

# From Poverty Eradication to Sustainable Development:

The implications of an evolving framework for development cooperation

## *SUMMARY*

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*This document was prepared by a consultant and does not necessarily reflect the views of the co-organizers of the symposium*

## Introduction

The concept of sustainable development emerged in the 1970s and 1980s as awareness grew of the natural limits within which human development takes place. It is now generally considered to be a convincing unifying concept and it may emerge as the main framework for development practice in the coming decades, supplementing the poverty eradication focus of recent years, under the MDG framework.

What might a transition to sustainable development mean for development cooperation?

There are two main scenarios.

Firstly, sustainable development could be adopted as the overarching framework within which all sub-goals (e.g. poverty eradication, social equality, ecosystem maintenance, climate compatibility) are framed and within which some kind of consolidated development cooperation is managed. In this scenario, environmental issues would no longer be considered one factor among many (as in MDG7), but the meta-context within which poverty and other goals are sought. The present non-system is fragmented:

- Since 2000, MDG8 has been to “develop a *global partnership for development*”
- The Rio+20 zero draft commits adherents to “reinvigorating the *global partnership for sustainable development*”
- There is also talk of a “*global partnership on climate finance*”
- Participants at the High Level Forum on Aid Effectiveness at Busan promised to “form a new, inclusive *Global Partnership for Effective Development Co-operation*”

Clearly there is now an opportunity to integrate development cooperation interventions under a sustainable development framework. **Sustainable development is not a subset of development; it *is* development (in a modern world of resource limits).**

Secondly, alternatively, we could see the continuation of a number of avenues of development cooperation objectives and spending. In this scenario traditional poverty-focused ODA would gradually be eliminated, as extreme poverty is reduced, while climate finance continues and a new kind of sustainable development funding emerges. This appears to be the scenario contemplated by the Global Sustainability Panel in its recent report.

Rather than seeking to second guess the outcome of ongoing discussions, this thinkpiece assumes simply that sustainable development will increasingly become a major paradigm under which development decisions are taken and looks at what that might mean for development cooperation. Given its wide scope and limited word count, it inevitably throws up a plethora of issues without the space to develop them. The author hopes that rather than frustrate the reader this will provoke thinking and debate about the future of development cooperation.<sup>1</sup>

## The present context – a brief overview

The formal objective of overseas development assistance (ODA) is the “promotion of economic development and welfare” but historically there has been no single unifying theory behind it. Most recently it has been influenced by three major factors – **the MDG framework** (leading to a clear poverty focus), **the 9/11 terrorist attacks** (leading it to be used as part of global security

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<sup>1</sup> For the purposes of this note the term development cooperation refer to financial transfers (i.e. the spending of money) made with development objectives.

strategies) and **the recession in most OECD countries** (leading to pressure on budgets and a greater focus on impact).

While OECD countries are still by far the biggest of source of development cooperation, ODA reduced in 2011 for the first time since 1997. Three other factors are transforming the “aidscape”.

Developing country players are rapidly increasing their development cooperation, under the banner of **South-South Cooperation** (SSC). According to some estimates, emerging economies (mainly China) already provide about \$15 billion in development cooperation each year and could provide over \$50 billion by 2025, not to mention the long-standing aid-giving tradition in Arab countries, often overlooked in these debates.

**Private donations** for international development purposes have also been growing rapidly and could now amount to between \$56-75 billion per year. This comes from a range of sources, including INGOs and large private philanthropic foundations. Rapid advances in communication technology also allow many ordinary individuals directly to connect to development objectives like never before.

**Climate finance** to help developing countries adapt to climate change and reduce greenhouse gas emissions is supposed to reach at least \$100 billion by 2020 from both public and private sources. The fact that climate finance is associated with a separate diplomatic process has meant that it lives a parallel existence to traditional development cooperation, but its emphasis on entitlement rather than voluntarism could transform the balance of power and responsibility between source and recipient. There is some concern over whether climate finance is sufficiently similar to aid for it to be governed and managed by the same entities, thus avoiding duplicative administration for both supplier and recipient. There is no meaningful way to evaluate its “additionality”.

## The impact of a transition to sustainable development

Given this context, what might the onset of a sustainable development framing mean for development cooperation? Many of the trends already apparent will be reinforced, others might be challenged. This thinkpiece looks at three key areas: purpose, allocation and effectiveness.

### A: Purpose

- The most important implication of a shifting framework is that the problem being addressed is now located in rich countries as well as poor. **Financial transfers will reduce in importance relative to other areas of national or collective action.** Aid agencies might develop new roles as whole-of-government enforcers of development policy coherence. Commitment to development indices will focus less on aid quantity and more on policy coherence as the key arena for development action.
- **While this trend gives raise to some concerns, too great a focus on financial transfers could actually mitigate *against* the long term interests of poor countries** and global sustainable development if it allows rich country politicians to avoid the tougher issues and effectively pay their way out of deeper reforms.
- The various objectives of development cooperation (including climate finance) could be folded into a single definition such as: **“the promotion of sustainable development, with particular concern for poverty eradication, equitable resource management, human rights, and global stability”**, rebranding it as Sustainable Development Cooperation, or

SDC. However, while the sustainable development concept covers three key pillars in development, there are some issues on which it seems weak. Are human rights and democratic decision making processes a core part of SD? And do security concerns fit into the SD theory? Not neatly.

- Governments have to justify the money they are spending on non-national objectives. Public communications is therefore a central part of the discussion, not an afterthought. With questions in the west about transferring money to rapidly growing emerging economies, along with the slow communication of development progress, the justifications for development cooperation may need to evolve. **To engage the broad coalition of support required to maintain high levels of development cooperation, mutual benefit may need to re-emerge as a central justification**, which is also more in tune with shifting attitudes whereby even the poorest countries are tired of being seen only as recipients of largesse. The so called “global public goods” narrative, and the justification of aid on the basis of global security, could evolve to include global sustainability as part of a frank appeal to national self interest.
- Technical assistance constitutes about 25% of DAC ODA and is a core objective of South-South cooperation. As the world realises that answers to the sustainable development conundrum are at least as likely to come from the South as from the North, **capacity building will increasingly be a two way street**. While the North can fairly claim to have had some success in eradicating poverty, it clearly does not lead the world in sustainable development.
- **Private (market) funders may be more interested in engaging with a sustainable development paradigm** (including blending with public monies) as there are likely to be higher returns available than when working solely on poverty eradication.
- National governments may come under more pressure to find a way to introduce international taxation. **The beauty of taxing “global public bads”, and the reason it is so appropriate for a sustainable development framework, is that either a) the bad is diminished or b) the money raised can be spent on global public goods.**

## **B: Allocation**

While historical links and strategic interests are major factors influencing bilateral ODA allocations, developmental criteria are also important, particularly assessments of country needs and institutional effectiveness/performance.

- With extreme poverty reducing over the next twenty years, and continued economic growth in the South, the justification for development cooperation under a poverty eradication paradigm might diminish. But the inclusion of other critical objectives under a sustainable development framework could mean a **concentration of funding to countries where the environmental impacts of growth are most challenging** i.e. the current consensus that aid to middle income countries should be drawn down will be challenged.
- The natural response of donors to developing countries buoyed by high rates of growth has been to set out a timetable to phase out aid, given the availability of other sources of development finance. The ODA saved would either be transferred to the remaining low income countries (LICs, now numbering only 40), or recovered by donors. However, many LICs, concerned by aid dependency, also aim to rely less on ODA in the medium term. A sustainable development framework could solve this conundrum: **LICs and LDCs would**

continue to receive development cooperation appropriate to their needs and aid exit strategies, while MICs would still receive substantial quantities.

- **Physical science considerations (e.g. geography, resource allocation) will become more dominant in needs calculations** than under a PE framework, which has relied predominantly on social scientific (economic and political) analysis
- **The aid allocation decisions of one donor only make sense when they take into account other donor decisions.** A move to sustainable development may be an opportunity to instigate a global reference point to share such information.
- ODA has been thought to be more effective in better policy and institutional contexts. The debate about what that means may become more complex when additional, sustainability, issues are taken into account. **It seems inevitable that conditions will remain a part of development cooperation as few countries are willing to cede control of their money.** Concern has already been expressed that new “green conditionalities” may emerge. The key to resolving tensions may be a strong focus on multilateral decisions made by representative bodies.
- **The historical responsibility of developed countries may be expanded to cover not just greenhouse gas emissions but also depletion of natural ecosystems and resources.** It is unclear how western publics will react to such an idea
- The pushback against the emphasis on social spending will continue as **sustainable development objectives will require interventions in productive sectors of the economy**, including agriculture, fisheries, mining, energy generation, and others.
- Technological advance, perhaps more than anything else, has led to rapid reductions in poverty. **A significant upscaling of investment of development cooperation in research could lead to technological solutions to poverty and sustainability problems becoming more rapidly available.**

### **C: Effectiveness**

In a context of pressure on budgets resources and new techniques to judge progress, the quest for effectiveness of development spending will continue to dominate discussions.

- **Both sustainable development and poverty eradication are at once long term and urgent endeavours, requiring both the gradual and substantial redirection of country policies, and rapid response to pressing problems.** The major bottleneck, which is not going away, is that decisions are being made by politicians who generally have short term (4-6 year) mandates, with all the associated pressures.
- The shift in rhetoric of the OECD-led Busan process towards “development effectiveness”, and the results mantra being pushed by major western donors, is welcome but there is a risk that short term results will trump any others when it comes to impact monitoring and spending decisions. Balance is the key. **It may be helpful for those pushing the modern-day results agenda explicitly to insert a long term approach in their documents, to balance concerns about short-termism.**
- The streamlining of international action (harmonisation) has proven challenging and may become even more fraught. While some SD policies may be in the immediate national

interest, others are not. **The delivery of long term global goods will require decision making at a multilateral level, and therefore legitimacy issues need to be addressed.**

- It is worth noting that as well as being hard to achieve, **too much harmonisation may not be in the interests of recipient countries**, who may benefit from the existence of a range of institutions from which to pick and choose their most appropriate source of support.
- While tangible outcomes have been achieved in some countries as a result of a focus on mutual accountability, overall this has been a major challenge for donors. **A shift to sustainable development may cement global shifts currently underway to rebalance power and accountability in international institutions.** The emergence of climate finance has changed the game in this regard. **The seemingly intractable problem of predictability, which has not improved despite the pressure of the Paris targets, may also improve if this trend deepens.** However, while such aspirations appear in UN research papers and developing country government statements, they are as yet seldom expressed by contributor country politicians.
- With the growth in South-South cooperation, the push among DAC donors to untie their aid, which has had moderate success in the last few years, has weakened. Because sustainable development would imply investment in wealthier developing countries rather than the poorest, **the attractiveness of tying aid to business opportunities may increase.**
- **Monitoring processes could be facilitated by the adoption of overarching sustainable development principles to cover all financial transfers**, including climate finance, thus reducing administrative burdens. Sub groups could adopt more specific principles Possible principles, building on some consensus at Paris, might be accountability to citizens (including transparency), fulfilment of commitments (related to predictability), complementarity (to replace the over-ambitious harmonisation), mutual learning, and adherence to agreed human rights and environmental standards.
- **Of course, rather than waiting for global structures to improve, recipient countries would be well-advised to focus on improving national level management of financial transfers.** The main country development plan, to which external assistance should align, should be an explicitly sustainable development plan
- Finally, there is a serious danger that poor countries might come under pressure to make compromises on poverty reduction objectives for the sake of the planet. **It should be made explicit that the poorest countries should follow whatever path most brings them out of poverty, including engaging in dirty growth if that means eradicating poverty faster**