Addressing governance challenges to promote PCD

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The DAC has been working on policy coherence for development for a long time, aware of the fact that «neglecting the international spillovers of domestic policies can undermine development objectives as well as the effectiveness of international development cooperation policies». Indeed, the need to go beyond ODA and to address PCD has been a growing concern since the 1990s. It became an element of the DAC peer reviews in 2002 and it was included in the Paris Declaration on Aid Effectiveness in 2005. In 2007, the OECD decided to move its PCD function into the Office of the Secretary-General. A Ministerial Declaration on PCD was endorsed in 2008 by OECD Ministers, followed by a Council Recommendation on Good Institutional Practices in Promoting PCD in 2010. And most recently, the OECD Strategy on Development was endorsed by Ministers in 2012 giving a higher profile for PCD and Knowledge Sharing.

During this time, PCD was mainly perceived as a donor responsibility with a traditional north/south division. But the main challenge raised by the PCD agenda has been a governance challenge. Indeed, PCD is not a core mission of the Minister in charge of development co-operation policy: it is a core mission of the overall government, and therefore a core mission for the Prime Minister or the Head of State. Another prerequisite for an effective implementation of PCD is to establish that the development co-operation objectives are top priorities of the government agenda.

The challenge is no longer only to reconcile domestic policies of donor countries with the development objectives of Low Income Countries (LICs), but also to reconcile domestic policies with the global agenda, with some global objectives for which all countries share responsibilities according to their capabilities. Hence, in a global economy, PCD is a global challenge that needs to be addressed at the global level.

Another dramatic change is that emerging and developing countries are rapidly becoming the main drivers of global growth, making PCD a growing challenge for these economies as well. For all countries, the challenge is now to address PCD at national, regional and global levels. In this regard, the principle endorsed at the Rio Earth summit in 1992 seems appropriate: common but differentiated responsibilities.

How to address this governance challenge to promote more effectively PCD in a global economy?

A first priority is to design a single universal agenda. The High Level Panel of Eminent Persons on the Post-2015 Development Agenda highlighted in its report to the UNSG the need for “a truly international framework of policies to achieve sustainable development with a single set of universal goals which applies to all countries”. This is the right approach. We have to reconcile the development agenda with the environment agenda, but also with other global challenges such as trade and development, development and peace and security, or fiscal policies and financing for development. We need a single agenda to create the right incentives and to design the right policies. It will also be important to integrate PCD into the post-2015 agenda as a core enabler to deliver the SDGs, with a monitoring process to assess the progress achieved in this regard.

A second priority is to develop governance processes to promote PCD at the global level. A current paradox with the international system is that we have a very large multilateral system, with so many institutions, but without effective mechanisms to promote cross-sectoral coherence and trade-offs. The multilateral system is indeed very fragmented, mainly composed of specialised agencies, in charge of promoting standards or policies for one sector or a sub-sector (e.g. WHO for health policies; ILO for social policies; IMF for financial stability; WTO for international trade; and the World Bank and regional development banks, plus bilateral agencies, to deal with the development agenda). We are
living in a global village without global regulations and governance, without a chief in the village, or a central authority with the capacity to ensure coherence and trade-offs among the agencies, standards and sectorial policies.

With regard to PCD and the development agenda, three main fora could play a pivotal role going forward:

1) The United Nations High Level Political Forum on Sustainable Development, created at the Rio+20 conference in June 2012. This forum should have a high legitimacy since it is composed of Head of States and Governments, and placed under the auspices of the UNGA. In charge of providing political leadership and review progress on the implementation of the recommendations to promote sustainable development, it could play a pivotal role to promote policy coherence between the three dimensions of sustainable development, i.e. economic, social and environmental.

2) The Group of 20 (G20). As the main economic forum, with member countries representing 80% of global GNP and trade and two-thirds of the global population, G20 has a key role to play to in promoting policy coherence and structural transformations globally.

In particular, the G20 could promote coherence for development at two levels:

- **Coherence for global policies.** Beyond its traditional role to improve the coordination of macro-economic policies among its members, G20 could play a role to improve coherence between global sectoral policies. For instance, within the French Presidency of the G20, several channels were opened at ministerial level to address agriculture and food security issues, labour and social policies, trade issues, and development challenges. In the context of the global economy and the structural crisis, there was a need for better coordination of macro-economic as well sectoral policies. Discussions at the time related to the promotion of horizontal work and cross-sectoral solutions. For instance, one issue concerned how to better integrate labour and environmental standards into WTO regulations. But it was impossible to achieve results because some countries were reluctant to address within the framework of the G20 the challenge of coherence between trade and environment policies or between trade regulations and food security. While an agreement was reached at the level of the Heads of States to ban export restrictions on food products for the World Food Programme (WFP), this agreement has not been confirmed in WTO negotiations.

During the Mexican Presidency of the G20, in turn, the green growth debate provided another fundamental coherence challenge. The aim was to reconcile the G20 objective of boosting global economic growth with the environmental sustainability challenge. In the same vein, the Russian presidency hosted a joint meeting of Finance and Labour Ministers in an attempt to better integrate employment and social policies on one side, and financial stability and economic growth policies on the other side. Although the results are very limited, these efforts are important because they illustrate the role of the G20 as a unique economic forum to address the challenge of structural economic transformations, which should not be solved with an exclusive focus on the coordination of macroeconomic policies.

- **Coherence for development.** Since the beginning, development objectives and policies within the G20 have been promoted without designing a new development agenda. Indeed, the G20 does not have the legitimacy to design a development agenda, considering the fact that the LICs are not represented in the G20 process. Yet, the G20 could play a pivotal role to improve coherence for development: the main added value of the Seoul Action Plan was its focus on economic growth and infrastructure financing as key areas to achieve MDGs. Somewhere, the G20 helped to reconcile the poverty eradication agenda on the one hand, with the economic growth perspective on the other hand.
Similarly, the 2013 St. Petersburg Leaders’ Declaration in tried to identify key areas of work where the G20 could help in creating an enabling environment for development. While the G20 launched a new initiative, it could still pay more attention to its impact on developing countries or, alternatively, try to extend its benefits to the LICs. For example, the Leaders’ decision to ask the G20 Development Working Group (DWG) to prepare a report on how to extend the Base Erosion and Profit Shifting (BEPS) Action Plan, endorsed in St. Petersburg, is a good example of what could be done at the level of the G20 to promote policy coherence and more inclusive global economic growth. Potentially, the G20 DWG could go even further and be responsible for assessing the possible impacts of G20 policies on post-2015 development objectives.

3) The Global Partnership on Development Effectiveness (GPDE). The Global Partnership could be another powerful vehicle to promote policy coherence beyond a donor perspective. The GPDE could be an effective forum to address policy coherence challenges such as domestic resource mobilisation and the fight against illicit flows, which need a stronger co-operation between donors and developing countries, but also the support of the business community and civil society that are members of the Global partnership. Perhaps the GPDE could also be a forum to address the question of PCD from a south-south co-operation perspective. For instance, why should we not open a discussion on export restrictions of food products in a time of food crisis and the hampering effects they have on vulnerable populations’ food security situation?

Another area of work could be to develop some self-assessment PCD toolkit to help members assess the coherence of their domestic policies with development objectives. The GPDE could also develop a monitoring framework to monitor the progress achieved regarding PCD objectives in the framework of the post-2015 agenda, including through the establishment of a set of PCD performance indicators.

A lot could be done, through the G20 or the GPDE, to support PCD. At the end of the day, however, it will depend on the political willingness of the member states of these different fora. As the DAC Chair used to say, we need a “coalition of willingness” to achieve progress, far beyond the traditional donors. This is the new global economy.