8TH HIGH-LEVEL MEETING
OF THE GOVERNING BOARD
Development Centre, 24-25 October 2022

Key Issues Paper
STRONG, SHARED, GREEN:
DEVELOPMENT
WE CAN DO TOGETHER
Key Issues Paper

Strong, Shared, Green: Development We Can Do Together

8th High-Level Meeting of the Governing Board of the OECD Development Centre
24-25 October 2022

This document serves as a background document for the 8th High-Level Meeting of the Governing Board of the OECD Development Centre on 24-25 October 2022. It presents three key issue areas of relevance to global development, and the Centre’s work: economic resilience, the just green transition and gender equality, providing a framework for the sessions and discussions of the High-Level Meeting.

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The OECD Development Centre @60 – Shaping responses in times of crisis

The OECD Development Centre was founded 60 years ago at a time of momentous change, acknowledging the need to learn together and from each other. The OECD had been formed one year before and many of today’s members of the Development Centre had just gained independence. World War II was over and the reconstruction of Europe with the help of the Marshall Plan a success. Bretton Woods had re-established the Gold Standard and created a new order for global economic management, with the IMF and the World Bank as central institutions. At the same time, the Cold War was heating up and uncertainty over global security prevailed. In this context, the Development Centre was founded as a complement to what would become the Development Assistance Committee (DAC), and as an inclusive space where “citizens and officials, and students and professional men of the Atlantic area and the less-developed world can meet to study in common the problems of economic development.” (Kennedy, 1961[1]). This showed a prescient understanding of the importance of a space for shared analysis, policy dialogue and mutual learning in the face of current and future challenges.

The global development progress since then has been enormous, bringing us much closer. Global GDP per capita increased 22-fold from USD 500 for 3 billion people in 1960 to USD 11 000 for 7.7 billion people today (all in current terms), life expectancy is up 20 years, from 53 to 73 years, extreme poverty has fallen from 43% of the global population in 1981 (first year with global data) to 9% today, and 3.7 billion more people are literate today than 40 years ago. Exports today are 147 times what they were in 1960 and foreign direct investment is 123 times what it was in 1970 (World Bank, 2022[2]).

Yet, some of the drivers of convergence risk having run their course, making development more challenging in poor and rich countries alike. After two decades of intense globalisation and internationalisation of supply chains, marked by the emergence of new growth engines and deeper South-North and South-South interactions that put nearly all developing economies onto a path towards faster economic convergence – a dynamic dubbed “shifting wealth” by the Development Centre (OECD, 2010[3]) (OECD, 2018[4]) – the current outlook is rather one of a growing dichotomy in growth prospects (IMF, 2022[5]). As growth and development have often been concentrated in specific places, serious dichotomies exist not only between, but also within countries, including in middle income and advanced economies. As discussed in the Centre’s Perspectives on Global Development 2021 (OECD, 2021[6]), inequalities and discontent put increasing pressures on domestic political systems and the global consensus on collaboration, trade and shared prosperity that has been among the key drivers of development. At the same time Development has gone mainstream, becoming a concern as much within even advanced economies as between global regions (Rodrik, 2022[7]).

Today we face challenges of similar – if not greater – magnitude than at the time of the Development Centre’s founding, including war, growing hunger, and inflation, compounded by climate change. The effects of the COVID-19 pandemic will long be felt, while Russia’s large-scale aggression costs thousands of lives and exacerbates increasing energy and food prices, hitting vulnerable populations across the world most. Projections of global growth are dropping fast (OECD, 2022[8]) (IMF, 2022[9]), putting recessions and possibly debt crises on the horizon (World Bank, 2022[10]). The move towards digitalisation and the diffusion of automation, are also creating new uncertainties on what it takes to compete in the future, bringing to light massive divides in terms of infrastructure and skills across and within countries (OECD, 2020[11]) (OECD, 2021[12]). Finally, climate change does not stop and continues to remain an overarching global challenge. There is no alternative to drastically reducing CO2 emissions globally and decarbonising economic growth, if we want to avoid human suffering and development going backwards.

1. The amount of global FDI today is similar to the year 2000, it was much higher at times in the interim.
At the same time, the world today has more advanced tools to confront these challenges, as the response to the global financial crisis and the pandemic-induced recession showed. Monetary policy tools, fiscal policy and safety nets, as well as multilateral trade, tax and climate agreements, just to mention some, are today available to address new or re-emerging challenges. For these tools to work, however, trust in institutions, as well as multilateral co-operation and coordination, are crucial. The current context, however, highlights the risks of growing asymmetries and polarisation in economic and international relations (Pisani-Ferry, 2021[13]). A weakened multilateral co-operation is not what the world needs when confronted with a “poly-crisis”, a situation where multiple challenges arrive not only at the same time, but also feed each other, with escalatory risks that make the whole even more dangerous than the sum of the parts (Tooze, 2022[14]).

We need innovative ideas and solutions that can only come from bringing our different perspectives together and turning analysis into action. President Kennedy had understood that bringing different perspectives and viewpoints together is crucial to solve the many problems that together make up development challenges. This has never been truer than today, as positions and interests are less driven by simple differences in national levels of economic development. Instead, it is increasingly our differences in geography and political systems, in production and consumption systems, and in where we obtain food and energy that matter in how we look at global challenges and development. A crucial tenet of the Development Centre has been to establish spaces for policy dialogue where stakeholders, from different countries or within a country, can come together, share their experiences and expand their mutual understanding and common ground. To find innovation we need to expand our knowledge frames by integrating all relevant perspectives (Blindenbacher and Rieländer, forthcoming[15]). The 2012 OECD Strategy on Development [C/MIN(2012)6] recognised and promoted such an approach, leading to the establishment of innovative initiatives that have thrived since2.

The 8th High Level Meeting (HLM) of the Governing Board of the Development Centre will define how the Centre can support members in achieving stronger, more shared and greener development, together. It will promote a common diagnosis of the main challenges and identify the key levers to achieve positive change. The HLM will bring together policy makers, international organisations, and non-state actors from the Development Centre’s networks to identify the critical issues affecting global development dynamics and shape responses to some of today’s most pressing issues: the risk of a development reversal, the imperative of embarking on a just green transition across the world, and gender inequality. The HLM will be a crucial moment to chart a course for the OECD Development Centre as a member-driven hub for analysis and policy dialogue on sustainable development and for global collaboration.

Three Session for three challenges: How can we put development back on track? How can we get the green transition right for everyone? How can we make gender equality a reality?

2. These include the Policy Dialogue on Global Value Chains (GVC), Production Transformation and Development, the Policy Dialogue on Natural resource-based development, the Multi-Dimensional Country Reviews and their Mutual Learning Group, the OECD-AMRO-ADB/ADBI-ERIA Asian Regional Roundtable and, more recently, the Policy Dialogue on Migration and Development, the Policy Dialogue on Social Protection and Development and the group of friends of the Social Institutions and Gender Index (SIGI).
Session 1: Putting development back on track

For years, it seemed like countries were converging on the path to development, with rising incomes and better living-standards. But the current outlook challenges this perspective. The divide between advanced and developing countries is opening up once again, as the convergence in incomes of the last two decades seems to have lost steam. The effects of the COVID-19 pandemic will long be felt, while Russia’s war in Ukraine exacerbates increasing energy and food prices, hitting vulnerable populations across the world most. Projections of global growth are dropping fast, while inflation is mounting, heightening the risks of recessions, financial market volatility and debt crises. Countries that are highly dependent on food and energy imports, with limited fiscal buffers and high levels of debt are particularly vulnerable. Even beyond these massive short-term challenges, we are looking at a period of increased uncertainty and complex change (climate, demographic, social and technological). Poorer countries being adversely affected due to a lack of resources and institutional capacity to take advantage of opportunities (such as the digital transformation or, in Africa’s case, its young population) and protect themselves against risks (such as climate change, pandemics, or food and energy shortages).

Can we learn the lessons of resilience and achieve the necessary levels of global co-operation to put development back on track?

The socio-economic fallout of the pandemic has been severe and will remain with us for long; we will have to double down on social inclusion that pulls people out of poverty and supports those in need.

The macroeconomic impact of the pandemic has been severe, especially for developing countries. Even before the war in Ukraine and global inflation picking up, Latin America with the Caribbean, as well as Africa and the Middle East, had been projected to recover to pre-crisis levels only by 2023-24. The outlook was better for advanced economies, which had recovered their pre-pandemic income levels by 2021 and much of Asia (OECD, 2021[16]); (IMF, 2022[5]); (AUC and OECD, 2022[17]); (OECD et al., 2021[18]).

The macro response to the crisis has also been unprecedented, but developing countries had fewer means available. The countries that could afford it put in place massive monetary and fiscal policy interventions to sustain the recovery. However, many developing countries had much more limited resources to counter the health and socio-economic consequences of the pandemic and the effectiveness of their support policies has been more limited. High-Income Countries (HICs) were able to deploy stimulus packages 700 times greater than those of Low-Income Countries (LICs) on a per-capita basis, 86 times greater than in Lower Middle-Income Countries (LMICs) and 20 times greater than Upper Middle-Income Countries (UMICs) (OECD, 2022, forthcoming[19]). As a result, the IMF GDP per capita projections point to income divergence during the recovery period, “with countries at the bottom of the global income distribution significantly lagging behind their richer counterparts” (Brussevich, Liu and Papageorgio, 2022[20]).

The pandemic will leave a lasting imprint on poverty and inequality around the world. While updated data on poverty are not yet fully available, there is consensus that the impact of the COVID-19 crisis is significant and long lasting. Pre-pandemic progress with poverty reduction in several countries was fragile and – absent safety nets – fast reverted (Sumner and Ortiz-Juarez, 2021[21]). About 260 million people are estimated to have been pushed into poverty (about half of them into extreme poverty) by the pandemic, putting progress on poverty back
3 to 4 years globally, but a whole 5 to 6 years in Latin America and 6 to 7 years in Africa, in congruence with lower expected growth rates. The same drivers extend to growing global inequality, as poorer households as well as women and girls have been hit harder by the pandemic (Hill et al., 2021[22]). By 2021, the average income of the bottom 40% of the population in developing countries was estimated to be about 2% lower than before the pandemic. However, the average income of the top 60% of the population in developing countries should return to almost pre-COVID levels (Narayan et al., 2022[23]). It is now estimated that by 2030, for every 100 men aged 25 to 34 living in extreme poverty, 121 women will be living in similar conditions; prior to the COVID-19 pandemic, the difference was 118 women for every 100 men living in extreme poverty (Azcona et al., 2020[24]).

Beneath the surface of macro observations, the pandemic’s impact on key ingredients to development, like human capital, investment and firm structures, might have been even more scarring. Children, especially those from poorer families with lack of computer connection to the Internet, will suffer from longer-term consequences of reduced skill development linked to the pandemic and school closures. In some countries, like Panama or Mexico, schools remained closed for almost a whole year. Whereas in Africa schools were closed on average for almost 20 weeks and in Latin America and the Caribbean or Southeast Asia schools almost 30 weeks — way above the OECD average of 14 weeks (Figure 1). Advances in digital teaching happened everywhere, but to differing degrees and with access problems for learners from the schools in the most disadvantaged areas or from disadvantaged families. These students are the ones at highest risk of losing out on education. In the OECD context, interruptions to education for half a year have been estimated to reduce lifetime consumption by 0.65% (OECD, 2020[25]). The share of children in LICs and MICs with learning poverty could rise from the pre-COVID-19 estimation of 50% to 70% (UNESCO/UNICEF/World Bank, 2021[26]). Although much less data is available, we can assume that many firms would have closed permanently as a result of the pandemic. While many of these might have been firms with low productivity, a significant number would certainly have represented important capabilities and economic structures for their local economies. Recreating these capabilities and structures will take time.

![Figure 1. Education losses from the pandemic might have long lasting impacts on human capital](source)

The pandemic has disrupted global supply chains in a way that continues to reverberate throughout the global economy

At the peak of impact, trade transport costs had soared up to 10 times (Carrière-Swallow et al., 2022[28]), while production lines were interrupted because inputs were not available (OECD, 2021[29]). Whereas trade volumes have partially recovered, and shipping costs are returning to their pre-pandemic level, various supply bottlenecks have amalgamated to multiple price increases that have been at the starting point of the global inflation dynamic we are now experiencing. The experience of the pandemic disruptions and supply chain vulnerabilities will necessarily lead to more emphasis on resilience and the ability to diversify and substitute between suppliers of crucial inputs.
This will include opportunities for investments in countries that can offer alternatives to previously dominant source markets. It might also generate opportunities for the development of regional value chains and greater regional integration, for example in Africa (AUC/OECD, 2022[30]). But it also implies a time of rising costs as companies will invest in resilience as opposed to cost savings.

The pandemic has also re-emphasised the importance of innovation and the urgency of bridging digital divides

The unprecedented speed of vaccine development in the face of the pandemic has been a testament to the potential of technological and scientific innovation to provide solutions for immense challenges. Similarly, we have long known that innovation is a key driver of productivity and for generating economic growth.

COVID-19 ushered an unprecedented increase in the diffusion and adoption of digital technologies, accelerating the modernisation and digitalisation of government services, boosting e-commerce and the digital consumption of certain services. It also revealed large digital divides across and within countries. For example, further investment in broadband connectivity is required to support the Africa’s burgeoning digital economy (AUC/OECD, 2021[31]). Broadband speed in Africa is the lowest in the world, some 7 times lower than the OECD average (Figure 2). Average costs of data services on the continent remains also the most expensive in the world, and five of the 10 most expensive countries to buy mobile data in the world are in sub-Saharan Africa. Firms in developing economies are particularly impacted by the lack of access to fast speed connectivity, as this limits their capacity to operate in globally integrated digital supply chains. In Colombia, only 8% of firms have connections with a speed higher than 30 Mbit per second, compared to 25% in Sweden and 20% in Spain (Figure 2) (OECD/UN/UNIDO, 2019[32]). As most of the shifts towards digitalisation induced by the reaction to the pandemic are likely to persist and intensify, closing digital gaps between and within countries is of paramount importance. Digitalisation is also reshaping the drivers of competitiveness in the future, and this will have a serious impact on how business from developing countries will be able to join and compete in global markets in the future. On top of the long-standing need to stimulate innovation and technological capabilities, new competitiveness drivers, such as openness, reputation and trust are becoming increasingly important (OECD/UN, 2018[33]).

**Figure 2. Broadband internet cost and speed, selected countries, 2020**

Source: (OECD et al., 2021[34]).

Against the backdrop of the pandemic, and accelerated by Russia’s war in Ukraine, the world now faces a food, inflation and cost of living crisis

Russia’s war against Ukraine has sparked a serious global food and energy crisis. The war’s destructive impact on grain shipments\(^3\) has exacerbated food insecurity and put a record 47 million people in 81 countries...
at risk of famine (WFP, 2022[35]). Although corn and wheat prices have recently come down significantly, thanks to market adjustments and bumper harvests elsewhere, major concerns remain about the availability and price stability of food for the poor and vulnerable. High prices of fertilizer play a particularly important role here, as future harvests are at serious risk. Energy prices have experienced a similar dynamic, owing to Russia’s important role as producer of oil and natural gas. As gas supplies are being weaponized and sanctions intended to convince Russia to stop its aggression against Ukraine push up oil prices, energy from oil and gas has become very expensive and possibly scarce.

The food and energy price spikes have accelerated a wave of global inflation that had been in the making, creating a veritable cost of living crisis in many countries. Inflation had replaced the pandemic as the main risk to growth in the eyes of executives in developing and emerging markets already by the second half of 2021 (McKinsey, 2021[36]) as central bankers and analysts were still debating its transitory nature (Financial Times, 2022[37]; OECD, 2021[16]). With global transport costs still up three times from pre-pandemic levels and energy prices severely impacting firms and farmers operating costs, prices are continuing to climb, especially in poor countries most exposed to these transmission channels. Globally, food price inflation alone is estimated to reduce household incomes by 1.5% (UN Global Crisis Response Group, 2022[38]), and up to 95 million people will be pushed into extreme poverty as a result of Russia’s war (World Bank, 2022[39]).

As central banks react to protect (incomes through) price stability, financial vulnerabilities and complex debt profiles emerge as major problems

Faced with levels of inflation not seen in many countries for decades, central banks have shifted from the expansive stance of the 2010s towards higher interest rates. In the face of inflation reaching more than 8% and climbing, the US Federal Reserve has raised interest rates aggressively in 2022 and has begun to reverse its bond-buying programme known as quantitative easing (U.S. Federal Reserve, 2022[40]). Faced with similar inflationary pressures and the added pressure of a soaring dollar that transmits further inflation via import prices, other central banks have shifted policy in a similar direction. The central bank of Chile has raised interest rates an extraordinary nine times this year (Eichengreen, 2022[41]). While most international forecasts and the models used by central banks predict abating inflation a few periods out, reality so far seems to suggest otherwise, suggesting further tightening of monetary conditions ahead.

However, easily available financing, had been an important element of the development landscape and being able to incur public debt was crucial during the pandemic. Since the global financial crisis of 2008, most reserve currency central banks had been expanding money supply and lowering interest rates, in a bid to overcome the aftermath of that crisis and get growth and modest inflation4 going again. Many developing and emerging market economies benefitted in the form of easily accessible financing, as they gained in relative attractiveness due to their possibility of offering higher returns. Economic growth was up, so was debt in many countries. Total public debt of developing countries more than doubled from USD 1.4 trillion in 2008 to USD 3.4 trillion in 2020. In the face of the pandemic, public debt and monetary expansion took another jump as countries around the world were faced with the ultimate countercyclical imperative (Figure 3).

Today’s soaring dollar and quickly rising interest rates for reserve currencies represent a dramatic change towards a more challenging outlook for development. As the US central bank has begun raising interest rates, making dollar investments more attractive again, the dollar has begun a quick climb, gaining 12% over a basket of currencies since the beginning of 2022 (The Economist, 2022[42]). Higher interest rates for major currencies and a more expensive dollar make foreign borrowing more expensive and put countries under stress that must generate the means for foreign debt service in their own currency. In 2022, refinancing costs (proxied by yields in secondary markets) for the USD140bn of outstanding Eurobonds issued by 20 African countries, have almost doubled and only two African countries issued new Eurobonds (Tyson, 2022[43]). With inflation dynamics and an energy crisis reminiscent of the 1970s and the extreme interest rate reactions of the early 1980s, we seem to be facing a longer lasting shift.

The combination of high prices, limited fiscal capacity and high debt loads, partially left over from the pandemic, puts enormous pressure on many countries. In the face of only marginally advancing capabilities to raise domestic resources (Figure 3), the lasting effects of the pandemic and a looming global recession, managing current debt levels will be challenging. In August 2022, the IMF listed 62 countries as either in debt distress (8), at high risk of distress (29) or facing moderate debt sustainability risk (25) (IMF, 2022[44]). Today’s bleak situation, with so many countries in the financial danger zone, is reminiscent of the desperate years of the 1980s and 1990s. Some 1.2 billion people live today in ‘perfect-storm’ countries, which are severely exposed and vulnerable to all three dimensions of finance, food, and energy, simultaneously (UN Global Crisis Response Group, 2022[38]).

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4. Between April 2020 and March 2022, fertilizer prices jumped by 220%, marking their largest 23-month increase since 2008 (World Bank, 2022[115]). High natural gas prices lead to reduced fertiliser production (Yara, 2022[116]); (World Bank, 2022[117]). A reduced availability of fertilizer means lower harvests, further aggravating the current food market situation also next year.

5. 2% target.
Figure 3. Increased debt loads from the pandemic and rising costs of this debt, combined with limited advances in fiscal revenue capacity leave fewer resources available

External debt stock, public and publicly guaranteed (% of GDP), developing countries

Debt service on external debt, public and publicly guaranteed (% of GDP), developing countries
This is happening against the backdrop of an increasingly complex architecture of global debt. Commercial lending has increased rapidly, reaching 40% of public debt of low and lower middle-income countries (63% for all developing countries) in 2020, up from 20% (40%) in 2008 (World Bank, 2022[45]). While members of the Paris Club accounted for 80% of developing countries’ foreign debt in the early 2000s, this share is down to 60% today. While largely welcome in good times, more lenders with new formats mean increasing complexity in challenging times. Negotiated solutions to debt crises require coordination and transparency between all lenders involved, larger numbers of lenders and types of debt instruments make this more challenging.

Figure 4. The size and architecture of global debt has become increasingly complex

Source: (World Bank, 2022[45]), Development Centre calculations.
Multilateral solutions to debt and financing pressures such as the G20’s Debt Service Suspension Initiative (DSSI) and the IMF’s issuance of Special Drawing Rights (SDR) have proven important during the pandemic, but more must be done. The DSSI has been an important step that has proven the capacity to come together at the global level around the topic of debt in the face of extreme pressures. The DSSI offered much needed fiscal breathing space to 73 lower- and middle-income countries, 48 of which chose to participate, rescheduling a total of USD 12.1 billion in debt service payments between May 2020 and December 2021. At the same time, the DSSI showed limitations, receiving much less uptake than initially expected, not all negotiations taking place in a multilateral format and, most importantly, without participation of private creditors (Albinet, 2022[47]). The DSSI has been succeeded by the G20 Common Framework for Debt Treatment beyond the DSSI (Common Framework), but only three countries have used it so far, and for none has the process been completed. In parallel to the G20 initiatives, in August 2021 members of the IMF agreed to issue USD 650 billion worth of SDR8, the IMF’s reserve currency. Following IMF statutes, SDRs were allocated proportional to members’ shares of IMF capital, with the effect that poor countries most in need of funding received only a small share. The IMF subsequently launched the Resilience and Sustainability Trust (RST) in May 2022, through which IMF members can channel SDRs as long-term financing to countries in need.

More can be done to move closer to an effective global framework for sustainable debt. Multilateral creditors could participate in the debt restructuring process and full disclosure of debt among creditors, especially private ones should be promoted (Amara Ekeruche et al., 2022[48]) (OECD, 2022[49]). The same holds for common treatment of all debt in a restructuring (IMF, 2022[50]). Furthermore, debt crises are by no means confined to low-income countries to whom the Common Framework is currently limited. It should be broadened to become the first step towards a global framework for sovereign defaults. The use of SDRs following the latest issuance is still in its infancy. The RST is only just becoming operational. SDRs have been around for a long time, devised during the system of the gold standard, but scarcely been used ever since. As a result, the market infrastructure for SDRs is hardly developed, with limited surveillance and experience on how they are being put to use. If the role of the SDR is expanded, as is often proposed, the SDR system will have to be strengthened (Li Gislén and Kangas, 2020[51]). Furthermore, as of current it appears unlikely that SDR on-lending will be ODA eligible except in some rare circumstances (OECD, 2022, forthcoming[19]).

Can we learn the lessons of resilience and achieve the necessary levels of global co-operation to put development back on track?

With the return of great power competition, recessions and a shift in macroeconomic paradigm, the challenging outlook for development is here to stay. The latest estimates put the current gap to finance and invest in the SDGs in developing countries at USD 3.9 trillion annually, up by 56% from USD 2.5 trillion just a few years ago (UN Global Crisis Response Group, 2022[38]) (OECD, 2022, forthcoming[19]). Even though much has been learned from the debt crises of the 1970s and 80s and many countries are better prepared, with more reserves and stronger macroeconomic management, the danger of severe challenges in the case of continued stagflation pressures is very high (Ha, Kose and Ohnsorge, 2022[52]).

Official development finance is crucial but can only be a small element of the solution. ODA jumped to USD 195 billion in 2020, up from 166 billion in 2019 and USD 143.2 billion in 2018 (OECD, 2022, forthcoming[19]) (OECD, 2020[53]). The additional debt made available to low and lower middle-income countries in 2020 amounted to USD 90 billion (281 billion to all developing countries), with USD 21 billion coming from private creditors (165 billion for all developing countries) (World Bank, 2022[45]). Governments’ own revenues are by far the most important source of finance. They amounted to USD 3.5 trillion in 2019 and dropped by a full 20% to USD 2.8 trillion in 2020 (OECD, 2022, forthcoming[19]) (about USD 1.2 billion for low and lower middle-income countries). Developing countries are increasingly calling for a new financial architecture that can better respond to the reality of large and multiple vulnerabilities to external shocks (Motley, 2022[54]).

Facing this outlook, future development will require resilience – and the pandemic has taught us what this entails at the country and local levels: fiscal capacity, both to raise funds and to have the ability to increase borrowing and spending in the face of a crisis; automatic stabilisers in the form of effective social protection programmes that can reach everyone in need, when that need occurs; effective and flexible public services that can adapt to changing circumstances, like education; a strong sense of community with trust and effective

6. Previous SDR issuances have been rare and much smaller: SDR 9.3 billion was allocated in yearly instalments in 1970–72; SDR 12.1 billion was allocated in yearly instalments in 1979–81; SDR 161.2 billion was allocated on August 28, 2009.

7. Simple calculation applying income group averages for tax-to-GDP ratio and total GDP by income group. Data from (World Bank, 2022[2]), OECD Development Centre calculations.

8. At their 2019 High-Level Meeting, Members of the Development Centre agreed on the need of reinvigorating international co-operation and on some of the desirable features of a renewed co-operation system. They highlighted the importance of the Development in Transition approach to support countries’ efforts to advance sustainable development and the related partnerships – On Development in Transition analysis and approach see the dedicated knowledge hub: https://www.oecd.org/dev/development-in-transition.htm
communication between people, those in charge of governing, those delivering public services, and those in business; a dynamic economy that can drive recovery (Rieländer, 2020[55]). All of these items have been and remain important elements of the Development Centre’s work programme and have been highlighted in previous High-Level Meetings (DEV/GB(2020)23).

At the global level, the last 60 years have taught us that putting development back on track will require more global collaboration, not less. The institutions of our current world order were put in place after the devastations of the world wars of the early 20th century. They embody the lessons learned at that time about the need for multilateral co-operation, support to development and safeguards to the international financial system. Since then we have learned that progress in multilateral co-operation needs continuous innovation and increasing levels of collaboration to handle complexity. From the gold standard to an open system of flexible exchange rates, from simple agreements on tariff lines to complex trade agreements involving regulatory recognition, and from simple bilateral loans and grants to a complex system of development assistance and finance. As complexity and the scale of the challenges that we confront increases, so does the need for more global collaboration and policy innovation.

While we cherish the fruits of the past 60 years of collaboration, we must now strive to reach farther, even if this will be difficult. The debt crisis illustrates that in today’s world any solution must bring more actors together than was necessary in the past. This task increases in complexity as the number of concerned actors grows, as every single lender faces their own incentives and objectives. At the same time, the most evident and efficient solution – a globally agreed regulation for dealing with sovereign bankruptcies – has eluded us and proven too complex to achieve. Getting trade onto a path of further growth will require ever deeper coordination and mutual recognition of domestic product regulations. Can we find ways to increase our commitments to openness and mutually beneficial coordination in all areas, despite what separates us?

Questions for further reflection:

- What are the most pressing challenges in the global development landscape from your perspective?
- What are the most promising pathways for achieving more global collaboration in the face of mounting economic challenges to development?
- How can members work to support the design of solutions at the international and national levels to avoid a development reversal and accelerate sustainable development? What are the key lessons on building resilience that can help put development back on track?
- Can we make real progress on creating sustainable solutions for managing global debt and development finance needs?
- How can the Development Centre support its members and the international community to achieve these objectives?
Session 2: Getting the green transition right

Irrespective of the other crises we face, the clock on climate change keeps running. 2021 saw the most extreme heat wave in modern history (June/July in Northwest America), a record of four USD 20 billion-plus weather disasters (floods in Germany/Belgium, the People’s Republic of China – hereafter “China” – and India, hurricane and cold wave in the US), and the hottest month on record globally (July 2021). Increasingly bad news are coming from the Arctic and Antarctica, where ice is melting, pushing up sea levels and diluting the global heat and cold pump function of the oceans (Masters, 2022[56]).

Yet, there is not a clear path to reducing global warming, as emissions and energy needs have risen. In 2020, global CO2 emissions fell by 5.2%, as the pandemic brought economic activity to a standstill (IEA, 2021[57]). However, in order to meet the 1.5-degree Paris target, global emissions need to be cut by 7.6% every year for the next decade (UNEP, 2019[58]). With the ongoing economic recovery from the pandemic, emissions have started going up again. In fact, there are many possible paths to achieve net zero CO2 emissions globally by 2050 but many uncertainties affect any of those paths and major policy, behavioural and financial changes are needed (IEA, 2020[59]).

Low-income countries contribute only a fraction to cumulative global emissions, whereas some middle-income countries have become large emitters. In sub-Saharan Africa, the 1 billion people in its 48 countries except South Africa have contributed just 0.55 percent of cumulative global emissions. They collectively added just 1 percent in 2020 (Moss and Ramachandran, 2022[60]). Meanwhile, in recent decades emissions have grown steeply in several middle-income countries, with China currently having the highest emissions of any country whereas advanced economies still have the highest per capita emissions (Figure 5) (Masters, 2022[56]).

9. According to IEA, achieving net zero emissions by 2050 will depend, inter alia, on the pace of innovation in new and emerging technologies, the extent to which citizens are able or willing to change behaviour, the availability of sustainable bioenergy and the extent and effectiveness of international collaboration.
Even though climate change is a global challenge, its physical impacts disproportionately hit the poor in the global South. Here, climate change continues to drive up already high temperatures, whereas financial resources are more limited and insurance much less developed than in advanced economies.

The green transition involves costs and trade-offs, and poses challenges with respect to equitable outcomes within and across countries. Fossil fuels still dominate energy sources across the world, including in OECD countries (IEA, 2021[62]) and emission-intensive economic activities continue to matter for growth and employment. The scope of the transformation will affect the whole spectrum of public policies, beyond energy and environment; its magnitude will require collective action by governments, central banks, firms, investors and households to correct prevailing market failures (Schanbel, 2021[63]).

Frequently, the outcomes of energy realpolitik clash with perceptions of fairness and equity, yet these two concepts are essential to build citizen and voter support for a “just transition”. Within countries, certain groups will lose out from the transition. Coal miners are one example, but also other groups that benefit from carbon-intensive modes of production. The transition will also have fiscal costs. Furthermore, full pricing of greenhouse gas emissions, where implemented, will be borne by individual consumers and companies, some of whom are insufficiently prepared to pay the costs. For companies, this may be part of the natural process of creative destruction, where some companies adapt and others go bankrupt or close. For individuals, however, support measures will frequently be required. Between countries, contested issues include responsibility for historical emissions, differential treatment of fossil fuel financing between advanced and developing countries, and hesitancy of advanced economies to provide support for climate resilience and mitigation in developing countries.

The clean energy transition has coincided with a steep rise in energy prices following the war in Ukraine. Both, the war and rising prices create a risk of reduced public support for the transition. However, it is a fallacy that the current global energy crisis is a clean energy crisis. More low-carbon energy would have helped ease the crisis — and a faster transition from fossil fuels towards clean energy represents the best way out of it. Whereas some blame clean energy and climate policies for today’s energy crisis the real culprits are lack of adequate investment to diversify energy sources, the gas supply crunch and Russia (Birol, 2022[64]).

Sharing the cost of the transition across society

The costs of the transition fall disproportionately on those dependent on carbon-intensive activities, such as rural transport, and on those with little ability to bear these costs, such as low-income households. The “yellow vest” protest and riots in France in 2018, triggered by the implementation of a carbon tax on gasoline, was a stark reminder that citizen support for climate-related reforms cannot be taken for granted. The Western Balkans region provides another example. Due to subsidies, energy costs to consumers are below the actual price of production and far below the true climate costs. However, relative to income, electricity is significantly more expensive than for example in the European Union, where the price of energy is higher and more closely aligned with carbon costs (Figure 6) (OECD, 2022[65]). Similarly, households in rural areas and small towns are more likely to have lower incomes than urban households, while at the same time being more reliant on fossil fuel-based transport, which exacerbates their loss of purchasing power from rising energy prices (OECD Ecoscope, 2022[66]).
Countries use price or income measures, as well as fossil fuel subsidies, to make energy more affordable and shield their citizens from rising costs, but these measures fail to reduce demand and are often inefficient in targeting vulnerable groups. Many governments have introduced measures to mitigate the impact of high energy prices. The majority of these measures are non-targeted price measures. Furthermore, fossil fuel subsidies to consumers and producers across G20 economies rose to USD 190 billion in 2021 from USD 147 billion in 2020 as energy prices rose with the rebound of the global economy (OECD/IEA, 2022[119]). Although governments may have intended subsidies to make energy more affordable to the poor, they are in practice often inefficiently targeted and disproportionately benefit wealthier groups. Fossil fuel subsidies have proved remarkably hard to get rid of, partly for political reasons. Furthermore, the access to cheap fuel can be part of governments’ social contract with citizens, as a way of sharing national resource endowments.

Energy price subsidies reduce incentives to lower energy consumption, may eventually result in even higher prices, and should therefore be replaced by targeted support measures for vulnerable households. As governments struggle with increased debt levels after the pandemic, higher inflation, and less fiscal space, fossil fuel subsidies have become even more unaffordable, and governments should consider their elimination. Governments that eliminate subsidies should do so while considering their country’s specific circumstances. Targeted support for the most vulnerable groups affected is likely to reduce resistance to reform.

Figure 6. Energy and carbon cost vs. access and affordability

Average price excluding taxes for medium size household consumers (annual consumption between 2500 and 5000 kWh) 2020

Average price excluding taxes for 5000 kWh for households (% of GDP per capita), 2020

Source: (OECD, 2022[65]).
Phasing out wasteful and inefficient fossil-fuel subsidies could provide an impetus for investment, growth and jobs in renewable energy and energy efficiency, as well as more fiscal space (OECD/IEA, 2011[67]). Channelling some of the savings from eliminating fossil fuel subsidies towards clean energy would help secure climate goals and reduce air pollution, which disproportionately affects the poor (The Guardian, 2019[68]). Furthermore, to retain citizen support for subsidy reform, it will be important for governments to maintain visible improvements to health and other public services. The outcome would be a permanent reallocation of large amounts of capital to other essential public services.

The employment challenge associated with decarbonising the energy sector needs to be managed. An essential step for securing a just transition is to create economic alternatives for former fossil fuel-producing regions and their workers. International experience shows that an effective policy option is to combine re-skilling programs with financial compensation for coal workers. Renewable energy and energy efficiency offer new employment opportunities. Compared to oil and gas sector investments, renewables and energy efficiency investments are more labor-intensive, and tend to be located closer to consumers. As such, the employment creation potential is estimated to be between 2.5 to 4 times larger for energy efficiency and 2.5 to 3 times for renewable energy. This job potential could be tapped to offer new opportunities in current mining regions.

High levels of inequality and/or carbon-dependence in a country can be a significant constraint to public and political support for climate policies. Tackling inequality and increasing social inclusion may facilitate a gradual expansion of a country’s middle-class, and contribute to the expansion of green technology use which is often pricier at the beginning, such as electric vehicles (Banzhaf, Ma and Timmins, 2019[69]). OECD analysis on public support for climate policies shows that socio-economic factors are less important in predicting policy support for climate policy compared to “carbon dependence” (i.e. lack of public transport, car usage and gasoline expenditure). The perception that a climate policy may be regressive explains much of the lack of support for it. This is particularly true for energy taxation and carbon pricing (Dechezleprêtre et al., 2022[70]).

There is no single instrument superior to the others but it is rather the right policy mix that is crucial in bringing about change. Policymakers have at their disposal a large array of policy instruments to encourage emission reductions, carbon taxes, performance standards, renewable energy targets. Multiple instruments can be used in a mutually supportive way, for example introducing carbon pricing measures with revenue recycling to support growth and social inclusion by lowering labour-income taxes, redirecting funds to research and development activities, and improving and strengthening social transfers to people in need (D’Arcangelo et al., 2022[71]).

Finding the path of fairness between global discipline on emissions, growing energy needs, and creating opportunities for development

Most parts of the world remain far from the levels of energy consumption that come with advanced economic development, and energy needs will continue to grow. Electricity generation is on a continuous upward trend, having grown by 51% since 2010, driven by the increasing demand in developing countries, particularly those in the upper-middle income bracket. Much of this growth in generation capacity has come from coal and natural gas, leading to higher emissions (IEA, 2020[72]).

Despite some progress, the target of reaching universal access to electricity remains remote with around 660 million people projected to still be without any access in 2030. The number of people without access to electricity declined from 1.2 billion in 2010 to 759 million in 2019. Almost 80 per cent of those without access, some 600 million people, are located in Africa, mostly south of the Sahara. Under current scenarios, lack of electricity access will continue to predominantly be concentrated in Africa, which will still account for three quarters of the total global deficit in 2030. Latin America and the Caribbean, as well as Eastern Asia and Southeast Asia, have made significant progress and are approaching universal access with more than 98 percent of their population covered (World Bank, 2021[73]), most of it from natural gas-fired plants (IEA, 2020[74]). Given that electricity consumption levels in developing countries are still much lower than in advanced economies, and that many developing countries have a growing population, growth in electricity demand is likely to continue to come primarily from emerging markets and developing economies (Figure 7).
Electricity generation will continue to rise with development

Total electricity generation by income group (GWh)

Source: Authors’ own calculations based on (IRENA, 2022[75]).

Yet, non-OECD investment in renewable energy infrastructure is concentrated only in a few countries, such as China, India and Brazil (Weko and Goldthau, 2022[76]). As a region, Latin America is a frontrunner in the energy transition, generating 25% of its energy from renewable energy, in large part from the use of hydropower. In Southeast Asia, population increase, urbanisation and industrialisation drive electricity demand growth, which has been among the fastest in the world. While having significant potential, renewable energy (excluding the traditional use of solid biomass) currently meets only around 15% of Southeast Asia’s energy demand (IEA, 2019[77]). In Africa, the uptake of renewables has been increasing due to domestic policy incentives and international support, but renewables are still at around 9 percent of Africa’s total energy generation and behind other regions (Armstrong, 2022[78]) Since the start of the pandemic, investments in energy have been low on the African continent and access to electricity has worsened (IEA, 2022[79]).

There is a risk of a low-carbon technology gap, a globally uneven distribution of the know-how needed to adapt relevant technologies to the local context and build low-carbon energy systems (Weko and Goldthau, 2022[76]). Such a gap is not only a serious problem for developing countries but for the global community at large. Energy demand is projected to grow significantly in developing countries in the next decades in particular on the African continent (IEA, 2020[72]). If these regions become locked-in to high-carbon systems, this would mean higher emissions pathways for the world.
Natural gas, part of the solution or part of the problem?

Many countries have bet on natural gas as a transition fuel, and the war in Ukraine has led to a scramble for diversification of sources. Natural gas and liquefied natural gas (LNG) investment has risen by 14% in 2022 to USD 149 billion from USD 131 billion in 2021 (Natural Gas Intelligence, 2022\[80\]). Globally, a massive expansion of natural gas infrastructure is underway: almost 500 GW of natural gas-fired power plants are planned or under construction (World Electric Power Plants Data Base, 2022\[81\]). Companies and governments have promoted this expansion as beneficial for the transition to renewable energy sources, and natural gas as a climate friendlier alternative to coal and oil. Meanwhile, new liquefied natural gas (LNG) import terminals with a capacity of 635 million tonnes of natural gas per year, as well as LNG export terminals with a capacity of 700 million tonnes per year, are under development (ibid.). These figures are likely to increase as a result of the fall in supply from Russia to Europe.

The European Union is seeking to become independent of Russian gas supplies. EU member states have concluded bilateral supply agreements with natural gas producers including the United States and Azerbaijan, to increase both pipeline and LNG gas supplies (Kemfert et al., 2022\[82\]). Germany, for instance, has signed deals with Qatar and the United Arab Emirates, with a focus on trade in hydrogen and liquefied natural gas, and a potential agreement with Senegal is underway to support the country in exploiting its offshore natural gas deposits.

Many developing countries hold significant resources of natural gas with potential for energy and revenue generation. 55 African countries are known to have proven natural gas reserves, amounting to a total of more than 800 trillion cubic feet (Energy Capital Power, 2021\[83\]). Natural gas in Africa could play an important role for energy access as well as affordability, economic growth and revenue expansion. Similarly, Southeast Asia has significant gas reserves, particularly in Indonesia, Malaysia, Brunei, Myanmar, Thailand, and Vietnam (Franza and Suryadi, 2021\[84\]) while in Latin America Venezuela, Brazil, Peru and Argentina are the countries with the largest gas reserves (Welsby, 2022\[85\]) (Figure 8).

Figure 8. Natural gas reserves worldwide

Natural gas reserves in 2020 (trillion cubic feet)

Source: (U.S. Energy Information Administration, 2021\[67\]).

However, GHG emissions from natural gas are at least half of those of coal and as natural gas-fired power plants have a technical lifetime of several decades, they pose a great risk for carbon lock-in. If the currently existing energy infrastructure continues to operate as it has historically, approximately 658 GtCO2 will be released. These emissions would exceed the entire remaining carbon budget to limit global warming to 1.5 °C (420–580 GtCO2) (Ball et al., 2021\[87\]) (Kemfert et al., 2022\[82\]). Oil and gas projects represent almost half of the projects with the largest CO2 emission generation potential globally. Out of the 425 biggest fossil fuel extraction projects
globally – so called “carbon bombs”, defined as projects emitting more than 1 GtCO2– 195 are oil and gas ones, 76 of which had not started production in 2020 (Kühne et al., 2022[88]).

Consequently, governments disagree about the role of natural gas as a transition fuel. Some emphasize the indispensable nature of natural gas as a transition fuel, essential to ensure system stability in combination with intermittent renewable energy technologies. Others argue that natural gas is a fossil fuel with an underestimated climate impact – especially with respect to fugitive methane emissions – that hinders decarbonisation through carbon lock-in and stranded assets.

Advanced economies continue to explore for and produce oil and gas on their own territories, while curtailing multilateral and bilateral financing for fossil fuel projects in developing countries. Around 40 countries, including France, United Kingdom, Germany and the United States, agreed to no longer support unabated fossil fuel-based investment projects overseas, including natural gas projects, by the end of 2022 (UN Climate Change Conference UK 2021, 2021[89]). The European Union nonetheless wishes to grant an exception for investments in natural gas as a “transitional fuel” within the EU – through its “green taxonomy”, creating claims of hypocrisy and unfairness towards developing countries, especially because they have contributed least to cumulative historic emissions. Oil and gas-rich advanced economies, such as Norway, also continue oil and gas exploration and production, while supporting curbs on overseas finance of fossil fuel projects (Ramachandran, 2021[90]).

The differential approach to oil and gas financing in advanced and developing countries raises substantial equity issues, particularly with regard to energy access. For example, in countries where a substantial share of the population cooks with firewood or coal, a transition to natural gas would bring significant health benefits, as well as increased energy access for citizens and industry, a key limitation on many developing countries’ economic and social development.

Flaring not only generates CO2 emissions, but is also a huge waste of resources, and concerns both developing and developed countries (Masters, 2022[56]). Flaring of gas contributes to climate change and impacts the environment, but also wastes a valuable energy resource that could be used to advance the sustainable development and low carbon transition in resource-rich developing countries. For example, if the amount of gas which is flared on an annual basis were used for power generation, it could provide about 750 billion kWh of electricity, or more than the African continent’s current annual electricity consumption (World Bank, 2022[91]).

Getting finance right

Renewables have high upfront capital costs, making the cost of financing important. Solar, wind, and battery storage all require significant upfront capital expenditures, albeit with lower operating and maintenance costs. This means that total lifetime costs are driven in large part by interest rates (Figure 9).

Figure 9. Renewables have higher upfront capital costs, making the cost of financing important

Upfront capital and associated financing costs vs. operating costs for wind, solar, hydro, coal and gas (percentage of total project cost)

Note: Price for key minerals in 2021 could increase the costs of solar modules, wind turbines, electric vehicle (EV) batteries and power lines by 5-15% (IEA, 2021[92]).
Source: Authors’ calculation based on (IEA, 2021[92]) and (Climate Policy Initiative, 2014[93]).
While the cost of capital for renewables has come down very significantly over the last decades, the nominal financing costs in emerging and developing countries can be up to seven times higher than in advanced economies (IEA, 2021[94]) (Figure 10). The current high prices for fossil fuels in themselves make renewables more competitive on price. Nonetheless, adverse market conditions and rising interest rates result in higher capital costs for renewables, particularly in lower income countries that carry a high-risk premium. Electricity from a solar power plant would cost far more in a developing country than electricity from a similar plant in an OECD country because of this risk premium.

De-risking investment in clean energy, and generally mobilising private finance, will play a key part in upscaling renewables and energy efficiency in developing countries. Around 70% of clean energy investment over the next decade will need to come from the private sector. The global potential to scale up investment in renewables depends on access to low-cost financing, especially in developing and emerging countries.

Although the private sector is the primary source of clean energy investments, the public sector remains a major source of financing and is central in leveraging private capital. However, international public financial flows to developing countries show that international support continue to be concentrated in a few countries and fail to reach many of those in need (World Bank, 2021[73]). Flows to developing countries in support of clean energy reached USD 14 billion in 2018 with only 20 percent going to the least-developed countries. This calls for increased efforts to make the paradigm “leaving no one behind” a reality.

Advanced economies have pledged USD 100 billion annually for climate finance by 2020 and have achieved 83 billion (OECD, 2021[95]). This remains USD 16.7 billion short of the goal (Figure 11). Public climate finance (bilateral and multilateral) represented the majority of the total, increasing by 80% between 2013 and 2020 (from USD 38 billion to USD 68.3 billion). Mobilised private climate finance increased by close to 30% over 2016-2020. Climate-related export credits increased by 19% over 2013-2020, but their share in the total remains small (OECD, 2021[95]).
Figure 11. Climate finance provided and mobilised in 2013-2020 (USD billion)

Source: (OECD, 2021[95]).

The larger share of climate finance went into climate mitigation with USD 20 billion going into adaptation in 2019 and 29 billion in 2020 (OECD, 2021[95]) (Figure 12). Donor countries favour mitigation projects because of the measurable success and returns on investment through solar farms or electric cars, whereas the benefits from adaptation are less easy to measure and climate risks evolve and change. Developing countries ask for more grant-based finance and at least 50% of funding to go to adaptation. There has also been criticism over funding coming mostly in the form of repayable loans, rather than grants, which adds to pre-existing high levels of debt in developing countries (Timperley, 2021[96]) (OECD, 2021[95])

Figure 12. Thematic split of climate finance provided and mobilised (USD billion)

Source: (OECD, 2021[95])
Questions for further reflection:

• What are the conditions for embarking on the decarbonisation of the economy while advancing inclusive growth/generating jobs and opportunities for all?

• One of the legacies of the pandemic is the significantly higher debt level. At the same time, investment needs for climate change mitigation and adaptation continue to grow. How can we reconcile both needs?

• The war in Ukraine is drastically changing the energy landscape, leading in some cases to accelerate the diversification of supplies and in others to the return to coal. How can we ensure that the green transition is not derailed? How can developing and emerging economies attract and de-risk investment in clean energy and improve technology access?

• How can members work to support just transitions, notably for countries that lack access to technology and knowledge or face high dependence on fossil fuels and are confronted with significant energy and development needs?
Session 3: Realising opportunities for all: The imperative of gender equality

In a context of severe global crises, gender equality remains a distant goal. The challenges the world is facing, especially the Covid-19 pandemic as well as the consequences of Russia’s invasion of Ukraine, have exacerbated pre-existing inequalities through their disproportionate and often invisible impact on women and girls. Gender equality represents a fundamental moral and rights imperative as well as a largely untapped economic opportunity to achieve strong, inclusive and sustainable development – and a key factor to economic recovery.

The substantial cost and risk of economic losses that gender inequality imposes on countries makes it a central issue to be addressed by policy makers. If women played the same role in labour markets as men, global income would increase by USD 28 trillion – that is 26% of the global GDP (Woetzel et al., 2015[97]). Discriminatory social institutions alone have induced a loss of almost USD 6 trillion to the global economy mainly by reducing girls’ access to education, lowering female overall human capital accumulation and their labour force participation (OECD, 2019[98]; Ferrant and Kolev, 2016[99]). In this regard, reducing gender-based discrimination in social institutions through appropriate policies and programmes could yield substantial economic benefits for all, men and women alike.

How does gender inequality hamper development and economic growth?

**Constraints placed on women’s and girls’ education lower countries’ human capital**

Women and girls’ education has steadily improved over the last decades, but inequalities persist. Quality education is one of the fundamental building blocks of human capital. At the global level, gender gaps in primary education have been progressively closed and trends have even reversed in some parts of the world, where more girls than boys are enrolled in primary education. However, large enrolment differences continue to exist between girls and boys at the secondary and tertiary level, notably in developing countries.

Social norms that limit women's ability to take decisions regarding their children’s education play a key role in explaining these unequal outcomes (OECD, 2022[100]). Within the family, the power of making decisions largely rests in the hands of men, including for children’s education. The exclusion of adult women from decision-making processes has adverse consequences on girls’ school enrolment as well as on their health (e.g. through female genital mutilation) and their future lives (e.g. through girl child marriage). Conversely, shared decision-making has the power to substantially improve women’s and girls’ human capital: recent evidence from Côte d’Ivoire shows that when parents make joint decisions regarding children’s education, girls’ enrolment in education is significantly higher (OECD, 2022[100]) (Figure 13).

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10. Discriminatory social institutions are formal and informal laws, attitudes and practices that restrict women’s and girls’ access to rights, justice and empowerment opportunities
Substantial differences between boys and girls in terms of field of study affect girls’ future prospects on the labour market. At the global level, girls’ enrolment in science, technology, engineering, and mathematics (STEM) remains very low. The enrolment of girls in STEM fields is constrained by stereotypes and biases that uphold the belief that boys have higher innate abilities than girls have in these fields and are better suited for careers that make use of these skills (OECD, 2022[100]). This educational segregation has long-term consequences as it largely determines men’s and women’s status on the labour market and beyond, in all spheres of life – economic, political and private. In particular, it orientates men who study STEM subjects towards dynamic, productive and well-paid sectors that benefit from the digital transformation, while women tend to be concentrated in sectors such as wholesale and retail or food and accommodation services (ILO, 2022[101]).

Figure 13. Shared decision-making within the household can lift up girls’ education and increase human capital

Correlation between girls’ school participation and father (Panel A) or father and mother (Panel B) as main decision maker on education spending across Côte d’Ivoire’s 14 districts (2022)

Note: Panel A presents the correlation between the share of girls below the age of 16 who attend school and the share of household where fathers are the sole decision-makers on education spending for their children at the district level in Côte d’Ivoire. R-squared is 0.74. Panel B presents the correlation between the share of girls below the age of 16 who attend school and the share of household where parents decide together on education spending for their children at the district level in Côte d’Ivoire. R-squared is 0.60. For both correlations, probit regressions were run at the individual level, using girls’ school participation as dependent and father or parents as decision-makers as main independent variable. Controlling for sociodemographic factors, the coefficient for the main independent variables (father as decision-maker; or parents as decision-makers) is significant at 5%. Controlling for sociodemographic factors, the coefficient for the main independent variables (father as decision-maker; or parents as decision-makers) is significant at 5%. Source: (OECD, 2022[102]), SIGI Côte d’Ivoire database, https://stats.oecd.org

Constraints placed on women’s employment yield economic inefficiencies

Gender inequalities in the labour market imply that labour is inefficiently allocated and that economies do not maximise women’s economic potential. Globally, women’s labour force participation rate remains about 20 percentage points lower than for men (ILO, 2022[103]). Working women also tend to be concentrated in more vulnerable forms of employment – either as own-account or household workers, or in the informal sector – which are often characterised by low social protection. At the global level, and particularly in developing countries, women are also concentrated in certain specific economic sectors such as tourism, wholesale and retail, or food and accommodation services. The lower productivity of these sectors implies that women’s revenues tend to be lower than that of men. The COVID-19 crisis, which disproportionately affected these activities, has further exacerbated women’s vulnerability, exposing them to severe losses of revenues and/or increased risks of losing their employment.

Women’s time poverty – the lack of discretionary time due the inequitable allocation of paid and unpaid work – constrains their economic participation. Traditional division of roles within the family assigns women to unpaid and caring activities. Globally, women undertake three times more unpaid care and domestic work than...
men do. In Southeast Asia and West Africa women undertake four times more unpaid activities than men while they shoulder five and seven times more unpaid work than men in South Asia and North Africa, respectively (OECD Development Centre/OECD, 2019[104]). This unpaid burden, which has increased during the COVID-19 pandemic due to school closures and economic lockdowns, is the main source of women’s time poverty. It prevents them from having a paid job and to make an income of their own, or limit their opportunities and force them to seek flexible and often informal work arrangements. By contrast, norms of restrictive masculinities establish that, in order to be real men, men should be the main breadwinner of the household (OECD, 2021[105]). In times of crisis such as the COVID-19, these views also imply that priority for employment should be given to men.

Even when women work, society entrusts control over the way they work or where they work into the hands of men. In many settings, and particularly in developing countries, working is not a choice but a necessity. On top of women’s unpaid work burden, most societies expect them to work and to contribute to the income of the family. However, this economic activity of women often occurs within the limits of the household, under the direct control of men, and when women work outside the home, it is often with the prior agreement of men. At the global level, 17% of the population considers that a woman should ask the permission to her husband if she wants to work outside the home. Such discriminatory attitudes are also upheld by discriminatory laws that continue to curb women’s access to employment (Figure 14). The 2019 edition of the SIGI identified 88 countries that proscribed women from entering certain professions, 51 countries where women could not work the same night hours as men, and 24 countries where women needed to have the permission of their husbands or legal guardians to choose a profession or work (OECD, 2019[98]).

**Figure 14. Discriminatory social norms deprive economies from women’s participation to the labour market**

Correlation between the female-to-male labour force participation (LFP) ratio (2020) and attitudes towards working women at the global level (2019)

Note: Negative attitudes towards working women are defined as the share of the population that disagrees with the statement: “It is perfectly acceptable for any woman in your family to have a paid job outside the home if she wants to.” The female-to-male labour force participation ratio is calculated as the women’s labour force participation rate divided by the men’s labour force participation rate. The labour force participation rate is calculated as the labour force divided by the total working-age population. The working-age population refers to people aged 15-64 years. Data cover 147 countries.

Source: (OECD Development Centre/OECD, 2019[104]), (OECD, 2020[106]); and (ILO, 2022[103]).
**Women’s lower access to assets hinders their ability to invest**

Women’s reduced access to critical economic assets such as land and/or financial services hampers their investment and entrepreneurial capabilities. Globally, only 15% of agricultural landholders are women (OECD Development Centre/OECD, 2019[104]). Likewise, on average, the gender gap in account ownership stood at 6 percentage points in 2021 across developing countries (Demirguc-Kunt et al., 2022[107]) – although the rapid development of mobile money banking has helped bridge the gap. These restrictions placed on women’s access to economic assets have long-lasting consequences on their ability to create businesses and revenue-generating activities, to make investment and economic decisions of their own and, ultimately, to gain economic empowerment. In 2020, across G20 countries, women remained underrepresented among business owners despite favourable legal frameworks, their share ranging from 2% in Saudi Arabia to 34% in the United States (OECD, 2021[108]).

**Discriminatory social institutions constitute fundamental underlying drivers to women’s ownership of assets and financial inclusion.** Formal and informal laws on inheritance – particularly inheritance of land – is a major obstacle to women’s ownership of assets as traditional norms often uphold the belief that land should belong to men. In many countries, large shares of the population continue to consider that it is acceptable for women to receive a lower share of inheritance than men or to be excluded from it. In Côte d’Ivoire, for instance, recent data show that 36% of the population considers that girls should not be entitled to inherit agricultural land, and 21% of the population upholds the same belief concerning non-land assets (OECD, 2022[100]). Decision-making power in the private sphere also rests in men’s hands, which prevents many women from controlling investments and resources.

**What are the key drivers of change and what should be done to curb inequalities?**

**Addressing discriminatory social institutions requires to mainstream gender equality within government institutions, policies and programmes.** This includes appointing gender focal points across all Ministries and embedding gender-responsive planning and budgeting within all the national structures with the mandate to execute gender policies and programmes and across all sectors – especially those most hit by the COVID-19 pandemic. Enforcing accountability mechanisms and strengthening key institutions and advisory bodies is of paramount importance in that regard.

At the same time, national development policies need to be designed and developed with a gender perspective from the outset. The development of these national development policies needs to be done in consultation with both government and non-state actors, such as gender experts, civil society, foundations, the private sector and the donor community, to avoid working in silos. For example, Sierra Leone’s 2015 National Land Policy calls for innovative approaches and solutions for land administration, which take into account gender equality parameters, and works in close partnership with other stakeholders to ensure land tenure issues are addressed effectively (OECD, 2022[109]).

A key driver of change is to amend discriminatory laws, whether formal or informal and customary, as well as design and promote gender-equal laws and enforce them. Legislation should criminalise harmful practices – such as child marriage and female genital mutilation (FGM) – and foster equal opportunities, for example by ensuring compulsory education, including for pregnant girls and young mothers wishing to continue with their education. In this regard, Mozambique’s Ministry of Education repealed Order 39/2003 in 2018, which previously banned pregnant girls from attending day time classes. This action successfully managed to increase girls’ retention opportunities (OECD, 2022[110]). Governments should also ratify and implement international (such as CEDAW) and regional (e.g. Maputo Protocol) conventions and legal instruments aiming to enhance gender equality and women’s empowerment, and ensure they have sufficient resources for the full implementation of policies and laws. Legal frameworks should be continuously strengthened, through regulatory bodies that review the legislation and parliamentary gender mainstreaming mechanisms, such as committees, caucuses, research bodies, secretariats and commissions.

To address women’s limited or lack of participation to the labour market, it is essential to develop adequate infrastructure and policies that respond to time poverty, especially for rural and poor women. This includes investing in early childhood infrastructure and services, at the same time as equitable and paid parental leave policies and flexible working modalities. As women often juggle a double burden of paid and unpaid work, governments should invest in the provision of safe and efficient transportation systems, as well as quality infrastructures such as ICTs and access to water and electricity. For women working in agriculture, it is important to develop technologies, semi-autonomous equipment and interventions that alleviate their workload, such as mills or soil and water sensors. One example in Burkina Faso is the installation of energy-efficient stoves in women-run beer breweries, which enabled women to free more of their time while improving the production of their business (OECD, 2022[109]).
Finally, the path towards gender equality requires a whole-of-society approach, which entails including men and boys, addressing deeply-rooted social norms, and shifting discriminatory views and behaviours into gender-equal attitudes. Investing in gender-transformative interventions and intersectional approaches can trigger social change. It is particularly critical to work with local communities and influential leaders. In parallel, interventions that leverage the power of edutainment and mass media may transform, in a sustainable way, harmful norms and practices such as eliminating child marriage, or raising awareness on the importance of land rights for women. The design of policies and programmes must integrate the fact that changing norms requires time and that many years may be necessary to produce tangible results. In this regard, partnerships need to be sought with all relevant actors, including the philanthropic and private sector and the donor community, to invest in community-based initiatives that favour locally-based solutions, and provide flexible funding and sustained engagement to feminist and grassroots organisations. One way to accelerate intergenerational change over time is by showcasing female role models, to shape young girls’ expectations and accompany them in their career, for example by having more female teachers in STEM fields in higher education levels (OECD, 2022[110]). Male role models can also play a significant part and encourage women to pursue a career in male-dominated fields, through apprenticeships and mentorship (OECD, 2022[111]).

How can the OECD Development Centre help?

Through its global, regional and country-level analysis and policy dialogue with member countries and other public and private stakeholders, the OECD Development Centre (DEV) provides a platform for knowledge-sharing and peer review at all levels, where countries can learn from each other and decide how to invest the adequate resources, in order to make meaningful change and accelerate gender equality. DEV, through its Social Institutions and Gender Index (SIGI), offers a unique global cross-country measure of discriminatory social institutions. This tool helps improve understanding of how deeply-rooted discriminations play out for girls’ and women’s rights and empowerment opportunities. It also supports countries in prioritising their policies, programmes and resources. The research and analysis DEV carries out on the underlying drivers of gender inequality is converted into action-oriented tailor-made and contextualised policy guidance for policy makers, to take forward in collaboration with other actors, including international ad regional organisations, gender experts, development practitioners, the private sector, civil society and the donor community. DEV also works directly with countries, to support their capacity-building in data collection and advocate for the production of more and better sex-disaggregated data, which are key to advance and monitor progress in achieving gender equality and realising opportunities for all.

Questions for further reflection:

• What is members’ shared diagnosis of the progress or lack of thereof in advancing gender equality and realising opportunities for all?

• What are the key drivers to promote gender equality and avoid backsliding in progress achieved so far?

• What actions – at the domestic level or through international co-operation – have proven successful to address these challenges, and what insights may be offered to other countries looking to learn from these experiences?

• Looking forward, which areas require more attention and how can members work to support national and international efforts at realising opportunities for all through gender equality?
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