

**CONCEPT NOTE**  
**2013-06-06**

**Using OECD indicators of policy effort to assess policy coherence for development (PCD)**

This concept note outlines a proposal for taking forward the PCD measurement agenda at the OECD. It explains the mandate and background for developing a monitoring framework - using indicators of policy efforts - to assess PCD. It also sets out the envisaged short-, medium-, and long-term objectives as well as the expected outcome for this exercise – pending your feedback.

This proposal has been developed for your use and guidance and in response to your needs for strengthening monitoring mechanisms for PCD. Your feedback will be very important to develop an adequate tool, so please share it with relevant colleagues in line ministries. We look forward to receiving some initial comments on its content (see the issues for consideration; are they the right ones?) when we meet for the next Focal Points meeting on 13 June. An opportunity to discuss the measurement agenda in more detail will be given in September in an online dialogue on the PCD Platform.

*Mandate*

The 2012 OECD Strategy on Development emphasises the need to strengthen members’ capacities to design policies consistent with development. Enhancing policy coherence for development is one of the primary objectives of the Strategy. In pursuit of that objective, Ministers called on the OECD to:

- Develop more systematic approaches to evidence-based analyses on the costs of incoherent policies as well as on the benefits of more coherent policies.
- Work with partner institutions to develop robust indicators to monitor progress and assess the impact of diverse policies on development.
- Apply a PCD lens to contribute to the analysis of key issues, such as global food security, illicit financial flows and green growth.
- Provide a platform for dialogue with developing countries and key stakeholders on PCD issues.
- Foster coherence for development throughout the Organisation and its Committees; identify particular areas of policy incoherence; and ensure that OECD’s policy advice is coherent and consistent with development.

*Background*

Specifying the nature, scale and impact of policy incoherence presents major methodological challenges. In general, to assess the impact of different policies the results chains need to be identified. This is particularly challenging in the area of PCD, where an often unspecified number of policy areas is concerned and the cause-and-effect relationships are blurred. Another challenge relates to time lags: the actual effects of incoherent policies emerge at various times – as do actions to remedy such policies.

Recognising these challenges, an alternative way to “assess PCD” could be to consider the factors that may contribute to or hinder a certain outcome, as opposed to the factors that can be attributed to a particular development result – the latter being more difficult (or even impossible) to identify. In other words, this

approach suggests using measures of policy effort as proxy indicators for PCD. In practice this implies monitoring existing OECD indicators that may not have development as its core objective, but which measure factors that may contribute to or hinder a certain development outcome (e.g. support to agricultural producers; return of frozen assets; or environmentally related taxes).

Initial discussions to this end were held at the Fifth Meeting of National Focal Points for PCD in November 2012. They focused on (i) global food security; (ii) illicit financial flows; and (iii) green growth – areas highlighted as a priority for the OECD Strategy on Development and in which the OECD has core competencies and can provide added value to the work of other stakeholders. The 2013 PCD Flagship “Better Policies for Development” elaborates on this further and highlights existing OECD indicators of policy effort in these three areas. This represents the beginning of a more long-term exercise.

### *Objectives and outcome*

The intended overarching outcome is to **inform policy making** in OECD countries (and potentially also in partner countries) by identifying strengths and weaknesses in various policy areas as well as the linkages between them. This in turn would facilitate the identification of PCD objectives and encourage and support a dialogue among stakeholders to promote collective action.

- This exercise is initially one of **mapping existing indicators of policy effort** in OECD countries for the three areas above. This mapping will then be expanded incrementally and over time with additional indicators, including for other policy areas and potentially also for other countries.
- A parallel more long-term objective is to **develop a framework** for providing an annual update of countries’ efforts to implement policies that are conducive to development and track their progress in doing so. Annex 1 shows what this might look like for a selection of indicators. This would result in time series of policy effort across countries and sectors. Ideally, the framework would take the form of a visually attractive and interactive web-based monitoring matrix.
- An ultimate objective would be to feed this information into **an index**.

The scope and scale of this work will need to be analysed and discussed further. Your views on this will be sought over the coming months, including in an online dialogue on the PCD Platform, tentatively planned for September 2013.

### *Process*

After an initial introduction of the proposal at the Focal Points meeting on 13 June, we will ask you to identify relevant stakeholders, particularly in line ministries but also representatives of CSOs and academia, that you think would have an interest in these issues and be willing to take part in a task team. They will then be invited to participate in an online dialogue scheduled for September, where we hope that you as Focal Points will take an active part and contribute to elaborate further on the usefulness and appearance of a PCD monitoring matrix. Following the online dialogue we will consult with OECD colleagues, including statisticians, on the best way to proceed, with the aim to distribute a more detailed proposal and long term work plan before the end of the year. Beginning next year, we will look for opportunities to discuss the indicators in the appropriate OECD bodies (i.e. committees, working parties).

### *Issues for consideration*

- Would this kind of proposed monitoring framework and indicators be useful to inform the debate in your capitals?

- In which of the three priority areas of global food security, illicit financial flows and green growth would you like to be actively involved (to discuss, for example, what other indicators to include in these areas)?
- What other policy areas would you like to see added to the monitoring framework as a next step (assuming that appropriate indicators are available?)
- What should the monitoring framework look like? One option could be to have a website where one can choose a key issue or a country of interest (annex 1). Clicking here will take the visitor either to a country page with comparisons across key issues (annex 2) or to a key issue page with cross country comparisons (annex 3).
- Would any members be able to contribute funding to support this work?

## Better Policies for Development

### Using indicators of policy effort to assess policy coherence for development

#### Food Security

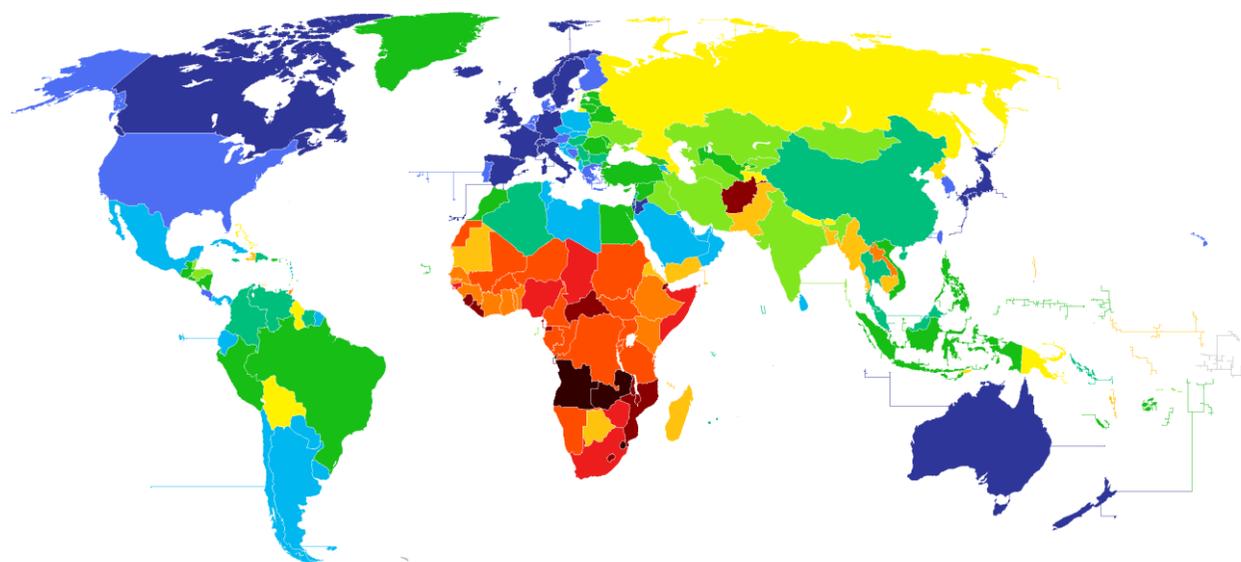
*The world produces enough food to feed everyone, yet more than one person in seven goes hungry.*

#### Illicit Financial Flows

*Illicit financial flows originating in the developed world are often cited as outstripping ODA and inward investment.*

#### Green Growth

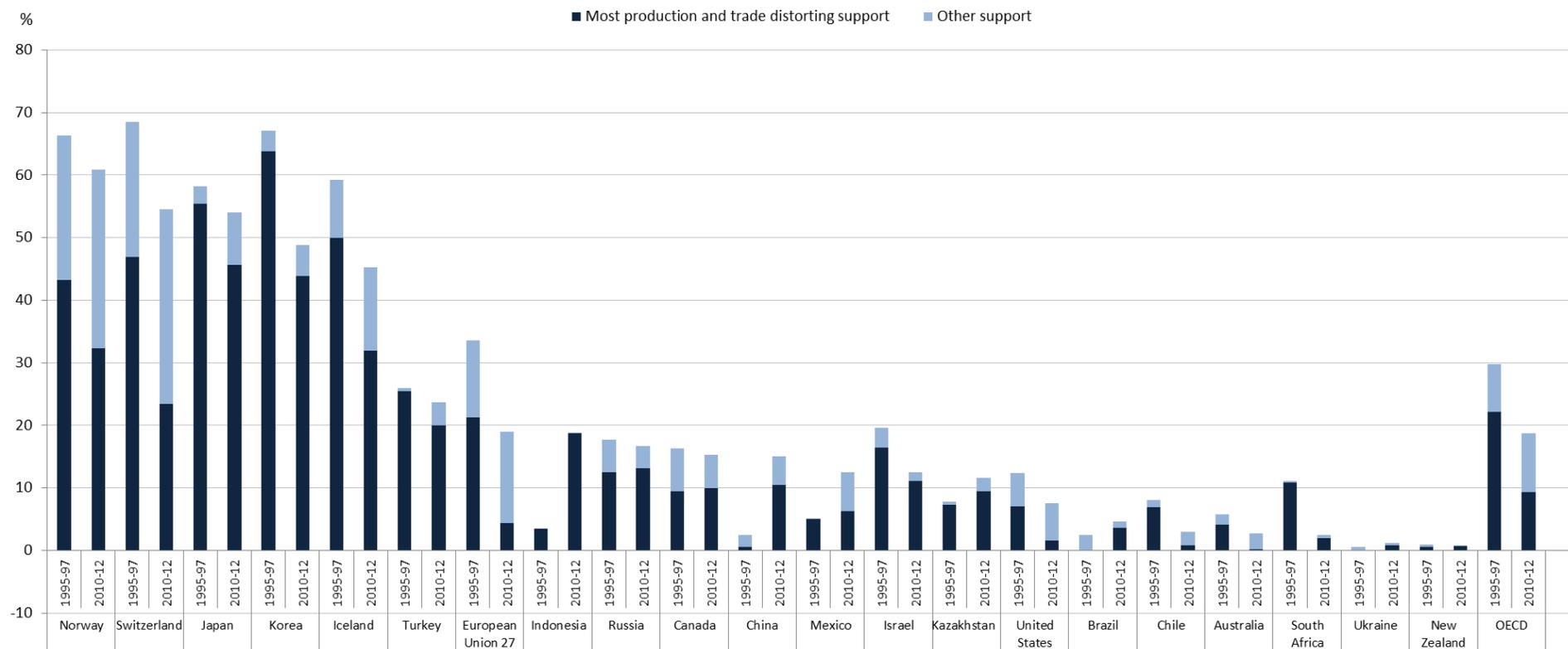
*Fostering economic growth and development while ensuring that the natural assets continue to provide the resources and environmental resources on which our well-being relies.*



## COUNTRY X, YEAR Y

Key issue	Issue category	Indicator	Data (numeric value)	Policy effort measured
<b>Food security</b>	Agriculture	Producer Support Estimate (PSE)		
		Percentage PSE (%PSE)		
		Market Price Support (MPS)		
		Budgetary Transfers		
		Most production and trade distorting support		
		Consumer Support Estimate (CSE)		
		General Services Support Estimate (GSSE)		
		Percentage GSSE (%GSSE)		
		Total Support Estimate (TSE)		
	Percentage TSE (%TSE)			
Development co-operation	Aid for food and nutrition security			
[More...]				
<b>Illicit Financial Flows</b>	Money laundering	Compliance by FATF subcategory		
	Tax evasion	Exchange of Information Agreements signed with developing countries		
	International bribery	Individuals and legal persons sanctioned or acquitted		
	Stolen assets recovery	Assets frozen and returned		
	Development co-operation	DAC support to leading transparency initiatives		
	[More...]			
<b>Green Growth</b>	Taxation	Environmentally related taxation revenues, as % of GDP		
	Innovation	Patent applications under the PCT of importance to green growth		
	[More...]			

Level and composition of support to agricultural producers in OECD countries and selected emerging economies, 1995-97 and 2010-12.  
 Producer Support Estimate as per cent of gross farm receipts.



Observed policy effort over time: On average, support to agricultural producers in the OECD area has decreased from around 30% of gross farm receipts in the mid-90s to less than 20% at the beginning of the 2010s.