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**PROGRESS REPORT ON OECD'S COHERENT APPROACH TO DEVELOPMENT AND POLICY
COHERENCE FOR DEVELOPMENT**

(Note by the Secretary-General)

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EXECUTIVE SUMMARY AND PROPOSALS FOR COUNCIL'S CONSIDERATION

This report is the first fully merged report on joined-up work on development and progress in policy coherence for development as requested by Council. Annex I reviews progress in collaborating for development and makes suggestions for improvement.

Policy coherence is more important now than ever

1. Today's financial and economic crisis has underscored the way in which accomplishing our development objectives hinges not just on the provision of development aid, but also on global collective action on an increasingly wide range of public policies – ranging from the restoration of stability and growth, to climate change, trade, tax policy and corruption. Development challenges cannot be solved by a single Ministry or a single country. All countries have a common interest in developing countries achieving sustainable and broad-based development. The risk of reversing positive development outcomes is real for many countries and potential of socio-political crisis in short to medium term is increasing. For policy makers seeking to balance the interest of diverse interest groups the imperative of policy coherence for development (PCD) may not be obvious. In a global economy, neglecting the development dimension will over time undermine the pursuit of other objectives. In addition, incoherent policies are ineffective and inefficient – and bad for growth - whatever objective takes priority. What is required from development partners is being redefined; it is now more important than ever to ensure that different areas of public policy are complementary in order to reinforce, rather than undermine, each other.

OECD offers distinctive value added in this area

2. OECD brings together all of these areas of public policy within a single institution. It is uniquely placed to make the connections between different areas of public policy – and how they interact with our development objectives. In doing so, it can draw on the collective wisdom of a growing membership, and the various policy communities represented in its committees. Continuing to transform the OECD into a more open and inclusive Organisation, including through the Enhanced Engagement Initiative, it is also well placed to make the connection between the policy challenges facing its own membership, and those facing different regions.

OECD's work in response to the financial and economic crisis and food insecurity is one example of collaboration

3. This work draws together work in a number of areas – all of which impact on development – including international co-operation on export and trade finance, regulatory and supervisory arrangements in the financial and banking sectors; advocating for open trade regimes and continued efforts to reach agreement in the Doha round; tackling tax evasion; and increasing and monitoring official development assistance. Beyond the immediate impact of the crisis, there are a growing number of examples of ways in which development is being linked more closely with existing work streams – on the environment and climate change, trade, agriculture, science and technology, employment and migration, investment, tax policy, and tackling corruption.

Progress has been made in improving co-ordination within the Development Cluster

4. The structure of the Development Cluster reflects both decisions taken over time by Council itself, and the diverse governance structures and the “variable geometry” of the different parts of the Cluster. This multiple structure demands efficient collaboration. In practice, improved co-ordination has enabled both an efficient division of labour, and complementarity in the work of the different parts of the Cluster. It is evident that the Development Cluster is only one part of the Organisation’s development work.

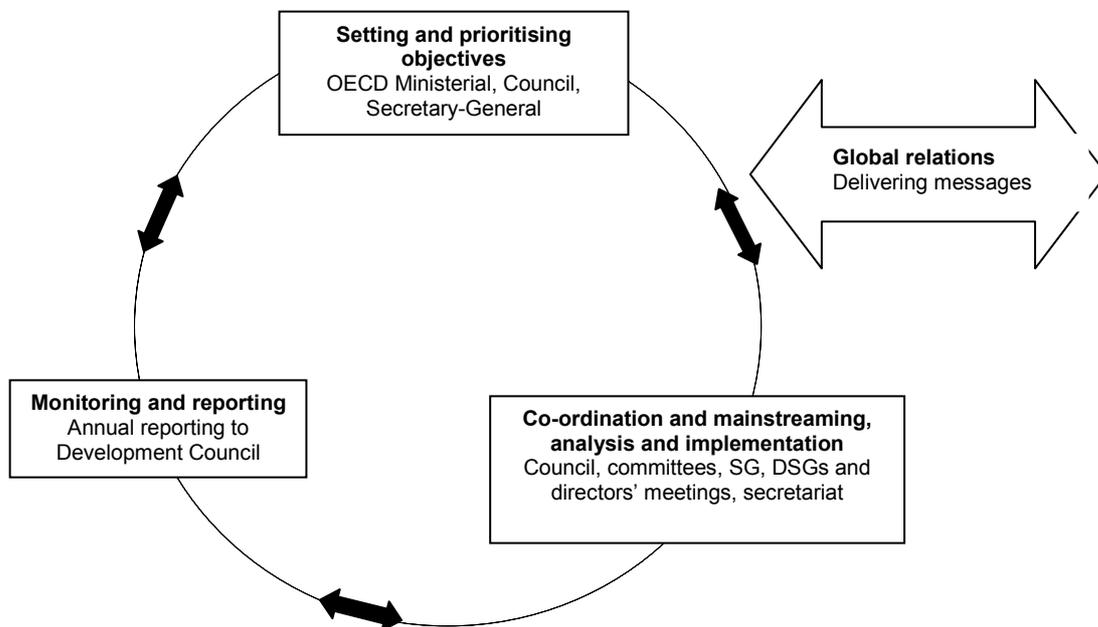
At the same time, real challenges remain if OECD is to adapt to a rapidly changing environment and maximise its potential added value

5. In light of the evolution of world economic governance a more fundamental shift in thinking and approach is needed – a paradigm shift — for the OECD to enhance its contribution to global development. If we want to sustain and increase our influence as a global organisation the OECD needs to focus its contribution, drawing upon its comparative advantages, to maximise its outputs. This challenge relates to all parts of the policy coherence cycle: setting and prioritising strategic goals which reflect the new global environment; improving co-ordination and the mainstreaming of the development dimension and impact analysis in a way which will maximise delivery and performance; better monitoring and reporting – exploiting the potential for Council to play a clearer and more active role in supporting development in general and policy coherence in particular; and greater effort on global relations, including through our enhanced engagement with major developing countries, building stronger partnership with counterpart institutions based in different regions, and making a step change in reporting on development work and policy coherence in order to transform the annual report into a flagship publication.

Proposals for Council consideration

6. To this end this report proposes that the Secretary-General launches an exercise to establish an organisational framework and a set of actions needed to create a strategy and more effective collaboration, performance and delivery of development messages (Figure 1) under Council’s guidance and within existing structures (details in paragraph 19 and Annex I A6). These proposals aim to further improve our relevancy by consolidating collaboration and delivering results on OECD’s work on development more effectively. They build on and aim to fully exploit existing structures.

Figure 1. The OECD policy coherence cycle



- (i) ***Set and prioritise objectives through the OECD Ministerial and Council***, including through:
- *Setting strategic goals at Ministerial Council meeting in 2010.* There is no aspect of OECD's work which is not, in some way, relevant to developing countries. It would be important and opportune to reinforce OECD's goals and highlight our role in development taking full advantage of and linking to the outcomes of the DAC Reflection exercise. This could be part of the OECD's 50th anniversary contributions in responding to global development challenges, five years before the target date for the achievement of the United Nations Millennium Development Goals (MDGs).
 - *Developing OECD guidance*, in the form of a Council Recommendation, on institutional good practice in promoting policy coherence for development based on the Development Assistance Committee (DAC) lessons learned for Council's adoption in January 2010 (see paragraph 68).
 - *strengthening links with key partner countries and institutions in developing regions.*

(ii) **Improve co-ordination and mainstreaming, analysis and implementation, including through:**

- *reinforcing mainstreaming efforts*, including joint meetings at Ministerial and at committee level, as appropriate;
- *enhancing intra-secretariat co-ordination at director level* on development;
- *improving PWB planning given its fundamental role in enhancing horizontal work*.

(iii) **Improve monitoring and reporting**, including through:

- *Holding a “Development Council”* each January, starting in 2010 which would be devoted to development issues, to consolidate work and improve monitoring. Reporting would include the annual report by the DAC chair (DCR); progress report on OECD-wide work on development and policy coherence for development; and annual reports by Development Cluster units. This council meeting could give impetus to a *joint meeting of directors to follow up Council conclusions*.
- *Tracking horizontal work* in a more systematic way in the 2009-10 PWB.

(iv) **Deliver key messages and improve global relations**, including through:

- *declassifying and publishing the annual progress report* on development and policy coherence (as a flagship publication) to improve communication and monitoring of OECD-wide work on development;
- establishing a *civil society “forum”* to disseminate and discuss OECD development work;

Issues and questions for Council debate

7. Council is invited to discuss and give orientations on OECD’s strategic approach to development, including identifying key issues to focus future OECD work to meet emerging challenges on development and policy coherence.

- What are the key broader policy issues which are likely to impact on development over the next four to five years, and where can OECD add particular value? In this context, do members agree that we should deepen our work on the response to the economic crisis, and on climate change?
- What areas do members consider of key importance for the OECD to work on to analyse the impact of OECD policies on developing countries in the future? Do members agree that we should deepen our work on areas such as energy, or security since they were highlighted for the first time in the policy coherence for development (PCD) context in the OECD in the MCM 2008 Declaration?
- Do members agree that in the process of setting long-term strategic development goals for the OECD it will be important to consider how the Organisation as a whole could contribute most effectively in realising these goals?

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- How much scope is there for further joint meetings at Ministerial level, and of committees, in order to help take forward issues of policy coherence in a practical way? How can we make most effective use of these?

PROGRESS REPORT ON OECD'S APPROACH TO DEVELOPMENT AND POLICY COHERENCE FOR DEVELOPMENT

1. Introduction

“Convinced that broader co-operation will make a vital contribution to peaceful and harmonious relations among the people of the world” and recognising that “...economically more advanced nations should co-operate in assisting to the best of their ability the countries in process of economic development” ... calls the Signatories to “contribute to the economic development of both Members and non-Member countries in the process of economic development by appropriate means and, particularly by the flow of capital to those countries, having regards to the importance to their economies of receiving technical assistance and of securing expanding export markets.”

Convention of the OECD, 14 December 1960

8. Almost 50 years later, it is clear that the signatories to the OECD Convention not only recognised the crucial importance of supporting global development, but possessed excellent foresight with regard to the valuable role that OECD could play in its achievement. Today, OECD's global mission is more relevant than ever before as the global economy faces a period of unprecedented challenge. Promoting economic development in all regions is a shared responsibility for a common interest. As the OECD becomes both more inclusive and more global in scope, the consensus is strong among members and key partners that we should be giving the highest priority to eradicating poverty and supporting inclusive development.^{1,2}

9. Today, it is also fair to say that the OECD and its members could deliver better on development. Our understanding of the many paths that lead to growth and development has improved. We know that OECD policy approaches are most relevant when they reflect the collective wisdom of the various policy communities from a global perspective. Drawing on the committee-led approach to peer learning that its pioneers, the Organisation has the unique ability to bring together the collective expertise of a range of policy communities relevant to the promotion of global development. This is the unique added value of the OECD. Working collectively in Council, committees and secretariat, we can improve our ability to combine the vast multidisciplinary knowledge and provide comprehensive policy recommendations. The 50th anniversary of the Organisation is an opportune occasion to reinforce our development efforts.

-
1. The OECD is currently involved in an Enlargement Process with Chile, Estonia, Israel, Russia and Slovenia, and an Enhanced Engagement with Brazil, China, India, Indonesia and South Africa.
 2. As reflected in several summit level commitments including: the 2000 UN Millennium Declaration (www.un.org/millennium/declaration/ares552e.pdf), the 2001 Doha Ministerial Declaration (www.wto.org/english/thewto_e/minist_e/min01_e/mindecl_e.htm), the Monterrey Consensus (www.on.org/ffd), the 2002 World Summit on Sustainable Development (www.un.org/events/wssd/)

10. This report provides information on progress made in working together for development. It aims to engage Council in the discussions on future orientations of development-related work at the OECD and offers concrete suggestions for Council's approval on how this work might be undertaken.

1.1. Background

11. The Council has requested³ that the Secretary-General report annually on progress made:

- In promoting a *coherent approach to development*, i.e. a whole-of-OECD approach to development.
- In promoting *policy coherence for development* (PCD). In its December 2007 conclusions⁴ the Council requested to “enhance clear monitoring structures and over-sight and reporting in a comprehensive way.”

12. In January 2008, Council requested an update on the coherence and co-ordination of the *Development Cluster work* and a more *strategic* approach to development.

13. This is the fourth report to Council on monitoring OECD's work and the first fully merged report as requested by Council in 2007 reporting on two issues: collaboration for development and progress made in promoting policy coherence for development. The report was presented to the Development Assistance Committee on April 21 for Comment (DCD/DAC(2009)25). The report aims to make the reporting more strategic and forward-looking in the context of the expectations of the Council and the rapidly evolving development challenges. As one example of a whole of OECD approach to development challenges section 2 reports on the OECD's responses on urgent development issues related to the financial crisis and food insecurity. Progress made in policy coherence for development⁵ covers both mainstreaming efforts and specific analyses produced in key sectors to help members promote more coherent policies (see section 3). Some areas of work are referred to in different sections due to the fact that the report covers both an oversight function (progress in PCD) as well as informing Council on substantive outputs. A special annex addresses Council's request to review progress made on co-operation within the Development Cluster and beyond. But before reporting on progress, the next two sections briefly discuss the background of the coherent framework and suggest improvements in view of the new development landscape.

3. In light of the OECD Ministerial in 2002 and 2005, the coherent framework for development in 2006 [C(2006)8/REV3], 2008 Ministerial Declaration on policy coherence for development [C/MIN(2009)2].

4. C(2007)92/REV1 and C/M(2007)17/PROV.

5. Coherence can be promoted at several levels: *a)* internal coherence within development co-operation policies; *b)* intra-country coherence, meaning consistency between aid and non-aid policies; *c)* inter-donor coherence, meaning consistency of aid and non-aid policies across OECD countries; and *d)* donor-recipient coherence to achieve shared development objectives. The focus of the PCD programme is on level b.

1.2. Enhancing OECD's strategic approach to development

14. The approach for OECD's work on development emerges from the coherent framework agreed upon in 2006⁶ as updated in the recent strategic orientations by the Secretary General. In the strategic orientations to the 2008 Ministerial the Secretary-General underlined *inter alia* that the development of an increasingly global economy creates substantial pressures on resources and prompts protectionist responses. He noted that the rising inequality in both developed and developing countries and regions, both in terms of income and of access to quality public services, is becoming a critical threat for sustainable growth and is eroding the support for globalisation. Climate change is one of the greatest challenges we face and the OECD can facilitate discussions and generate a common understanding on the different policy alternatives to build a sound economic footing for the post 2012 international framework for climate change. Rising food prices have become another major concern where the OECD is providing evidence-based assessments and identifying effective medium-term policy responses. The OECD is already addressing the issue of water scarcity, financing and management, in a multi-directorate Water Programme.⁷

15. The OECD approach to development capitalises on the Organisation's key comparative advantages in shaping globalisation. These include: its ability to effectively analyse national, regional and global trends and processes in a range of policy areas, thereby providing the analytical basis for informed decision making; its capacity to undertake peer review, identify best practices and international standards, multi-disciplinary perspectives and peer-learning approaches which make the OECD uniquely placed to expand its engagement with new actors and collectively address key global challenges; and its convening power to bring together experts and policy makers for dialogue.

16. The pillars for a coherent approach to development are:

- strengthening partnerships with developing countries to maximise the benefits and address the fragilities of globalisation for all in support of poverty reduction;
- supporting capacity development and promoting good governance;
- mobilising resources for development and improving their effective use;
- addressing global challenges; climate change, pressure on resources, inequality;
- promoting coherence of policies beyond aid in support of development.

17. Given that the coherent framework focuses on promoting more coherent approaches, but does not as such set political or strategic priorities to guide OECD's work on development, this report proposes that Council launches a process to prepare goals for a longer term development agenda for the OECD.

6. C(2006)8/REV3, C/M(2006)6/PROV and C(2006)7/PROV.

7. C/MIN (2008)2, C/MIN(2008) 10.

1.3. Need for a well-focused strategy and means to achieve better co-ordination and monitoring

18. The OECD has evolved in recent years to respond to the changing global economy and development challenges aiming for the highest degree of relevance to contribute to a better functioning of the world's economy. Transforming the OECD into a more open and inclusive Organisation continues to be a priority. Through Enlargement and Enhanced Engagement, as well as through co-operation with an increasing number of non-Member countries, the OECD is constantly broadening its outreach as well as its policy insights. A more balanced and prosperous globalisation not only requires better policies and better co-operation among countries; it also demands that key international organisations act with greater coherence to achieve jointly set goals.

19. In light of the evolution of world economic relations and in the context of the crisis a more fundamental shift in thinking and approach is needed – a paradigm shift — for the OECD to enhance its contribution to global development. If we want to sustain and increase our influence as a global organisation, under limited resources, the OECD needs to focus its contribution, drawing upon its comparative advantages, to maximise its outputs. The Organisation is well equipped to cope with these challenges, and has already moved in the right direction, as is evident from this report. Multi-disciplinarity provides a valuable strength to take a coherent, integrated approach across all relevant policy areas. The OECD from its foundation has focused on the development of a wide range of human capacity across all economic and social policy areas, making use of policy dialogue and peer review backed by high-quality, analytical work and the willingness of policy-makers to exchange best practices. Ensuring coherent, whole-of-government perspectives on key challenges is increasingly important. Trade, climate change, agriculture, migration, tax, anti-corruption and development policies are all interrelated, with one policy frequently impacting on another, and requiring comprehensive and coherent approaches. Governments increasingly face issues that cannot be solved by a single Ministry, or even a single country. The OECD can help improve understanding of the different policy interactions to achieve policy coherence. To effectively contribute to global development, the Organisation should build upon these strengths through a focused development strategy and improvement of organisational issues, delivery and performance. This report suggests that we can achieve this through the following actions:

- (i) *Setting strategic goals on development for the OECD at Ministerial Council meeting in 2010* while looking at the same time how the OECD as a whole could most effectively serve its members on development issues; and strengthening links with key partner countries and institutions in developing regions;
- (ii) *Improving organisational issues through co-ordination and mainstreaming, analysis and implementation*, including through: joint meetings at Ministerial and at committee level, as appropriate and enhancing intra-secretariat co-ordination at director level to ensure comprehensive and complementary approaches; improved PWB planning;
- (iii) *Improving monitoring, evaluation and reporting*, including through holding a “*Development Council*” each January, starting in 2010 which would be devoted to development issues, to consolidate work and take better advantage of Council's involvement;
- (iv) *Improving performance by delivering effectively key messages and improving global relations*, including through: *publishing the annual progress report* on development and policy coherence as a flagship publication and establishing a *civil society “forum”* to disseminate and discuss OECD development work.

20. The strategic development goals should be set within the overall OECD Global Relations' strategic framework as adopted by Council in 2005 to create synergies and ensure consistency with OECD's overall global relations. The Global Relations Framework in fact implies further priority setting by Council, noting that *"It is modest in scope and favouring year to year improvements"* and observes that *"Council must play its leadership role by encouraging co-operation, by providing direction and by setting priorities"*. It further notes that *"Council should intervene selectively and in a timely way by setting priorities that increases overall coherence and helps to monitor progress over time"*.⁸ The Global Relations Framework (background part) refers to OECD's development mandate, but the framework itself does not pay attention to developing countries as such; rather it notes in general the aim *"to promote shared prosperity by facilitating the integration of economies outside of OECD Membership in the global economy"*.

21. The global development landscape is changing rapidly. There is growing demand for OECD's work and policy advice on development in sectors beyond aid. The lack of specific development priorities in the Global Relations Framework makes it necessary and appropriate for Council to give substantive guidance. The present global economic context and the importance of contributing to the review of MDGs given the approaching deadline for achieving the MDGs in 2015 make this more pressing. This guidance and priority setting could build on the ministerial guidance of 2002, 2005 and 2008⁹ and other development work as explained in Annex I. This process will also respond to the questions raised by Council members on how the OECD as a whole could most effectively serve its members on development issues.

2. Responding to the global crisis – the development dimension

2.1. Impact of the crisis on developing countries

22. The global economy is in the midst of its deepest and most widespread recession in over 50 years. As the economic downturn intensifies, a key concern is its impact on developing countries: reducing trade, investment, access to finance and growth. It is also lowering the price they get for natural resources, cutting remittances from abroad and impacting domestic employment.

23. The overall collapse in confidence in the financial system worldwide will raise borrowing costs, sharply curtail revenues and threaten the solvency of domestic financial systems even in low income countries that are poorly integrated into the international market. India, for instance, was widely considered to be immune from the financial fallout due to its highly regulated domestic financial markets, but is now suffering serious lack of liquidity. Instability and unpredictability are hitting developing countries hard. Many developing countries are struggling with sharp depreciations of their currencies, as foreign capital is withdrawn or the value of their principal exports collapses (*e.g.* Brazil, Indonesia, South Africa and Zambia).

24. Simultaneously, new private financial flows to the developing world are projected to decline in 2009. According to estimates by the Institute of International Finance (2009), net private capital flows towards the emerging economies is now projected to be just USD 165 billion in 2009, down from USD 466 billion in 2008. This estimate for capital flows in 2009 represents a decline of 82% from the boom year of 2007 (USD 929 billion). Over recent years, many developing countries have become more dependent on inflows of foreign direct investment (FDI). But some of these countries may find inflows declining quite sharply over the course of the coming year as the IMF projects a 33% decline in FDI.

8. C(2005)158/FINAL (paragraphs, 29, 30 and 32).

9. PAC/COM/NEWS(2002)58; C/MIN(2005)2; C/MIN(2008)2/FINAL

25. Trade is contracting. OECD figures forecast a 13.5% decline for 2009 reflecting the size of the economic downturn in the OECD and non-OECD countries and the conditions of the financing markets. Export revenues and income from remittances are likely to fall, in the wake of collapsing commodity prices, a slump in demand, and higher unemployment in OECD countries. Regrettably, some of the countries which have been successful in integrating into the global economy through niche exports industries (textiles, cut-flowers, vegetables, tourism) are likely to be hit hardest.

26. Oil exporting developing countries, as well as developing countries exporting primary commodities (copper, aluminium) face important shortfalls in government revenue (in the case of oil amounting to over 50% of total revenue) and decreasing terms of trade due to the combination of lower world prices and lower world demand for exports.

27. Moreover, some of the poorest countries had already been weakened prior to the crisis by spiralling food and fuel prices. Developing countries are also much more vulnerable considering their poverty rates and the lack of well-developed safety nets, so the social impact of the crisis may be more severe than in other countries. There is strong evidence that women in developing countries are likely to be the hardest hit by the current global economic crisis due to their over-representation in precarious work, lack of social protection and the concentration of women workers in export-dependent sectors.

28. If left unaddressed, these impacts risk reversing the positive development outcomes for many countries in recent years. Growing economic troubles could lead to socio-political crisis in the short- to medium-term. The international donor community should make all efforts to sustain and/or increase existing levels of assistance, especially in fragile states.

29. Obtaining additional external financing and resources from donors for the most affected and poorest countries is a priority, especially in light of reduced capital inflows for infrastructure and strain on the budgets of these countries. As an immediate response, the OECD member countries and some non-members took a triple pledge at the end 2008: the aid pledge by the members of the Development Assistance Committee agreeing to maintain aid flows at levels consistent with these commitments; the trade pledge by OECD members agreeing to conclude the Doha Development; and the export financing pledge to maintain official support for trade credits, which have frozen up at an alarming rate and threaten to drastically reduce trade flows. The G20 Summit in London in April 2009 recognised that the current crisis has a disproportionate impact on the vulnerable in the poorest countries, and their collective responsibility is to mitigate the social impact of the crisis to minimise long-lasting damage to global potential. The G20 leaders reaffirmed their commitment to meeting the MDGs and their respective official development assistance (ODA) pledges, including aid for trade, debt relief and the Gleneagles, especially to Sub-Saharan Africa. In addition, the G20 Summit pledged additional resources to low income countries, mainly in the form of fast tracking existing commitments, increase of Special Drawing Rights allocations and selling IMF gold. The G20 also agreed to ensure availability of at least \$250 billion over the next two years to support trade finance through their export credit and investment agencies and through the Multilateral Development Banks; this pledge was welcomed.

2.2. A far-reaching OECD response

30. In co-operation with other international institutions, the OECD will continue to monitor the impact of the evolving crisis on emerging and developing economies, including donor performance against ODA commitments and aid for trade, aid effectiveness and the achievement of the Millennium Development Goals. The OECD's work with developing regions - including the *Global Development Outlook*, the *African Economic Outlook* and the *Latin American Economic Outlook* - will consider these issues and how to dampen the impact of the crisis on these countries. In advance of the DAC High-Level Meeting in May 2009, the OECD will prepare a report and synopsis of DAC donor responses.

31. The *OECD Strategic Response to the Financial and Economic Crisis*¹⁰ launched at the end of 2008 offers governments evidence-based choices to address the crisis and move towards building the foundations for a stronger, cleaner and fairer world economy. It is also to ensure that members create and support initiatives to support developing countries during the crisis.

32. The OECD's work can support developing countries by:

- Continuing to monitor ODA and other official flows, and supporting the implementation of the Paris Declaration and the Accra Agenda for Action on Aid Effectiveness.
- Contributing to global efforts to address food insecurity in many developing countries.
- Advocating against trade protectionism, and continued efforts to reach a satisfactory conclusion to the Doha Round of Trade negotiations.
- Fostering international co-operation on regulatory and supervisory arrangements regarding the financial and banking sectors, including resolution regimes and reviewing bankruptcy laws.
- Continuing to monitor the impacts of fiscal stimulus packages in OECD member countries, while at the same time exploring exit strategies in the medium term and less distorting stimulus measures that will eventually be necessary as the global economy revives. Regarding tax, it continues to address tax evasion and the need to maintain transparency.
- Contributing to strategies to address the employment crisis and achieve a "green" recovery.
- Supporting initiatives to strengthen the underlying rules by which market economies operate and enhance international policy co-ordination. Within the G8 and G20, initiatives are emerging aiming at developing common principles and standards on integrity, transparency and propriety of the financial and economic activity and at ensuring a sustainable development of the global economy. OECD has policy and legal instruments developed over decades which could form the basis for this new framework. Together with the ILO, IMF, World Bank and WTO, an inventory has been prepared to facilitate stock-taking and identify strengths and gaps to be filled. The OECD should continue to enhance this collaboration to maximise the collective impact of international organisations' contributions.

10. www.oecd.org/dataoecd/33/57/42061463.pdf.

2.3. OECD responses of special relevance for developing countries

Aid

33. An important OECD contribution is the continued monitoring of the crisis' impact on emerging and developing economies and donors responses to the crisis.

34. Additional external financing and resources from donors for the most affected and poorest countries should be a priority, especially in the light of reduced capital inflows for human development and economic infrastructure. Aid cuts at this point in time would place a dangerous additional burden on developing countries already faced with restricted sources of income and increased poverty, and reverse some of the progress already made towards meeting the Millennium Development Goals.

35. In 2005, donors committed to increase their aid at the Gleneagles G8 and UN Millennium +5 summits. The pledges made at these summits, combined with other commitments, implied lifting aid from USD 80 billion in 2004 to USD 130 billion in 2010, at constant 2004 prices; the bulk of these commitments remain in force. Since 2004, total official development assistance from DAC members has been growing at an average annual rate of 6.1%. In 2008, it reached its highest dollar figure ever recorded USD 119.8 billion. It grew by 10% in real terms and represented 0.3% of members' combined gross national income (GNI). Given the fall in actual and expected GNI, and changes in some countries' commitments, meeting current 2010 commitments would require maintaining the recent increase in ODA of 10% in real terms. However, the DAC Survey on indicative forward spending plans suggests that planned increases in programmed aid up to 2010 are not sufficient. At least another USD 14 billion is needed by next year, even before considering additional crisis response needs. While most donors are making progress towards their aid volume targets at the global level, only renewed efforts would bring this target within reach. Concerning the Gleneagles goal of additional USD 25 billion (in 2004 terms) for Africa, donors are lagging well behind this target. The planned allocations for the next three years to Africa appear to be increasing more slowly than to other regions, in particular Asia. The estimated remaining gap for Africa¹¹ is USD 20 billion. If donors maintain their overall spending plans, they may need to reallocate regionally towards Africa in order to meet their commitments.

36. In the light of the current crisis, the OECD is promoting the use of crisis-tailored aid approaches, such as frontloading, rapid disbursement mechanisms and targeted development assistance. Also, aid must play a countercyclical role to help balance the sharp reversal in overall flows to developing countries. OECD is playing a central role in the concerted effort to make aid a major countercyclical force by promoting new co-ordination arrangements at both global and developing country levels. The OECD secretariat is currently monitoring its members' plans for participation in collective rapid response initiatives in response to the crisis.

11 . Preliminary Secretariat estimate.

37. Under the auspices of the OECD Global Forum on Development, the Development Centre (DEV) and the Development Co-operation Directorate (DCD) organised a meeting on *The Implications of the Global Crisis for Aid and Development Finance* in December 2008. It focused on aid effectiveness and on delivering effective development finance. The meeting concluded, in particular, that renewals of ODA commitments are required, that greater regulatory independence is needed in the governance of the international financial system, and that emerging economies should be accorded higher quotas in the regional development banks.¹² The proposals that will be made to DAC High level meeting referred to in paragraph 30 will include actions to this end.

Trade

38. Governments must remain vigilant and actively reject trade and investment protectionism, including through the conclusion of the Doha Round. As unemployment rises and trade and investment contract, political pressure to take actions to “protect” domestic jobs or favour domestic firms is likely to increase. But today’s deeper economic integration implies that even small and seemingly innocuous policy changes can have far-reaching consequences. All nations would be hurt by the introduction of protectionist policies into their crisis packages, which would act to slow the global recovery and be difficult to unravel. The OECD supports governments by monitoring aid for trade to developing countries, an instrument which could help cushion the fall in the availability of trade finance and help to sustain the level of trade in these countries. In April 2009, governments of thirty-five OECD and non-OECD exporting countries together with participating institutions (World Bank Group, IMF and WTO) declared that they will work together to ensure sufficient flows of trade finance without distorting markets and with a view to maintaining a level playing field and to this end recognise the need for a co-ordinated approach to implementation and agree to meet regularly in the OECD to exchange information on the measures taken by these governments and participating institutions, in support of the G-20 trade finance initiative, and to ensure the continuation of medium and long term export financing. This follows the pledge made last November under the auspices of the OECD, where thirty-six exporting countries pledged continued export-credit support for international trade deals in line with a call by G20 leaders for emerging and developing economies to retain access to financing for imports in the present financial crisis.

Green growth and climate change

39. A key longer term challenge for developed and developing countries alike is to use the economic crisis to improve the efficiency in the use of energy resources and shift towards a more environmentally friendly model of development. The crisis should not prevent us continuing our efforts to achieve long-term, green economic growth. Combating climate change is also an important development goal. It is thus important to ensure that economic stimulus packages do not lock in inefficient or polluting energy technologies or dirty modes of production and consumption, but instead promote clean alternatives. Delaying action could be costly. For example, recent OECD work on climate change shows that ambitious policy action to address climate change makes economic sense. The crisis is an opportunity to reform or remove expensive and environmentally harmful subsidies, e.g. for fossil fuel production and consumption, benefitting both the environment and the economy. From the development perspective, barriers to trade in climate-friendly technologies, goods and services should be removed to improve the diffusion of available eco-innovations and promote global economic growth. Policies should also be carefully assessed to support renewables, including biofuels, to ensure they are cost-effective. EPOC and other committees have been collecting information on the “green” elements of stimulus packages being rolled out by many governments, and the findings from these exercises will feed into the documentation on Green Growth for the OECD Ministerial meeting in June.

12. www.oecd.org/dev/crisis.

Migration and remittances

40. The OECD's work shows the manifold linkages between migration and development. It is important to avoid critical impacts on the integration of immigrants and managing labour migration during the crisis. Evidence from past experience and from countries which were hit first by the current economic crisis shows that migrants are more vulnerable to economic shocks than national workers, with important repercussions for remittances to home countries. Policies to integrate immigrants (particularly recent immigrants and displaced migrant workers from declining industries) should therefore be incorporated into the labour-market components of stimulus packages, and existing integration programmes should not be scaled back. Management of labour migration should be sufficiently responsive to short-term labour market conditions, without denying the more structural needs for both high-skilled and low-skilled foreign workers in a context of ageing populations and workforces in many OECD countries.

41. Remittances are expected to fall by 5 to 8 percent in 2009 to the level of USD 290 billion. The decline in nominal dollar terms is small relative to the projected fall in private capital flows or official aid to developing countries. However, considering that officially recorded remittances registered double-digit annual growth in the past few years to reach an estimated USD 305 billion in 2008, an outright fall in the level of remittance flows will cause hardships and balance of payments sustainability in many poor countries. South-South remittances from Russia, South Africa, Malaysia and India are especially vulnerable to the rolling economic crisis. During the crisis these flows tend to be counter-cyclical. Even if the remittance flows in total are much larger than ODA flows it is important to note that in 2008 only USD 228 billion of the flows originated from DAC countries and that the vast majority of remittances go to middle income countries, only USD 9 billion goes to Least Developed Countries, compared with about USD 30 billion of ODA to these countries.

42. The OECD has undertaken analyses of the international mobility of health workers. This work will continue, in order to identify possible measures to better share the benefits and reduce the risks of this mobility, and will possibly be extended to additional African countries.

43. The OECD is also working more broadly on Managing Labour Migration to Support Economic Growth, and specifically on the issue of return migration, and the mobilisation of diasporas to contribute to the development of their countries of origin. This work on return migration has included several African country case studies (drawn from both North and West Africa). The Sahel and West Africa Club (SWAC) has undertaken specific work on migration dynamics and national migration policies in West Africa, and has supported the Economic Community of West African States (ECOWAS) in the development of a common West African approach on migration. SWAC is participating in a programme analysing the coherence between international, regional and national legislation with regard to West African international migration. In 2010, an online database will be made available compiling all available migration legislation of six West African countries.

Investment

44. Private capital flows to developing countries take two broad forms: equity investment (FDI and portfolio investment) and private sources of credit (commercial banks and non-banks). The FDI component of these flows, which accounted for just under 50% of the USD 1 trillion received by developing countries in 2007, has generally been considered more stable than other flows. The extent to which FDI holds up under the pressure of the global economic crisis will be a critical factor in determining how much external financing reaches developing countries as the crisis runs its course. Preliminary OECD data indicate that OECD flows to non-OECD countries remained relatively strong during the second half of 2008, providing the clearest indication yet that FDI has been one of the more resilient sources of international financing for

developing countries. However, according to the Bank for International Settlements cross-border lending by banks has had the sharpest fall ever (5 trillion USD) in the last nine months.

45. Developing countries are also emerging as increasingly important outward investors in the global economy. Both south-south and south-north FDI has been growing in recent years. As such, maintaining open markets for investment from developing countries will become an increasingly important policy coherence issue for developing countries. So far there has been little evidence of new restrictions in the international investment environment as a result of the crisis. Rather, it has brought to the fore the importance of foreign direct investors as providers of capital, and takeovers of insolvent local companies by foreign firms are perhaps easier now than before the crisis. Many national crises in the past have encouraged liberalisation of the foreign investment regime in order to provide balance of payments financing or to recapitalise the banking sector. There is nevertheless the risk that as economies start to recover and international investment picks up, there will be resistance to allowing the takeover by foreign investors of local firms that have received substantial public assistance.

46. With its investment instruments, the OECD provides the only multilateral forum for countering investment protectionism. Strong peer monitoring under the OECD's "Freedom of Investment" process – where non-OECD countries, including the G20, participate as equal partners – and the commitments under the OECD investment instruments will be vital to maintaining open markets. The Freedom of Investment process aims to help governments reconcile the need to preserve and expand an open international investment environment with their duty to safeguard essential security interests and to take action to recover from the current crisis. Countries can take advantage of the OECD Freedom of Investment process to strengthen peer monitoring of commitments made under OECD instruments and in G20 and other summits to refrain from introducing new restrictions capital inflows and outflows, and to deepen dialogue that builds trust and confidence in international investment.

Tax havens

47. Tax havens undermine the tax base of both developed and developing countries by offering secrecy and no-tax environments to would-be evaders. Most estimates place the value of assets held in tax havens to be in the order of USD trillions, much of this from developing countries. If even a small percentage of these assets (and the income they generate) goes unreported to tax authorities in the taxpayer's home jurisdiction, the problem amounts to many billions of dollars of tax revenue that may go uncollected. The OECD work on tax havens has recently resulted in tremendous success, when a number of jurisdictions have announced that they are ready to adopt the OECD principles of transparency and information exchange. The OECD will now focus on monitoring the effective and rapid implementation of the standards and will explore how developing countries can take more advantage of this more open tax environment.

Food crisis

48. The food crisis of 2008 has served to initiate a new international effort to establish strategies to cope with the medium-term prospect of rising food prices and provide support to smallholder agriculture as a new growth vector. The OECD plays an important role in providing evidence-based assessments and setting out policy options. Emergency and food aid is critical in the short term. In the medium- to long-term, measures to increase supply and improved productivity, more and better targeted ODA and capacity-building actions to attract private investment flows, can foster growth and development in the more vulnerable countries. There is a need to accelerate the reform of agricultural trade policies, in both importing and exporting countries, and to review bio-fuels policies. OECD is participating with other international organisations in the High-Level Task Force on the Global Food Security Crisis, chaired by

the Secretary-General of the United Nations and led by the Director-General of the Food and Agriculture Organization (FAO), as well as in individual country initiatives on this subject.

49. The following are some responses of special relevance for the food crisis.

Synthesising the state of knowledge

50. A review will assess what past policy actions have been most effective in promoting food security as background to the OECD's Ministerial Council June 2009. It will study social safety nets, investment in agriculture, trade policy and other kinds of market interventions and development strategy. It will conclude with recommendations for broad global strategies to meet future food crises and to expand investment in agricultural development.

Fostering structural transformation, growth and poverty reduction

51. The link between overall economic progress in a country and its agricultural productivity is well-established empirically and agriculture is known to be essential to reduce poverty. In addition to increased public and private investment and the development and adoption of new production success also requires structural adjustments. The OECD analysis (TAD, POVNET) has focused on development processes in developing countries, discussing the adjustment pressures that smallholders face and policy responses needed. They have highlighted a strategy of increasing productivity and value added and of diversifying household livelihoods and incomes. First findings will be discussed in May 2009. This analysis is part of a larger, multi-year project, aimed at better understanding agriculture's role in economic growth and poverty reduction.

Choosing the best policy response

52. A paper is being prepared on the relative effectiveness of alternative agricultural policies in low-income countries in terms of allowing those countries to pursue their development objectives. It studies whether advice given for OECD countries carries over to poorer countries, or whether there is a legitimate case for market interventions such as input subsidies. First results will be discussed late 2009. Recent work in DAC/POVNET (to be published in 2009) shows that social protection measures (*e.g.* cash transfers) can be affordable and can promote the adjustments by poor households needed to move onto more sustainable paths out of poverty and food insecurity.

Science and innovation

53. Science and innovation are important elements in productivity gains. According to recent studies there is lack of coherence between policies in different areas that affect research and technology development, *e.g.* between agriculture and research policies in OECD countries, and between development co-operation policies. As a result, for example, investments in research and technology development aimed at the needs of developing countries tend to be limited. Developing countries often have insufficient capacity to make the necessary investments. In addition, as private sector investment in these countries is very weak, critical steps to deploy technologies in the market place are not being undertaken. This is particularly the case for private agricultural research. A number of novel mechanisms have been proposed and some are in operation to, for example, ease access to patented technologies in the agricultural field, but there is little systematic analysis of the impact of such mechanisms. An expert meeting in April 2009 addressed how innovation systems contribute to poverty reduction, focusing on innovation systems in rural areas and including the use of new technologies and information and communication technologies (ICTs) in poverty reduction programmes. A further expert meeting in May 2009 will assess the impact of so-called collaborative mechanisms on access to intellectual property rights in the life sciences.

OECD and the Global Donor Platform for Rural Development

54. The OECD and the Global Donor Platform for Rural Development focused on donor responses in the medium and long term to foster pro-poor agricultural production in February 2009. It called for tackling structural bottlenecks and a holistic approach for agriculture. Capacity building of key stakeholders on both donor and country levels was considered to be a shared objective and the importance of social safety nets was noted.

OECD-FAO High-Level Meeting on Food Security in a Global Economy

55. This OECD-FAO meeting, held on 5-6 May 2009, addressed the potential for agricultural investment to reduce poverty and improve food security in developing countries; and the role of economic development and adjustment policies, agricultural investment and broader development policies for agriculture.

Global Forum on Agriculture

56. The Global Forum on Agriculture, to be held on 29-30 June 2009, will feature the evaluation of the short-term policy responses to high food prices that were undertaken nationally and internationally, and appropriate longer term responses, nationally and internationally, to food security concerns.

3. Progress in promoting policy coherence for development

3.1. Measures taken to enhance integration of the development dimension across OECD work

57. The integration of development through the 2009-10 PWB process has played an important institutional function. The PCD Declaration, in turn, has helped to increase political momentum in the work of OECD committees.

Integrating a development dimension into the 2009-10 PWB process

58. Following recommendations by Council in December 2007 [C(2007)92/REV1], work on PCD has been integrated more systematically into committee work. PCD was included in the Secretary-General's guidelines for PWB preparations – sent to Directors and Heads of Service and Part II programmes in March 2008. Directorates and committees were requested to identify inter-linkages across different policy sectors and to consider joint projects to enhance synergies and focus on common results in their 2009-10 Programmes of Work and Budget.¹³

59. In order to facilitate management and co-ordination of key horizontal policy areas, 14 cross-cutting markers were introduced in the 2009-10 PWB process. Directorates were asked to choose between these markers to indicate the one most relevant to their work streams, thereby tracking references to horizontal work in a more systematic way. The results are encouraging and show the importance of development issues throughout the Organisation. Development and sustainable development were referred to most often by directorates (24 (of which 10 in DCD) and 23 Output Results, respectively), ranking second and third just behind innovation (35 Output results).

13. Relevant questions are: If the committee work (OECD country policies/trends they analyse) may have an impact on developing countries' development (impact assessment). Whether this impact is of real/major relevance and is it positive/negative on development (relevance). Are there policy recommendations to be made for more coherent policies in terms of the development goals (coherence)? Are there any positive synergies across different policies to be exploited (synergies)?

60. In addition, to improve oversight, directorates were requested to provide information on how they (will/would) integrate PCD into their PWB 2009-10. This forward-looking approach aimed to identify key areas where the Organisation could/should “do more”. It has confirmed that development is an important element in many work streams, but that there is scope for further improvement (as demonstrated in paragraphs 71-83). It is also evident that the concept of PCD needs to be further clarified both in the secretariat and in committees.

61. Moreover, OECD Global Forums give developing countries a chance to participate more directly in OECD policy debates. As such, the forums can play an important role in promoting and mainstreaming PCD. Finally, the Secretary-General has promoted horizontal projects, including by CPF funding. Projects that have benefited from such funding include the horizontal project on water, migration and the horizontal project on innovation.

Following up the Ministerial Declaration on Policy Coherence for Development

62. Following the adoption of the Ministerial Declaration on Policy Coherence for Development in June 2008, relevant OECD committees were contacted to follow up the implementation of the Declaration by a letter from Deputy Secretary-General Amano. He stressed the political significance of the Declaration and reminded committees that ministers called upon them to identify inter-linkages across different policy sectors and present cases of common benefits or trade-offs for PCD.

63. The feedback shows that the Declaration has raised new momentum for further promotion of PCD. In some committees, the Declaration has been taken note of and distributed to delegates. In others, more attention has been devoted to consider the Declaration and its potential implications for future work. A number of committee chairs have shown greater initiative still. For example, the Chair of the Chemicals Committee wrote a letter to all delegates, identifying areas of the Chemicals Committee’s work which enhance PCD. The Chair of the Environmental Policy Committee invited Deputy Secretary-General Amano to a committee meeting to present the Organisation’s work on PCD. In the Committee for Agriculture, the Declaration and its relevance for several activities in the 2009-10 PWB were raised not only in the Status Report on development related work, but also in the Director’s Statement. Finally, the Declaration is posted on several committee dedicated websites (e.g. Employment, Labour and Social Affairs Committee, the Committee for Agriculture, and the Fisheries Committee).

Engaging committees

64. Development-related work has a long history and an important place in the work of several committees. The Development Assistance Committee has played a key role in promoting integration of development goals into other policy areas.

65. To advance mainstreaming and identify opportunities for co-ordinated work, the chair of the DAC has organised a series of meetings with other committee chairs. Thus far, the DAC Chair - or the bureau - has met with the chairs of the Trade Committee, the Investment Committee, the Fisheries Committee, the Science and Technology Committee, the Competition Committee, the Health Committee, Environmental Policy Committee and the Working Party on Migration. While the necessity of an increased “whole-of-OECD” approach towards development has been well understood at all meetings, it has transpired from the discussions that some committees are more advanced – willing – than others to integrate a development dimension into their work. The DAC chair, in turn, has noted the willingness of the DCD and DAC to support other committees in their efforts to promote PCD (i.e. through joint projects). A follow-up on the possible joint work is ongoing. Some concrete outcomes have already emerged in investment and environment sectors.

66. Stronger ownership and peer learning at committee level has been encouraged by presentations of case studies of the political economy challenges in promoting PCD, including in the Working Party of the Trade Committee in 2008 and Fisheries Committee in 2009. These discussions have been linked to, and drawn from, the lessons of the horizontal work on political economy constraints under *Making Reform Happen (MRH)* since in many cases PCD and MRH are different sides of the same coin (for example, domestic agricultural policy reforms in support policies often result in gains in developing countries).

Providing guidance to members and raising awareness on PCD

67. A series of policy briefs on improving coherence in specific sectors was initiated in 2008 beginning with agriculture and fisheries as part of the PCD programme. Forthcoming briefs will include health and migration. A High-level Parliamentary Seminar organised jointly with the European Commission and the Parliament on migration and PCD in February 2009¹⁴ concurred that well-managed labour migration can be advantageous for destination countries and bring significant benefits to origin countries, thus contributing to poverty reduction. Future analysis of the policy coherence programme will focus on agricultural trade and non-tariff measures, information technology and Internet and migration. Work on developing tools for assessing results of PCD is ongoing.

68. The DAC peer review process has played an important role in promoting PCD at the national level. Peer review outcomes also feed into other OECD work, thus making OECD advice more relevant and coherent, such as in case of health workers from developing countries.¹⁵ A synthesis report¹⁶ on the DAC peer reviews 2003-07 on the mechanisms to promote PCD proposed a framework of three necessary building blocks for a systematic promotion of PCD. The report further suggested nine lessons learned (see Box 1) in promoting PCD based on the peer review recommendations. These nine lessons, endorsed by the DAC, focus on the key institutional elements that are needed to promote PCD.¹⁷ It is proposed that these lessons form the basis for developing further OECD policy guidance for members in their efforts to advance on coherence. This guidance could be brought for Council's adoption in January 2010.

14. www.oecd.org/development/policycoherence.

15. DELSA/ELSA/WP2/HEA(2008)6.

16. COM/SG/DCD(2008)1/REV1.

17. Published as a Policy Brief, "Policy Coherence for Development - Lessons Learned".

Box 1. Lessons learned in promoting policy coherence for development

Building Block A: Political commitment and policy statements

Lesson 1: Educate and engage the public, working with civil society, research organisations and partner countries, to raise awareness and build support for PCD, on a long-term basis.

Lesson 2: Make public commitments to PCD, endorsed at the highest political level, with clear links made to poverty reduction and internationally-agreed development goals.

Lesson 3: Publish clearly prioritised and time-bound action agendas for making progress on PCD.

Building Block B: Policy co-ordination mechanisms

Lesson 4: Ensure that informal working practices support effective communication between ministries.

Lesson 5: Establish formal mechanisms at sufficiently high levels of government for inter-ministerial co-ordination and policy arbitration, ensuring that mandates and responsibilities are clear, and fully involving ministries beyond development and foreign affairs.

Lesson 6: Encourage and mandate the development agency to play a pro-active role in discussions about policy co-ordination.

Building Block C: Systems for monitoring, analysis and reporting

Lesson 7: Make use of field-level resources and international partnerships to monitor the real-world impacts of putting PCD building blocks in place.

Lesson 8: Devote adequate resources to the analysis of policy coherence issues and progress towards PCD drawing also on the expertise of civil society and research institutes, domestically and internationally.

Lesson 9: Report transparently to parliament and the wider public about progress on PCD as part of reporting on development co-operation activities and progress towards meeting the MDGs.

69. The establishment of an informal network of Focal Points on PCD in capitals jointly by the OECD and the Development Centre in July 2007 has helped to strengthen and expand contacts with members with regard to PCD. All OECD members as well as Brazil, Chile, Colombia, Israel, Romania and South Africa have provided contact points. The relocation of the PCD co-ordination function to the Office of the Secretary-General has enhanced system-wide co-ordination of work streams that have development dimensions, so as to strengthen OECD's capacity to better respond to global challenges. For the first time since the establishment of the PCD programme, Part I resources have been allocated in this biennium to PCD to support the co-ordination function of the PCD work in line with Council recommendations of December 2007.

70. Greater opportunities for information sharing through increased use of ICT and joint planning sessions at the working level have been introduced. The new human resource management has tools to support and initiate incentives from senior management for staff to engage in joint projects towards common objectives such as the MDGs. Oversight by Council is being facilitated by one comprehensive annual report on development and policy coherence for development.

3.2. Examples of efforts to integrate development into existing work streams

71. Various parts of the Organisation that do *not* have development as their core activity have continued to mainstream development into their work for 2009-10.

72. The impacts of *climate change* on developing countries will be significant and there is an inherent PCD element in related 2009-10 PWB results, necessitating coherent policies in both OECD and developing countries. ECO and ENV point out the importance of including developing countries and emerging market economies into the international negotiation process on climate change. ENV and DCD work together to identify linkages and explore effective and efficient policy responses in the areas of development co-operation and climate change. Joint work between ENV and IEA, ENV and ECO include the examination of potential co-operation between OECD and developing countries to reduce greenhouse gas emissions.

73. In the area of *trade*, work has focused on OECD and major emerging economies, and less on small, less developed economies. ECO monitors and forecasts world trade developments. In *its Going for Growth* publication, it underscores the importance of open markets to sustain economic growth. Work on *agriculture*, on the other hand, increasingly addresses issues important to developing countries but policy analysis is often constrained by lack of data. With regard to *fisheries*, PCD is vital to discussions on the conservation and rebuilding of fish stocks. Work on fisheries certification is also of high relevance as there is a risk that some certification requirements create difficulties for developing countries to access the global value chain.

74. In its 2009-10 PWB, TAD outlines several projects that seek to explicitly address the concerns of developing countries. This includes the design and effectiveness of non-tariff measures and related costs and benefits to both OECD and developing countries; analysis of the economic importance of agriculture for sustainable development and poverty reduction; construction of an agricultural policy database and indicators for Africa that will contribute to strengthening the policy experiences on which OECD policy advice is based; and the Aid for Trade initiative which is undertaken jointly with DCD.

75. An environment conducive to business fosters economic development. ECO has extended its measures of Product Market Regulation restrictiveness to India and China. These indicators are used to assess the degree of competition in the product markets of these two economies, which is a source of productivity gain and hence economic output.

76. International *investment* is a key engine for economic growth and increased investment flows will be necessary to restore stability in the financial system, boost innovation and meet long-term development goals, such as climate change mitigation and infrastructure. In this context, DAF successfully incorporates developing country interests into several results of its 2009-10 PWB without necessarily making PCD an explicit objective.

77. The work of the Committee on *Consumer Policy* (CCP) has a development dimension in several areas. The work on product safety will include exchanges of information on product safety issues and establishing mechanisms to ensure that information on unsafe products is shared worldwide with a view towards limiting their harmful effects. The CCP work complements initiatives being taken in other international fora, including the International Product Safety Caucus (ICPSC) where China is an active member. The work on consumer economics aims to improve understanding of economic factors and biases underlying consumer behaviour, and their implications for policy making. Although the toolkit examines the consumer marketplace and refers to consumer policy regimes in OECD countries, developing countries may draw significant lessons from the toolkit while designing their national regulations. The work on sustainable consumption, as a part of the OECD horizontal project on sustainable development, aims to be globally applicable to developed and developing countries. The CCP co-ordinates its work in this area with UNEP and Consumers International.

78. Areas identified by GOV as potentially relevant for PCD include *regulatory management*, *innovation in public service delivery*, and *fostering regional innovation*. One fundamental principle of regulatory management is to evaluate the overall impact of regulatory reform, thus having a link or impact on a country's development issues and policies as well. In the case of innovation in public service delivery, there may be instances where practices of OECD members promote private sector competencies in service delivery that then is implemented by member country private enterprises also in developing countries. Fostering regional innovation could have a link via possible spillover effects of innovation clusters in one country or the countries surrounding them, particularly if those are developing (e.g. Mexico and its neighbours).

79. *Education* is a key driver for development. The mobility of students, professors, and even values has grown at an unprecedented pace. This mobility is especially important for the developing countries that are often unable to meet domestic demand for tertiary education. These developments offer new opportunities, but they also raise issues about quality, reliability and recognition. In response, the UNESCO/OECD 2005 *Guidelines for Quality Provision in Cross-Border Higher Education* are designed to help students get access to reliable information on higher education offered outside their home country or by foreign providers in their home country. Some South-East Asian countries already encourage students to study abroad as well as take measures to attract foreign providers to offer courses on their soil. A policy brief in 2008 looked at under what conditions this "Asian model" could be useful in other countries to enhance their tertiary education system and accelerate their economic development. CERI is currently working on the possible uses of cross-border tertiary education for capacity building in developing countries. Selected activities in EDU's 2009-10 PWB, such as thematic reviews, with non-member economies have either a direct impact, or the potential to have an impact on the distribution and planning of developmental aid and thus impact coherence. Recent non-member reviews were carried out in Gabon, South Africa and Dominican Republic, Kazakhstan and Egypt (ongoing).

80. *Gender equality and women's empowerment* are essential for sustained growth and development. Recognising this, the Labour/Management Programme brought together trade union representatives with development practitioners and gender equality experts to discuss a common agenda for "Gender, Development and Decent Work", in April 2009. The meeting addressed the employment and empowerment of women in the context of a global labour market where work is increasingly informal and precarious. GOV's MENA programme, in consultation with DCD, is also establishing a Gender Focus Group to promote policy dialogue and identify measures required to introduce gender dimensions in public management in the region.

81. *Employment and migration policies* in OECD countries clearly affect the opportunities of people in other countries. All societies need functioning labour markets. Useful lessons can be drawn from ELS' work on skill formation and the adult workforce. While not focussing on the impact of OECD policies on developing countries directly, the policy lessons learned from this work can still be useful for developing countries, and in particular for emerging economies that struggle to improve the transition of youth from school to work. The Working Party on Migration is organising a High-Level Policy Forum on Migration in June 2009, focussing on three themes: the current economic crisis and its likely impacts on international migration; managing labour migration movements; and the integration of immigrants and their children. The forum will provide an opportunity for ministers to exchange views and share experiences on managing international migration flows for the benefit of both origin and destination countries.

82. There is a strong relationship between the development prospects of a country and its *health systems*. OECD countries typically address health issues in developing countries - and the contribution that OECD countries can make – in the World Health Organization. Nonetheless, the OECD Health Committee has contributed to work of PCD relevance. One example is the recently completed work on migration of health professionals. Furthermore, the OECD/Korea Policy Centre co-operates with developing countries in the East Asian and Pacific region, and also encourages the mainstreaming of health accounting systems in the region. Finally, OECD pricing policy in pharmaceutical products can be expected to ultimately have an impact on developing countries and the inclusion of a PCD element would be welcome.

83. The work of ELS on *social policy* includes the collection of social indicator data for OECD countries and for the Asian region (in co-operation with the OECD/Korea Policy Centre, the Asian Development Bank and the International Labour Organization). The availability of data is a prerequisite for any assessment of the effects of OECD policies on other countries.

84. Given that the energy sector was raised for the first time in the OECD context in the Ministerial Policy Coherence for Development Declaration in June 2008 it would be encouraging to see PCD more firmly included in the energy work of OECD and the special OECD bodies such as the International Energy Agency and the Nuclear Energy Agency. The work on sustainable development, for example, is of great relevance as the use of more *sustainable energy sources* in OECD countries will ultimately have a positive impact on global warming and development prospects in poor countries.

85. Policies aimed at fostering *science, technology* and *innovation* play an important role in addressing certain global problems which require coherent and co-ordinated responses by developed and developing countries, and they address some of these issues in conjunction with other policies. Box 2 discusses this in more detail.

Box 2. Fostering science and technology for development

Science and technology play a key role in addressing global challenges such as climate change, food security, global health and energy. Thus, policies conducted by OECD countries in fostering research, encouraging innovation, developing particular technological areas such as ICT, biotechnology or nanotechnology raise important issues of coherence with development outcomes. For example, the OECD countries' approach to intellectual property (IP) protection has consequences for access to and transfer of technology – more open innovation systems are doubtless being developed, but at the same time actions to combat infringements, such as counterfeiting and piracy, are being tightened. The direction of research in the OECD area often has consequences for the capacity to address challenges (for example, health) in developing countries. On the other hand, a growing number of developing countries pursue – successfully – policies to develop their own S&T and innovation frameworks and move up the value chain, with increasingly strong linkages with OECD countries. Globalisation brings these efforts increasingly together. Indeed, several key developing economies have sought to participate in OECD committees where these issues are discussed.

The **OECD Innovation Strategy** *inter alia* addresses global challenges related to climate change, global health and food security. In doing so, it seeks to identify how to bridge the gap in economic development through and fostering international co-operation in science, technology and innovation.

A Joint OECD-UNESCO Workshop on “**Innovation for Development: Converting Knowledge to Value**”, in January 2009 examined ways through which knowledge contributes to innovation, especially in developing countries. It followed on the OECD and World Bank joint conference on Innovation and Sustainable Growth in a Globalised World, held in November 2008. The aim was to identify and analyse best practices for the effective promotion, reporting, and assessment of innovation that form part of a coherent approach to development; better targeted innovation to help meet challenges, such as climate change, and the development of human capital, and the use of networks as part of the innovation process.

OECD is working on promising **approaches and governance mechanisms for multinational S&T co-operation to address key global challenges**, recognising that more effective approaches and mechanisms are needed to ensure that sufficient scientific and technological progress is made to address global challenges and diffuse technology and new solutions as widely as possible. The CSTP workshop on International Science and Technology Co-operation to Address Global Challenges: New Mechanisms and Governance Approaches, March 2009, discussed the need for new governance approaches and mechanisms for multinational S&T co-operation to address global challenges, such as climate change, food security, energy and infectious disease.

A High-Level Forum on Medicines for Neglected and Emerging Infectious Diseases: Policy Coherence to Enhance their Availability (HLF), jointly organised by OECD and the Netherlands, produced the *Noordwijk Medicines Agenda* that will provide the basis for follow-up action within the OECD and with WHO on **improving health innovation systems** in a fashion coherent with broader development goals. The report on the Forum is published and many of the key elements of the NMA have been integrated into WHO strategic planning.

Work on **information and communication technology** will address development impacts. The work will include the application of new sensor-based networks to improve environmental outcomes and enhance sustainable development in both developed and developing economies and the phenomenon of "electronic waste" being dumped in developing countries. ICT-enabled innovation work is looking at a statistical framework for innovation in environmental management that can be applicable to developed and developing countries. Combating malware in co-operation with APEC will foster coherence in security issues and the results of the work on e-commerce will be made available to developing countries. The global dialogue on the consumer issues related to e-commerce is taking place in co-operation with APEC; and with the United Nations Commission on International Trade Law and the United Nations Office on Drugs and Crime. In preparing the 2008/09 *African Economic Outlook*, a meeting of experts, policy makers and private-sector representatives was organised in collaboration with STI, DCD and GOV to review the progress achieved by deploying ICT for development, review best practices in public policies, regulation and financing, and provide recommendations.

3.3. Progress made in producing analysis on policy linkages at the global level

86. Evidence-based analysis – on how OECD countries’ policies may impact the prospects of developing countries - is critical in raising awareness and thus willingness of policy makers to work towards more coherent policies. This section illustrates some recent OECD work in this respect.

Environment

87. Environmental degradation and climate change pose a serious challenge to social and economic development. Developing countries are particularly vulnerable because their economies are generally more dependent on climate-sensitive natural resources, and because they are less able to cope with the impacts of climate change. How development occurs in developing countries has, in turn, implications for environment and climate change, and is thus an important element of PCD. Integrating development to environment policies and bringing climate change adaptation needs to be brought into the mainstream of economic policies, development projects, and international aid efforts.

Climate change

88. OECD work on climate change policies is examining, among other things, how the policies that OECD countries might take on in a post-2012 international climate framework might affect economic growth prospects in developing countries. Policy inaction on climate change is expected to have particularly significant impacts on developing countries, as these are often the most vulnerable to climate change, but different policy approaches to address climate change will also have effects on developing countries.

89. Work undertaken in 2008 jointly by the OECD Economic and Environment Policy Committees examines the economic costs and environmental benefits of current and possible future policy approaches to reduce greenhouse gas emissions, including the distribution of these effects among countries. The work also examines the impacts of policies that might be applied to address concerns about the sectoral competitiveness effects of climate policies if applied only in a small number of developed countries, such as Border Carbon Tax Adjustments (BTAs) that are being considered in a number of countries to reflect the carbon content of imports or exports at the border. The analysis found, for example, that while BTAs can help to reduce carbon leakage and the impact of climate policies on sectoral competitiveness, they come at an overall cost to economic growth both in the countries applying the measures and also in developing country trading partners. New work in 2009 on the economics of climate change mitigation will include, *inter alia*, a focus on the financing flows that different international policy frameworks might generate to support actions in developing countries to reduce emissions, and the resulting incentives for countries to take action.

90. Work is underway to assess the costs and benefits of adaptation. A report from this work, *Economic Aspects of Adaptation to Climate Change: Costs, Benefits and Policy Instruments*, has now been published. The SWAC has published a Briefing Note on “Climate Change in West Africa: Sahelian Adaptation Strategies”.

91. Other work in 2009-10 by the OECD Investment Committee and Environment Policy Committee will examine how public policy frameworks can best encourage private investment in a climate-friendly infrastructure, including international investments to developing countries. New analysis of environment and technology policies will also examine the impacts of these policies on the development and international transfer of selected climate-relevant technologies.

Biodiversity

92. A 2008 publication on *People and Biodiversity Policies: Impacts, Issues and Strategies for Policy Action* examines how implementation may benefit different groups in society to a greater or lesser degree. At times, some groups in society may lose out under certain policies, in particular local communities in developing countries. For example, in establishing a property right to facilitate the management of a biodiversity-related resource, people who previously had unrestricted use will be adversely affected. Distributive effects influence the viability of biodiversity policies, and can lead to policies being derailed. The analysis finds that, with sufficient planning potential problems can be identified and their effect assessed: strategies can be developed to manage the distribution of impacts and ensure buy-in from negatively affected groups. Combining analysis and a wealth of case studies, this publication offers tools for addressing distributive issues within a biodiversity policy context. New work in 2009-10 by the Environment Policy Committee in this area will include examination of innovative financing for biodiversity conservation and sustainable use, including the potential for international payments for ecosystem services.

Environment-economy integration

93. An *OECD Framework for Effective and Efficient Environmental Policies* was welcomed by OECD environment ministers in early 2008. This Framework provides guidance for improving the environment-economy integration of environmental policies. Although the Framework is addressed to OECD countries, it applies to developing countries as well.

94. The OECD also completed a report in 2008 on the *Costs of Inaction on Key Environmental Challenges*. This report illustrated that the developing countries suffer a high percentage of many of the costs associated with such problems as climate change, air and water pollution, and contaminated waste sites. Developing countries therefore have a strong internal interest in actively working to address these problems.

Trade and environment

95. *Trade in non-hazardous recyclable materials* is important for many industries, in both OECD and developing countries. However, this trade should not be used to conceal trade in hazardous materials. Case studies undertaken in 2008 in three OECD countries and three developing countries (China, Brazil, and South Africa) revealed that there are several practical ways to facilitate legitimate trade in non-hazardous recyclable materials, while ensuring that trade in hazardous materials is subject to appropriate controls.

96. The OECD has also completed work which illustrates that several countries (including many developing countries) continue to apply tariffs and non-tariff measures that impede trade in technologies that would otherwise lead to reduced greenhouse gas emissions. Addressing *barriers to trade in these "clean" technologies* would be an important step forward.

97. Several developing countries also entered into regional trade agreements in 2008 (see also the OECD's *Environment and Regional Trade Agreements*). Many of these agreements contain "environmental" clauses that seek to protect the environment while promoting trade. This kind of initiative is directly supportive of PCD goals.

98. Environmental sustainability is an important criterion for successful development. A recent OECD survey shows that trade in environmental technology (ET) is hampered by various non-tariff measures. Weak standards in developing-country markets act as disincentives for the diffusion of ET to these markets. High environmental standards in OECD markets can represent an opportunity for exports, such as the strong growth in organic products, but can also be an obstacle for developing countries due to varying conformity assessment procedures. Major restrictive NTMs in OECD and non-OECD markets include complex and costly product standards and testing/certification and cumbersome customs procedures. NTMs that hamper trade predominantly in non-OECD markets are regulations and delays affecting payments for ET contracts and inadequate policies to protect intellectual property.

99. TAD in collaboration with the Joint DAC/EPOC Task Team on Governance and Capacity Development for Natural Resource and Environmental Management works to develop a Policy Brief on Environment and Trade. In addition, the Task Team will explore the possibility of including trade-related elements in future guidance documents related to governance and capacity development for environment.

Water management

100. Meeting the MDG challenge related to water supply and sanitation will require significant additional finance. Raising this capital will be more likely if the right balance is found between water tariffs, taxes and external transfers (such as ODA). OECD's contribution to the 5th World Water Forum, included several presentations and the report on *Managing Water for All: An OECD Perspective on Pricing and Financing* which advocates for the adoption of strategic financial planning in the water sector and concludes *inter alia* that wider use of economic instruments is warranted in managing the demand for water services (including in the agriculture sector), and that more effective use of public-private partnerships would be useful as a possible option for improving service delivery. The coherence of water management policies in developing countries would also be improved by the application of these principles.

101. An initiative was launched based on the *OECD Principles for Private Sector Participation in Infrastructure* to strengthen efforts to ensure adequate provision of water and sanitation services. It complements recommendations developed by the OECD on pricing and realistic financing strategies. The focus is on drinking water and sanitation infrastructure in developing and emerging economies. The work involved the development of a guidance based on the Principles and building on country experiences and it was developed through extensive regional consultations in Africa, Asia and Latin America. The recommendations include promoting a conducive framework based on high-quality regulation and political commitment, including a commitment to fight corruption. Private actors also play an important role in ensuring the sustainability and effectively managing the social and environmental consequences of their actions. This work also contributes towards more coherent policies in developing countries.

Chemicals

102. In 2008, Council adopted a *Resolution on Implementation of the UN Strategic Approach to International Chemicals Management* (SAICM) and endorsed a four-year Programme of Work on Chemicals which put dissemination of good practices developed in OECD and greater coherence within the international system for sound management of chemicals, chemical products and products of modern biotechnology at the centre of its work on Environment, Health and Safety. Increased efforts are being made to augment the number of non-members, in particular Enhanced Engagement countries, which adhere to the Council Acts related to the Mutual Acceptance of Data (MAD) in the Assessment of Chemicals. All of the products of the Environment, Health and Safety Programme are available on the Internet free of charge. Efforts will be made to make some of the more basic materials more useful and accessible to developing countries in order to promote global policy coherence as an increasing number of non-members establish their frameworks for management of these products.

Environmental Performance Reviews

103. The aim is to address environmental development co-operation in the international section of all future Environmental Performance Reviews (EPRs). In most countries this is largely the responsibility of aid agencies with environment agencies playing a relatively small role. However, there are a few examples where environment ministries play a more central role. In such cases, it is important that they follow the principles guiding development co-operation, such as the Paris Declaration on Aid Effectiveness. In examining environmental development co-operation, aid reviews conducted within the DAC are drawn on as far as possible.

Development co-operation

104. Following the 2006 Joint Environment-Development Ministerial Meeting, DAC and EPOC have addressed three key issues at the interface of environment and development: *i)* Integrating Adaptation to Climate Change into Development Co-operation; *ii)* Sustainable Financing to Ensure Affordable Access to Water Supply and Sanitation; and *iii)* Governance and Capacity Development for Environment and Natural Resources Management.

105. This joint work has resulted in the formulation of policy guidance for donors with respect to integrating climate change concerns in the context of development co-operation programmes at all levels. This includes, in particular, identifying how “business as usual” development policies, plans and programmes may inadvertently increase vulnerability to climate change impacts, and finding ways to avoid it. It also includes identifying “win-win” or “low-regrets” development-adaptation options for developing countries.

106. The formulation of recommendations on how to ensure that financial planning for water supply and sanitation is undertaken in a strategic way that ensures long-term financial sustainability of service provision as well as affordability, notably for the poorest. This includes, in particular identifying governance reforms to improve the sector’s capacity to develop and manage water supply and sanitation services and to attract public and private investment.

107. With respect to Governance and Capacity Development for Environment and Natural Resources Management, the focus has been on how to ensure that development co-operation contributes to strengthened environmental management, in the context of new aid modalities, and notably the shift towards general un-earmarked programmatic support. This has included, in particular: *i)* identifying ways to demonstrate the economic value of environmental management, using techniques applicable to developing countries context; *ii)* identifying the challenges associated with integrating environmental

programmes into medium-term budgetary processes/frameworks; and *iii*) developing approaches for assessing government's institutional capacities to manage the environment.

Assessing impacts

108. A publication on *Reconciling Development and Environmental Goals: Measuring the Impact of Policies* released in 2008 provides quantitative assessment of the impacts of a range of different environment or other policy decisions in OECD countries on developing country prospects. The report describes nine "single policy change" simulations that illustrate the need for joined-up policies. For example, it finds that further trade liberalisation - unless accompanied by improved environmental policies - can increase environmental pressure in both OECD and developing countries because they lead to increases in the output of environmentally sensitive goods and services. The findings underscore the need to integrate environmental considerations into national planning and development co-operation, and thereby to invest some of the "growth dividend" in environmental protection, which in turn can help to support more sustainable economic growth over the long term. The scenarios illustrate how policy combinations could substantially improve both economic and environmental outcomes, confirming the need for policy coherence.

Security and fragility

109. Security and development efforts must go hand in hand in conflict and fragile situations in order to ensure lasting peace and prosperity. The overall aim of the OECD is to deliver development effectiveness in conflict and fragile situations. The focus on the current work is on monitoring the implementation of the OECD principles for good international engagement in fragile states, state building, peace-building, security system reform and armed violence reduction.

110. DCD/DAC has prioritised policy coherence work through support for three thematic *whole-of-government* meetings on situations of conflict and fragility in 2008, culminating in a senior level whole-of-government meeting in March 2009. The focus has been to strengthen links between development and diplomacy; public finance management and security system reform (SSR).

111. The results were discussed at a senior level meeting in March 2009 in Geneva to take forward proposals relating to coherence, co-ordination and complementarity (3C approach). The work has been carried out in co-operation with several members, including the World Bank and NATO. Efforts to forge relations with NATO have been taken forward. (here one sentence deleted) Regular working level co-operation will allow OECD to reach out to the defence and security community in places like Afghanistan in order to monitor the Principles for Good International Engagement in Fragile States. Future work will include accountability and transparency in the defence sector, financing issues (trust funds and pooled funding) and civil military relations.

112. The networks on conflict and fragility were merged into the International Network on Conflict and Fragility (INCAF) in 2008, aiming at more coherent outcomes. INCAF's work on monitoring the Principles for Good International Engagement in Fragile States in partner countries is linked to the reporting cycle of the Working Party on Aid Effectiveness. Representatives from the SWAC and the APF are part of the INCAF Armed Violence Reduction advisory panel. INCAF also consults closely with the SWAC on security system reform in West Africa and with the APF on matters relating to the Africa Union. DCD continues to support the Partnership for Democratic Governance (PDG) to secure added value and complementarity. Finally INCAF has supported the work on of the Heiligendamm process, with advice and background information.

113. Since 2008, the PDG unit works to support post-conflict countries and states in fragile situations, where concerns around policy coherence and the influence of the political economy are often at their most extreme. This work has included mapping activities of development activities across different sectors in fragile states, including the Democratic Republic of Congo, Georgia Grenada, Guatemala, Haiti, Liberia, Sierra Leone and Timor-Leste. Co-ordination of development assistance combined with political and human capacity considerations have emerged as common deficits. Efforts are underway to fill short-term gaps in capacity through policy analysis, work on collaborative solutions and country-level pilots.

114. In the framework of the PDG, a Senior Level Policy Dialogue discussed the challenges to use of “ready-to-go” deployable civilian capacity for international early recovery operations to restore or maintain core government functions in March 2009. The sustainability of interventions and the longer-term impact of these new foreign policy tools on democratic governance and state building were at the heart of the discussions.

115. The OECD Risk Awareness Tool developed by the Investment Committee in co-operation with others as a response to the UN Security Council and the G8 summits calls in 2002 and 2005 to look at the problem of private investment in weak governance zones. It complements work in support of efforts by NEPAD to implement “effective measures to combat bribery and embezzlement” in the framework of the OECD Guidelines for Multinational Enterprises.

116. Since March 2008, the DAC and the Investment Committee are promoting the use of the Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones (WGZ). This work offers web-based operational guidance to help companies manage ethical dilemmas and fosters a dialogue among the donor and investment community. The NEPAD-OECD Expert Roundtable on Investment in Transport Infrastructure, held in Uganda in December 2008, served as a platform for an open dialogue on ethical dilemmas companies face while carrying out infrastructure projects. A pilot project on extractive industries will start in 2009. Human rights and corruption have been identified as other areas for future work. INCAF will act as a platform for multi-stakeholder consultations on the implementation of this tool, alongside with the NEPAD-OECD Africa Investment Initiative. Collaboration is planned also with Working Party on Export Credits and Credit Guarantees and the Working Group on Bribery.

Trade and agriculture

117. There is clear evidence that trade is a powerful engine for economic growth, and also that trade liberalisation has the potential to contribute to improved economic welfare and poverty reduction. In this context, policy coherence for development requires that trade policies in developed economies do not have negative effects on developing countries, and that they are aligned with broader development goals. Analysis of development impacts in relevant projects continues to be an important goal.

Trade and structural adjustment

118. A series of country and regional case studies were prepared analysing developing country experiences relating to trade policy in the package of policies necessary for successful structural adjustment. By focusing on developing countries, this work complements the major study on Trade and Structural Adjustment undertaken for the 2005 MCM. The findings confirm that trade growth is a vital component of development; yet trade liberalisation can cause difficult adjustment problems – for all countries but particularly for developing countries. To ensure maximum benefits, an open trade policy needs to be complemented by a closely co-ordinated reform package including FDI, labour market, tax, regulatory, exchange rate and fiscal policies. Since the situations of individual countries can vary widely, policies and their timing need to be customised accordingly. An element that received special attention in this work was recognition of the importance of early export expansion to complement import expansion.

Aid for Trade

119. The Development Co-operation and Trade and Agriculture Directorates are preparing a new edition of *Aid for Trade at a Glance* that will be released in mid-2009. It aims to take stock of the aid for trade flows in recent years, partner and donor approaches to Aid for Trade strategies and implementation, and regional dimensions. Policy coherence for development was one of the themes at the Aid for Trade Policy Dialogue event which took place in November 2008. Participants agreed *inter alia* on the need for a better understanding of the potential role of Aid for Trade as a development tool and improving monitoring of Aft programmes. PCD issues may be raised in work on good practices to be implemented during the course of the upcoming biennium, including in the context of the next Global Review on Aid for Trade to be held in co-operation with the WTO in Geneva in July 2009.

Trade and innovation

120. A series of papers examining the importance of trade for innovation, drawing on sectoral case studies from developing and developed countries (*e.g.* agro-food in South Africa, garments in Sri Lanka) have been discussed and finalised by the Working Party of the Trade Committee. Other studies have focused on the effects of sectoral trade liberalisation (*e.g.* the Information Technology Agreement), with attention paid to the implications for developing countries, including the contribution to poverty reduction.

Trade facilitation

121. The Trade Committee has been pursuing work to assess the relative economic importance of specific trade facilitation measures aimed at improving efficiency of customs and border procedures to enable developing countries to set priorities and to mobilise technical assistance and capacity building efforts in a more targeted way. Recent work with DCD/POVNET has focused on the relationship between trade facilitation and informal cross-border trade.

Agriculture

122. Agriculture plays a key role in reducing poverty and hunger in many developing countries. The benefits for developing countries' farmers have been substantial as a result of OECD countries' agricultural reforms. Increasingly, support is being decoupled from production decisions and provided in ways that have less trade distorting impacts, but further reforms are required if developing countries are to benefit fully develop their potential for increased agricultural production and better integrate into world markets. In this context, much of the work carried out by the Committee for Agriculture is of relevance for developing countries. In particular, there are several current projects that contribute to the international discussion on food commodity prices and food security, as described in Section 2.

Anti-corruption

123. Corruption threatens good governance, sustainable economic development, democratic process, and fair business practices. The OECD has been a global leader in the fight against corruption for over a decade. Our multidisciplinary approach addresses corruption in business, taxation, development aid, and governance in member countries and beyond.

124. DAC (GOVNET) and the Development Centre collaborated on studying the relationship between formal and informal aspects of governance in the development process. The aim was to examine in detail, issues relating to governance and accountability in settings where informal institutions and informal governance are strong. The work looks at the impact that governance reforms that do not take into account the political context as shaped by informal institutions has had on issues such as levels of corruption. The work resulted in the publication, *Informal Institutions: How Social Norms Help or Hinder Development*. The follow-up will focus on aid and domestic accountability. DEV also contributed significantly to the development of GOVNETs governance assessment principles.

125. DAC (GOVNET) will be monitoring - in collaboration with the Working Party on Aid Effectiveness -commitments relating to anti-corruption made by both developed and developing partner governments at the third High-Level Forum on Aid Effectiveness in Accra 2008. Key commitments focused on the implementation of the UN Convention against Corruption (UNCAC), but also on making greater efforts to combat corruption by individuals or companies from OECD countries, increasing the focus on tracking, freezing, and recovering illegally acquired assets. Related to this, emerging work on the impacts of tax havens on developing countries, will also involve collaboration with the Development Centre. Working in partnership with the UN Office on Drugs and Crime and ICC, BIAC, TUAC and Transparency International, an event with donors and the private sector is planned in the margins of the next States Parties of meeting of UNCAC taking place in Doha in 2009. The outcomes will be part of a declaration to be presented at the meeting.

126. The effective enforcement of the OECD Anti-Bribery Convention depends on obtaining effective legal assistance from the foreign public officials' countries and increased law enforcement efforts in state parties. It is important that developing countries are willing and able to co-operate, including in relation to aid-funded public procurement contracts. Promotion of the Anti-Bribery Convention to the development community is part of the joint work of DAC with Working Group on Bribery in International Business Transactions.

127. In the light of the preceding, the Secretary-General invites the Council to adopt the following draft conclusions:

THE COUNCIL

- a) noted document C(2009)66;
- b) invited the Secretary-General to take appropriate measures to implement the proposals in paragraph 6;
- c) agreed to declassify this document.

**ANNEX I.
COLLABORATION FOR DEVELOPMENT -
A REVIEW OF THE DEVELOPMENT CLUSTER AND BEYOND**

A1. Working together is imperative and expanding

128. A coherent OECD is better able to foster common responses to global challenges, increase development impacts and improve the overall functioning of the world economy. Challenges posed by globalisation, the financial and economic crisis, climate change and global inequality reinforce the need for joined-up approaches in addressing the development needs of developing countries. The new mandates on enlargement and enhanced engagement entail new dimensions to the work on development and outreach and heighten the need for policy coherence in OECD work.

129. Improved understanding about development processes points to the importance of achieving an appropriate mix of broad policy interventions in support of development. This calls for improved policy coherence and, consequently, for better horizontal co-ordination throughout the Organisation. Collaboration is essential for maximising results, and is contingent upon each actor fully understanding its role and responsibilities.

130. In this context it is evident that the Development Cluster is only one part of the Organisation's development work. The internal review in 2005 of the Cluster concluded that fostering a coherent strategy on development across the OECD is not the sole responsibility of the Development Cluster. This is even more obvious today. We need to enhance overall cross-sectoral work on development to be effective and successful. One could argue that the question now is how to best integrate development to the global relations and whether there is a rationale of singling out 7 units as "development cluster" when in fact all parts of the Organisation are engaged in work that is relevant to development.

131. There is a need for practical solutions and identification of methods that work best to improve system-wide collaboration, while at the same time recognising complementarities and differences in respective units' or committees' mandates and governance structures. Yet, if no structural changes are proposed by Members concerning the Cluster or a more holistic PWB planning, the level of ambition for deepened collaboration needs to be realistic. The built in structural differences often result in no immediate or clear incentive for the staff to co-operate. In this respect improving collaboration, while essential, can only go so far. Section A6 (page 49) proposes a framework and actions for more effective collaboration and delivery of development messages under Council's guidance within existing structures and resources.

A2. Background - Internal Review of the Cluster in 2005

132. The Development Cluster was established in January 2003 in the light of a review of the organisational structure of the OECD's work on development. This review was undertaken by a Heads of Delegation Working Group led by Ambassador Frans Engering of the Netherlands.¹⁸ At that time, the Cluster comprised of the Development Co-operation Directorate (DCD), the Centre for Co-operation with Non-Members (CCNM), the Development Centre (DEV) and the Sahel & West Africa Club (SWAC).

18. HOD(2002)4, C(2002)181/REV2, C/M(2002)18 Item 258.

Three more units – the African Partnership Forum Support Unit (APF), the Partnership for Democratic Governance (PDG) and the Heiligendamm Dialogue Process Support Unit (HDP) – have since been integrated into the practical co-ordination of the Cluster. The Cluster works under the supervision of a Deputy Secretary-General for Development and Policy Coherence.

133. The Development Cluster was made operational in 2003¹⁹ and it was subjected to an internal review in 2005 [C(2005)7 and C/M(2005)2] and it reports regularly to Council on progress made with regard to its collaboration.

134. The internal review of the Development Cluster noted that while the Cluster had made great progress in improving co-ordination since its establishment, scope for improvement remained. However, one of the key findings was that it was not the right time to perform an external review of the Development Cluster. Rather suggestions were made to help the Cluster foster a coherent approach on development across the OECD as a whole.

135. The Council welcomed the recommendations, including that of mainstreaming global development throughout the Organisation. The review noted that fostering a coherent strategy on development across the OECD is not the sole responsibility of the Development Cluster, and observed that guidance from the Council and Senior Management is required. It added that Council had not taken full advantage of the biannual discussions to foster a common strategy and a co-ordinated work programme for the development units.

136. The creation of new support units - the African Partnership Forum Support Unit (2007), the Partnership for Democratic Governance Advisory Unit (2008) and the Heiligendamm Dialogue Process Support Unit (2008) - contributes to enhancing dialogue with non-Member countries and/or major developing countries. This reinforces the need for collaboration.

19. The six strategic objectives/clusters of the OECD/ are: (1) Promote Sustainable Economic Growth, Financial Stability and Structural Adjustment; (2) Provide Employment Opportunities for All, Improve Human Capital and Social Cohesion, and Promote a Sustainable Environment; (3) Contribute to the Shaping of Globalisation for the Benefit of All through the Expansion of Trade and Investment; (4) Enhance Public and Private Sector Governance; (5) Contribute to the Development of Non-Member Economies; and (6) Provide Effective and Efficient Corporate Management.

A3. Progress made since the 2005 Internal Review

137. This chapter notes progress made with regard to three main objectives of the review: (a) a more coherent approach to development across the OECD; (b) a strengthened OECD voice on development issues externally; and (c) improved co-ordination between the Cluster units. Recent key improvements in response to the respective objectives are outlined in the following sections.

A3.1. A more coherent approach to development across the OECD

- **The Coherent Framework for the OECD's Work on Development** was produced in 2006 and with the support of the Cluster Units it has contributed to raising awareness of the importance of development. Today there is a considerable involvement of other directorates and committees in development activities. A steadily growing number of OECD committees understand the need to engage developing countries, in order to best serve Member Countries;
- **Streamlining the global relations of the Organisation** with Council's guidance and priorities to these activities on several occasions²⁰;
- Building a more structured and coherent partnership with major economies within the **Enhanced Engagement process** (Brazil, the People's Republic of China, India, Indonesia and South Africa) through the Ministerial Council decision of May 2007²¹ and **the enlargement process** entailing new dimensions to the work on development. See Box 3;
- **Promoting an understanding of the importance of coherent policies for development the Policy Coherence programme** has made progress in and the trade-offs involved within and across the directorates and committees, as reinforced by OECD Ministers in June 2008²²;
- **Addressing global challenges**, climate change, trade or migration for example, in a comprehensive way that takes into account also the impacts on developing countries. Including major developing countries in the dialogue on global issues is now a general practice in many areas of OECD work;
- **Reinforcing the ownership by committees for global challenges** by establishing functional links between the Global Forums and the committees in 2008.

20. A framework for OECD relations with non-members (C(2005)158/FINAL); regional approaches; Synthesis and strategic guidance (C(2006)168/FINAL); Review of the OECD Global Forums (C(2007)131/FINAL).

21. The mandate also called for a similar but distinct initiative to strengthen OECD co-operation with selected regions of strategic interest, starting with South East Asia (C/MIN(2007)4/FINAL); Enhanced Engagement: Towards a Stronger Partnership between Major Emerging Economies and the OECD; Report to OECD Council at Ministerial Level, 4-5 June 2008 [C/MIN(2008)5/FINAL].

22. Ministerial Declaration on PCD, C/MIN(2008)2/FINAL.

Box 3. Enhanced Engagement

Since the launch of the Enhanced Engagement (EE) with Brazil, China, India, Indonesia and South Africa in May 2007 this initiative has become an important part OECD's global relations strategy and it contributes positively to our work on development issues. At the MCM 2008 all EE countries participated at Minister or Deputy-Minister level and they contributed very constructively to the discussions on key development issues such as trade and commodity prices. The ongoing global crisis and efforts to develop a new international financial and economic architecture provide an important additional context to the Enhanced Engagement. The priority of EE work is reflected in the PWB 2009-2010 allocations. The work now covers a wide range of OECD activity encompassing regular economic surveys, incorporation to statistical databases, human capital, employment and social issues, trade, investment, anti-corruption, competition, governance and territorial development, to name the major areas of focus.

Some examples of particular relevance to development include the following;

The Global Forum on Trade (June 2008) addressed trade policies of the BRIICS (Brazil, Russia, India, Indonesia, China and South Africa) and their impact on LDCs. Food security, energy security, and vulnerability to climate change were topics of great concern to the LDCs. As a follow-up to the event and related work, a publication entitled *Globalisation and Emerging Economies* was released at events at the United Nations and at the World Trade Organisation in Geneva in March 2009. For 2009-10, TAD work on EE countries will move into themes including: analysis of the shifting patterns of comparative advantage; the impact of China on countries in the Asia region; and lessons of experience from successful adjustments. The spin-off effects to other developing countries (LDCs) could be explored in this connection. During 2008, the OECD's country economic review capability was extended to include all EE partner countries. The ECO work is interesting also in terms of opening possibilities to look at the 'spill-over' effects in the larger economic environment.

DAC aims at deepening knowledge of its work in EE countries and encouraging EE contribution to discussions on aid and aid effectiveness. All EE partners are invited to DAC Senior Level Meetings, as well as the Global Forum on Development. A specific Dialogue on Triangular Co-operation will be organised in Mexico in September, with EE countries expected to take a leading role in discussions. The Working Party on Aid Effectiveness will discuss in April South-South co-operation, an issue of major interest to all EE countries. Major challenges will include the capacity to engage in global dialogue on these issues and the identification of themes of mutual interest for. Country-level mapping in 2009 will aim at identifying practical issues for future dialogue. In the new China-DAC Study Group, launched in January 2009, experts from China and DAC members will together examine China's poverty reduction and its experience of working with DAC donors, and will shed light on the poverty reduction impacts of China's economic co-operation with Africa.

Following Indonesia's accession in February 2009 to Development Centre four of the five EE countries are now members of the Development Centre and its Governing Board. Numerous meetings are envisaged in EE countries, notably as part of the presentations of the Centre's regional Outlooks on Africa and Latin America.

A3.2 A strengthened OECD voice on development issues externally

138. Progress has been made to ensure that various OECD statements on development amount to a clear unifying message when we enhance global co-operation, including through:

- **Delivering topical statements on emerging international development issues**, such as the Aid Pledge from donor countries issued by the Secretary-General and the DAC chair; the Statement of Progress on Integrating Climate Change Adaptation into Development Co-operation; the pledging of ongoing credit support for developing country imports by major exporters; the promotion of a global Internet Economy as outlined in the Seoul Declaration; and the reaffirmed commitment to policy coherence for development by OECD Ministers:
- **Developing comprehensive development packages**, such as the Development Co-operation Report, the OECD Active in Africa brochure, the African Economic Outlook published jointly by the Development Centre and the African Development Bank (AfDB), the SWAC/ECOWAS West Africa Regional Atlas and West Africa Report, Mutual Reviews of Development

Effectiveness published jointly with the United Nations Economic Commission for Africa (UN ECA), sectoral reviews of non-members (*e.g.* innovation, investment, agriculture), the WTO/OECD Aid for Trade at a Glance publication, the OECD-FAO World Agricultural Outlook 2008-2017, the OECD Environmental Outlook to 2030, the NEPAD-OECD Africa Investment Initiative (see Box 4) and the MENA-OECD Investment Programme, the Global Development Outlook, and the Horizontal Programme on Food Prices. Electronic initiatives include the launch of the first OECD “wiki” on gender issues and development (wikigender.org), and the construction of regional web portals (with Africa being the pilot):

- **Participating in key international events to channel policy messages on development**, such as the World Water Forum, UN conferences on climate change leading up to COP-15, the MDG Africa Steering Group convened by the UN Secretary-General and the High-level Event on Millennium Development Goals, the UN High Level Task Force on the Global Food Security Crisis, the IMF lead discussion in Dar es Salaam on Successful Partnerships for Africa’s Growth Challenges, and the World Economic Forum in Davos;
- **Contributing to major processes**, such as the G8 and the G20, the OECD’s inputs to ongoing work on the financial and economic crisis is a case in point. The Heiligendamm Dialogue Process Support Unit and the African Partnership Forum Support Unit have their specific roles in this respect;
- **Taking leadership in organising joint events on emerging issues on development** such as the Third High Level Forum on Aid Effectiveness in Accra, the International Conference on Financing for Development in Doha, the IMF-OECD-World Bank Seminar on the Response to the Crisis and Exit Strategies; the High Level Parliamentary Conference on Migration and Policy Coherence for Development organised jointly with the European Parliament and the European Commission, the Global Forum on Investment for Development (with UNCTAD), and the OECD World Forum on Measuring the Progress of Societies.

Box 4. The NEPAD-OECD Africa Investment Initiative

The *NEPAD-OECD Africa Investment Initiative* aims to improve the capacity of countries in Africa to identify and implement concrete policy reforms that strengthen the environment for investment in support of sustainable growth and development.

Following a first phase focused on policy dialogue at regional level (2006-08), phase II of the *Initiative* was launched in December 2008. While it continues to play a critical role as a facilitator of regional dialogue on investment policy, it also supports investment policy reform at country-level by taking advantage of OECD peer learning methods and investment instruments such as the *Policy Framework for Investment*, the *OECD Principles for Private Sector Participation in Infrastructure* and the *Risk Awareness Tool for Multinational Enterprises in Weak Governance Zones*.

The *Initiative* has provided a forum for sustained investment policy dialogue among peers. The *Initiative's* Roundtables (Entebbe in 2005, Brazzaville in 2006, Lusaka in 2007, Kampala in 2008) have served to bring together investment policy practitioners from all parts of Africa as well as interested OECD Members. From a policy coherence perspective, an important achievement of the *Initiative* has been the strengthened investment dimension within the African Peer Review Mechanism (APRM). Working in close co-operation with the Secretariat of the African Peer Review Mechanism, the *Initiative* has increased awareness of the importance of investment climate reforms as part of the APRM process.

The *Policy Framework for Investment* (PFI) is also used by the *Initiative* as a vehicle to promote policy coherence for development in partner countries by providing a common platform for dialogue and co-operation between countries as well as private actors on international investment policy issues. Coherence is further supported through the *Initiative's* governance guided by a Steering Group, chaired by the NEPAD Executive Head. In addition to NEPAD and OECD countries, the Steering Group is composed of the African Union Commission and other major public and private African actors, including the APRM Secretariat and Regional Economic Communities.

The DAC has also taken advantage of Roundtables of the *Initiative* to promote its guidelines to donors on how ODA can catalyse private investment and how to build pro-poor growth. The Chair of the DAC/POVNET is a member of the *Initiative's* Steering Group. The *Initiative* has been joining forces with the African Partnership Forum and the Development Centre, including through the participation in its Steering Group. The *Initiative* has increased synergies for impacting political processes such as the G8 cycle. It contributes to CCNM briefs, brochures and meetings on Africa and development. The *Initiative* will serve as an additional platform for sharing work on open market and business integrity undertaken by the OECD Working Group on Bribery and other OECD bodies serviced by DAF.

A3.3 Improved co-ordination between the Cluster units and beyond

139. Several steps have been taken to foster synergies within the Cluster and with other directorates, including:

- **Reinforcing co-ordination at director level:** Key directorates have been invited to meetings of the Cluster's Unit Heads to demonstrate the integration of development into their work and to discuss possible joint projects;
- **Preparing the Programme of Work and Budget 2009-10:** Several meetings of Unit Heads were arranged focusing on co-ordinating the planning of the PWBs throughout 2008. Practical challenges for this exercise include the different processes of each Unit's internal preparation and budget discussions in the Budget Committee and Council; (see proposals for improvements in section A6);
- **Managing information** by establishing a dedicated Cluster SharePoint in 2008, including an electronic calendar of development-related OECD and international events, mission planning and mission reports;

- **Initiating Cluster-wide and OECD-wide events**, including preparations for the high-level meeting between the DAC and EPOC in May 2009 as a follow up to the Ministerial meeting (2006); joint work on the food crisis (Agriculture Committee, DAC's Network on Poverty Reduction), "Aid for Trade" dialogue by (TAD and DCD). The work around horizontal projects on innovation, migration, water involves several directorates and committees;
- **Facilitating the inputs and strengthening impacts through Intra-Secretariat groups**, such as through the Policy Coherence Network, the Africa Group, Anti-Corruption task force, PDG Intra-Secretariat Contact Group. Global Forum on Development (GFD) and Global Forum for Trade have been noted by Council as examples²³ for stimulating further interdisciplinary work. The GFD has so far helped to strengthen coherent messages on issues such as financing for development through global funds and public-private partnerships; its website and SharePoint site are both jointly managed by DEV and DCD. Global Forum for Investment 2008 focused on developing countries with cross-directorate inputs;
- **Supporting capacity development** will permit partner countries to take ownership and is indispensable for the sustainability. DAC guidelines on capacity development²⁴ are recognised as a primary international reference on this topic. A new collaboration aims to promote more coherent approaches to capacity work across OECD directorates to seek synergies with work at the international level. 18 separate capacity initiatives across the Organisation have been identified representing DCD, DAF, ENV, GOV, DEV, SWAC, APF, PDG, HDP and Paris21. An initial series of capacity development events will cover capacity of country systems, capacity in fragile situations, understanding the Southern perspective and capacity training/learning seminar for group members. A first group event on "capacity development for country systems" focused on building country systems for public financial management which is a key item in the Paris Declaration and the Accra Agenda for Action. The PDG Intra-Secretariat Contact Group's aim to identify synergies also contributes to the whole-of-OECD approach to capacity building;
- Examples of OECD-led capacity building at international level include the *African Economic Outlook* project which aims at strengthening analytical capacity among our African partners. In 2008, the CTPA jointly with DCD worked with SARS, African Tax Commissioners, and the African Development Bank to support a key Conference on Taxation, State Building and Capacity Development. This led to the creation and launch in 2009 of the African Tax Administration Forum.

A4. Overview of Cluster Units

A4.1 Key competencies and audiences of Cluster Units

Centre for Co-operation with Non-Members

140. The Centre for Co-operation with Non-Members (CCNM) was created in 1997 to rationalise the outreach in terms of management structure and contents of the programme. It assists OECD's senior management and Council, principally through its External Relations Committee (ERC), in the strategic planning and prioritisation of the Organisation's Global Relations (*i.e.* its work with non-Members and with other International Organisations), ensuring that the work programme is coherent and implemented in

23. C(2007)131/FINAL (paragraph 43).

24. OECD/DAC. *The Challenge of Capacity Development: Working Towards Good Practice*. DAC Guidelines and Reference Series, 2006

accordance with the strategic objectives. The CCNM's current mission statement was noted by the ERC on 28 April 2008.²⁵

Key competence:

- Advice on and co-ordination of the general policy and development of the Organisation's relations with non-Members and International Organisations;

Key audience:

- OECD members, Enhanced Engagement partners and other non-members;
- International Organisations, their officials responsible for strategic planning of their relations with the OECD; Non-Governmental Organisations, in particular TUAC and BIAC;
- Channels of communications: Council, the ERC, informal Reflection groups, missions, web.

Development Assistance Committee

141. Since the foundation of the OECD, the Development Assistance Committee (DAC), originally set up in 1960 as the Development Assistance Group (DAG), has served as the international forum for co-ordination and formulation of donor policies towards partners in the process of development²⁶. The Committee is served by the Development Co-operation Directorate (DCD). Direct consultation with experts and officials from partner economies has intensified substantially in recent years. The DAC produces guidelines on central issues of development co-operation for implementing the Paris Declaration on aid effectiveness and Accra Agenda for Action²⁷.

Key competence:

- The definitive source of Official Development Assistance statistics and mobilise its increase and increase the effectiveness of aid by making it more aligned, harmonised, results focused and untied;
- Assessment of members development co-operation policies and implementation through Peer Reviews;
- Analysis, guidance and good practice in key areas of development such as environment, conflict and fragility, gender equality, governance, poverty reduction, evaluation, capacity development, aid for trade, and aid architecture;
- Support for policy coherence for development through peer reviews and collaboration with other policy communities.

25. ERC(2008)3/REV1.

26. The DAC has eight subsidiary bodies (Working Party on Statistics, Working Party on Aid Effectiveness, Evaluation Network, Network on Gender Equality, Network on Environment and Development Co-operation, Network on Poverty Reduction, Network on Governance, and International Network on Conflict and Fragility) which in turn have several sub-structures such as Task Teams.

27. www.oecd.org/dataoecd/58/16/41202012.pdf.

Key audience:

- DAC and other OECD members, emerging donors, partner countries; mostly governments, International Organisations, and civil society;
- Channels of communication: publications, web site and meetings; for non-OECD audience through their participation in subsidiary body meetings and activities.

Development Centre

142. The Development Centre was established in 1962 as an interface between OECD Member countries and the emerging and developing economies. As of March 2009, 15 non-members are members of the Centre. It draws OECD members' attention to emerging or systemic issues likely to have an impact on global development, and helps them and their partners find innovative policy solutions to the global challenges of development, poverty alleviation and the curbing of inequality.

Key competence:

- Strategic partnerships: engaging with selected policy communities and organisations on their own terms, from the governmental and non-governmental, profit and non-profit sectors, to facilitate peer learning and stimulate innovative policy solutions for development in an informal, non-negotiating setting;
- Relevant policy conclusions: drawn from cutting-edge analysis conducted in house and in external institutions, in OECD and in non-OECD countries, and communicating them effectively;
- Innovation and flexibility: designing, managing and implementing innovative ways of tackling specific development policy bottlenecks by gathering the relevant partners and adequate technological and financial resources.

Key audience:

- High level policy makers in OECD and non-OECD countries;
- Opinion leaders and civil servants, civil society, private sector, traditional and new media;
- Channels of communication: special briefings and open policy dialogue, specialised media, own databases and web site, events, publications in journals.

Sahel and West Africa Club

143. In 1976, the Club du Sahel (since 2002 the Sahel and West Africa Club) was established with the support of the DAC. It is a joint initiative of West African countries and ten OECD members. It acts as a bridge between West Africa and OECD by promoting policy dialogue on regional issues with a focus on development policies and aid practices.

Key competence:

- Monitoring and analysing major regional political, economic and social trends in West Africa;
- Promoting innovative development approaches and tools: strategic partnership and networks, regional co-operation for improving aid effectiveness;
- Supporting West African and African organisations in formulating and implementing regional policies and strategies;

- Assisting OECD members in designing and implementing regional initiatives in areas such as child labour, on security implication of climate change in the Sahel.

Key audience:

- High level policy makers, regional and international organisations (ECOWAS, CILSS, UEMOA²⁸, AU, FAO, WB, EC, UNDP);
- Private sector representatives, research institutes, civil society groups, media;
- Channels of communication: ECOWAS/SWAC Information Gateway will be launched by Mid-2009, to provide essential information and data on West Africa.

The Africa Partnership Forum Support Unit

144. The Africa Partnership Forum was established by the G8 countries (Canada, France, Germany, Italy, Japan, Russia, the United Kingdom, and the United States), African countries, the New Partnership for Africa's Development (NEPAD), and a number of non-G8 and multilateral development partners in 2003 following the Evian G8 Summit. It was established to broaden dialogue between the G8 and NEPAD. It has become a key forum at a senior political level for discussing and monitoring policy issues, priorities and commitments in support of Africa's development. The Support Unit was established in 2006 for a period of three years, since extended by one year. The renewal will be considered by the Council and the APF in mid-2010.

Key competence:

- Monitoring progress on delivery of commitments by Africa and its development partners, most recently on development finance, climate change the financial and economic crisis, agriculture and governance;
- Federating the OECD's work on Africa.

Key audience:

- African governments, the G8, the African Union, NEPAD, DAC-donors, the AfDB, the World Bank and the International Monetary Fund, and the United Nations;
- Development actors, civil society, think tanks;
- Channels of communication: publications, the APF meetings, web.

Heiligendamm Dialogue Process Support Unit

145. At the 2007 G8 Summit in Heiligendamm, the G8 the G5 (Brazil, China, India, Mexico, and South Africa) and the European Commission committed to embark on a high-level topic driven dialogue in a formalised and structured manner. The OECD was asked to provide organisational and technical support to this process. Council approved the establishment of the Heiligendamm Dialogue Process Support Unit for a period of two years up to the G8 Summit in 2009.

146. The four pillars of the dialogue process are: investment, innovation, energy and development. It facilitates the discussions on development as requested by the dialogue partners including lessons from experience, based on the principles of equal footing, openness, and transparency. It identifies common

28. Economic Community of West African States (ECOWAS), Permanent Inter-State Committee for Draught Control in the Sahel (CILSS), West African Economic and Monetary Union (UEMOA/WAEMU).

ground on objectives, instruments and practices of development co-operation, building on the Paris Declaration and the Accra Agenda for Action and the Doha Declaration.

Key competence:

- Contribution to building confidence between the dialogue partners.

Key audience:

- The G8, G5 and the European Commission's policy makers and experts from governmental institutions. Also consultations with the AU and UN ECA and African Development Bank;
- Channels of communication: the Co-Chairs and the partners.

Partnership for Democratic Governance Advisory Unit

147. The Partnership was launched in October 2007. The founding members were Australia, Brazil, Canada, Chile, Denmark, Japan, Korea, Mexico, New Zealand, Poland, Turkey, the United States, UNDP, Inter-American Development Bank (IADB) and Organization of American States and OECD. It currently has a membership of 14 countries and international organisations. In addition, four countries are observers. Its support Unit – the PDG Advisory Unit is hosted by the OECD²⁹ since February 2008 with an initial three-year mandate that will be subject to review in 2011.

148. It aims to examine how the international community can help developing countries with capacity gaps, with a particular focus on states in situations of fragility, to strengthen their governance institutions and core policy functions. It concentrates on knowledge-gathering efforts on those post-conflict and fragile states with weak institutional capacity demanding for help to strengthen state capacity and delivery systems. PDG addresses the new learning around how quick and effective delivery of services to the people builds a participatory governance structure and helps to develop positive citizen-state relations. The initial stages of PDG's operation, regions under consideration include Africa, Asia, the Caribbean, the Caucasus, and Central America.

Key competence:

- Knowledge products: focusing on new research and emerging trends in support of service delivery in developing countries;
- Field-level initiatives: supporting fragile and post-conflict states' efforts to improve service delivery;
- Collaborative solutions: identifying and enhancing synergies between PDG member countries and organisations, international and regional organisations and other stakeholders. Facilitating access to global good practices and advice as well as qualified personnel for a specific period of time.

Key audience:

- PDG member governments and member international organisations;
- International organisations dealing with development, governance and capacity building; other governments (donors and developing countries); Non-Governmental Organisations, relevant think tanks;

29. C(2007)71/REV1.

- Channels of communication: the PDG Steering Group, Working Group and Experts Group and other PDG meetings; the OECD Council; multilateral conferences; bilateral contacts; a bimonthly newsletter; and the web.

A4.2 Evaluation of Units

149. *Evaluation* of CCNM's output results takes place through the biennial PIR exercise. The DAC underwent a *Council's In-Depth Evaluation* in 2007. Based on its recommendation, it is currently carrying out a Reflection Exercise with senior level officials in order to address how the Committee can sustain and increase its relevance in the changing development landscape. A report is planned to be submitted to Council in July 2009 (Box 5).

150. External evaluations of SWAC were conducted in 2005 and 2006. In accordance of the recommendations a five year plan was developed with a stronger focus on networking and communications. The Netherlands has proposed to carry out a mid-term evaluation of the SWAC's five-year Work Orientations 2008-2012. The Development Centre underwent a stakeholder evaluation in 2006 conducted by an external consultant supervised by an Evaluation Sub-Group of the Governing board. The resulting report was presented to Council on 16 November [DEV/GB(2006)4; C/M(2006)18]. The Centre has acted upon the recommendations, including by focusing on fewer issues on niche areas, forging stronger links with think tanks and researchers in the South and expanding its membership. The evaluation of PDG's work is scheduled to take place in 2011, the third year of operation of the Advisory Unit.

Box 5. DAC reflection exercise

The strategic reflection exercise aims at sustaining and increasing the relevance of the DAC in the next ten to fifteen years. It takes stock of the changing global development landscape and articulates how development co-operation might respond to meet these challenges. It suggests a future role for the DAC, setting out proposals by which it can enhance its relevance and effectiveness in support of global development. Issues raised in the Group have included the following:

Development co-operation has made an important contribution to development of the last six decades. The way we work now needs to adapt. Sustainable development will not be possible without addressing developing countries' concerns in areas such as trade, security, and migration. Global co-operation has never been more important.

Global priorities, most notably climate change, need to be integrated into the global development enterprise. The governance of global institutions needs urgent reform to make them more legitimate and effective.

The DAC has played a vital role in the contribution to development co-operation. It has shown leadership and innovation, such as the work in the 1990s that led to the MDGs and the work on aid effectiveness. Retaining its core identity as a donor forum drawn from OECD members, achieving its objectives will require deeper partnership with other development players. It requires working on new problems, such as global public goods, in new ways, such as jointly with other policy communities.

Suggestions for a review of all OECD development-related activities have been made by Group members.

A4.3 Financial Structure of the Cluster Units

151. The Cluster Units, whose work depends heavily on voluntary contributions (VCs), have different financial structures. DCD and CCNM are Part I funded, while the other Units rely on Part II funding. Four Units (APF, SWAC, PDG and HDP) depend entirely on voluntary contributions and they make up over 70% of DAC/DCD's budget (including PARIS21), 55% of DEV's budget, and 7% of CCNM's budget.³⁰ Furthermore, SWAC has a different budget cycle compared to the other Units.

152. The Cluster's approximated 2009 budget of just over 44 million Euros corresponds to almost 15 percent of OECD's overall 2009 budget. As some Units do not have an annual budget *per se*, table X refers to an estimated annual average over a specific grants period. It is intended to illustrate the different Units' financial structure and staffing costs, but – as figures are preliminary – will not necessarily coincide exactly with the figures in OECD's official 2009-10 Programme of Work and Budget. Nor does the table lend itself to more precise budget comparisons across Cluster Units.

153. The Cluster employs a total of 235 persons (permanent and consultants), representing roughly 10% of total OECD personnel.

Table 1. Overview of Cluster funding and personnel

2009	Funding (KEUR)				Personnel	
	ACs	VCs	Total	% of Cluster budget	Staff ^v	% of Cluster personnel
DCD	5 464	7 820			94	
PARIS21		6 833	20 117	46	14	46
DEV	5 514	6 746	12 260	28	70	30
HDP ⁱ		2 700	2 700	6	10	4
SWAC ⁱⁱ		2 543	2 543	6	15	6
PDG ⁱⁱⁱ		2 300	2 300	5	10	4
CCNM	1 805	131	1 936	4	13	6
APF ^{iv}		1 738	1 738	4	9	4
Total	12 783	29 073	44 173	100	235	100

i) Figures represent an estimated annual budget.

ii) Figures are provisional.

iii) Figures represent an annual estimated budget. Total grants received to date since PDG's inception in 2008 amounts to 3 880 346 Euros.

iv) Figures represent an annual average of initial grant of 6 950 147 Euros.

v) Figures include permanent staff and consultants.

A4.4 Governance structures

154. The Cluster Units - while working for the same organisation - have different governance structures. The DAC is a subsidiary body of the Council, served by DCD, whose director reports to the Secretary-General and the Deputy Secretary-General responsible for policy coherence and development. CCNM is a subdivision of the General Secretariat; it serves the Council, principally through its External Relations Committee. Its director reports to the Secretary-General and three Deputy Secretaries-General (respectively those responsible for global relations, for development, and – on co-operation with other International Organisations – for strategic issues).

30. Figures are for 2009 only, as 2010 VCs are not yet known for most Cluster Units.

155. The other five Units are managed by their own governing structures comprised by their members with reporting to the Secretary-General and Deputy Secretary-General responsible for development.

156. The Development Centre is supervised by its Governing Board, comprised of the members of the Centre. The director reports to the Secretary-General and to the Deputy Secretary-General responsible for policy coherence and development. The results of its research are made public and disseminated under the authority of the Secretary-General.

157. The SWAC is administratively attached to the CCNM. It is supervised by its Strategy and Policy Group (SPG). The SPG is comprised of contributing countries with the participation of West African countries as well as the main regional partner institutions and networks. The director reports to the Deputy Secretary-General responsible for policy coherence and development and to the Director of CCNM.

158. The Africa Partnership Forum Support Unit's (APF) governance arrangements call for the Unit to function under the substantive guidance of the APF co-chairs, to work closely with African partners and, in particular, the AU/NEPAD Secretariat, and to integrate administratively with OECD rules and procedures. The director reports to the Secretary-General and to the Deputy Secretary-General responsible for policy coherence and development. The Secretary-General reports on the outcomes of the process to Council.

159. The PDG Advisory Unit is supervised by the PDG Steering Group, which is comprised of PDG member countries and international organisations. The Head of the Unit reports to the Secretary-General and to the Deputy Secretary-General responsible for policy coherence and development. The Secretary-General reports on the outcomes of the process to Council.

160. The Heiligendamm Dialogue Process is supervised by the Steering Committee, comprised of HDP members. The director reports to Secretary-General. The Secretary-General reports on the outcomes of the process to Council and informal reporting takes place by the Unit to OECD members, directorates and committees.

A5. Expanding global partnerships

161. Thanks to the priority attached by the Organisation to its Global Relations strategy, the number of economies and organisations engaged in a wide diversity of OECD's activities has grown dramatically. In the development field the co-operation with non-member partners is now global in scope and diverse in modalities. Enhanced Engagement is forging a more structured and coherent partnership with five major economies, namely Brazil, the People's Republic of China, India, Indonesia and South Africa. Regional approaches are becoming increasingly important.

162. Collaboration with other organisations is now a routine. There are close to 100 international organisations participating as Observer in one or several OECD bodies³¹. The World Bank (WB) has observership in the largest number of committees and other bodies (44), followed by the IMF (39), the WTO (18), the FAO (17) and the Council of Europe (16). Most of these institutions' missions address similar objectives, but differ in their fields of specialisation, prime responsibilities, main constituencies and operating methods. Yet, no other institution than the OECD provides access to the policy expertise not only of its Secretariat but also to that of its 30 member countries. Integration of OECD's co-operative activities with those of other organisations is therefore an efficient way to make the assets of the OECD

31. OECD Bodies Book accessed online in January 2009.

available to a much larger universe. The External Relations Committee has discussed OECD's co-operation with International Organisations on several occasions, lastly in January 2009³².

163. The OECD has responded to the changing global environment with significant organisational changes. The current structure for development and interaction with economies beyond the OECD incorporates seven operating units co-ordinated by the Deputy Secretary-General responsible for the Development Cluster while Enhanced Engagement and partnerships with international organisations are supervised by other Deputy Secretaries-General. New Cluster Units have added to the richness of our working methods (See Box 6)

Box 6. Heiligendamm Dialogue Process on Africa

In the development pillar, the HDP dialogue partners have exchanged views on how to work better together for achieving sustainable economic growth and poverty reduction, particularly in Africa. With this aim, the HDP dialogue partners have discussed policies, principles, and instruments for development co-operation in order to identify common ground and to develop joint initiatives. The potential for triangular co-operation to enhance synergy between North-South co-operation and South-South co-operation has been an area of particular focus.

In order to develop recommendations in this area, the HDP Support Unit and the African Development Bank jointly organised a workshop on triangular co-operation in Tunis in February 2009. Participants included the AU Commission, the ECA, the UNDP, Tunisia, Niger, Kenya, as well as the HDP dialogue partners. This was an important opportunity for the HDP dialogue partners to discuss with African institutions on key African concerns and development priorities.

Participants identified a set of working principles for effective triangular co-operation, which included: ownership and leadership; alignment with African priorities, policies and strategies; harnessing and supporting existing African efforts; supporting pan-African initiatives that have a continental dimension; and capacity development. Participants also discussed the potential sectors for triangular co-operation. African institutions underscored Africa's high priority on infrastructure and agriculture and explained their initiatives such as the Programme for Infrastructure Development in Africa (PIDA) and the Comprehensive Africa Agriculture Development Programme (CAADP). Participants emphasised the importance of building on Africa's existing initiatives and mechanism for implementation and co-ordination.

The HDP Working Group on Development endorsed the principles for effective triangular co-operation involving the G8 and the European Commission, the G5, and Africa. The HDP dialogue partners are currently discussing how they could work together on the key sectors and initiatives set out by African partners.

A6. Conclusions and suggestions

Ensuring political guidance, co-ordination and monitoring – an OECD framework

164. Building ownership and incentives for working on development issues system-wide remains a challenge given the committee and unit structure of the Organisation. Over the last few years, increased communication and networking between the Development Cluster and other directorates has greatly contributed in a pragmatic manner to responding to the challenge.

165. The importance of improving horizontal management throughout the Organisation has been discussed several times at Council and in the Executive Committee. There are several elements to consider when we aim to move towards working for the OECD vs. for a particular directorate or committee. It is

32. ERC(2009)1.

important to recognise that cross-sectoral work requires systematic support by Council and Senior Management. Much effort is given to horizontal co-ordination, which aims at ensuring cross-fertilisation amongst different constituencies and at reducing overlap and duplications. Further efforts are needed to ensure that in substantive areas where several directorates or units work on same or similar themes our work is complementary and full advantages are taken from synergies. Further efforts are also needed towards developing a working culture, where cross-sectoral work is seen as necessary to ensuring the continuing quality of our products in an ever more complex and interdependent world; where individuals are encouraged – and rewarded more systematically - to work horizontally by building informal ties, developing relationship and participating in networks which facilitate knowledge sharing. To be successful horizontal management practices must be built into the accountability framework and linked to the performance assessment of managers which is possible with the new performance evaluation system. Mobility of staff is one key element.

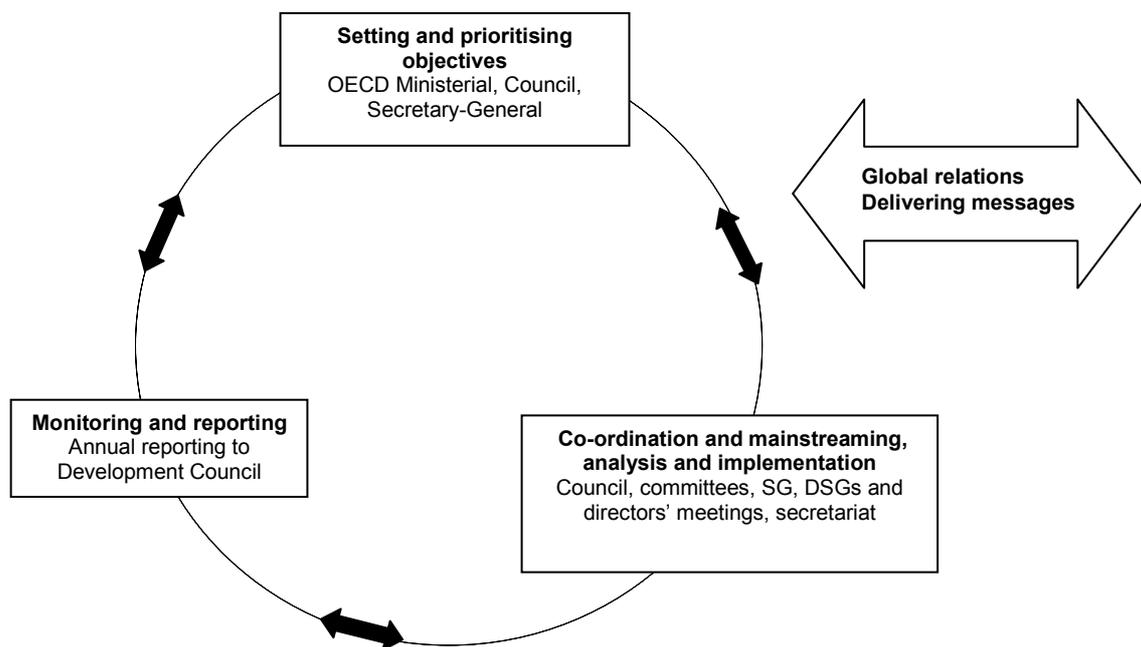
166. Ensuring sustainable funding structures for horizontal activities is an important issue to consider since all resources are linked to PWB outputs. Some horizontal projects have been funded partially by CPF, resulting in integrated inputs across the organisation, with lead directorates. The experience in preparing the Innovation strategy or the Strategic Response to Financial and Economic crisis could be explored as practical examples.

167. In light of the evolution of world economic relations a more fundamental shift in thinking and approach is needed – a paradigm shift — for the OECD to enhance its contribution to global development (as explained in Section 1.3.). If we want to remain an influential global organisation, under limited resources, the OECD needs to focus its contribution, drawing upon its comparative advantages, to maximise its outputs. The Organisation is well equipped to cope with these challenges, and has already moved in the right direction, as is evident from this report. In global economy multi-disciplinarity provides a valuable – and increasingly important - strength to take a coherent, integrated approach across all relevant policy areas. The OECD from its foundation has focused on the development of a wide range of human capacity across all economic and social policy areas, making use of policy dialogue and peer review backed by high-quality, analytical work and the willingness of policy-makers to exchange best practices. Ensuring coherent, whole-of-government perspectives on key challenges is increasingly important. To effectively contribute to global development, the Organisation should build upon its strengths through a focused development strategy and by improving of organisational issues, delivery and performance. This report suggests that we can achieve this through the following actions.

168. The OECD has made progress in cross-directorate work but is still working towards the articulation of an overall management for development issues to fully benefit from the Organisation's capacities. Figure 1 presents a framework aimed at improving effectiveness in delivering *OECD's development results within the existing administrative structures and resources*. The framework is based on a format developed as guidance for members in promoting more coherent policies for development³³. The three building blocks can be used to visualise political commitment, monitoring and implementation of coherent and strategic approach to development also in the OECD context.

33. The Synthesis Report on Policy Coherence for Development [COM/SG/DCD(2008)1/REV1].

Figure 1. The policy coherence cycle



In order to give effect to the framework the following actions are proposed:

(i) Setting and prioritising objectives, including through

Setting strategic goals for OECD's development agenda at the 2010 Ministerial Council Meeting

169. Over the last decades, as a result of a global economy and the rapid emergence of non-Member economies, the OECD has been increasing its relations with non-Members. Today, there is no aspect of OECD's work which is not, in some way, relevant to some developing countries. The Development Cluster is not the sole point of contact with developing countries for the OECD and demand for OECD development work is growing as this report clearly demonstrates. The global development landscape is changing rapidly. There is growing demand for OECD's work and policy advice on development in sectors beyond aid. The lack of specific development priorities in the Global Relations Framework makes it necessary and appropriate for Council to give substantive guidance.

170. This report proposes that Council launches a process to prepare goals for a development agenda for the OECD. These goals should be set within the overall OECD Global Relations' strategic framework as adopted by Council in 2005 to create synergies and ensure consistency with OECD's overall global relations. The Global Relations Framework in fact implies further priority setting when it notes that "It is modest in scope and favouring year to year improvements" and that "Council must play its leadership role by encouraging co-operation, by providing direction and by setting priorities"... "Council should intervene selectively and in a timely way by setting priorities that increases overall coherence and helps to monitor progress over time"³⁴. Council has already updated and complemented the framework in relation to regional

34. C(2005)158/FINAL (paragraphs, 29, 30 and 32).

approaches in 2006 and in relation to Global Forums in 2007-2008³⁵. An important element of setting these development goals is to consider how to strengthening links with key partner countries and institutions in developing regions.

171. The Global Relations background part refers to OECD development mandate, but the framework itself does not refer to developing countries as such, rather it notes in general the aim “to promote shared prosperity by facilitating the integration of economies outside of OECD Membership in the global economy”. Developing specific goals would thus be appropriate and necessary to give more substantive direction and guidance to OECD’s work on development in the new global environment, building on the ministerial guidance of 2002, 2005 and 2008³⁶ and other development work.

172. It would be opportune for the OECD to highlight its role in development while at the same time recognising the need for a differentiated approach with developing countries, for example towards the Enhanced Engagement countries. A starting point could be an in-depth Council discussion. In order to consider the broader development context it would be useful for the Council to link this discussion to the discussion on the report of the Reflection group (in July) and the DAC mandate (second half of 2010). The Reflection Group has raised some issues that will be relevant for the whole Organisation in considering a forward-looking development agenda (see Box 5). Council could further consider the issues and give its orientations in its Development Council debate in January 2010 (see paragraph 184) for an OECD development agenda.

173. The present report, including the coherent framework pillars, could serve as a background and starting point to that debate. The so-called “Kondo Report” on the OECD Strategy for Global Development: Enhancing Co-Operation with Partners (C(2003)36/REV1) presented a development strategy going beyond the Cluster. Many of the key recommendations³⁷ are still relevant and valid and they would merit Council’s attention during the above debates. Elements of a basic strategy as proposed in the report are:

- Basic objectives (why);
- Areas of co-operation (what);
- Selection criteria of partners (with whom);
- Co-ordination among various bodies of the Organisation (by whom); and
- Interaction mechanisms (how).

174. As part of this consideration Council may wish to recommend that medium to long term development strategic goals for the OECD be prepared and presented to the Ministerial Council Meeting in 2010. This could be part of the OECD’s 50th anniversary contributions in responding to global development challenges, five years before the target date for the achievement of the United Nations Millennium Development Goals (MDGs).

35. C(2006)168/FINAL and C(2007)131/FINAL.

36. PAC/COM/NEWS(2002)58; C/MIN(2005)2; C/MIN(2008)2/FINAL

37. C(2003)36/REV1.

175. **Developing OECD guidance**, in the form of a Council Recommendation, **on institutional good practice in promoting policy coherence for development** based on the DAC lessons learned for Council's adoption in January 2010 as described in paragraph 68.

(ii) Improving co-ordination, mainstreaming, analysis and implementation, including through

Enhancing mainstreaming at committee level

176. There has been noticeable progress in reinforcing the efforts to foster coherent policies for development and in enhancing mainstreaming at committee level. But further efforts are needed to foster policy coherence and PCD needs to continue to be a priority of the OECD in order to realise the full potential of its multidisciplinary capacity and obtain results relevant to responding to development challenges. Exploring opportunities for joint Ministerial and committee meetings on key cross-cutting themes, as appropriate, is important.

177. At secretariat level the January "Development Council" meetings could be followed by a joint meeting of Directors, chaired by the Secretary-General - to discuss the practical follow up actions to Council conclusions for further collaboration. This would give a more structured support for mainstreaming and complement the work of several informal cross-directorate networks (as described in paragraph 139).

Improving PWB planning and procedures

178. Joint planning for development activities would be central for a more coherent Cluster and the OECD as a whole. This could be best done within the biannual PWB process. The question on how to enhance horizontal work is currently discussed in the Working Party on Priorities (chaired by the Danish Ambassador) and that process may result in outcomes relevant also for development. With no foreseeable structural changes proposed by Members the challenges for effective joint budget planning will remain. Within the existing structures and resources improvements could be made in reorganising the time schedules for budget processes in different Units to allow for better joint planning. Timing of decisions in various governing bodies is critical to help feed into the joint preparations of the forthcoming 2011-2012 PWB. Senior management's support, including providing sufficient human resources for joint preparations will be essential. For the system-wide planning exercise to be effective the proposed strategic guidance and priorities in the OECD Ministerial development strategy and annual Council orientation discussion will be vital. Additionally, there may be a need to set up a facility that will provide funds for joint projects as indicated in paragraph 166.

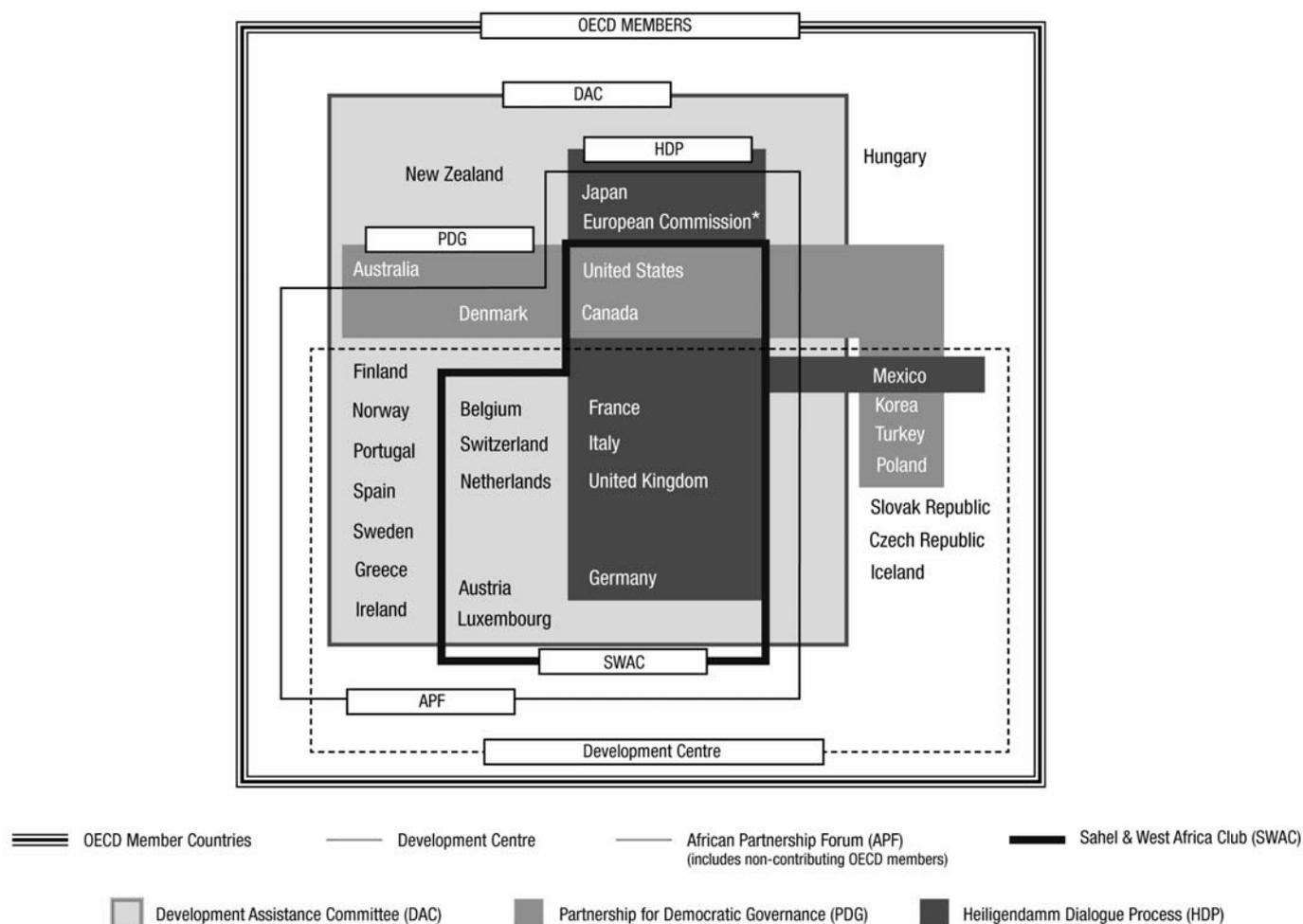
Advancing collaboration within the Development Cluster

179. The Development Cluster functions reasonably well given the different membership as described in the Figure 2. The picture is even richer when non-Members are added to the Figure (see Annex II). Necessity and willingness to work as a team is evident. Regular meetings of Unit Heads have proved a practical way to exchange views and to co-ordinate activities. It is important to acknowledge that many collaborative projects have run smoothly with no real failures, one success being the Global Forum on Development which provides an opportunity for many Directorates, beyond the Cluster, to join forces.

180. Examples of joint Cluster work (2008- 2010) that takes place often without specific reference to collaboration in the outputs include: aid architecture and financing issues, including aid fragmentation, predictability, innovative finance (DCD, DEV, HDP, CTP); anti-corruption, the OECD Guidelines for Multinational Enterprises, the OECD Anti Bribery-Convention, engaging the private sector in anti-corruption efforts in developing countries (DCD, DAF, GOV); fiscal policy capacity, the African Tax

Administration Forum, LEO 2009 (DCD, DEV, CTPA); agriculture (incl. Global Forum, Aid to Agriculture), fisheries in West-Africa (the Development Cluster, TAD); pro-poor growth, employment, labour markets, inequality, child labour (DCD, DEV, SWAC, TAD, ELSA); fragile states and armed conflict, incl. Ensuring Fragile States are Not Left behind, Armed Violence Advisory Panel (DCD, DAF, SWAC, HDP); capacity development (DCD, DAF, ENV, GOV, SGE, DEV, SWAC, APF, PDG and Paris21); DAC Peer reviews (DCD, DEV, SWAC); sharing statistical data for outlooks (LEO, AEO), non-DAC donors, other publications, Measuring progress in societies, the Partnership in Statistics for Development in the 21st Century (DCD/P21, DEV, SWAC, APF, CCNM, ECO, STD); Horizontal Project on Water (the Development Cluster, ENV); Horizontal Project on Migration (DCD, DEV, ELSA, STI); Innovation Strategy (DCD, DEV, STI and others); communications, Development Communication Network, EmNet Meetings, European Development Days, flagship publications, OECD Active in Africa, West Africa Report, West Africa Regional Atlas, West Africa Information Gateway (the Development Cluster, PAC, SGE, TAD).

Figure 2. The "variable geometry" of Development Cluster OECD membership



* European Commission participates in the work of the OECD and the OECD Development Centre.

181. The benefits of further co-ordination are clear but – due to differences in governing structures, audiences and objectives – the level of ambition for deepened collaboration needs to be realistic. With no foreseeable structural changes proposed by Members the challenges for fostering co-operation will remain. Built-in structural differences often result in no immediate or clear incentive for staff to co-operate and in this respect improving collaboration, while essential, can only go so far.

182. In this context it is important to focus on substantive gains and complementarities of the Cluster. The diverse mandates of the Units permit the OECD to adapt and tailor guidance and tools to respond to their audiences and specific development challenges. This is an added value and we need to continue to foster efforts to fully benefit from this strength. The Development Assistance Committee speaks for major

bilateral donors and the DAC Official Development Assistance (ODA) statistics and aid effectiveness agenda are world renowned. Other Development Cluster Units, such as the Development Centre and the Sahel and West African Club, have their own well established reputation based on the quality of their work. The APF has shown the importance of using the outputs from different parts of the OECD in defining policy packages on African development challenges. The PDG and HDP have specific mandates both in terms of their competence and audience. As the hub for OECD's Global Relations, CCNM has a potentially increasing role in building bridges across the Organisation beyond the Cluster.

Areas for improving practical collaboration within Development Cluster

183. This being said there is room for improvement in exploiting specific Cluster synergies to complement the overall suggestions for improvement in the preceding paragraphs;

- Taking full advantage of the knowledge and special focus of each Unit, for example on development issues on Africa or Latin America, using DEV's knowledge of the country/region that other units may not have and benefiting from SWAC's knowledge of West African countries to promoting regional approaches. Developing stronger synergies between the work of PDG on Liberia and Sierra Leone with DCD and SWAC's work on post-conflict settings. Regional perspectives is one area where systematic use of synergies could result in more effective impact, and it is thus gaining prominence as shown *inter alia* through regional desks in CCNM, joint regional publications.
- Continuing to improve information-sharing among Development Cluster units at all levels taking full benefit of the joint SharePoint; using joint mission planning tools to promote joint representation, and enhancing collaborative work on policy analysis and studies, capitalising on each unit's strengths and expertise.
- Promoting concrete efforts in setting a common agenda on capacity development for greater coherence within the OECD.

(iii) Monitoring and reporting, including through

Annual meeting of Council on development issues

184. In order to allow Council to consider the whole scope of development work of the Organisation, a Council meeting devoted to development issues could be organised every January. This would enhance Council's capacity to provide guidance and oversight for a coherent approach to development issues. It would also provide an opportunity to consider how to develop better mechanisms for reviewing and assessing the impact of OECD's development work. Reports for Council's consideration could include the annual report by the DAC chair (DCR); progress report on OECD's system wide work on development and policy coherence for development (the present report fully fledged); and annual reports by Development Cluster Units. Bringing system-wide development work to Council's attention would facilitate assessing results. The meeting could be organised as a "Development Council" each January, starting 2010. Key committee chairs could be invited based on the main theme of the annual progress report and/or the Development Cooperation Report. The first Council debate in 2010 could usefully focus on preparations for the PWB of 2011-12 in order to prepare guidance for committees, although given the early preparations for PWB in committees, Council may want to address this issue already late 2009 and continue in January.

(iv) Delivering messages - global relations, including

Reinforcing delivery through “flagship publication” and civil society forum

185. There is a need to respond to the rapidly changing global context and to improve delivering policy messages. The annual progress report to Council on Development and Policy Coherence (fully fledged) could be declassified and published, serving as a visible tool communicating OECD-wide work on development. It would also increase incentives for directorates and staff to work jointly. Furthermore, it would give the public an opportunity to monitor and assess progress in policy coherence for development within the OECD. The published version of the report could be expanded with some background information to make it more user friendly, and would not include annexes of internal nature or details aimed only at Council’s information. The flagship publication would highlight the main achievements of OECD’s development work and guide readers to more specific sectoral publications on development produced by different units or directorates.

186. Reaching the wider audiences for OECD’s policy messages on development could be facilitated by further engaging with the civil society. To this end it is proposed that a civil society “platform” be established. Invitees would include civil society organisations from OECD and partner countries. The platform could be organised around the publication of the OECD development report referred to in the previous paragraph to engage with civil society, discuss our work and receive their feedback. If the Council decides to establish such a forum it will be necessary to consider the operational and budgetary implications – CPF funding - of the implementation and a launching date of this forum.

187. Presentations of joint work at high-level meetings, preferably with the Secretary-General’s attendance, would provide greater visibility and induce ownership.

ANNEX II: LIST OF ALL DEVELOPMENT CLUSTER MEMBERS

	APF	DAC	DEV	HDP	PDG	SWAC
OECD MEMBERS						
Australia		•			•	
Austria	• ²	•	•			•
Belgium	•	•	•			•
Canada	•	•		•	•	•
Czech Republic			•			
Denmark	•	•			•	
European Commission (EC)	• ²	•	•	•		• ¹
Finland	•	•	•			
France	•	•	•	•		•
Germany	• ²	•	•	•		•
Greece	• ²	•	•			
Hungary						
Iceland			•			
Ireland	• ²	•	•			
Italy	•	•	•	•		• ¹
Japan	• ²	•		•		
Korea			•		•	
Luxemburg		•	•			•
Mexico			•	•	•	
Netherlands	•	•	•			•
New Zealand		•				
Norway	•	•	•			
Poland			•		•	
Portugal	•	•	•			
Slovak Republic			•			
Spain	•	•	•			
Sweden	•	•	•			
Switzerland	•	•	•			•
Turkey			•		•	•
United Kingdom	•	•	•	•		• ¹
United States	• ²	•		•	•	•
OECD ACCESSION COUNTRIES						
Estonia						
Chile			•		•	
Israel			•			
Russia	•			•		
Slovenia						
OECD ENHANCED ENGAGEMENT COUNTRIES						
Brazil			•	•		
China				•		
India			•	•		
Indonesia			•			
South Africa			•	•		
NON-OECD MEMBERS AND REGIONAL ORGANISATIONS						
Colombia			•			
Costa Rica			•			

Egypt			•			
Mauritius			•			
Morocco			•			
Peru			•			
Romania			•			
Thailand			•			
Vietnam			•			
AfDB			•		•	
ECOWAS						• ¹
IADB					•	
IMF			•			
OAS					•	
UNDP					•	• ¹
World Bank			•			

1. EC, ECOWAS, Italy, UNDP and the United Kingdom provide funds for specific programmes and activities and do not contribute to the core funding of the SWAC.

2. Non-contributing OECD members.

LIST OF ABBREVIATIONS

AEO	African Economic Outlook
AfDB	African Development Bank
AfT	Aid for Trade
APEC	Asia Pacific Economic Cooperation
APF	African Partnership Forum Support Unit
BIAC	Business and Industry Advisory Committee
BTAs	Border Carbon Tax Adjustments
CAADP	Comprehensive Africa Agriculture Development Programme
CCNM	Centre for Co-operation with Non-Members
CCP	Committee on Consumer Policy
CERI	Centre for Educational Research and Innovation
CILSS	Permanent Inter-State Committee for Draught Control in the Sahel
CTPA	Centre for Tax Policy and Administration
DAC	Development Assistance Committee
DAF	Directorate for Financial and Enterprise Affairs of the OECD
DCD	Development Co-operation Directorate of the OECD
DCR	Development Cooperation Report
DEV	Development Centre of the OECD
“Development Council”	Regular OECD Council meeting devoted to development issues
ECO	Economics Department of the OECD
ECOWAS	Economic Community of West African States
EDU	Directorate for Education of the OECD
EE	Enhanced Engagement
ELS, ELSA	Directorate for Employment, Labour and Social Affairs of the OECD
ENV	Environment Directorate of the OECD
EPOC	Environmental Policy Committee of the OECD
EPRs	Environmental Performance Reviews
ERC	External Relations Committee
ET	Environmental technology
FAO	Food and Agriculture Organization
FDI	Foreign direct investment
GFD	Global Forum on Development
GNI	Gross national income
GOV	Public Governance and Territorial Development
GOVNET	Network on Governance of the DAC
HDP	Heiligendamm Dialogue Process
IADB	Inter-American Development Bank
ICPSC	International Product Safety Caucus

ICTs	Information and communication technologies
ILO	International Labour Organisation
IMF	International Monetary Fund
INCAF	International Network on Conflict and Fragility
LEO	Latin-American Economic Outlook
MAD	Mutual Acceptance of Data
MCM	Meeting of the OECD Council at Ministerial Level
MDGs	United Nations Millennium Development Goals
MENA	Middle East and North Africa
MRH	Making Reform Happen
NATO	North Atlantic Treaty Organization
NEPAD	New Partnership for Africa's Development
NTMs	Non tariff measures
ODA	Official development assistance
OECD	Organisation for Economic Co-operation and Development
PCD	Policy Coherence for Development
PDG	Partnership for Democratic Governance
PFI	Policy Framework for Investment
PIDA	Programme for Infrastructure Development in Africa
POVNET	DAC Network on Poverty Reduction
PWB	Programme of Work and Budget
SAICM	UN Strategic Approach to International Chemicals Management
SGE	General Secretariat of the OECD
STD	Statistics Directorate of the OECD
STI	Directorate for Science, Technology and Industry of the OECD
SWAC	Sahel and West Africa Club
TAD	Trade and Agriculture Directorate of the OECD
TUAC	Trade Union Advisory Committee
UEMOA/WAEMU	West African Economic and Monetary Union
UNCAC	UN Convention against Corruption
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNESCO	United Nations Educational, Scientific and Cultural Organisation
VCs	Voluntary Contributions
WB	World Bank
WGZ	Weak Governance Zones
WTO	World Trade Organisation