

Meeting of the OECD Council at Ministerial Level

Paris, 29-30 May 2013

OVERVIEW PAPER ON THE IMPLEMENTATION OF THE OECD STRATEGY ON DEVELOPMENT

Overview Paper on the Implementation of the OECD Strategy on Development



Introduction: A new tool to respond to a changing global development context

1. **The global development landscape is changing rapidly as the world economy recalibrates towards the East and South.** Since 2003, more than half of world's growth has occurred in these areas at rates that surpass the OECD average. Sustained economic growth coupled with large populations in these countries is reshaping the world economy. South-South trade has multiplied more than ten times over the last two decades in part due to trade, financial flows and knowledge exchanges. More than half of global FDI inflows in 2010 went to emerging markets compared to less than 20% in 2000. This shift has fostered better domestic policies in these countries, which have delivered strong growth in many low-income countries, lifted millions out of poverty, and opened up opportunities for national governments and the international community to address the challenges of sustainable and inclusive development. The changing geographies of growth and poverty have enormous implications for the OECD and the world at large.

2. **With the launching of the Strategy on Development, the OECD, its Members and Partners have been taking stock of existing development approaches and tools to identify ways of addressing common challenges.** A variety of countries have chosen to work with the OECD on different projects, including Middle Income Countries such as Ghana, Honduras, Morocco and Indonesia; and Least Developed Countries such as Cambodia, Ethiopia, Bangladesh and Myanmar. While the Strategy implementation will unfold over time, a number of efforts are already underway. This note highlights progress achieved in i) mainstreaming the Strategy across the organisation, and ii) enhancing the level of engagement through the 14 projects and cross-cutting areas. It concludes with a set of proposals on which the OECD seeks guidance from Ministers on how to move forward with the Strategy's implementation.

Towards a whole-of-OECD approach to development: progress in mainstreaming and monitoring

3. **Several steps have been taken at different levels to ensure that mainstreaming is taking place effectively.** At the Secretariat level, operational co-ordination is improving as a result of more systematic cross-secretariat co-ordination and close supervision from the Deputy Secretary-General. Mainstreaming is also taking place at the Committee level with a vast majority having discussed how to integrate the development dimension into their work programmes. An increasing number of policy dialogues are also taking place across policy communities, such as on tax and development, agriculture and development, climate change and development co-operation and the newly created Advisory Group on Investment and Development (AGID).

4. **Budget and planning on development has been mainstreamed through the adoption of common definitions, the identification of joint outputs and the strategic use of the Central Priorities Fund.** Many projects have been mainstreamed in the 2013-14 PWB, such as the work on curbing illicit financial flows and global food security, the multi-dimensional country reviews and the knowledge sharing alliance, as well as the OECD's support to the Global Partnership for Effective Development Co-operation. A new "marker" system, which now includes "The Development Strategy," helps to assess the extent to which directorates and committees reflect the Organisation's priorities for implementing the strategy. While the commitment to move forward on most of the projects has been codified in the PWB, challenges to securing adequate funding remain. Additional opportunities to provide incentives for sustained collaborative work on development, beyond the use of the Central Priorities Fund, could also be explored.

5. **Although the Strategy has only been in place for one year, monitoring performance already takes place at different levels and new mechanisms are being developed.** The Council remains the main body for monitoring the Strategy elaboration and implementation process. According to a mandate in 2009, monitoring of development work was to be achieved through an annual Council meeting each January. This annual meeting presents results and facilitates the Council's capacity to provide guidance and

oversight on the Strategy. An *Informal Working Group* (IWG) was established at the ambassadors' level with the participation of the Key Partners dedicated to the Strategy implementation. Co-chaired by a Deputy Secretary-General and an Ambassador, the IWG provides a whole-of-OECD perspective, bringing different strands of OECD work together in a neutral setting. It helps reconcile potentially competing priorities and ensure priorities and synergies among the various corporate programmes, including the Global Relations Strategy. The IWG mandate will be revisited at the 2014 MCM.

6. **A monitoring framework is currently being developed.** This framework follows three main components: (i) status of projects under the Strategy; (ii) status of mainstreaming activities across the Organisation; and (iii) engagement of the OECD with developing countries and others. Committees and directorates lead in tracking the status of progress and performance of their projects, and report the results to Council. Guided by the Deputy Secretary-General, in co-operation with a group of interested Members, efforts are underway to consider methodologies for monitoring mainstreaming. An initial set of options will be presented to the IWG in the last quarter of 2013. One aim of this effort is to learn from cross-secretariat and cross-committee engagements that lead to enhanced levels of understanding and new synergies across the Organisation. Another aim is to be able to identify where other organisation-wide changes might aid in further mainstreaming development across the OECD.

7. **Further efforts will have to be made to facilitate the whole-of-government approach proposed by the Strategy in Member countries.** New tools will have to be developed to assist Member countries in mainstreaming development through a whole-of-government approach in their capitals and to facilitate dialogue with civil society, the private sector, and most importantly, the developing countries themselves. A more inclusive approach will contribute to the evidence-based discussions among the line ministries, help identify the development challenges to be addressed and enhance understanding and awareness of development as a matter of mutual interest.

Progress in enhancing the OECD's level of engagement

Designing policies consistent with development - Policy Coherence for Development (PCD)

8. **A broader PCD approach is being applied to better inform policymaking in addressing key global challenges such as food security and illicit financial flows.** Strategy deliverables on these two themes are helping to identify ways in which OECD countries can avoid policies that create negative spill-over effects and adopt beneficial policies; coherence can also be relevant in developing countries' policies in the spirit of mutual benefits; and OECD countries can help implement those efforts. New tools have also been developed on PCD, such as the International web-based Platform on PCD, and a self-assessment PCD toolkit, currently being piloted by Finland in the context of more coherent policy making on food security. Discussions will continue with a broad range of OECD committees to integrate a PCD perspective in a wider range of policy areas. Centres of Government have a key role to play, particularly as discussions advance on ways to integrate a PCD perspective in the Post-2015 agenda.

9. **Achieving global food security requires better coherence in all countries across a wide range of policies, such as agriculture, trade, investment, environment, social protection and development co-operation.** Global food security is a major international challenge: roughly 870 million people suffer from hunger and undernourishment, and 2.6 million children die every year from malnutrition. Tackling this issue requires actions that raise the incomes of the poor, increase the supply of food sustainably and provide essential complements that enable higher incomes to translate into improved nutritional outcomes. These changes will require a substantial increase in responsible investment, primarily from the private sector. For this to happen, greater trust is needed between investors, governments and local communities including farmers. Governments have an important role in establishing framework conditions that complement and encourage responsible public and private investment. Priority areas for

public spending, with aligned Official Development Assistance (ODA), include basic services in education and health, rural infrastructure, and research and extension. Trade will also have an important role to play, and countries need to avoid policies that distort world markets and make them a less reliable source of food supplies.

10. **Work to assess the efforts being made by OECD countries to address illicit flows from the developing world is well underway.** Illicit financial flows (IFF) outstrip resources that could otherwise finance development. Although the fight against IFFs must be led by developing countries themselves through reforms that strengthen governance, OECD countries also have a role to play by strengthening their systems to combat money-laundering, tax evasion, bribery of foreign officials, freeze and return stolen assets, and by supporting developing countries to build the necessary capacities to combat financial crime. A forthcoming OECD report “*Illicit Financial Flows from Developing Countries: Measuring OECD Responses*” reveals how OECD countries are implementing international standards. It has identified implementation gaps including in the areas of anti-money launderings, foreign bribery and recovery of stolen assets. Many of these areas are being addressed by various OECD bodies and countries.

11. **Curbing tax and other financial crimes requires concerted action and a whole-of-government approach in all countries.** The *Oslo Dialogue* launched by the OECD in 2011 urges both OECD and developing countries to improve co-operation amongst domestic agencies in the fight against financial crime. Examples of measures include obligatory reporting by tax administrations to relevant law enforcement agencies when there is evidence of a serious offence and allowing agencies with relevant information to make it available. Exchange of information between tax administrations, Financial Intelligence Units and law enforcement authorities on Suspicious Transaction Reports would also help. Recalling the importance of efforts by developing countries, development agencies could take a more ambitious role on this agenda, primarily through building capacity in developing countries but also through supporting the judicial authorities in their home countries.

Strengthening engagement with developing countries

12. **Evidence-based policy dialogue among committed countries effectively fosters peer learning and reinforces policymaking capacities.** The Strategy recognises that there is no single development model or trajectory and countries can prosper by learning from one another, generating ideas together and improving policies. The OECD hosts several platforms, fora and networks that engage non-Member countries and provide opportunities for peer learning. In response to the implementation and mainstreaming of the Strategy on Development, these platforms are expected to promote greater inclusiveness. For example, the review process on the *Policy Framework for Investment* is engaging a large set of stakeholders to better address development concerns.

13. **Effective knowledge sharing is fostered by enabling countries to engage around a shared agenda through a process of mutual learning.** The OECD is launching two innovative knowledge sharing policy networks that will bring together small groups of policymakers from developed and developing countries. One group will identify policy solutions to enter or upgrade within Global Value Chains (GVCs) drawing on OECD’s analysis. The second group will bring together countries whose development heavily depends on extractive industries. This group will help identify options to cope with volatility, broaden the economic base and effectively tax rents. To advance knowledge sharing efforts, the *Knowledge Sharing Alliance* (KSA) has been launched to facilitate mutual learning and the longer term implementation of policy reforms in developing countries and Key Partners, and to ensure that the lessons learned reach the committees to help upgrade OECD instruments and skills. The KSA will work through partnerships with Members’ institutions and international and regional organisations having field presence on the basis of complementarity.

14. **The new series of Multi-Dimensional Country Reviews (MDRC) coming out of the Strategy offers an innovative approach by looking simultaneously at multiple development objectives.** The reviews go beyond growth by incorporating well-being into development. They aim to help countries identify binding constraints that impede more equitable and sustainable growth. This exercise can be an important tool for governments, especially for those that are trying to achieve economic, social and environmental objectives with limited resources. The MDRCs take a cross-cutting perspective, which allows for a discussion on the effects of policy interactions, complementarities, trade-offs and sequencing of reforms. For example, in the Philippines the MDRC is looking at job creation as a cross-cutting issue affected by labour market policies and institutions, regulatory frameworks for business, taxation policies and social institutions. The MDRCs are conducted by an OECD cross-directorate team in tandem with regional organisations such as the UN Economic Commission for Asia and Pacific (ESCAP) for Myanmar, the Asian Development Bank for the Philippines, and the UN Economic Commission for Latin America and the Caribbean (ECLAC) and the Andean Development Corporation (CAF) for Uruguay.

15. **The cross-cutting topic on domestic resource mobilisation is also showing results in several areas.** Colombia, for example, directly attributes a 76% increase in revenue from transfer pricing audit adjustments to advice received from the OECD. Reviews of tax incentives are underway in several countries, including Ghana, where the OECD analytical tool is prompting a major reform effort. The Programme is currently developing ‘*Tax Inspectors Without Borders*’, a new initiative to deploy foreign auditors on complex international tax audits in developing countries. Tools have also been developed on using aid for tax system development effectively, on increasing tax morale and taxpayer education and on increasing transparency in financial reporting of MNEs. The Programme is supported by an informal multi-stakeholder *Task Force on Tax and Development*, comprised of OECD Members, international organisations, developing countries, NGOs and the private sector.

Contributing to international processes and global development architecture

16. **The Post-2015 deadline is fast approaching and the OECD Strategy on Development can be an important contribution to this process.** As the UN-led work proceeds on designing, implementing and monitoring the future goals and policies, the OECD stands ready to mobilise its expertise and policy networks in support of the Post-2015 agenda and framework. A vision for a Post-2015 development world needs to be global, holistic, and measurable. “Global” because the developing and the developed divisions between North and South no longer reflect our growing interdependencies. “Holistic” because the sustainable development goals and the poverty and human development agenda must both be addressed. “Measurable and meaningful” so as to achieve high levels of transparency and accountability. The Organisation is working on proposals covering well-being, gender equality and women’s empowerment, education, sustainable development, national statistics, and institutions and governance.

17. **The OECD has made its tools, methods and analytical capacity available to the Global Partnership for Effective Development Co-operation.** Jointly with UNDP, the OECD is spearheading international efforts to monitor the commitments made at the Busan High Level Forum on Aid Effectiveness in 2011. As a result, an agreement was achieved in June 2012 on a new global monitoring framework. The first stock taking of progress will be available by October 2013. Areas of substantive focus for the forthcoming ministerial-level dialogue include domestic resource mobilisation, knowledge-sharing, including through South-South co-operation, the role of private sector and transparency/inclusiveness. The OECD is well placed to work with its Members to tackle bottlenecks to progress in their non-aid policies, as well as making sure that, for example, aid helps strengthen developing countries’ abilities to raise taxes and identify responsive ways of working together to combat illicit flows.

Going forward

18. **Over the coming year, the Organisation will continue to help shape a new era for global development.** Delivering growth that places equality, sustainability and well-being first is critical to the OECD. This will guide future work, in particular, by adapting existing analytical frameworks, by strengthening knowledge sharing mechanisms and approaches with non-Members, and by monitoring progress on horizontal work on development across the Organisation. Contributions to global initiatives will have a high priority going forward. In doing so, the Organisation will continue working and strengthening partnerships with other international and regional organisations. This includes supporting the development of a Post-2015 framework and capitalising on opportunities provided by the G8, G20, UN-led post-MDG process, the Global Partnership for Effective Development Co-operation, and other settings.

19. **As the OECD work moves forward, it is essential to ensure that current and new concepts will be relevant to both Members and developing and emerging economies.** For example, progress has been made to mainstream the OECD Green Growth Strategy into core policy areas so that it is more beneficial to emerging and developing economies. More work will be undertaken to develop indicators and other measurement tools, enhance sectoral policy analysis and identify how development co-operation, peer review and knowledge-sharing can support the integration of green growth considerations into local and national policy while accounting for differences in country context. The globally-shared challenge of developing a better trained workforce is why a pilot on expanding the relevance of PISA to a wider range of countries is being developed. However, advancing work on this front would require additional policy dialogue with developing countries to ensure that the emerging policy recommendations are relevant and applicable to them.

20. **The OECD will continue to work on exploiting the synergies and coherence between the Strategy on Development and other relevant in-house strategies and initiative.** The new focus on Inclusive Growth aims at the outset to be useful to both Member and Partner countries. Given the interconnectedness of the global economy, work under the New Approaches to Economic Challenges initiative (NAEC) examines the inter-linkages between advanced, emerging and developing economies. Due consideration should be given to exploring the broader implications arising from NAEC on Partner countries and whether on-going Development Strategy efforts sufficiently account for the triple shared challenge of jobs, equality and trust (JET). Several OECD strategies might hold useful insights to a wider range of countries, *e.g.* the Skills Strategy and the OECD Action Plan for Youth Employment. OECD work on “smarter more effective governance through better regulations and practices” also has wide applicability.

21. **In the coming year, emerging results will be assessed to enhance relevance and improve the implementation of the Strategy.** Important steps have been taken *inter alia* on Policy Coherence for Development, knowledge sharing, food security, illicit flows and multidimensional reviews. An in-depth discussion on the results of the ongoing studies will shed light on the types of contributions these projects made to specific development priorities of partner countries and achieving the goals of the Strategy. The review should also examine how the Organisation is working with Partner countries and regions at different stages of development, enhancing its role as a platform for knowledge production and sharing, and modernising OECD monitoring and measuring systems.

This document and any map included herein are without prejudice to the status of or sovereignty over any territory, to the delimitation of international frontiers and boundaries and to the name of any territory, city or area.

