



Ministerial Roundtable Dialogue

High-level Segment - Geneva, 4 July 2007
Roundtable 2
4:30 – 6:30 p.m.

Issues Note

Poverty eradication – making it happen

The international community has 8 years left to achieve the Millennium Development Goals (MDGs) to follow through on agreed targets in the universally shared framework for the betterment of people's lives worldwide and for the strengthening of global partnerships for development. Since 1990, some developing countries – particularly China, India and others, especially in Asia -- have made significant progress in several areas towards reaching the Goals, showing that significant reduction in absolute poverty and hunger is possible in a relatively short period of time. Progress on reducing poverty and hunger in other countries has been slow however, and many parts of sub-Saharan Africa have not made any advance towards the Goal. As Ministers agreed in the 2006 ECOSOC Ministerial Declaration, an important route out of poverty for most individuals, families and communities is through the generation of productive employment and decent work. Women and girls continue to be more vulnerable to poverty, part of which stems from ongoing discrimination against them in the labour market. Donor and recipient governments and the international community at large need to identify ways and means for "making it happen" through the fulfillment of the existing commitments in Goal 8 and other forms of domestic and international collaboration.

The roundtable dialogue will seek, in conjunction with the national voluntary presentations in the Annual Ministerial-Level Substantive Review, ways of strengthening national capacity for eradicating poverty and hunger through partnerships. The Paris Declaration on Aid Effectiveness accepts the notion that a major requirement of any effective framework for development, including poverty and hunger reduction, is to increase the space for national ownership in initiating and implementing development strategies and commits donors to align against them. Thus, the dialogue will first examine to what extent national development strategies (NDSs) or Poverty Reduction Strategy Papers (PRSPs) – the frameworks through which international donors, including the international financial institutions coordinate development assistance and debt relief - have affected national ownership. The dialogue will then consider how these frameworks could be improved to further strengthen national capacity building. It will also examine how non-government actors – such as civil society and local communities -- are partnering with Government and donor agencies in the NDS or PRSP process, can support the poverty and hunger eradication agenda.

Background

Success in reducing poverty and hunger in many parts of Asia is, in part, the result of well-defined national development strategies. China, India, Malaysia and Viet Nam are considered to be such cases in which Governments designed their own strategies, with the mobilization of local stakeholders' support, and complementary external financing.

Processes associated with the implementation of Poverty Reduction Strategies and, to some extent, aid policies harmonized among donors do not appear in many cases to have encouraged country-driven national development strategies. While stakeholders – domestic and external -- do agree that the consultations conducted in the PRSP countries have brought new actors into the development dialogue and increased the transparency of the process, the involvement of donors in consultation processes has tended to make the process top-down, marginalizing the concerns of local actors. Furthermore, the strict macroeconomic policy conditionalities that are part of the IMF Poverty Reduction and Growth Facility (PRGF) have a tendency to limit the scope of socio-economic policy choices available to the recipients. Greater harmonization of aid policies among donor countries has led to some concerns that conditionality has become more coordinated and powerful within this harmonized approach.

What is required is to develop partnerships between the donor and recipient countries based on mutual accountability, and to provide the recipient with an enabling environment for creating nationally owned strategies, backed by sufficient financial and technical assistance. National capacity development should empower national stakeholders (Government, the private sector and civil society, including NGOs) to develop national, sectoral and local poverty and hunger eradication strategies that are human rights based and gender sensitive.

The following is a list of the elements that affect the development of national capacity positively or negatively.

1. Conditionality and the global environment

The current PRS and debt relief processes do not appear to have been entirely successful in promoting country-driven national development strategies. An enhanced or new global partnership to support poverty reduction needs to abandon restrictive conditionality and to expand the scope for pro-poor and gender sensitive policies to be implemented by the recipient Government. This involves securing true national ownership and development effectiveness of aid as envisaged in the Paris Declaration.

In strengthening national ownership of national development strategies in general and the PRSPs in particular, the global partnership should support national capacity building by increasing the space for policy choices through a reduction in the policy conditionality associated with external financial support, and diversifying sources of supportive financing. More significant efforts must be made against all the components of Goal 8 – including increasing and improving aid and debt relief, formulating pro-poor international trade policies, facilitating access to medicines, assisting with the transfer of appropriate technologies to developing countries and aid for trade.

The strength and credibility of national ownership also depends on the participation of civil society, local authorities, Parliaments and other representative bodies with government in national policy making and implementation. The broader the involvement and commitment to nationally determined strategies, the more well-balanced is the relationship with international providers of advice and assistance.

2. Aid harmonization

Greater harmonization among donors reduces “transaction costs” associated with transfers of aid from donors to recipients and make aid flows more predictable. It should be noted, on the one hand, that if overly stringent conditionalities are attached to the harmonization, they may have detrimental impact on national capacity building and limit the national policy space of the recipient. On the other hand, aid effectiveness on poverty and hunger may not be automatically improved when the conditionalities are removed or lessened.

The international community needs to strike a balance between the freedom of choice for recipient countries and the effective delivery and use of aid. Greater harmonization of donors’ assistance can make significant contributions to strengthen national capacity and to widen the policy space of recipient countries, if aid is delivered in the form of budget support and aligned to countries’ priorities. Lower administrative costs of negotiating with and reporting to multiple donors make it possible for recipient Governments to divert newly available human and financial resources for the purpose of improving policy design and coordination and monitoring outcomes.

3. The role of civil society and local communities

The consultations conducted during strategy formulation of the PRSPs have encouraged participation of various stakeholders, including women’s groups and networks. Greater attention to governance was gained in some countries and NGOs advocating for gender equality had the biggest impact in the PRSP processes. Civil society organizations in general believe, however, that this increased openness has had only limited impact on the design of domestic policy and has not allowed sufficient time for consultations with a wide range of groups. In some countries, participatory activities have waned following the completion of the PRSP and this has kindled some scepticism that perhaps governments were more concerned about fulfilling donor requirements than about achieving systemic change. Given the mixed results with regard to civil society participation, efforts should be made to ensure the extent and quality of civil society participation in policy formulation, in particular with respect to gender-sensitive poverty reduction and employment creation.

One perceived shortcoming of the PRSPs is that they have failed to consider more explicitly the centrality of productive employment and decent work for poverty reduction. Given the magnitude of the task to create sufficient productive employment for women and men to reduce poverty and hunger, it is important to recognize and encourage the potential of civil society and local communities to complement the efforts of governments to reduce poverty and hunger. The encouragement and support of cooperatives is one way to harness the power of cooperation and self-help to create decent jobs for their members. An international network of civil society organizations can contribute to poverty reduction strategies by publicly advocating for pressing development concerns, helping design strategies to meet the targets, and monitoring and evaluating their implementation.

4. The role of the private sector

Innovations – financial or otherwise – in the private sector, both domestic and international, can have significant payoffs for national capacity building of developing countries particularly when in partnership with the public sector. A critical challenge is to ensure the necessary internal conditions for mobilizing domestic savings, both public and private, sustaining adequate levels of productive investment and increasing human capacity. The questions are how to encourage an enabling domestic environment for mobilizing domestic resources, increasing productivity, reducing capital flight, and attracting and making effective use of international investment and assistance. In particular, it would be critical to strengthen

the domestic financial sector and capital markets, and to develop guarantee schemes and business development services for easing the access of small and medium-sized enterprises. Governments should play a key role in providing the framework for businesses operations, which in turn are expected to engage as reliable and consistent partners in the development process. For example, business managed organizations can be partners in private-public dialogue to reform legislation and to improve the business environment.

5. Global public-private mix for development

Public and private sectors and civil society can be engaged as global partners in promoting policies and increasing financing for development to reduce poverty and hunger, especially where there are special challenges and critical bottlenecks. A good example of such partnerships is the United Nations Public Private Partnership for Rural Development which is derived from the 2003 ECOSOC's Ministerial Declaration which underlined the importance of alliances and partnerships among actors in different sectors for the promotion of integrated rural development.. Another area for public-private partnership is infrastructure development given heavy up-front investment needs and the length of time for cost recovery. The development or improvement of urban-rural transport and communication links, especially trunk and access road networks, is a potent tool for enhancing urban-rural development linkages and facilitating access of people to goods, services, capital, jobs, and other income-earning opportunities in both rural and urban areas.

Another source of public-private partnerships is the growing philanthropic movement. The unprecedented growth of funds, the development of a global nonprofit sector and the increased commitment and participation of prominent individuals have combined to create an encouraging environment for the revolution in philanthropic giving in evidence today. New types of philanthropy have also emerged, such as venture philanthropy, in which "charitable" venture capital is raised to be invested in for-profit companies that bring goods and services at affordable prices to poor people who would be otherwise ignored by the market. The goals of philanthropy are coalescing around the promotion of UN values and activities, including the eradication of extreme poverty in its many dimensions, while promoting gender equality, education, and environmental sustainability. The newly energized global philanthropy, if sustained, targeted, innovative in approach and, working with the United Nations and individual countries, can contribute to eradicating poverty and hunger, especially if some degree of coherence is maintained with that of traditional development assistance. At present, however, means of influencing or even engaging private, especially individual, philanthropy actors are quite limited.

Suggestions for the roundtable discussion

- How can the international community meet its existing commitments to the global partnership for development as envisaged under Goal 8?
- What are some of the obstacles and challenges that the countries face in improving national capacity to design and implement its own pro-poor and gender-sensitive national strategies in general and in the PRSP process in particular? What are some of the ways to improve the PRSP process and donor alignment around development strategies?
- What kind of mechanism(s) can replace the PRSPs if we want to maximize the policy space for recipient countries, while maintaining an effective monitoring process by donors to ensure a desirable outcome from aid?
- What role can civil society, including, the private sector, local communities, women's organizations and networks, employers organizations and trade unions,, play in truly country-owned consultation processes and nationally driven development strategies and

how are aid policies aligned with such cross-cutting issues like gender equality and environment?

- What are some of the innovations in partnerships, both global and local, that can be scaled up to accelerate progress in the eradication of poverty and hunger and how can they be ensure that these innovations support state and local capacity?
- What are some "innovative" approaches and financing options for public-private partnerships, in particular, for addressing rural and urban development as well as infrastructure, mainly transportation and communication links?
- Are there ways to align the diverse flows of financing (traditional and new forms of giving) for greater impact on poverty and hunger goals?