Statement by

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The development community has made considerable progress over the past two decades. The crowning achievement is our collective success in halving extreme poverty, the first of the Millennium Development Goals (MDGs). But we have also seen dramatic improvements in access to water; significant gains in fighting child mortality, malaria, and tuberculosis; and a precipitous decline in the proportion of urban slum dwellers.

However, progress towards the Millennium Development Goals (MDGs) has been highly uneven across countries and regions. Last year, the UN Task Team on the Post-2015 Framework found that “no low-income fragile or conflict-affected country has achieved a single MDG.” Even if these countries have improved their MDG performance and will continue to do so up to 2015, the Task Team’s findings point to a troublesome gap in terms of progress towards the MDGs between conflict-affected and other developing countries. However, there are some promising signs emerging. On 16 September of this year, Somalia became the first country to endorse a compact under the New Deal for Engagement in Fragile States, which will help place the country on a path to stability and strengthened development.

Moreover, despite impressive gains, more than one billion people still live in extreme poverty. There is increasing evidence that many of the people who were lifted out of poverty did not move up to a middle class but rather into an intermediate state of “vulnerability”. In fact, the number of Africans living on less than USD 1.25 per day has actually increased over the last 20 years. The global community should aim to get extreme poverty down to zero by 2030 and to keep it there.

There is also a risk that the positive gains we have made could be jeopardised by unsustainable environmental policies. The OECD’s Environmental Outlook to 2050 documents the economic, social, and environmental consequences of maintaining a growth model that does not preserve our natural assets. Natural assets represent one quarter of national wealth in developing countries, compared to 2% in advanced economies. As carbon dioxide emissions continue to rise and biodiversity to fall, developing countries will be the hardest hit. The OECD’s “Green Growth Strategy” is an important tool to ensure that natural assets can deliver their full economic potential on a sustainable basis for developing countries.

It is clear that significant work remains to be done: we need a new vision, a new agenda and a unique framework to address economic, social and environmental challenges in a more integrated manner. Much energy has been focused on identifying these challenges within the UN process, and we are now very close to a consensus on how to end absolute poverty, deliver the MDGs for all and protect our natural resources. The question we face now is how to deliver on our commitments, how to achieve the MDGs, and how to design and implement the appropriate and effective policies to do the job.
A new vision for implementing a post-2015 framework

The OECD Strategy on Development recognises that the changing landscape of global development requires a new and more holistic approach. By integrating the diverse perspectives of developing countries and leveraging the wide range of expertise across the OECD—in fiscal matters, investment, trade, governance and education—the Strategy aims to forge a more inclusive and comprehensive approach to development based on a coherent set of domestic and international policies in both developed and developing countries. Indeed, in an increasingly multi-polar and interdependent world economy, a more coherent and comprehensive response to development challenges—and a more synergistic linking of agendas—is required.

Future development must be more inclusive and universal: prosperity should be shared and inequalities tackled. Poverty as measured solely by income or consumption does not capture the crucial challenges of inequalities, social exclusion, marginalisation and vulnerability. Inclusive growth requires that all types of benefits from economic growth (material and otherwise) are fairly distributed across all levels of society and do not concentrate at the top of the ladder. The 2011 OECD report *Divided We Stand: Why Inequality Keeps Rising* found that income inequalities in developed and emerging countries continue to be at troubling levels. High inequalities matter, because they can become entrenched in our societies and in our cultures, preventing intergenerational social mobility and acting as a barrier to poverty reduction.

Inclusive development should follow a multi-dimensional approach. An inclusive development model addresses the wide-ranging constraints to economic and social development and weaves employment, the environment, gender and other policies into a holistic, over-arching development vision. The OECD’s work on the Social Institutions and Gender Index (SIGI), for example, shows that gender inequalities resulting from discriminatory social institutions hamper progress in many areas such as food security, child health, maternal mortality and primary school completion. Gender equality matters in its own right but also as a prerequisite for the health and development of families and societies and as a driver of economic growth. Addressing environmental concerns is also key. The OECD’s publication “Putting Green Growth at the Heart of Development” offers guidance on the design of policies that support improvement to the wealth and well-being of populations while respecting the environment.

The OECD already supports this vision of pro-poor and inclusive development through a number of its flagship initiatives.

- The new OECD Multidimensional Country Reviews being piloted in Myanmar, the Philippines and Uruguay seek to diagnose binding constraints to the multiple objectives of growth, sustainability and equity by looking at cross-cutting dimensions — or issues — rather than sectors.

- Through our *Better Life Initiative*, we have emphasised the importance of “measuring what we treasure”: societal progress cannot be assessed simply by looking at the health of the economic system and at the pace of GDP growth. Rather, it requires looking at the quality of people’s experiences, their consumption possibilities and their quality of life. It requires looking not only at objective features of people’s experiences, such as their health and education, but also (as mentioned by the UN Secretary-General in the document “A life of dignity for all”) at measures of subjective well-being and happiness.

- The New Approaches to Economic Challenges (NAEC) is an effort by the entire Organisation to draw some hard lessons from the crisis and to incorporate these lessons in our analytical tools and policy advice. As part of NAEC, the *OECD Initiative on Inclusive Growth* will help identify
policies that can deliver improvements in living standards on different outcomes that matter for people’s quality of life whilst highlighting policy trade-offs and synergies for inclusive growth.

**Key issues for a robust post-2015 framework**

To facilitate a robust framework for future development, two important issues merit particular attention: (i) knowledge sharing and coalition building, and (ii) the definition of a new development finance framework. The OECD contributes to these two issues, *inter alia*, through its support to the Global Partnership for Effective Development Co-operation and its work on modernising the overall system for measuring development finance.

Effective cooperation in the post-2015 world will require greater policy and knowledge sharing, a key function of the Global Partnership for Effective Development Co-operation, for which the OECD is proud to provide a joint Secretariat with the United Nations Development Programme (UNDP). This inclusive partnership offers impartial analysis on the quality and effectiveness of development cooperation and provides a framework for sharing knowledge, applying peer pressure, and ensuring mutual accountability towards our common objectives. It will hold its first Ministerial-level meeting in Mexico in the first half of 2014, at which its role in facilitating the “HOW” of the post-2015 agenda will be addressed.

Implementation of the new framework will not be possible without sufficient resources. Official Development Assistance (ODA) fell by 4% in real terms in 2012, following a 2% fall in 2011. There is also a noticeable shift in aid allocations away from the poorest countries and towards middle-income countries. However, despite the current fiscal pressures, some countries have maintained or increased their ODA budgets. For example, in its 2013-14 budget, the United Kingdom is increasing its aid to 0.7% of gross national income (GNI). Denmark, Luxembourg, the Netherlands, Norway and Sweden continue to exceed the United Nations’ ODA target of 0.7% of GNI. Encouragingly, a moderate recovery in aid levels is expected in 2013 on the basis of the OECD Development Assistance Committee (DAC) Survey on Donors’ Forward Spending Plans.

After decades of ODA dominance as the key instrument for national development, the structure of development finance has radically changed. Indeed, the volume of other development resources is increasing significantly, as more and more developing countries undertake their own development cooperation efforts and new sources of internal and external support emerge. Pursuant to the mandate assigned to the OECD at the DAC High Level Meeting in London in December 2012, the OECD is re-conceptualising its approach in tracking financing for development to include a broader view of external financial flows that goes beyond traditional ODA. While ODA remains a crucial instrument to support national development strategies, in particular in fragile states and least developed countries, other sources of development finance—non-concessional lending, loan and investment guarantees, equity and quasi-equity stakes, private flows, whether philanthropic, investment-related, or remittances—are playing an increasingly prominent role and therefore merit greater attention. In reshaping the measurement of these flows, our intention is to help ensure that the evolving contours of development finance best contribute to the post-2015 framework.

Affecting the mobilisation of resources for development are the issues of base erosion and profit shifting (BEPS) and illicit financial flows (IFFs).

- In developing countries, the lack of tax revenue resulting from BEPS leads to critical under-funding of public investment that could help promote economic growth and sustainable development. G20 leaders adopted the Action plan presented by the OECD to address BEPS issues in a coordinated and comprehensive manner. The *OECD’s Task Force on Tax and...*
Development is working towards that goal by providing a platform to discuss the specific BEPS concerns of developing countries and to help them in collecting taxes fairly and effectively. Demand from developing countries for this type of assistance has been very high. The OECD initiative on tax inspectors without borders is also aiming to provide support for developing countries’ needs in the tax field.

- Illegal transfers of financial capital out of a country also result in a reduction in domestic public and private expenditure and investment, which means fewer jobs, weakened public services, less infrastructure and, ultimately, less development. Their impact can be significant: illicit flows from developing countries likely outweigh development aid and investment. Key groups such as the G8 and G20 have made commitments to strengthen the integrity of the global financial and tax systems to prevent this leakage, through improved compliance on global anti-money laundering and anti-bribery standards, as well as more support to developing countries efforts to trace, freeze, and recover stolen assets.

- At the OECD, we identified illegal financial flows as an issue of central importance in our Strategy on Development. We are working to help our members improve their policies to curb such flows in developing countries. Our analyses of ODA targeting and improved tax collection in El Salvador over the period 2004–10 found that donor support worth USD 5.3 million led to increased revenue of USD 350 million per year. Support to capacity building in the area of transfer pricing by the OECD Tax and Development Program to Colombia led to an increase in revenues of USD 2.5 million (from USD 3.3 million in 2011 to USD 5.83 million in 2012) at a cost of approximately USD 15 000. Similarly, DAC donor experience suggests that for each USD 1 spent on investigating the proceeds of corruption originating from the developing world, and transferred to OECD countries, up to USD 20 has been tracked and frozen, with a significant proportion of that sum repatriated to the treasury of the developing country in question. Tax and domestic resources need to be at the centre of a post-2015 development framework, and these findings show that development cooperation can play a key catalytic role.

**Conclusion**

We need to design a new vision, a new agenda and a unique post-2015 framework addressing economic, social and environmental challenges in a more integrated manner. The OECD stands ready to support on all fronts. Our Strategy on Development enables us to more effectively and systematically draw on our expertise to ensure that policies are based on evidence and designed to maximise impact and enhance coherence across areas of government. Our work in the Global Partnership for Effective Development Co-operation as well as in the OECD bodies and fora that fully engage non-member countries provides a framework for international, multi-stakeholder cooperation and mutual accountability on the reforms needed to enhance the quality of our policies and common interventions. The Organisation’s expertise and experience in defining and measuring the changing landscape of development finance can also make a significant contribution to the post-2015 framework, by helping partners to hold themselves to account and design “better policies for better lives” that will work today and for future generations.