

Shanghai Agenda for Poverty Reduction

Shanghai, China, May 25-27, 2004

1. A broad range of participants including Heads of State and government, Ministers and representatives of developing and developed countries, heads and representatives of international agencies, and participants from the private sector and civil society met in Shanghai on May 26 and 27 to:

- ❖ take stock of the current state of global poverty reduction and human development;
- ❖ share insights on the key factors underlying successful results and scaling-up of growth and poverty reduction, drawing upon the case studies, field visits and global dialogues undertaken preparatory to this Conference, and
- ❖ identify practical measures required to accelerate growth and progress in poverty reduction to give impetus to the implementation of the previously agreed agenda of global poverty reduction.

2. In Monterrey two years ago, the global community embraced a new partnership to stimulate economic growth and accelerate poverty reduction, guided by the Millennium Development Goals (MDGs). Developing countries committed to strengthen their policies and actions, developed countries to open their markets and increase the level and effectiveness of aid, and development agencies to provide effective and harmonized support.

3. Finding development solutions that work, that endure and that can be applied across the world is imperative to meet the MDGs. The Shanghai Conference provided a unique opportunity to learn from the rich and diverse experience on growth and poverty reduction—both successes and failure—and to explore ways in which ingredients of success at the project, country and global levels can be built upon and adapted to scale up progress on poverty reduction in all parts of the world.

4. The Conference recorded its thanks to the Government and the people of China and to the World Bank, and to all countries and sponsors that contributed to the Global Learning Process.

Progress in Reducing Poverty

5. Impressive progress has been made on poverty reduction and human development in recent decades:

- ❖ Over the past 20 years, the proportion of people in developing countries living on less than US\$1 per day has fallen from about 40 percent to less than 21 percent, even as the world's population has increased by 1.6 billion;

- ❖ Over the past 30 years, illiteracy in the developing countries has been cut nearly in half, from 47 percent to 25 percent of all adults, and
- ❖ Over the past 40 years, life expectancy at birth in developing countries has increased by 20 years.

6. Uneven progress and major setbacks faced by even better performing regions and countries, however, underscore important continuing challenges to meeting the MDGs. In Sub-Saharan Africa, a special focus of this Conference, economic growth and poverty reduction faltered between 1965 and 1990, despite progress on health and education indicators. Development results have lagged most in low-income countries under stress (LICUS). The transition economies of Eastern Europe and Central Asia suffered steep declines in living standards and sharp increases in poverty in the early 1990s, but there has been a turnaround since 1995.

7. East Asia recovered quickly from the financial crisis of 1997 but faces continuing challenges of economic restructuring and poverty reduction. South Asia's growth and progress on poverty reduction has accelerated over the past two decades, but the distribution of benefits has been uneven. Growth in Latin America has been slow and high levels of income inequality persist in some countries. The economically diverse MENA region continues to face economic and social challenges, the most significant being unemployment.

8. Progress since Monterrey has fallen short, underscoring the urgent need for a vigorous and urgent scaling up of actions by all parties based on the principles of the Monterrey partnership if the MDGs are to be achieved. The recent Global Monitoring Report produced for the Development Committee suggests that on present trends, most MDGs will not be met in most developing countries, particularly in sub-Saharan Africa; shortfalls are expected to be the greatest on the human development goals, especially on health.

Lessons on Scaling Up for Results

9. The Global Learning Process of case studies, field visits and global dialogues has explored how countries and institutions have taken poverty reduction programs to scale, what they did, and most importantly, how they did it. The process has yielded numerous valuable insights, and has strongly reaffirmed many lessons from past experience. This process tells us that scaling-up is possible, and when countries have the right ideas, support to implement them, and an environment conducive to long-term management and implementation, they get results. Scaling up can happen at all levels, countrywide or in entire regions or sub-regions, in programs and projects, and even in countries in or emerging from conflict.

10. From past experience, it is clear that development is a long-term transformation requiring sustained commitment and strong country capacity to manage development processes toward desired outcomes. There is consensus on what needs to be done to accelerate development at the country level:

- ❖ Countries must be in charge of their own development and development strategies have to be tailored to country circumstances;
- ❖ Any effort to successfully ameliorate poverty must be comprehensive and encompass well-coordinated and integrated actions on many fronts, but development initiatives need to be sequenced and moved forward opportunistically;
- ❖ Growth is critical for job creation and poverty reduction. This requires strong economic fundamentals, a sound climate for investment and entrepreneurship, in particular for farmers and small businesses, redressing corruption and improving governance in both the public and private sectors, and enhanced transparency and accountability. In China, which lifted 400 million people out of extreme poverty since 1981, authorities focused on increasing economic opportunity in the agricultural sector, opened up to foreign trade and increased labor mobility for the rural poor, and
- ❖ Growth is critical but not sufficient for the well being of poor people. Poor people must share in the benefits of growth, and growth must be accompanied by investments in poor people through adequate and effective delivery of education, health and social infrastructure.

11. A supportive international environment is an important complement to countries' own actions:

- ❖ A more open and balanced global trading system is central to achieving the MDGs, and can be a powerful engine for growth and poverty reduction;
- ❖ Aid has been an effective and powerful catalyst in good policy environments, and when it is well aligned with country priorities and systems, and provided with predictability and flexibility, and
- ❖ Financial crises in a world of volatile capital can be debilitating and can set back progress on poverty reduction by many years, pointing to the need to strengthen the international financial architecture.

12. Given the scope of the global poverty challenge, it is clear that economic growth and poverty reduction have to be accelerated through significantly scaled up efforts in order to meet the MDGs. The Global Learning Process leading up to Shanghai and the 100 case studies have provided insights on how many countries and communities have focused on implementation that led to successful outcomes. These lessons and insights are important for scaling up and replicating successes in one part of the world and in one community in other parts of the world and other communities:

- ❖ The diversity of the case studies shows that there is no single blueprint or model for scaling up. Most of the case studies were significantly tailored to local conditions, requiring on-the-ground judgment and a significant investment in capacity building and training;
- ❖ Successful scaling up requires a long-term vision and sustained efforts over time. In West Africa, it took a broad-based alliance and 30 years to defeat river blindness in large parts of Africa. Seven of the original nine donors are still with the program;

- ❖ Sustained political commitment and leadership are key for successful implementation of scaled up poverty reduction efforts, whether at the project or program level or in pursuing effective growth and poverty reduction strategies at the national level. Political stability, continuity and consistency in Costa Rica, Korea and Malaysia, among others, allowed reforms to take root that led to visible results and widened the commitment and buy-in to reforms;
- ❖ Visionary leadership and strong management are also key for successful scaling up. The micro-finance story in Bangladesh has shown how entrepreneurship and innovation transformed financial and other service delivery to the poor; visionary social entrepreneurs and donors worked consistently and tenaciously to help implementing agencies do things differently;
- ❖ Empowerment and involvement of poor people is a prerequisite for effective results and for successful scaling up of programs. The Yemen, Malawi and Zambia Social Funds all reached nationwide coverage by turning top-down, centralized service provision models on their heads – and putting communities in charge;
- ❖ Programs conceived in a participatory manner that address the most pressing needs of large numbers of people generate great interest and support. Egypt and Bangladesh succeeded in sharply narrowing gender disparities in school enrolment by increasing demand for girls' education through community awareness campaigns, reducing the distance girls travel by building schools closer to where families lived, providing sanitation facilities and increasing the number of female teachers;
- ❖ Transparent rules – in budgets, processes and procedures – lead to increased accountability, empower clients and reduce corruption. In India, the Bangalore Agenda Task Force is a powerful example of a partnership between the private sector, civil society and government leaders to improve government performance, monitoring progress through a citizen report card;
- ❖ Appropriate sequencing of reforms and attention to their political economy is key to effective implementation and sustainability of reforms. Uganda first addressed security – critical in a post-conflict situation – and generated appetite for the difficult growth agenda;
- ❖ Learning and experimentation guided by systematic monitoring and evaluation provide the foundations for scaling up programs. Results tracking, periodic evaluations and information dissemination help to make mid-course corrections, and adapt programs as necessary;
- ❖ Changing and adapting institutions is central to effective poverty reduction interventions and programs that can be successfully scaled up. The highly successful Kecamatan Development Program in Indonesia evolved from an earmarked grant to villages, because of the emphasis on institutional development and change; and
- ❖ Adequate and assured long-term financing is a necessary prerequisite for scaling up and external financing can be used to leverage large amounts of domestic finance. In Brazil's community driven development program in the Northeast, state budget allocations were ten times the World Bank's investment. Donor financing is most effective when underpinned by genuine country ownership, mutual trust and a focus on results.

Scaling Up for Accelerated Poverty Reduction

13. The Conference reaffirmed that the timing is propitious to take forward these lessons so as to accelerate and broaden results on poverty reduction. The goals are clear, as embodied in the Millennium Development Goals, as are the means, as agreed at the Summits in Monterrey and Johannesburg. The Conference agreed that it is necessary and urgent to scale up actions by developing and developed countries, and by international agencies, if the MDGs are to be achieved. Resolute and concrete steps are needed to implement the policies and actions that have been agreed upon to accelerate progress on growth and poverty reduction, as recently reaffirmed by the Development Committee.

14. Despite a marked improvement in developing country policies, reform efforts and the build up of capacity in governance, legal, judicial and financial systems will need to be sustained and deepened. A substantial scaling up of investment and improvement in productivity is needed to fill the gaps in infrastructure and human capital. Sustained efforts and innovations in domestic resource mobilization are the bedrock for long-term poverty reduction.

15. Expanding trade by collectively reducing barriers is the essential tool to spur global growth and tap the benefits of globalization to reduce poverty and raise living standards. A successful Doha Round that delivers on its promise to improve market access and reduce subsidies, especially in such key areas as agriculture and labor intensive manufactures, is critical for accelerating progress on the MDGs.

16. Much larger amounts of aid will be required to scale up development results. Developed countries that have not yet done so should make concrete efforts towards the target of 0.7 percent of GNP as official development assistance. The replenishment of the Asian Development Fund was welcomed, including the contribution for the first time by China. A successful replenishment of the African Development Fund and an increase in IDA-14 commensurate with the development challenges of meeting the MDGs will be important next steps. Serious consideration needs to be given to options to mobilize the additional financing that will be needed, including examining an international finance facility, global taxation and other proposals.

17. Aid also needs to produce effective results. For this, aid should be predictable, timely and long term. The commitments made at the High Level Forum on Harmonization in Rome in February 2003 to improve the management and effectiveness of aid need to be implemented expeditiously, with an evaluation of progress at the follow up Forum in Paris in March 2005. This agenda involves harmonization and simplification of donor support, and most importantly, alignment of support behind countries' own poverty reduction strategies and processes. The highest importance should be assigned to supporting developing countries manage for results in government, in business and in their communities, and the Core Principles of Marrakech including strengthening country capacity to manage for results should be translated into practice.

18. Debt reduction for the most-indebted poorest countries is critical to help them regain momentum on growth and poverty reduction. An early and effective implementation of the enhanced Heavily Indebted Poor Countries Initiative, with the full participation of all creditors is key to meeting this objective. Continued attention and efforts are needed to preserve the long-term debt sustainability of these countries, including through increased provision of grants. Measures also need to be considered to help the poorest countries better withstand exogenous shocks.

19. Stronger cooperation between all development partners including South-South cooperation can facilitate scaling up through the exchange of ideas, the transfer of resources and the strengthening of capacity. The approaches adopted to address the needs of less advantaged regions within their own countries were welcomed, such as in China, where more advanced regions/provinces provide financial and material support to less advanced ones.

20. The continuing importance of financing from the Multilateral Development Banks, of new, innovative instruments to respond to evolving needs and of harmonized and simplified lending policies were emphasized. The reduction in the cost of borrowing for countries by the Asian Development Bank and the creation of the LICUS Trust Fund by the World Bank are welcome measures in this regard. The Conference welcomed China's contribution of an extra US\$20 million to create a Special Fund for Poverty Reduction and Regional Cooperation in the Asian Development Bank, as well as the announcement by China and UNDP to establish an International Center for Poverty Reduction.

Summary Lessons and the Way Ahead

21. As the review of the Millennium Summit in 2005 approaches, and with only a decade left until the target date for achieving Millennium Development Goals in 2015, taking forward the lessons learned here in Shanghai is of the greatest urgency. Achieving the MDGs will depend not only on increasing resources but also on renewed commitment to adapt and accelerate implementation of successful approaches across and within countries.

22. The Shanghai Conference on Scaling Up Poverty Reduction brought together, for the first time, development practitioners from around the world to discuss practical ways to accelerate poverty reduction and to scale up successful poverty reduction programs and activities. This was a Conference about ideas, and complements the discussions we have had in other fora. The systematic learning from experience and the exchange of ideas, practitioner to practitioner, has shown that good ideas and good evaluation of outcomes can have powerful impacts within and across countries.

23. The learning process and the discussions over the two days of the Conference have highlighted lessons that together constitute the Shanghai agenda for poverty reduction:

- ❖ A long-term vision and targets that stretch beyond immediate constraints are the starting points for scaling up;

- ❖ Scaling up takes time and a comprehensive approach, but must be sequenced opportunistically;
- ❖ A strong management focus is key for scaling up, and requires the build up of capacity and long term administrative and management functions;
- ❖ Sustained growth is critical for job creation and poverty reduction;
- ❖ Partnership between all stakeholders—the government, the private sector, civil society and donors—under the genuine leadership of the country is needed to leverage and scale up a country’s development efforts;
- ❖ Large scale, long-term programs cannot be undertaken without adequacy and certitude of financing, and in some cases, without adequate debt reduction to achieve sustainable debt levels;
- ❖ Openness to trade and the successful completion of the Doha Round is essential for global poverty reduction;
- ❖ Poor people are assets and agents of change—so respect for, empowerment and involvement of poor people are necessary for successful results;
- ❖ Inclusion is critical in all aspects of scaling up. Special attention must be given to the plight of the ultra-poor, to gender disparities, to the participation of youth and to the disadvantaged and disabled;
- ❖ The scourge of HIV/AIDS must be aggressively tackled;
- ❖ Poverty and environmental sustainability are closely interlinked. Addressing the constraints of water, sanitation and power and developing renewable energy are crucial for long-term poverty alleviation;
- ❖ Experimentation, measurement and focus on results, and systematic evaluation are key to successful scaling up; and
- ❖ Culture and history are essential elements in differentiating programs, and must be given due respect.

24. The learning process that has been embarked upon and the discussions at the Shanghai Conference are a beginning, not an end. Continuous learning and the development of networks for the exchange of ideas will be the enduring contribution of this Conference by ensuring that the lessons we have learned are built upon and translated into results for accelerating growth and poverty reduction.