

# Taking Action for the World's Poor and Hungry People

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## SPEAKER SUMMARY NOTE

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| <b>Session:</b>         | <b>How to Develop, Finance, and Implement Effective Partnerships for Action for the Poor and Hungry</b>  |
| <b>Keynote Speaker:</b> | <b><i>Solveig Buhl</i>, Senior Policy Administrator, Poverty Reduction and Growth, Organisation for Economic Co-operation and Development (OECD), France</b> |
| <b>Title:</b>           | Implementing DAC Policy Guidance on Pro-Poor Growth  |

The OECD Development Assistance Committee (DAC) is a unique forum where donor governments (and multilateral organizations) come together to increase the effectiveness of their aid and coordinate their development efforts. In March 2005 a major milestone was reached when over 100 donors and developing countries endorsed the Paris Declaration on Aid Effectiveness.

The Network on Poverty Reduction (POVNET) is one of the DAC subsidiary bodies. POVNET's key function is to harmonize donor policies and activities related to pro-poor growth and poverty reduction and to align donor initiative with locally owned development plans. POVNET supports the implementation of the Paris Declaration on Aid Effectiveness and thus fosters an effective partnership for action for the poor and hungry among donors. POVNET has systematically analyzed donor experience in supporting pro-poor growth in their partner countries. It build consensus on the key underpinnings of pro-poor growth and developed policy guidance for selected strategic areas such as infrastructure, private sector development and agriculture. The DAC POVNET guidance on pro-poor growth shows that partnerships between *policy makers, the private sector and civil society are essential*. To guide the implementation process, the DAC POVNET developed an innovative, harmonized and user-friendly approach to (ex ante) poverty impact assessment (PIA). Poverty impact assessment is indispensable to assure that programmes reach the highest possible impact on pro-poor growth and poverty reduction.

### **Promoting Pro-Poor Growth: Main Policy Messages**

Rapid and sustained poverty reduction requires pro-poor growth, i.e. a pace and pattern of growth that enhances the ability of poor women and men to participate in, contribute to and benefit from growth. Policies to tackle the multiple dimensions of poverty are mutually reinforcing and should go hand in hand. Progress in one dimension will be accelerated by progress in others.

Empowering people living in poverty is essential for bringing about the policies and investments needed to promote pro-poor growth and address the multiple dimensions of poverty. To achieve this, the state and its policy making processes need to be open, transparent and accountable to the interests of poor people. Policies and resources need to help expand the economic activities of poor people.

Implementing policies to promote pro-poor growth involves a continuous process of strengthening the engagement between policy makers, the private sector and civil society, especially those who represent the interests of the poor. Evidence-based, transparent decision-making, as well as innovation and lesson learning are required to arrive at policies suited to the local context, aligned to partner countries' own poverty reduction plans. To improve aid effectiveness it is also important to find optimal combinations which take account of comparative advantages within donor agencies in terms of staff capacity and financial resources. Donors should support institutional change and capacity building at a general level and at the same time support interventions that are directly focused on poor people. Without the necessary policy and institutional reform, targeted support is unlikely to bring about sustained gains for the poor. Focusing on the enabling environment alone risks to ignore the specific needs of the poor.

In particular, donors should rethink their dwindling support for infrastructure and agriculture and strengthen links with the private sector.

### ***Infrastructure: Connecting Poor People to Growth***

More than 1 billion people have no access to roads; 1.2 billion do not have safe drinking water; 2.3 billion lack reliable energy and 4 billion no modern communication services. Between 1997 and 2003, bilateral donor support to infrastructure decreased from roughly 35% to 15% of total bilateral ODA. Resources are now once again starting to flow to infrastructure. It is important that past mistakes related to the management and maintenance of

infrastructure are not repeated. The DAC High Level meeting endorsed the following recommendations for infrastructure support:

- Coordinate and align donor support to country led frameworks
- Target the poor to improve their access, encourage their involvement and promote their employment, ensure affordability, e.g. by use of “smart subsidies”
- Emphasize cost recovery, improved public operator management and enhanced transparency to address corruption and environmental sustainability
- Make aid predictable; apply mix of financial instruments to leverage private sector investment.

### ***Private-Sector Development: Making the Engine of Growth Work for the Poor***

75% of the non-agricultural workforce in Africa earns its livelihood in informal jobs. In many developing partner countries the registering of a firm is lengthy and costly. DAC members spend roughly 15-20% of bilateral ODA on support to private sector development. The private sector can be an important motor to fight poverty. DAC High Level meeting endorsed the following recommendations for private sector development support:

- Strengthen the enabling environment. Any direct firm-level support should not distort the market
- Reduce disincentives to formalisation, facilitate risk taking
- Promote dialogue between state, the private sector and civil society
- Link/merge Private Sector Development in wider Poverty Reduction Strategies

### ***Agriculture: The Core Business of the Poor***

75% of the world’s poor people live in rural areas. As shown by the green revolution in Asia, agricultural productivity can play a crucial role in lifting people out of poverty. Still, from 1984 until 2004, DAC member countries’ spending on agriculture reduced from 11.5 % to 3.4 %. The DAC High Level meeting endorsed the following recommendations for support in agriculture:

- Build household assets, reduce market related barriers and expand access to local, national and international markets
- Support diversified livelihoods
- Secure assets (land, water, finance) and mitigate shocks (new forms of insurance).
- Target research and development investment to smallholders
- Promote a holistic approach to rural poverty reduction in poverty reduction strategies.

### **Poverty Impact Assessment—A New Approach to Guide Policy Implementation**

In order to make sure that policies, programmes and projects contribute to pro-poor growth and poverty reduction, the distributional impacts of these interventions need to be assessed. POVNET has therefore developed a Poverty Impact Assessment (PIA) approach to help donors and their developing country partners to assess the impacts that can be expected from planned interventions. This can open up space for different options, identify mitigating measures and necessary modifications, and support decision makers in choosing the solutions which fit best. PIA can also be applied during an implementation to adjust and fine-tune implementation and also *ex post* to support evaluations and identify lessons learned. The approach has successfully been used in the areas of rural development, infrastructure, and private sector. Some partner country governments are interested in upscaling the approach. Capacity development in partner and donor countries is ongoing.

### **Conclusion and Way Forward**

Recommendations and Guidelines that are developed within DAC POVNET need to be approved by all DAC POVNET member countries. This leads to an optimum of harmonisation among donors and is reflected by a more effective division of labour. During the last years, consultation was sought with partner countries’ governments, civil society and the private sector. In order to operationalise and actually implement the policy recommendations on pro-poor growth, POVNET is actively engaged in the process of discussing their recommendations on pro-poor growth in partner countries and with donor field level staff.

The widespread application of Poverty Impact Assessments by partner and donor countries alike assesses whether interventions are actually aligned to partner countries’ policies and programmes, assures domestic and mutual accountability and enhances the management for development results – and thus increases poverty reduction and pro-poor growth impacts.

For more information: [www.oecd.org/dac/poverty](http://www.oecd.org/dac/poverty)