving accountability by aligning measurement and reporting to supreme audit institutions (SAIs), internal audit, internal management and independent fiscal and central budget authorities.
- increasing openness in order to engage external stakeholders in defining and solving problems, foster greater transparency and strengthen integrity, all in support of policy coherence and horizontal co-ordination
- increasing flexibility of administrative processes and resources to achieve agreed objectives

While the individual circumstances and capacity of each public administration may differ, the overall OECD standard of practice provides a benchmark against which countries can compare their existing ways of working.

What can the OECD offer in developing indicators for effective institutions?

- Work on *budget transparency* can help set realistic targets by assessing the comprehensiveness and the accuracy of the budget, the economic assumptions on which the budget is based, and the categorisation of expenditures to ensure comparability over time.
- Work with *parliamentary oversight and external audit bodies* plays a key role in ensuring sound public financial management.
- Work on *public procurement* can provide guidelines to ensure value for money in state purchases, which account for between 15% and 20% of GDP.
- Work on the *rule of law and security* can provide countries with benchmarks to ensure effective functioning of justice institutions and broader rule of law as core institutions enable a level playing field, a well-functioning economy, social justice and broader government accountability.
- Work in *integrity and open government* can help prioritise reforms and identify implementation gaps in areas as critical to accountability as conflict of interest regulation, lobbying, openness, access to information or citizen engagement.
- Work on *inclusive institutions* could help identify specific parameters for measuring effectiveness and inclusiveness of governance institutions.
- Work in the areas of information and communications technology (ICT), *human resources, and performance and results* serves to provide guidance and good practice examples on how countries can strengthen their public sector institutions.

States also need an effective tax system to produce the necessary resources to perform its duties. Public sector institutions that generate domestic revenues are the primary enablers of sustainable development financing. The UN considers that developing countries need to mobilise over 20% of their GDP in tax to achieve the MDGs (UNDP, 2010). Despite some progress in recent years, half of the sub-Saharan African countries mobilise less than 17% of their GDP in tax revenues. Several Asian and Latin American countries have even lower collection rates. Crisis-induced domestic revenue reductions threaten USD 12 billion of core public spending in the poorest countries.

Broadening the tax base and moving towards simpler, more equitable and more transparent tax systems are challenges for all countries, including developing countries. Most countries face challenges: 1) designing and implementing effective transfer pricing rules to ensure taxable profits are not shifted offshore; 2) improving information exchange regimes; and 3) increasing transparency. Many strands of the OECD's work can make valuable contributions to domestic resource mobilisation efforts in developing countries:

- **Taxation:** The OECD is working on international norms, standards and instruments for tackling areas such as the taxation of multinational enterprises. The OECD is leading the global debate on avoiding double taxation, as well as double non-taxation, and on tackling tax evasion and avoidance. The OECD has recently launched a major initiative to revisit some of the fundamentals of the existing standards to address tax base erosion and profit shifting (BEPS) by multinational enterprises. Its multi-stakeholder Task Force on Tax and Development works together with developing countries to more effectively implement the international tax rules so as to strengthen domestic resource mobilisation.

- **Revenue statistics:** OECD work provides disaggregated tax revenue data that allow comparisons of fiscal performance and the mix and fairness of their taxes among non-OECD and OECD countries.
- **Natural resource-based development:** This work addresses policy issues such as: how to deal with volatile commodity prices, the rapid exhaustion of the resource base and the crowding out of activities competing with resource extraction; how to balance fair and efficient taxation of extractive activities with the need to attract investment in the sector on a sustainable basis; and how to improve economic, social and environmental development.
- **Public finance management:** OECD work in this area can help to analyse key policy challenges and best practices to improve efficiency, effectiveness and prudence in public expenditure, including in infrastructure, and to assess productive and social development outcomes (such as education and health) and their contribution to economic growth and structural transformation.

Element 7 ⇔ Developing and promoting peacebuilding and statebuilding goals

Violence and conflict threaten all forms of development. Their effects are particularly pernicious in so-called “fragile states” because such countries already face high levels of poverty and inequality, poor governance and low levels of economic development. This makes them less resilient to violence and conflict and susceptible to becoming even more fragile. Today, 40 countries and 1.5 billion people are affected by violence, conflict and fragility. These issues are global challenges, and global peace and security cannot be realised without addressing them.

Failure to address violence, conflict and fragility in the post-2015 framework means ignoring a major obstacle to development. The Millennium Declaration (2000) already recognised this a decade ago and more recently the report by the UN System Task Team on the Post-2015 UN Development Agenda (2012) did the same. A significant body of evidence on these issues has been accumulated over the past decade (*e.g.* in the 2011 World Development Report).

Box 5. The New Deal for Engagement in Fragile States

The New Deal is a key agreement between fragile states and development partners to improve the quality of engagement in states where development progress suffers from violence, conflict and fragility. It includes a set of commitments to put countries in the lead of their own pathways out of fragility and to ensure aid and national resources are mobilised and used more effectively.

The New Deal identifies five peacebuilding and statebuilding goals (including indicators which will be available shortly) as priorities for action in such environments: 1) legitimate and inclusive politics; 2) security; 3) justice; 4) economic foundations; and 5) revenues and services.

The New Deal has the potential to refocus global politics and funds to reduce violence and fragility more effectively and build on the evidence obtained the hard way over the past decade. It is already being implemented in five pilot countries (Chad, Liberia, Sierra Leone, South Sudan and Timor-Leste) and can be applied more broadly to promote peace and security around the world.

The OECD is well placed to contribute to the thinking on how these critical developmental issues can be reflected in the post-2015 framework. It was particularly instrumental in getting agreement at the 2012 Busan High-Level Forum on Aid Effectiveness on a New Deal for Engagement in Fragile States, which has proven to be a major milestone for advancing the agenda. This high-level political document was produced by the International Dialogue on Peacebuilding and Statebuilding and was signed by over 40 countries and institutions. It reflects a

broad consensus that to reduce violence, conflict and fragility, different ways of working, as well as working on different priorities, is urgent and necessary. These different priorities are reflected in five agreed Peacebuilding and Statebuilding Goals (PSGs) (Box 5). These goals and associated indicators provide important starting points for the question of how violence and conflict can be reflected in the post-2015 development framework.

As a partner in the International Dialogue on Peacebuilding and Statebuilding, the OECD's International Network on Conflict and Fragility (INCAF) was at the centre of the policy development work behind the New Deal for Engagement in Fragile States. It is well placed to develop further thinking on how a goal, targets and indicators on peace and security can ensure the post-2015 framework effectively addresses a significant barrier to development.

Element 8 ⇔ Ensuring policy coherence for development

As a result of globalisation, “beyond aid” issues such as trade, migration, investment, climate change, security and technology play an increasingly important role in shaping the prospects of developing countries. Developed countries need to ensure that their beyond aid policies support, or at least do not undermine, progress towards internationally-agreed development goals, including the MDGs. Urging developing country farmers to export to world markets while limiting their access to these markets, for example, clearly makes no sense.

This has been the focus of the OECD's agenda on policy coherence for development (PCD). It can help to address systemic and structural conditions that constrain development and inclusive sustainable growth such as barriers to trade, markets, knowledge and technology; capital and brain drain, etc. Co-ordination and coherent policies at the national, regional, and global levels can help create the kind of enabling environments for development envisaged by the UN System Task Team in its report *Realizing the future we want for all*.

The OECD's PCD initiative has developed guidance on good institutional practices to help governments promote PCD at the national level, and is developing stronger evidence-based analysis to inform policy and decision makers on the costs of incoherent policies and the benefits of more coherent policies. This work will make recommendations for how countries can create enabling environments for development. It is also working to develop PCD indicators, methodologies and tools to monitor progress and assess impact of diverse policies on development. The OECD has created an International PCD Platform and an online space dedicated to facilitating dialogue, knowledge sharing and mutual learning around PCD.¹² This effort aims to apply a PCD perspective to the analysis of key global issues such as food security, illicit financial flows and climate change, and to adapt and reinforce PCD tools for promoting action and responding better to the changing global development landscape.

Element 9 ⇔ Sharing knowledge and engaging in policy dialogue and mutual learning

As highlighted by the UN System Task Team report *Realizing the future we want for all*, there are no blueprints for the most effective “enablers”: adaptation to local conditions will be crucial. The OECD's experience with evidence-based analysis, policy dialogue, peer reviews and peer learning can help identify policy solutions adapted to specific contexts and support better design and implementation of reforms by developing country governments in meeting the new goals.

To enhance its function as a forum for peer learning with non-member countries, the OECD will be launching a Knowledge Sharing Alliance, which aims to open up its inter-disciplinary policy expertise

and peer learning networks to partner countries. Lessons can be learned jointly to upgrade partner countries' and the OECD's knowledge, policy instruments, frameworks and skills. Furthermore, the alliance will strengthen partnerships and co-operation for better-informed analysis relevant and adapted to partner countries' contexts and needs. The Knowledge Sharing Alliance can help to identify "development enablers", promote transformation, generate impact, and contribute to strengthening government capacities and partnerships. Specific examples could include the networks of policy makers and practitioners that are being established under the auspices of the Strategy on Development. These networks will address specific development challenges that are common to groups (or clusters) of OECD and non-OECD countries:

1. the challenges of natural resource-driven development, such as managing volatility, improving taxation, promoting diversification, developing local suppliers, and enhancing transparency and governance
2. the challenges of firms' integration in global value chains and promoting innovation, upgrading and employment

The OECD is also developing innovative approaches for more effective and mutually-beneficial collaboration with developing countries. One example is the Multi-Dimensional Country Review (MDCR). For many years the OECD has conducted regular reviews of OECD country policies in economic development, environment, education and skills, investment, development assistance, agriculture, energy and innovation, etc. Several non-OECD countries have asked the OECD if they can also participate in these policy reviews. These multi-dimensional reviews will take a comprehensive, diagnostic approach to the binding constraints on economic and social development in non-member countries, including policy interactions and coherence. MDCRs target development and are organised around three means to achieve it: growth, equity and sustainability. An in-depth diagnostic phase leads to the identification of the binding constraints to development and then the reviews blend sectoral expertise into cross-cutting analyses. They will provide an opportunity to bring OECD expertise in employment, skills, green growth and social policies together to achieve the broader objective of development. These reviews have the potential to help developing countries better fine-tune the design and implementation of their development strategies, which will likely include global goals as well as national goals identified by the specific country.

Element 10 ⇔ Promoting the Global Partnership for Effective Development Co-operation

There is an urgent need to improve synergies among development partners, including bilateral and multilateral organisations, governments, civil society and the private sector, and to ensure that their complementary actions all work towards sustainable development. MDG 8 – a global partnership for development – has been one of the most challenging to implement meaningfully. This has been in part because of the lack of a natural constituency or coalition to drive progress. This changed in 2011 when the Fourth High-Level Forum on Aid Effectiveness in Busan, Korea laid the foundations for a new, inclusive approach to improving development co-operation and partnerships. The Global Partnership for Effective Development Co-operation – agreed at Busan by 160 nations (including emerging economies) as well as international organisations and representatives of civil society, the private sector and parliamentarians – offers an opportunity to deepen and sustain policy collaboration among a wide range of stakeholders.

The OECD played a key role in shaping the Global Partnership (Box 6) and its global governance structure – led by three ministerial co-chairs from countries at different stages of development. The OECD's work with the Global Partnership can contribute to the post-2015 development framework in several ways:

- supporting, in close partnership with the United Nations Development Programme, the growth of the Global Partnership as a space for political dialogue, accountability and knowledge-sharing on issues relating to development co-operation and its effectiveness. In this way, the Global Partnership can bring perspectives on development co-operation policies – one part of the “how to” of a post-2015 development framework.
- generating the evidence base to inform decisions on development co-operation within the post-2015 development framework. The OECD brings decades of experience in the collection and rigorous analysis of data on development co-operation, and is now leading – in the context of its Strategy on Development – global efforts to monitor the international commitments on effective aid made in Busan.

Box 6. Effective development co-operation and the OECD

The Busan Partnership agreement draws on lessons learned from previous agreements on aid effectiveness adopted in Rome (2003), Paris (2005) and Accra (2008), which came from OECD/DAC-hosted discussions with developing countries and, over time, a growing range of non-state actors.

What began as a discussion among major donors on how they could improve aid delivery and their own practices has evolved into an inclusive – and increasingly political – international dialogue going beyond the aid efforts of “traditional” donors.

Developing countries continue to look to the OECD as a source of rigorous, impartial analysis on the effectiveness of development co-operation. Its global surveys on monitoring the Paris Declaration underpinned the Accra and Busan agreements. The last survey involved 78 developing countries.

Collaboration with the United Nations Development Programme strengthens the legitimacy and geographical reach of the Global Partnership. It also signals a shift from a dialogue led and hosted by OECD/DAC members to one in which a broad range of countries and organisations – including emerging economies – participate as equals.

For more information, see: <http://www.oecd.org/dac/aideffectiveness/globalpartnership.htm>

- advising OECD member countries on improving their own development co-operation efforts, recognising that several members still face challenges in meeting existing commitments on aid effectiveness. The Global Partnership can be used as a forum within which to share experiences with others, and to help build consensus on the development co-operation aspects of the post-2015 development framework.

Element 11 ⇔ Measuring and monitoring development finance

As we saw earlier, today’s global development is being financed by many more varied sources, ranging from a more diverse set of countries to different private sources of financing.

The OECD has many years of experience collecting statistics on official development assistance (ODA) and other resource flows to developing countries, and in defining methods and classifications for analysing these flows. It could therefore play a significant role in measuring and monitoring external development finance for the post-2015 development agenda. Changes in the

development finance landscape create a need for new measures and statistical categories to capture the full spectrum of financial instruments and facilitate the analysis of funding from all sources. This includes continued provision of statistics and comparative analysis of donor effort as well as global, regional or sector/recipient-specific development finance. The OECD is increasingly broadening its analysis to cover the larger set of providers of development co-operation, including non-OECD countries, multilateral development agencies and private foundations, and both concessional and non-concessional development finance.

The DAC – in close collaboration with the United Nations, the IMF, World Bank and others – will soon be proposing a new measure of total official support for development. They will also explore ways of presenting both donor efforts and recipient benefits of development finance.

Conclusion

This overview paper is the first in the series OECD Contributions to Post-2015 Reflections. It puts forward a possible global, holistic, measurable and meaningful framework to move development forward beyond the MDG 2015 deadline. It proposes a two-level approach – at the global level and nationally by individual countries. This evolving thinking represents the OECD’s commitment – reflected in its new Strategy on Development – to engage with member, emerging and developing countries; to share expertise and knowledge through mutual learning and respecting countries’ ownership of their own development; and to strive towards more coherent approaches to development. It also reflects the OECD’s diverse expertise, experience and various comparative advantages.

A MDG follow-up framework will only be agreed upon if all actors get involved. Each actor will have to consider the possible options to best engage in the process, including the OECD and its members.

This proposal is submitted for comments and suggestions. It is not intended to be an exhaustive list of OECD contributions, but a list of ideas for where the OECD could best get involved. More detailed papers will be produced in co-operation with different OECD directorates, reflecting in detail the 11 elements outlined here.

END NOTES

1. The United Nations Conference on Sustainable Development, held in Rio de Janeiro in 2012.
2. Defined as people with a consumption or income level below USD 1.25 per day in purchasing power parity terms.
3. See OECD (2011), *Towards Green Growth* (2011), OECD, Paris, www.oecd.org/greengrowth/towardsgreengrowth.htm
4. See Sumner (2012) and Kharas and Rogerson (2012).
5. See MDG HLM outcome document 2010 paragraph 37: “We recognize that the increasing interdependence of national economies in a globalizing world and the emergence of rules-based regimes for international economic relations have meant that the space for national economic policy, that is, the scope for domestic policies, especially in the areas of trade, investment and international development, is now often framed by international disciplines, commitments and global market considerations. It is for each Government to evaluate the trade-off between the benefits of accepting international rules and commitments and the constraints posed by the loss of policy space” (http://www.un.org/en/mdg/summit2010/pdf/outcome_documentN1051260.pdf).
6. See *Wellbeing and Happiness: Defining a new economic paradigm*, www.2apr.gov.bt/
7. See www.oecd.org/betterlifeinitiative
8. The last conference was the Fourth OECD World Forum on “Statistics, Knowledge and Policies” held in New Delhi, India in October 2012.
9. UNESCO has already established a task force with the support of the Brookings Institute to consider this issue and to make recommendations to the high-level UN committees responsible for the post-2015 Education for All (EFA) and MDGs agendas as well as the UNSG’s Global Education Campaign.
10. See <http://www.worldwewant2015.org/inequalities>
11. See http://paris21.org/sites/default/files/Busanactionplan_nov2011.pdf
12. See <https://community.oecd.org/community/pcd>

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ONLINE RESOURCES

- Your Better Life Index* (www.oecdbetterlifeindex.org), an interactive composite index of well-being that aims to involve citizens in the debate on societal progress
- "The OECD and the Millennium Development Goals", webpage at www.oecd.org/dac/theoecdandthemillenniumdevelopmentgoals.htm

The United Nations (UN) Millennium Development Goals (MDGs) were established in 2000/1 and consist of eight development objectives to be achieved by 2015. It is widely agreed that the MDGs have been effective in mobilising worldwide awareness, leveraging resources, guiding global development efforts and increasing accountability. It is also impressive how close the world will get to most of the MDGs by 2015. There is need, however, for a successor framework once the MDGs expire in 2015 to keep the momentum built to date. The OECD played a pivotal role in defining the MDGs. With two years to go, the OECD is increasing its efforts to support the achievement of the MDGs, and at the same time thinking about how it can help the UN in developing a new agenda and framework post-2015. The OECD has a number of areas of expertise which could play an important role in shaping this post-2015 agenda and framework. In the overview brochure for this series, the OECD proposes eleven areas which would be of particular relevance (Beyond the MDGs: Towards an OECD contribution to the post-2015 agenda):

- Element 1: Measuring what you treasure and keeping poverty at the heart of development
- Element 2: Developing a universal measure of educational success
- Element 3: Achieving gender equality and women's empowerment
- Element 4: Integrating sustainability into development
- Element 5: Strengthening national statistical systems
- Element 6: Building effective institutions and accountability mechanisms
- Element 7: Developing and promoting peacebuilding and statebuilding goals
- Element 8: Ensuring policy coherence for development
- Element 9: Sharing knowledge and engaging in policy dialogue and mutual learning
- Element 10: Promoting the Global Partnership for Effective Development Co-operation
- Element 11: Measuring and monitoring development finance

For more information contact Hildegard Lingnau (hildegard.lingnau@oecd.org).