

Policy Coherence for Development: Seminar Series

High Level Parliamentary Seminar on Policy Coherence for Development

OECD, Paris, 2nd October 2003

Objectives: Politicians and policy-makers must join efforts to maximise policy coherence and build new alliances for change if they are to achieve internationally agreed development objectives. It is in this perspective that the OECD invited Parliamentarians from a dozen member countries in Asia, Europe and North America to discuss Policy Coherence for Development on 2 October 2003. The meeting sought to get the Parliamentarians' views about key issues and at the same time inform them of OECD work in this area. The agenda included questions pertaining to the complexities of the political economy, such as conflicting policy concerns, vested interests and the resulting trade-offs. The outcome of the WTO Ministerial meeting in Cancun sharpened the acuteness of agriculture and trade issues.

Chair: **Mr. Herwig Schlögl**, Deputy Secretary-General, OECD (Morning session)
Rt. Hon. Hugh Bayley, House of Commons, UK (Afternoon session)

Lead Speakers: **Mr. Donald Johnston**, Secretary-General, OECD

Ms. Eveline Herfkens, the UN Secretary General's Executive Co-ordinator for the Millennium Development Goals Campaign, UN, New York

Rt. Hon. Simon Upton, Chairman, Round Table on Sustainable Development, OECD (Participants list to be attached)

Discussion highlights: The Parliamentarians agreed that bringing them together from all parts of the OECD for consultation on issues of coherence was a useful initiative and should be continued. They are insufficiently familiar with the mandate, objectives and outputs of the OECD, whose data and policy analysis constitute a public good for all to draw upon. They are interested in OECD as a forum for discussions of substance on specific issues.

Development has moved higher on the political agenda. The changing dynamics initiated in Doha resulted in a more forceful stance by developing countries in Cancun. The fact that aid alone is not enough to end poverty is more widely accepted. But underlying the political dynamics is a complex set of issues requiring the objective analysis of facts and effective communication of results. Parliamentarians stressed that institutions like the OECD need to undertake such analysis without political interference. They recognised that a stronger constituency is needed to support development priorities, far from voters' immediate concerns. While varying in their assessment of the implications of the Cancun Ministerial meeting, they saw the current period as a window of opportunity not to be lost. The situation calls for politicians to look beyond potential short-term losses and demonstrate statesman-like leadership for future gains.

Agriculture has become the linchpin for progress in all other sectors. There can be no agreement on other issues if the needs of developing countries are not addressed. Some suggested that resolving the agricultural impasse is vital to the survival of the WTO. Agriculture has been seized by developing countries as a power tool and a symbolic test of developed countries' credibility. Besides, reforms in agriculture are in the developed countries' own interests. Current OECD agricultural policies, which were designed to meet post-war circumstances, do not meet their stated objectives. Three quarters of total support still takes the form of production and price support, making it trade distorting. Farm household incomes in OECD countries are on a par with those of other groups. And, contrary to explicit objectives, poorer OECD farmers on small holdings do not benefit from current policies. Support ends up in the pockets of the largest, wealthiest farmers. The burden on consumers of OECD support to agriculture is equivalent to USD 1,200 per household each year. Integrated, targeted domestic policies, including those that foster diversification and social goals, are needed to overcome obstacles to reform and truly address stated objectives.

Beyond agriculture, Parliamentarians see the need for more coherent policies in many other areas. They expressed concern about the effects of increasing recourse to regional and bilateral trade agreements. They were concerned about the rising use of non-tariff measures, as well as other protectionist measures. Tied aid remains a problem, in their view. They suggested that work on policy coherence should look into the mining and energy sectors, fisheries policies, and specific commodities like cotton and sugar. Sustainable development needs to be fully integrated into the approach. Aspects of taxation policies should be investigated for impacts on development. OECD migration policies, including those affecting temporary migration, brain drain, and the productive use of remittances, are of significant concern.

“Go Dutch”: In her keynote address to Parliamentarians (to be attached), Ms. Eveline Herfkens proposed the eight Millennium Development Goals (MDGs) as the best possible package of objectives for measuring governments’ performance in meeting development commitments. She suggested numerous avenues for action by Parliamentarians as law-makers, budget-appropriators, and overseers of governments. She urged Parliamentarians to **“GO DUTCH”** (see box).

- **G** for **Goal 8, Global partnership** in which both developed and developing countries deliver on their promises and where reforms in OECD trade and agriculture policies offer the greatest scope for levelling the playing field.
- **O** for **Ownership** of policies by developing countries, not “fads” imposed by donors.
- **D** for **Debt** to ensure that Parliamentarians scrutinise governments’ performance on the HIPIC initiative.
- **U** for **Untying aid**, especially the billions that are wasted on tied technical assistance – 1 billion US dollars in Africa alone -- and **U** for the **Unique** current opportunity to untie EU and US technical assistance.
- **T** for **Transfer of resources** to ensure that Parliamentarians set the laws and approve the budgets needed to meet governments’ Millennium Declaration commitments and make them available over multi-year periods in line with poverty reduction strategies, as well as **T** for **Targeting** ODA to the poorest countries that need it most.
- **C** for **Compensatory financing** to cushion the poorest countries’ vulnerability to terms of trade and other shocks.
- **H** for **Harmonisation** of donor policies to alleviate the administrative burdens placed on developing countries.

Ms. Herfkens referred to the consistent results of public opinion polls in OECD countries showing that a majority of people are willing to pay for increased ODA, provided it is used effectively. The MDGs can be a tool for monitoring and demonstrating aid effectiveness.

Lessons from reform experience: Simon Upton opened the discussion on the politics and economics of policy coherence and the role of trade-offs. He described the “cold turkey” reform of New Zealand’s agriculture sector in the 1980s, recalling that in 1984, subsidies accounted for 40% of the sheep and beef farmers’ income in New Zealand, an unsustainable situation. Within a year, the bulk of subsidies had been removed and within 36 months, they were all gone. The reform process, while extremely difficult in the short run, did not lead to a long-run shrinkage of the agricultural sector which has since prospered. Mr Upton draws the following lessons and challenges from the New Zealand experience:

1. Vested interests will not be the drivers of reform.
2. Mantras such as “farmers are the backbone of the country” need to be challenged.
3. Sectors privileged by subsidies in the past are resilient and can find economic alternatives.
4. Any transitional measures have to be just that – no permanent entitlements that block change.
5. The facts about inefficient policies – their consumer, taxpayer and environmental costs – have to be made known to the public.
6. A crisis will spur reform.

Yet, most 'rich' countries are unlikely to have the sort of crisis that forced New Zealand's reform. With its diminishing share in most OECD economies, agriculture is a sector they can afford to continue supporting. Therein lies the challenge.

Parliamentarians' role: Parliamentarians can be helpful in pressuring governments to analyse the impacts of OECD country policies on development, and in ensuring that they are coherent and that governments honour their commitments. They can push governments to formulate consistent national positions and speak with one voice on issues in international bodies. Parliamentary debate on the quality of aid using tools like the OECD aid reviews would be useful, especially since Parliamentarians have the prerogative to vote the necessary budgets. OECD secretariat officials can be invited to address parliaments and parliamentary groups in capitals on issues of specific interest to them. It would also be wise to form alliances on development issues at the national and international levels to build constituencies for progress on development goals. Parliamentarians can influence electorates, and it is important that they have access to facts, analysis, and lessons from others' reforms.

OECD's role: Parliamentarians cautioned OECD not to take political constraints into account in its analytical work; otherwise no worthwhile goals will be set. Rather, OECD needs to undertake research on controversial issues, especially where policies serve special interests at the expense of overall welfare. Results of policy research need to be systematically communicated not only to Parliamentarians, but also to NGOs and the business community. Parliamentarians look to the OECD to table issues and keep the policy debate open until action is taken. They are interested in OECD's wide store of lessons learned and best practices from reform experience. OECD as a forum for Parliamentary consultations is useful and Parliamentarians will seek to take advantage of this forum in future, including with non-OECD counterparts. A debate on migration would be of wide interest.