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C/MIN(2011)8

Organisation de Coopération et de Développement Économiques
Organisation for Economic Co-operation and Development

02-May-2011

English - Or. English

COUNCIL

Meeting of the Council at Ministerial Level, 25-26 May 2011

FRAMEWORK FOR AN OECD STRATEGY ON DEVELOPMENT

Declassified

JT03300998

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1. This framework paper aims to articulate OECD's broader approach to development as stated in the vision statement for the OECD 50th Anniversary Council Meeting at Ministerial level. It sets out the key elements of an *OECD Strategy for Development* to be elaborated for adoption by the OECD Council in January 2012.

2. The changing global economic environment is creating new opportunities for growth and development. At the same time, the global crises of recent years – financial, economic, food, energy crises, and climate change – have had a serious impact on the world's poor and underscored the increased interconnectedness of today's world. The pressing need for enhanced co-operation to address common challenges and to achieve sustainable economic growth globally has become self-evident. Development is therefore an investment in our common future.

3. Against this background, the OECD can contribute to more sustainable global growth by building on its collective expertise in a wide range of policy areas and making better use of its comparative advantage as policy pathfinder and standard setter. A key step is to design an OECD strategy for development which would foster mutual learning, policy sharing and strengthened partnerships with a greater number of developing countries, while continuing to monitor effectiveness of development assistance flows and improve development cooperation policies. Making full use of the OECD's interdisciplinary policy work will ensure greater inclusiveness and relevance as well as position the Organisation to help shape the future global architecture on development.

4. The broader *OECD Strategy for Development* would provide a more robust implementation of Articles 1 and 2 of the OECD Convention and contribute to a future in which no country will have to be dependent on development assistance, as stated in the updated Development Assistance Committee (DAC) mandate [DCD/DAC(2010)34/FINAL]. It will seek to maximise the value-added of OECD's role and contributions to the Millennium Development Goals (MDGs) looking also beyond 2015; to international conferences and summits such as the Fourth United Nations Conference on the Least Developed Countries and its Action Plan; the Earth Summit 2012 (Rio+ 20); and to international processes such as the G20 development agenda. The timing could not be more propitious with the upcoming Fourth High Level Forum on Aid Effectiveness in Busan, where the international community will gather to review progress and seek agreement on a broader partnership to support the achievement of the MDGs and contribute more effectively to development effectiveness and results.

5. The OECD brings a unique value added in the development field as it gathers a wide range of policy communities whose efforts are critical to promote global growth, sustainable development and poverty reduction in a comprehensive manner. The Organisation has contributed to high standards of public policy backed by evidence-based analyses, policy dialogue and peer learning. It also has a rich experience of 50 years of development co-operation.¹ Through the work of the OECD Development Cluster² as well as several regional programmes, it has brought together Member countries and developing and emerging economies, fostering debate and discussion of "best practices" and seeking creative policy solutions to emerging global issues and development challenges. The OECD has actively and effectively

¹ A landmark report from DAC titled *Shaping the 21st Century: The Contribution of Development Co-operation* adopted by the OECD Ministerial Council in May 1996, was endorsed by G8 leaders in 1998, and provided the essence of the MDGs adopted by the United Nations in 2001. This policy document represented a shift from an exclusively volume-based approach to Official Development Assistance to a results-based approach with a refined vision of development co-operation focusing on broad goals. Principles of effectiveness adopted in the Paris Declaration of 2005, and the Accra Agenda for Action in 2008, further defined the terms of a healthy partnership based on co-operation. What is now required is a broader and deeper partnership among diverse providers of assistance and more coherent policies that impact on development, beyond the existing co-operation and effectiveness agenda.

² The Development Cluster consists of the DAC, the Development Centre, the Africa Partnership Forum Support Unit, the Centre for Co-operation with Non-Members, Paris 21, and the Sahel and West Africa Club.

helped its partners in the implementation of their development programmes by providing policy guidance and development principles. As these partnerships have contributed to the progress these countries have achieved, their futures are becoming increasingly intertwined with those of higher income countries.

6. The Organisation offers two important traditions of work, serving as policy advisor and pathfinder on the one hand, and its long experience of development co-operation on the other hand. Building on efforts to bring these two traditions together, the broader approach to development at the OECD would exploit the synergies more systematically and expand knowledge sharing and mutual accountability well beyond the membership. A more open and inclusive OECD can reach further and achieve more.

7. This approach can yield greater collective benefits. It can facilitate policy sharing and mutual learning with a wider range of developing countries;³ supporting them in identifying, assessing and implementing effective policies. It can also bring in new perspectives for achieving sustainable economic growth, addressing inequality and poverty, and identifying pathways to social and economic well-being. As more countries implement policies supportive of sustainable economic growth and development, this further leverages the impact of official development assistance (ODA), other financial flows, and policy reform in developed and developing countries.

8. A broader strategy on development for the Organisation will be designed to:

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

Strategic areas of work

9. Drawing on the DevGoals exercise to articulate a more coherent approach to development, as requested by Council in 2009, the Organisation will strengthen its development work on areas where it: 1) responds to demands and needs from emerging and developing countries; 2) has core competences and can add value to the work of other regional and international organisations and donors; and 3) leverages its multi-disciplinary expertise, combining its wide experience on policy making and implementation with its development expertise. The areas where these criteria apply as of today include:

- ***Innovative and sustainable sources of growth*** – Economic growth has been the most powerful engine for poverty reduction and development. New sources of growth must be created to ensure a strong, jobs-rich and greener world economy. Innovation, fostered by appropriate public policies and a dynamic private sector, spurred by human capital, is key to forge new sources of inclusive growth that enhances human and institutional capacity and protects the environment. Open trade and investment regimes are key to diffuse innovation and reap its full benefits.

³ The term “developing countries” encompasses the heterogeneous group of countries ranging from least developed countries to emerging economies and including countries at different levels of income, development and fragility.

Avoiding protectionism and creating a good investment climate for both foreign and domestic investors are essential tools for promoting development.

- ***Mobilisation of resources for development*** – Achieving development goals demands a multiplicity of financial sources beyond development co-operation efforts. Domestic savings and other financial resources must be mobilised by enhancing effectiveness of tax and financial systems, fostering a favourable investment climate that values natural resources responsibly, and strengthening trade capacities.
- ***Governance for development*** – The most important determinant of successful development is a country's own development policy. Effective governance is country specific and not a single policy fits all. Effective governance is a necessary condition for economic prosperity and social cohesion. Strong and accountable public institutions, government effectiveness, as well as transparent and fair management of public resources are central to stable and well-functioning markets, and efficient public service delivery. Institutions that enable the participation of citizens and hold government accountable are vital to the development process.
- ***Measuring progress for development*** – Broader indicators are also needed to complement existing measures of economic growth and take better into account the different dimensions of human well-being, including gender, while strengthening statistical capacities in developing countries to enhance data quality, sharing and analysis.

Elements of the new strategy

Strengthen OECD partnerships and mechanisms for knowledge sharing and policy dialogue

- Facilitate mutual and continuous learning with developing countries by enhancing existing policy sharing mechanisms and by promoting peer learning in a broad range of areas;
- Consolidate and strengthen OECD instruments and working methods such as data collection, peer reviews, economic outlooks, mutual reviews of development effectiveness, policy dialogue forums and partnerships with regional organisations;
- Strengthen partnerships with international and regional organisations for more effective, well coordinated and coherent approaches to development;
- Make use of the contribution of local actors, OECD Members and other field based providers of development co-operation based on aid effectiveness principles, and not duplicate their capabilities;
- Learn from experiences of developing countries on south-south and triangular co-operation, on different development paths and new sources of finance.

Apply a comprehensive approach to development

- Foster closer collaboration among different policy communities within the Organisation to ensure coherent and multidimensional approaches to development;
- Design guidance to mainstream development in OECD analysis and policy recommendations as well as in its horizontal programmes;

- Take into account the priorities and concerns of developing countries, and ensure flexibility in responding to emerging global issues with impact on development;
- Enhance dialogue with key stakeholders, including major emerging economies, the private sector and the civil society to deepen collaboration;
- Upgrade the Organisation's knowledge and skills to account for countries at different levels of development to ensure policy options and recommendations are tailored to and more relevant for developing countries, and review the Organisation's approaches and incentives to support this work.

Foster policy coherence for development (PCD) at three complementary levels:

- *Members* by developing evidence-based analyses on the costs of incoherent policies as well as on the benefits of more coherent policies. OECD could also reinforce Members' capacities to design mutually reinforcing policies for development across a wide range of economic, social and environmental areas;
- *OECD* by assessing and monitoring the impact of its work on development, ensuring that policy advice is coherent and consistent with development objectives;
- *Emerging and developing countries* by supporting them in identifying more holistic policy options for their own development, including the complementarity between domestic policy frameworks with increased international trade.

10. The Secretary-General proposes to launch a process to develop the OECD strategy for Development under the Council's guidance, based on this framework and refined as appropriate. The proposal will be presented for adoption by the OECD Council in January 2012. The strategy will address the organisational and financial framework to ensure effective implementation and monitoring.