Policy Coherence for Development in a Post-2015 Era:
How can PCD help advance universal goals and contribute to transformational change?

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SUMMARY RECORD

Key messages

Today’s world is different from the world in which the development discourse was founded. Shifting wealth, urbanisation, a growing global middle-class and changing consumption patterns, natural resource scarcity and climate change have implications for all countries.

These megatrends, coupled with rapid technological advances, provide both opportunities and challenges for sustainable development, and for human wellbeing, including the elimination of extreme poverty and the reversal of increasing inequality within countries.

Policy makers need to adapt to these new realities and strengthen their capacities to deliver effective policy coordination and deal with more complex challenges. This is critical for a post-2015 single universal agenda applicable to all countries. A global agenda, however, can only achieve so much. Ultimately, action must come from the country level.

Policy coherence for development (PCD) should be a central pillar of “a truly international framework of policies to achieve sustainable development”, as called for by the post-2015 agenda, contributing to create enabling environments for development and transformation.

Global governance mechanisms have an important role to play in integrating development issues into mainstream policy agendas. New international policy fora that operate at the level of Heads of State, notably the G20 and the United Nations High Level Political Forum on Sustainable Development, could play a pivotal role for coordinating issues across policy domains and institutions and for tracking implementation through accountability frameworks. Centres of Government, e.g. Offices of Presidents and Prime Ministers and Cabinet secretariats, are key players in this sense.

Non-state actors also have an important role to play in enhancing and shaping coherent policies for sustainable development beyond 2015. The perceptions of the private sector and its role in development have widened and the business contribution to the post-2015 framework will be significant, setting the scene for better integration of these broader business perspectives into international policy processes.

The state must continue to play its role in facilitating dynamic business development that creates inclusive growth, and delivering public goods, such as security, rule of law and infrastructure.

Civil society organisations make an important contribution to public policy making processes. They are key partners, providing evidence and feedback that helps governments and business act coherently and responsibly.

The post-2015 agenda must capture wide and ongoing political and public engagement in coherent transformational changes. This demands a much heightened public awareness of key facts and global trends, motivating governments and stakeholders to take action.

Transparency, accountability and our ability to discern, measure and monitor the existence of coherent or incoherent policies are key for such evidence-based policy making.
In his opening speech, Angel Gurría, OECD Secretary-General, underlined the importance and the urgency of coherent policies of all stakeholders for sustainable development against the background of emerging megatrends. The costs of inaction are high. He stressed that policy coherence for development (PCD) should be a central pillar of “a truly international framework of policies to achieve sustainable development” in a post-2015 Development Agenda. To tackle this challenge, the OECD can play an important role.

The Organisation’s multi-faceted work extends to many areas. For example, we promote the implementation of targeted green growth policies not only to help mitigate the effects of climate change, but also because they are key in unlocking new sources of growth. In the area of tax evasion, in turn, our work on Base Erosion Profit Shifting (BEPS) is providing governments with new domestic and international tools to fight tax avoidance.

Mr. Gurría concluded that we are at a critical juncture. The opportunities provided by the post-2015 framework need to be seized by Leaders and Centres of Government. Only they can provide the leadership, vision and co-ordination needed to achieve consensus on a coherent global development agenda.

Hans Rosling, Founder of Gapminder, presented some of the key megatrends that are shaping the world and leading to new challenges and opportunities. Using dynamic visual presentations of public data, he argued that we have a completely new world today. It does not make sense to divide countries into just two groups, i.e. ‘North’ and ‘South’ or ‘developed’ and ‘developing’ countries. There are huge variations among countries in social and economic progress. Demographic shifts will lead to a world in which “the old west” constitutes less than 10 percent of world population and the global economy. By the end of this century, when rapid population growth stabilises, more than 80 percent of the world population will be living in Asia and Africa. Similarly, the North Atlantic will shrink in importance and the Indian Ocean will become the centre of world trade, surpassing even the Asia-Pacific region.

The general public in the richest countries, however, is ignorant of these trends and have a world view that corresponds to realities 30 years ago. They conceptualise the world as one group of industrialised countries and another group as developing countries with six billion people. This kind of logic would place Mexico and South Sudan in the same group. Countries need to be segmented into four or more groups based on their economic level for smart policies to work effectively, such as regulations for lower carbon dioxide emissions in the richer countries, as well as in the upper middle income countries. Pharmaceutical companies already use tiered pricing according to the different populations/income levels across the world. Mr. Rosling argued furthermore that ODA will play a very important role for countries below USD 2000 GNI/capita – this is where 80 percent of the extreme poor live. It makes no sense, however, to continue to provide aid to countries that have reached the upper middle income group and which are already establishing new forms of co-operation with the richer as well as with the poorer nations.

He concluded by saying that transformation happens in a different sequence today – progress in social investment and human resources comes first, bringing about a demographic transition before fast economic growth takes off. Economic progress builds on that social foundation. Policy makers in low
income countries cannot learn much from the industrial revolution anymore, but need to learn from the new realities in the most successful emerging economies.

**Diana Alarcón**, Senior Economic Affairs Officer, Development Policy and Analysis Division, UNDESA, explained the ongoing intergovernmental process for elaborating a post-2015 framework and the role of PCD in that process. The Open Working Group (OWG) has concluded the first phase of discussions, including stocktaking of relevant themes for a set of universal goals. The second phase of crafting Sustainable Development Goals (SDGs) started in March 2014, taking into account social, economic and environmental considerations. Two additional fora, the Expert Group on Sustainable Development Finance and the High Level Political Forum, are working in parallel with the OWG. These processes conclude in August 2014. The UN Secretary-General will prepare a synthesis report before the end of 2014 based on the work of these three clusters. So far, 19 focus areas have been identified for the post-2015 framework (*Note: This has since then been narrowed down to 16 focus areas.*). Going forward, ECOSOC will continue to meet on an annual basis with a thematic focus reflecting the integration of the three dimensions of sustainable development. The High Level Political Forum, established in September 2013 under the auspices of the General Assembly, will meet every four years at the level of Heads of State and Government and every year at Ministerial level.

Ms. Alarcón emphasised that PCD is a central element in the post-2015 debate. A universal and transformative agenda will require a much higher level of policy coherence, applicable to all countries with much greater synergies of policies at national and international levels. As such, PCD can contribute to a strategic and holistic approach for tackling increasingly complex global challenges.

**Carl Dahlman**, Head of Global Perspectives Division, OECD Development Centre, discussed the potential role of the OECD for addressing the economic, social and environmental implications of global megatrends. Key global trends are related to economic, social, political, environmental and technological challenges. They involve issues such as increased competition and interdependence, increasing inequality, environmental degradation, the impact of ICTs, global governance and shifting balance of economic power. He noted that the OECD, with its experience of comparative analysis and its capacity for benchmarking and peer learning, is well placed to address these challenges. OECD analysis can contribute to providing a better understanding of the benefits of policy coordination and coherence and the efforts needed to help improve capacity in developing countries.

**Betty Maina**, CEO, Kenya Manufacturers’ Association, Kenya, reflected on the role of the private sector for the post-2015 agenda. Non-state actors must participate in shaping policies for sustainable development and job creation and the private sector is essential for mobilising resources and driving innovation. Companies have to learn to do more with less and global challenges can offer them opportunities to change their business conduct and strategies. Having been part of the UN High Level Panel, Ms. Maina noted that the Panel consulted with companies in over 30 countries. The combined revenue of these companies exceeds USD8 trillion dollars – nearly 10% of global GDP. The importance and recognition of the role of the private sector in fostering growth, promoting innovation and providing employment also means that business now must have a seat at the table – globally, regionally or nationally – where development policies are defined, with increased opportunities for advocacy on the conditions that facilitate entrepreneurial and market development.

Yet, the private sector cannot thrive in isolation. The state has to play its role in the delivery of a sound business environment. This is characterised by the delivery of public goods – security, rule of law, infrastructure and healthy and capable human resources.
Much of the discussion touched upon the issue of inequality and its many dimensions. While inequality across countries is decreasing, it is increasing within countries. In many countries, effective taxation could help to reduce the differences between rich and poor segments of the population. Aid can also help to some extent.

It was also highlighted that development needs to be mainstreamed into the G20 discussions. At the same time, while international fora and global agendas set the norms, provide tools for advocacy, and help reach agreements on collective action, development progress ultimately has to come from the country level: countries that turned the MDGs into a national and proactive agenda have made the most progress.

Regarding the costs of inaction, the moderator, Simon Upton, argued that the costs of bad action will be even higher. Policy makers need more evidence of the actual costs of inaction and this is precisely what the OECD is about. The OECD Environment Directorate, for example, is currently engaged in a modelling exercise, “CIRCLE”, to understand better the costs to global economic growth of pursuing ‘business-as-usual’ policies. In a similar exercise, cost-benefit analysis is used to show that there could be considerable benefits from reducing costs of air pollution (e.g. energy from fuel combustion), in the range of trillions of dollars per year.

Session 2: Governance processes for managing policy coherence for development beyond 2015

Daniel Schraad-Tischler, Senior Project Manager, Program Shaping Sustainable Economies, Bertelsmann Foundation, discussed the elements needed for sustainable governance. Notably, three analytical pillars underlie the Foundation’s Sustainable Governance Indicators (SGI): (i) policy performance (strengths and weaknesses, e.g. need for reform); (ii) quality of democracy (framework conditions for long-term system stability); and (iii) governance (reform capacities). On this basis, the SGI aims to assess to what extent OECD and EU countries are capable of identifying problems and implementing reforms in order to achieve policy outcomes that contribute to the long-term viability of a country’s economic, social and environmental systems – without putting unfair burdens onto future generations.

For the first time, SGI 2014 incorporates elements of policy coherence. It provides assessments on four key aspects: tackling global social inequalities; fostering stable international financial markets; promoting global environmental protection regimes; and international coordination capacities to foster global public goods. The results indicate that countries with strong international coordination capacities also have higher levels of policy coherence.

Serge Tomasi, Deputy Director, Development Co-operation Directorate elaborated on how mechanisms of global governance, such as the G20, can contribute to achieve convergence of policy agendas and improve coherence for sustainable development. He noted that the challenge of PCD 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. So how can we address this governance challenge to promote PCD more effectively in a global economy?

A first priority, according to Mr. Tomasi, is to design a single universal agenda as highlighted in the High Level Panel of Eminent Persons. 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. At present, we have a large multilateral system with many institutions, but there are no effective mechanisms to promote cross-sectoral coherence and trade-offs. With regard to PCD and the development agenda, three main fora could play a pivotal role going forward: (i) the United Nations High Level Political Forum on Sustainable Development; (ii) the G20, where coherence needs to be fostered between global and sectoral policies; such as between trade and environment policies or between trade regulations and food security and (iii) the Global Partnership on Effective Development Co-operation, which could be a powerful vehicle for promoting policy coherence beyond the donor perspective such as domestic resource mobilisation and the fight against illicit financial flows.

Ye Jiang, in his capacity as Professor and Research Fellow, Shanghai Institutes for International Studies, explained how Chinese perspectives are evolving in terms of post-2015 development challenges. China has taken the step of articulating its approach towards the post-2015 agenda via a paper tabled in the UN last December. The stance is that any future goals should be simple, clear, practical and applicable to all countries on a voluntary basis. This statement included the proposition that the goals should build on the MDGs only, as opposed to merge SDGs and MDGs and avoid an overloaded agenda.

Mr. Yi Yang noted that China is however ready to join the consensus on working towards a single agenda, incorporating sustainable development goals. Chinese academic observers expect that China will continue to engage pragmatically in the UN process. There is recognition among Chinese policy makers that China must play a larger role in its own interests in supplying global public goods (GPGs), but that the responsibility for GPGs should be differentiated between countries according to capacity. Effective co-operation through comprehensive knowledge regimes will be important for providing GPGs. South-South co-operation in particular will be a useful supplement to North-South co-operation, but traditional donors must not renge on their commitments. Ultimately, whether China can effectively provide GPGs will depend on its ability to play a role as a bridge between the developing and developed world, the North and the South, and the G77 and the 34 OECD countries.

The lead discussant, Rolf Alter, Director, Public Governance and Territorial Development introduced the OECD’s Network of Senior Officials from Centres of Government (CoG). He noted that PCD is a very universal objective that everyone – in principle – can agree to. However, the current state of world affairs is characterised by a loss of trust in governments and CoGs are questioned about their capacity to deliver effective coordination. Hence, as noted also by Mr. Yi Yang, domestic and global governance improvement is an imperative for going forward. Keywords for improving the Centre include: flexibility/adaptability; leadership; focus; strategic thinking; and real coordination.

A key challenge for policy coherence in OECD countries is the difficulty to assign responsibility for coherence issues to a specific ministry. The risk is that policy coherence becomes the task of everyone and no one, and as such there is no real alternative to the Centres of Government.

The most recent CoG survey shows that the number of cross-governmental policy initiatives has grown, indicating increased complexity. However, when asked how much influence the Centre has, most respondents said ‘moderate’ or ‘low’. The exchange of experience via the OECD CoG Network
thus becomes particularly valuable because the Centre is a relatively new area for governance analysis.

Hanna Rinkineva, Deputy Director, General Development Policy and Planning, Ministry of Foreign Affairs, gave a brief presentation of Finland’s pilot of the OECD “PCD Toolkit” in the area of food security. From a governance perspective, the main objective was to innovate a new kind of broad-based coordination, including with several research institutions, and to strengthen Finland’s voice in enhancing global food security. In particular, the pilot provided everyone involved with steep collective learning curves and showed that it is much more fruitful to discuss PCD in the context of a key issue, such as food security, than discussing the concept of coherence alone. The next step for Finland will be to test the ECDPM and OECD methodology framework for assessing the impact of OECD policies on food security at country level in Tanzania.

Session 3: Goals, targets and indicators to inform coherent and integrated policy making

[Moderator: Rintaro Tamaki, OECD Deputy Secretary-General]

Using visual graphics, Hans Rosling showed that policy discussions tend to generalise countries. For example, the country grouping Middle Income Countries (MICs) includes variations in GNI/per capita between USD 1000 to USD 12000, and subsequently have very different needs. Similarly, how can one discuss policies for ‘developing countries’ with GNI/capita levels ranging from USD 300 to USD 12000? Another example: in South Sudan, only 1% of women use modern contraception; in Rwanda the proportion is over 40%. Hence, the importance of different indicators varies between different segments of the world. Mr. Rosling concluded that aid money should be used for the poorest countries only. International co-operation is of course an important tool for countries at all levels of income, but the real development challenge is in the poorest countries where fertility rates and under five mortality rates are still high. These are the best indicators of development levels.

Petra Krylova, Programme Coordinator, Centre for Global Development, discussed what lessons have been learnt from ten years of using the Commitment to Development Index (CDI). She also explored how global goals and national contexts might be integrated in a comparable way across countries. The CDI does not measure PCD. Rather, it assesses to what extent countries contribute to or enable development in other countries. While the CDI shows that EU and OECD countries’ policies have not changed very much between 2003 and 2013, it also shows that countries can learn from each other and from the best in each category: not one single country scores above average in all of the index’ seven components. A potential role for the OECD could be to support this learning process. Going forward, the engagement with non-government stakeholders will be important to achieve policy changes.

Morgane Danielou, Director of Communications, International Fertiliser Industry Association and Vice-Chair of the BIAC Food and Agriculture Committee, outlined the role of business groups in policy coherence action agendas and provided lessons learnt from public-private sector dialogue in developing countries, particularly in the area of food security.

In recent years, there has been a shift in perception of the role of the private sector in the context of development and sustainability, and business has a broader view of its own development roles. Today there is a business voice or perspective present in most international meetings and negotiated documents. Notably, the private sector has an official seat at the UN Committee on World Food Security. In terms of organising itself for the post-2015 debate, business has been represented in the High-Level Panel of Eminent Persons, in the Sustainable Development Solutions Network and in the
Moreover, in 2013 the Global Business Alliance was established, bringing together businesses that want to be actively engaged in the post-2015 process. Thus far, this process has been much more inclusive of the private sector than was the case for the MDG process.

Finally, to have greater impact, businesses should define legitimate and broad representation. They should also establish an official coordination mechanism, reduce the number of parallel processes and centralise thematic responsibilities.

Jamie Drummond, Executive Director, ONE, discussed the role that advocacy groups might have in shaping the policy coherence agenda. He noted that ONE, for example, tries to popularise boring and technocratic (albeit important) processes and bring them from being marginal to mainstream. The objective is to build an army of evidence-based activists, or “factivists”.

There is a feedback problem, however, as citizens that campaign for various causes often do not know the results of their campaign. Bureaucratic language and acronyms form part of the problem. The job of trying to build constituencies for intelligent policy change on an ongoing basis requires us to try and tease out what really matters from the unnecessary obfuscation.

Mr. Drummond commended the excellent relationship that his organisation and previous initiatives have had with the OECD. In particular, ONE’s DATA Report draws on DAC statistics with the purpose of “arming citizens” with data so that they can hold their governments to account. Referring to the presence of thousands of shell companies based in London as an example, he went on to note that transparency and accountability in the global governance system is the new big fight for those who care about development finance and for it to be sustainable.

During the discussion, the representative from the Asian Development Bank pointed to a practical dilemma facing many development co-operation agencies, namely that of funds being diverted from the very poorest countries, simply because they do not have the capacity or appropriate institutions to absorb them or to implement projects. This confirms that capacity building is an absolutely necessary cornerstone of development and economic growth.

In closing the meeting, the moderator, Deputy Secretary General Rintaro Tamaki, noted that the OECD has a particular role to play in improving coherence for development. The Organisation’s multidisciplinary expertise provides a solid basis for its capacity to connect issues and policies, both domestically and internationally. If our objective is to firmly integrate the policy coherence agenda into the post-2015 framework, this is precisely what is needed. Mr. Tamaki concluded that the OECD stands ready to work with its members and partners to make that happen.