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Statement by Jean-Claude Faure

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Jean-Claude Faure is the Chairman of the Development Assistance Committee, Organisation for Economic Co-operation and Development. This remarks is to be delivered at the ***Asia and Pacific Forum on Poverty: Reforming Policies and Institutions for Poverty Reduction***, to be held at the Asian Development Bank, Manila, 5-9 February 2001.

I feel very honored and pleased to be among you today. This Forum may indeed play a significant role — both to fully take stock of the status of the current debate on poverty reduction strategy in a globalizing world, and to contribute to clarify issues and prospects, and to convince everyone of the timely opportunity we have to move forward together, in action.

These days, changing global dynamics are adding new dimensions to the poverty “*problematique*.” To long-standing convictions that poverty must be centered on moral and humanitarian grounds, there is now an increasingly powerful incentive: enlightened mutual interest. The scope for strengthening human security, increasing global prosperity, and reducing social as well as environmental stresses will more and more turn on the extent to which poverty on a global scale can be vanquished. Broader developments heighten the urgency of addressing poverty. Globalization holds great promise, but is also threatens to widen the divide between rich and poor and to increase the risk of a two-track world. Globalization will not deliver its potential benefits if it works for only a few, and leaves others still confronted with the risk of marginalization and of not integrating with the world economy.

The current conjuncture for confronting poverty is promising. There is new broad global commitment to halving the portion of people living in extreme poverty by 2015. Developing countries are establishing and implementing strategies to achieve this goal. The development community is putting together a coordinated and focussed response, mustering the necessary political will and establishing essential frameworks and mechanisms for organizing a more concerted and effective assault on poverty. The time is ripe to seize the opportunities at hand. It is essential to deliver on promises, convictions, and goals, following through with commitment, resources, and well-founded efforts. We must decisively move from vision to achievement.

What does this mean today for the donor community? In 1996, the OECD/DAC strategy “*Shaping the XXIst Century: The Contribution of Development Co-operation*” sets out a vision of development cooperation based on partnership around development strategies owned and led by developing countries’ governments and civil societies. It also committed Development Assistance Committee (DAC) Members to assist developing countries achieve the International Development Goals, many of which address the key dimensions of poverty. Faced with this challenge, and

determined to work more effectively to reduce poverty, DAC members are currently developing a set of guidelines to help orient, concert, and improve their individual and collective efforts.

I. First, coming to terms with the huge and complex challenges of world poverty calls for developing an understanding of its nature and of the most effective approaches to addressing it.

Poverty is multidimensional, encompassing a range of different dimensions of deprivation and denoting people's inability to enjoy adequate social standards of human well-being. These dimensions of poverty cover several distinct aspects of human capabilities, including economic (income, livelihood, human, health, literacy); political (empowerment, democracy, human rights, voice); sociocultural (dignity, participation); and protective (insecurity, risk, vulnerability). The causes of poverty vary widely from one country to another. History, geography, and governance - all key elements shaping developing patterns at the national level - have a formative impact on poverty.

Balanced attention to pro-poor growth and reduced inequality is needed. Reducing poverty calls for rapid pro-poor economic growth based on efficient and competitive markets. There should be a balanced division of responsibilities between the state, private sector, and civil society. Pro-poor growth, however, is not enough. Strong efforts are also needed to reduce asset and income inequalities. Inequality tends to lower both the pace and quality of growth and, in many instances, to undermine the effects of growth on poverty reduction. Development agencies should focus attention on these issues and help develop and strengthen coalitions supporting reforms to reduce inequalities.

Empowerment of the poor is decisive for achieving impact. Powerlessness, injustice, and exclusion from social participation accelerate, accentuate, and perpetuate poverty. Right-based approaches to poverty reduction seek to strengthen the framework of norms and institutions that protect universal human rights, including the rights of children and workers' rights, through open and effective political, economic, legal, and judiciary systems.

Higher quality and easily accessible social services continue, of course, to be core elements of effective poverty reduction strategies. Social service expenditures need to be coupled with incentives and opportunities to improve the quality and reach of essential public goods for poor

people. Private sector involvement can help to improve management efficiency for some services, particularly water supply and sanitation.

Successful poverty reduction depends on sound analysis, assessment of policy effectiveness, and a common agenda among all development partners.

II. Second, forging effective poverty reduction partnerships is essential beyond the common view on poverty reduction strategies.

The emphasis on working in partnership to reduce poverty calls for a comprehensive re-thinking of development cooperation practices. Six principles should govern agency approaches and action in this regard:

- (i) Partnership approaches, which facilitate and strengthen local ownership, should be the basis for all development assistance efforts.
- (ii) National ownership of poverty reduction strategies including locally determined policies and priorities is essential for development effectiveness and should be constantly respected and promoted in all interaction with partners.
- (iii) Agency support for national poverty reduction strategies should be based on a sound assessment of the merits, drawbacks, and tradeoffs of the chosen approach.
- (iv) The active participation of a range of partners and empowerment of the poor is of vital importance.
- (v) Better coordination and long-term commitment is necessary to strengthen partnerships and impact.
- (vi) Development efforts should be monitored and evaluated with government partners and poor people themselves, in order to assess partnership performance and to secure and maintain pro-poor effects.

We have learned that sound and productive partnerships are based on trust, mutual accountability, and a shared commitment to the goals and objectives to be achieved. This is governance. Partners need to assess each other's performance—partner country performance, of course, but also development agency performance. Marshalling all potential development partners will ensure ownership, sustainability, and effectiveness of strategies to combat poverty. Partnership means dialogue with and beyond governments. More partners and a broader range of partners

should be engaged in the policy dialogue process accompanying efforts to develop and implement strategies. This includes civil society actors and the private sector.

Generally, resources should be allocated where there is greatest scope for reducing poverty. Dealing with less performing countries calls for close collaboration with other bilateral and multilateral partners. We in the donor community fully understand that reducing poverty is a deeply political process. Efforts to undertake pro-poor structural and policy reforms in partner countries often raise difficult political issues. In engaging in development cooperation, agencies cannot ignore these tensions. Supporting government efforts to engage society in dialogue on development options and choices will enable agencies to understand better the local, social, and political dynamics. We know also that aid coordination in the context of partnership is the joint responsibility of all partners, although it should be initiated and led by partner governments. Bilateral and multilateral agencies should undertake more disciplined and sustained efforts to work with one another with a view to assuring coherent messages and focussing on fundamental needs and collaboration opportunities. Closer collaboration with multilateral and regional institutions is key to leveraging development cooperation resources and impact.

III. It follows that success in reducing poverty will depend on agencies' translating their objectives into more effective programs, using partner countries' strategic frameworks, an appropriate mix of aid instruments, and applied best practices.

Let me mention four points here.

- (i) First, agency programs should, fore and foremost, build on partner country institutions, policies, and national poverty reduction strategies. It should be the point of departure for allocating external assistance. In supporting, for instance, the PRSP approach, which is relatively new and uncharted, agencies should ensure that it supports and does not duplicate nor undermine indigenous efforts to develop poverty reduction strategies; that it tolerates differing formats and standards; that it accommodates often overstretched country capacity; that it allows time for local ownership to grow; and that it sets realistic targets, recognizing that poverty reduction cannot be achieved overnight.
- (ii) Secondly, agencies need to sharpen the poverty reduction focus and impact of country programs. As regards impact on poverty, each instrument has its advantages and

drawbacks, depending on the partner country situation. Among them, program aid opens the way to a continuing dialogue on pro-poor policies and sector support holds potential for shifting attention to poverty and inequality. But partner-led projects can also make a lasting impact on the livelihoods of beneficiaries. Projects that address poverty will have greater impact when they are embedded within a broader development framework, such as the national poverty reduction strategy. In all cases, strengthening partners' own capacities to reduce poverty should be an overriding objective for technical assistance. Technical cooperation has a continuing and fundamental role to play.

- (iii) Thirdly, agencies should consider, where appropriate, changing the way they act. They should consider how to address the systemic institutional change needed if the traditional donor–recipient country relationship is to be reconstructed. Agencies may reduce the burden created by multiple administrative and financial requirements and poor agency coordination of policies and activities. Efforts should focus on streamlining, simplifying, and harmonizing practices, procedures, and reporting requirements. We in the DAC have embarked on this exercise, which the multilateral banks have launched, on their side, some time ago. Decentralizing staff resources and decision making to the field may, in that respect, help DAC Members to improve implementation. This argues strongly for due consideration to be given to increasing collaboration and sharing expertise and information among all agencies, or to relying more on local expertise.
- (iv) Fourthly, and this is essential, policy coherence across OECD/DAC governments matter. Success in reducing poverty requires coherent development cooperation policies as well as overall policy coherence across OECD member government policies. Better policy coherence can substantially augment agency efforts to help poorer countries reduce poverty. In fact, policies from other areas of DAC member governments, such as trade, investment, finance, and agriculture, may have far greater potential impact on reducing poverty in developing countries.

Policy coherence is a profoundly political challenge. It involves domestic constituencies and interests. A key step for establishing government-wide commitment to policy coherence will be for governments to decide the level of emphasis to be given to international development concerns and objectives, and then for all parts of government to be consistent with this when formulating and implementing policies. This approach should encompass a wide range of policies, but OECD member countries should focus on six priority policy areas where policy coherence can have a significant potential impact on poverty reduction and where the likelihood that policy changes can be achieved is present. These include (i) international trade and direct investment, (ii) agriculture and food security, (iii) global capital movements, (iv) natural resources and the environment, (v) social issues, and (vi) governance and conflict.

There is a need for careful analysis of the role of each policy, its impact on poverty, and where within government a policy can, and should, be adjusted for enhanced coherence. The DAC Checklist of questions on policy coordination processes can be a useful tool in promoting overall policy coherence. This checklist will be presented to OECD Ministers in May 2001, as a benchmark to guide public policies throughout the OECD.

Mr. Chairman, in short, these Guidelines and Checklist provide knowledge, sequence, and shared views and orientations to assist bilateral agencies as they work with partner countries, with one another, and with multilateral institutions, to ensure that that process in this new century is truly partner-driven and inclusive of all. Today this Forum provides a welcome opportunity to help us move on. So that, as a recent report puts it, "globalization may work for the poor". Thank you very much.