



Institutional Approaches to Policy Coherence for Development OECD Policy Workshop

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**Institutional approaches to promote policy coherence for development
Findings and lessons from DAC peer reviews**

Contact: Marjolaine Nicod
OECD, DCD/PEER
E-mail: Marjolaine.Nicod@oecd.org

Abstract

Policy coherence for development has been given increasing emphasis by the DAC over time. This paper describes the approach adopted in recent DAC peer reviews, presents preliminary lessons learned and outlines further challenges.

How policy coherence for development is addressed in DAC peer reviews

The way policy coherence for development has been treated in DAC peer reviews has evolved over time through a “learning by doing” process. At the beginning of the 1990s, trade with developing countries has been included as a topic, mainly in the form of statistics and description of trends. Since the mid-1990s, policy coherence has been mentioned in peer reviews in a more systematic attempt to capture broader relations with developing countries (trade, including the specific issues of market access and general systems of preferences, export credit and guarantees, tied aid as well as foreign direct investment).

The approach adopted in DAC peer reviews continues to evolve as DAC members become more comfortable with addressing specific topics as well as in the light of broader developments within the OECD and internationally. A more systematic approach has emerged in recent peer reviews¹, with a specific chapter or sub-chapter of the Secretariat report covering policy coherence and related issues (see Box 1).

Box 1. DAC peer reviews and policy coherence for development

The preparation for DAC peer reviews includes discussions with a wide range of representatives and stakeholders in countries reviewed. The Secretariat prepares a questionnaire, which provides a comprehensive overview of issues for consideration, including policy coherence issues. The review team - which includes members of the Secretariat as well as representatives of the two examining countries – endeavours to schedule meetings involving representatives not only from aid administrations, but other government departments whose policies and activities affect developing countries. During the process of drafting the report to be submitted for the DAC review meeting, the Secretariat has increasingly been liaising with colleagues in other parts of the OECD.

The DAC has been promoting policy coherence for development since the early 1990s. The *Shaping the 21st Century Strategy*, adopted by DAC members in 1996, brought policy coherence to the forefront by emphasizing the critical importance of assuring that the entire range of relevant industrialized country policies are consistent with and do not undermine development objectives. The *Guidelines on Poverty Reduction*, endorsed by the DAC in 2001, introduced overall coherence between the policies of OECD governments as a key factor influencing the effectiveness of development co-operation policies.

Enhancing policy coherence for development is a challenging process because of national competing interests. Although full policy coherence for development may not be feasible, it is nonetheless important that decision making is taking place with awareness of issues, based on an informed debate, including an assessment of possible compromise and mitigation measures. Appropriate institutional approaches suggested by the *DAC Guidelines on Poverty Reduction* can facilitate such a process (see Box 2).

The institutional approaches are understood in broad terms, encompassing legal frameworks, institutional arrangements, organizational settings and capacities, political commitment, formal and informal processes within a national system, which includes governments, parliaments and interaction with civil society.

1. DAC peer review reports are available on the OECD website at www.oecd.org/dac.

Box 2. Assessment of institutional approaches in DAC peer reviews

The current basis for analysis includes the following institutional aspects:

High level political commitment: a clear official statement on the global poverty reduction objective; reflecting a firm foundation for efforts by the government to ensure that developing countries' concerns are taken into account in the formulation of policies.

Co-ordination mechanisms across government: formal and informal inter-ministerial coordination processes at the political and working levels, allowing for a screening of policies and decisions vis-à-vis poverty reduction.

Analytical capacity to assess broader policy issues in terms of their actual or potential effects on developing countries and poverty reduction.

Concrete examples are also used to explore with DAC members their political will, intentions and practices. This approach has proven particularly useful to understand the political realities and gauge the functioning of mechanisms to promote policy coherence. The choice of specific examples, relevant to the country being reviewed, depends on factors such as the existence of a debate in the country under review, the availability of reliable information including support from other OECD work in the field as well as their usefulness in drawing out general principles. In addition, reference is made to the checklist included in the *DAC Poverty Reduction Guidelines*, which provides a short list of priority policy areas for policy coherence.

Cumulatively, a wide range of issues of policy coherence have been covered during the most recent cycle of DAC peer reviews (see Box 3) albeit with varying degrees of emphasis. As a result, the approach taken may not always have been perceived as being consistent. Combined with the fact that individual DAC members are reviewed every 4-5 years, it is not easy to draw systematic conclusions on specific issues.

Box 3. Illustrative issues raised in recent DAC peer reviews

Agriculture	Denmark, Finland, Ireland, Japan and Luxembourg (2003), Canada, European Community and USA (2002)
Aid untying	All
Arms export	Netherlands, Germany and United Kingdom (2001), Sweden (2000)
Corruption	Finland and Ireland (2003), Canada (2002), France (2000)
Export credits	Finland (2003), Canada (2002), Netherlands, Portugal, United Kingdom, and Germany (2001), Sweden and Switzerland (2000)
Fisheries	European Community and Spain (2002)
Greenhouse gas emissions	Ireland and Luxembourg (2003), Canada (2002)
Intellectual property rights	Ireland (2003), Canada (2002), United Kingdom (2001)
Investment	Japan (2003)
Migration (incl. refugees)	Denmark (2003), Canada and Greece (2002), Switzerland (2000)
Money laundering	Luxembourg (2003), Greece (2002), Switzerland (2000)
Trade	All

Preliminary findings and lessons learned²

Findings

Growing support has been found within the DAC for policy coherence and the way the Secretariat has taken it in board of peer reviews, although some continuing uneasiness can be observed when it comes to concrete examples. While there has been some resistance to addressing policy coherence from some members reviewed, the committee has encouraged the Secretariat to pursue its work on policy coherence. This support can be explained by the expanding awareness among DAC members of the importance of policy coherence and the need to enhance it. Progress has been made by a number of DAC members in terms of political frameworks, inter-government mechanisms as well as analytical capacity.

Commitment by the political leadership of a country is often a necessary precondition to policy coherence as well as a useful tool to enhance it. Over the last decade a number of high-profile and dedicated ministers of development cooperation have played a major role in promoting the development agenda both at home and internationally. Development and poverty issues have received increasing attention at the highest levels of government, one illustration being poverty reduction as part of the G8 agenda. Parliaments and public opinion can also play a key role in mobilising political support for policy coherence, but there is still a need for DAC members to include policy coherence for development more systematically in their information policy. High-level political commitment is being supported in some cases by a policy framework (see Box 4), which is useful to set the path for ensuring that individual policies are consistent with the government's goals and priorities. The key feature and novelty of such frameworks is that they constitute a government-wide political commitment in a wide range of policy areas. In some cases, they have been adopted by the Parliament, while in other cases, they have been released under the authority of the head of government.

Box 4. Policy frameworks that address policy coherence for development

- The United Kingdom's White Paper *Eliminating World Poverty – Making Globalisation Work for the Poor* released in 2000
- Germany's *Programme of Action 2015 - The German's Government's Contribution Towards Halving Extreme Poverty Worldwide* adopted in 2001
- The Netherlands' *Memorandum on Coherence between Agricultural and Development Policy* approved in 2002
- Sweden's Government Bill *Shared Responsibility – Sweden's Policy for Global Development* adopted in 2003.

In addition, EU members are collectively bound to addressing policy coherence through the Maastricht Treaty of 1992. Other examples include: Spain's *Law on International Development Cooperation*, adopted in 1998, which includes policy coherence as a principle; and Switzerland's *North-South Guidelines*, released in 1995, in order to define a coherent development policy for this country.

The challenges and complexity associated with promoting greater policy coherence highlights the importance of DAC members being well organised to tackle policy coherence. Strong policy coordination mechanisms within government are required to screen policies and decisions with respect to policy coherence for development. Policy coordination can take place at various levels (e.g. councils of ministers, specific committees to co-ordinate defined policy fields as well as various coordinating bodies, some of them being ad hoc, like advisory committees, task forces, etc). Experience in the DAC indicates that it is important for aid agencies to be represented at the highest level of government. In some members, the

2. Given the size and the potential impact of their policies on development prospects in poor countries, special attention has been paid to policy coherence issues in the most recent peer reviews of the European Community, the United States and Japan (see Room Document 7).

minister for development cooperation is part of the cabinet, while some other members have preferred to combine the function of the minister for development cooperation with that of foreign affairs. With OECD countries increasingly facing complex and cross-cutting issues, the government's capacity to provide adequate solutions to problems has been challenged. As a result, there has been a growing tendency in some OECD countries to embark on public management reforms aimed at initiating innovative approaches to decision making, including so called "whole-of-government" approaches. In many DAC members, inter-government coordination mechanisms are however not used enough to deal with policy coherence for development specifically. In some countries, the compact size of the government and short lines of communication facilitate dialogue and coordination across government.

Comparative DAC experience suggests there can be value in establishing a specialized unit dedicated to analyzing the impact of non-aid policies on developing countries and bringing these insights to the attention of the appropriate forums across government. For the time being, few DAC members have a focal unit responsible for policy coherence within their systems. The allocation of resources to policy coherence may be difficult to achieve for members with relatively small administrations or facing budget constraints.

Additional factors that can help achieve greater policy coherence include the ability to build strategic alliances with non-governmental actors and other states within multilateral systems. Academics and NGOs can play a significant role for research and analysis as well as for public information, awareness raising and advocacy. EU member states may have to influence the decision-making process in the various EU institutions for key policy areas for which there is EU competency (e.g. trade and agriculture).

Some lessons learned

The range of issues, actors and responses suggests that no single policy-making system can guarantee enhanced policy coherence for development. What works in one political and administrative setting may not be effective in another. Different systems may therefore provide equal degrees of coherence through different approaches. What matters is an informed decision-making process as well as the awareness that the promotion of policy coherence involves both a political and an administrative process.

While there has been increasing awareness of the need to promote policy coherence within DAC members, a certain level of confusion remains between policy *consistency* (within development cooperation and among different development cooperation instruments) and policy *coherence* for development (beyond development cooperation, that is between aid and non-aid policies). In some cases, members reviewed considered that policy coherence could not be a problem as long as some inter-government coordination was taking place. However, comparative DAC experience shows that successful promotion of policy coherence requires a more pro-active approach.

Experience also shows that when reviewed, DAC members' aid administrations find it easier to accept recommendations for improvements to institutional arrangements than comments and/or suggestions on specific issues (e.g. fisheries, agricultural subsidies, etc.). In some areas, such as agriculture for example, it may be more constructive to focus on specific issues (e.g. cotton or sugar) rather than discussing the harmful impact of agricultural subsidies on developing countries in general.

Not surprisingly, the degree of policy coherence tends to diminish where a policy area is domestically very sensitive and when there are strong domestic interest groups and government agencies with other primary interests and responsibilities. In general, progress has been easier when no domestic interests were involved. Sometimes, positive measures have been adopted not necessarily for the sake of policy coherence for development although they have resulted in potentially enhanced policy coherence (see Box 5). This raises the question whether a lack of policy coherence for development is a sufficient reason

alone to change policies. This indicates the usefulness of developing strategic alliances for successfully promoting reforms that may contribute to enhanced policy coherence for development.

Box 5. Examples of policy reforms resulting in enhanced policy coherence but induced by other concerns

The EU fisheries policy was reformed in 2002. The pressure for reform came mainly from the concerns about over-fishing and the risk of declining fish stocks as well as criticism raised by the European Court of Auditors regarding the level of costs of fisheries agreements which did not justify the ends. There are also concerns of policy coherence for development, raised by the risk of fisheries agreements with developing countries undermining the development of local artisanal fisheries sectors in the countries concerned.

Similarly, agriculture policies in OECD countries have impact on developing countries, but pressure for reform comes from other sources. Reform of the Common Agriculture Policy appears to be mainly promoted by EU member states that are net contributors. The removal in the mid-1980s of farm subsidies in New Zealand was driven by a series of market reforms designed to bring the country's economy back from the brink of bankruptcy.

Remaining challenges

Addressing policy coherence in DAC peer reviews remains challenging because discussing specific topics in reviews of individual DAC members can raise sensitive issues that are not the prime responsibility of development co-operation agencies or ministries. In addition, while the DAC should ensure that aid administrations are doing the best they can to promote policy coherence, most changes will need to take place within other national policy communities.

Furthermore, national aid administrations are often not perceived as equal partners by other government bodies and therefore not always in a strong position to promote the development agenda. In a number of DAC members, the shift from a development cooperation approach to a government-wide development policy approach remains to be achieved. In most members, much remains to be done to ensure that aid agencies or other official bodies be assigned the mandate of addressing policy coherence and given the means of fulfilling such a mandate.

Despite a growing number of DAC members having spelt out commitments - sometimes embedded in policy frameworks on poverty reduction and/or global development - much effort is still needed to fill the gap between policy frameworks and compliance with standards agreed. A common feature of the majority of these commitments is the lack of an action plan as well as the absence of firm commitments against a specific time-frame. So far, there also does not seem to be a will to have commitments embedded in a results framework despite a growing shift towards results-based management approaches in a growing number of DAC members.

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