

Speaking Points of Mr. Eckhard Deutscher, Chairman OECD-DAC

For the 2010 DCF, Policy Dialogue 1: Promoting greater coherence: how can all policies be geared towards development goals?

Introduction – PCD as a key development dimension

Policy Coherence is a key concern for development, so it is very relevant and timely for the DCF to discuss this issue.

If we want to see development as the result of our development co-operation investments, we have to look not just at the investment itself, but at the investment environment in which this is taking place. Policy Coherence for Development can significantly increase the impact of development resources contributing to achievement of the MDGs.

Without a strong and serious engagement with policy coherence for development, the Development community will become increasingly marginalised on key development issues, from trade, to migration to investment and taxation and so on. And that means it will become marginalised in government policy-making in general.

However, if the development stakeholders in our governments address PCD issues, we will also increase the scope to leverage ODA more effectively, and it will boost the political relevance of development policy. This is essential, because development co-operation can, and indeed it must, be a key tool in managing a globalisation process that is more equitable, sustainable, and fair.

OECD and DAC work on PCD

This is also, why the DAC, the Development Assistance Committee of the OECD, has decided to put a much stronger emphasis on policy coherence for development in the future.

A key factor for this decision has been the OECD as the institutional home of the DAC. The OECD has a key comparative advantage for work on PCD, as it brings together virtually all areas of public policy in one institution. This makes the OECD uniquely well placed both to understand the linkages between all the different areas of policy and development, and to promote greater coherence. In working on PCD, the DAC will draw on and leverage this advantage.

The OECD has, and continues, to invest a lot into policy coherence work, and is at the forefront of international work on this issue. I invite you to take a look at some material I have brought with me, or to consult the OECD's PCD website, and you will see not least the clear and strong impact it has had on the way the analysis and discussion at this DCF has been framed.

A powerful expression of this is that the OECD Ministerial Council Meeting, the highest OECD body, adopted in June 2008 a Recommendation on Policy Coherence for Development. Through this recommendation, OECD countries have strengthened their commitment to PCD, and we will monitor this not least through DAC Peer reviews.

Dealing with the political economy: an institutional approach to PCD

Much research and analysis has been on policy coherence questions in many policy areas. But what is important is not just understanding the policy issues, but understanding the political economy, and what needs to be done to work effectively to improve PCD. This is what I understand to be the focus of this session.

PCD has been, and will continue to be a function of competing and conflicting interests and values. Vested interests in certain areas are often very powerful, and more so than developmental interests.

Promoting policy coherence for development requires a strong political commitment to take into account the needs and interests of developing countries in domestic policy-making and the evolving world economy. This is a challenge for OECD countries when domestic interest groups are more preoccupied with concerns and responsibilities other than combating world poverty. But what is incontestable is that decision-makers need to be well informed to assess relevant policy options before disbursing public funds or adopting reforms that may affect developing countries negatively.

To deal with the challenge of promoting PCD in this difficult political economy environment, we have identified three phases, or building blocks, based on an analysis of the experience of DAC members in trying to promote PCD. These are: 1) political commitment, 2) co-ordination, and 3) analysis and monitoring. All three building blocks are mutually supportive and need to be in place for a country to make good and sustained progress towards policy coherence.

1) Political commitment: Setting, prioritising and articulating objectives

Everything starts with strong leadership at the political level to ensure coherence between policies focused on development and policies focused on other areas. This is essential for setting and prioritising policy objectives, and a fundamental basis for pursuing a coherent common agenda. It is also important that policies, instructions and incentives give concrete shape to the commitment and provide a basis for translating it into action.

2) Ensuring effective policy co-ordination

This building block is about the operational part of policy coordination and implementation. It is evident that government requires effective co-ordination mechanisms within the administration. The different parts of a government need to be able to consult and co-ordinate on policies, and to resolve any conflicts or inconsistencies, be it in the policy formulation or development phase or during implementation. These mechanisms and solutions will differ from country to country but what is essential is that development interests have a clear and strong voice in these processes.

3) Improving implementation, monitoring, analysis and reporting

This final building block is key to assess what is actually happening, whether it is in line with political commitments, and whether the implementation goes ahead as planned, and produces the intended results. Effective procedures and mechanisms must be in place to ensure that policies can be effectively implemented and adjusted as needed to maintain their coherence over time. This is essential for

promoting accountability and to amend or revise policies so that they are in line with evolving needs.

Conclusion: PCD in the broader global context

Experience has shown, that the way we deal with policy coherence institutionally is key. But even with this institutional framework to advance PCD, it remains anything but an easy task. In fact, it is far from clear that fully coherent policies in all circumstances are actually feasible. What is clear, however, is that incoherent policies are bad policies. They are, by definition, inefficient and ineffective. They have a terrible cost for poor countries, and they are a waste of taxpayers' money in donor countries – no matter which policy objective takes priority.

But I think we need to go further. The purpose of development co-operation cannot be to make amends for incoherence in policy areas that comes at the expense of development of poor countries. Instead, it is a strategic investment for a common future we all share. We need to make sure to get the best possible return on this investment.

We need to look at PCD as our ability to deal with the complexity of today's world. If we look back at the crises of recent years – the food crisis, the fuel crisis, the financial and economic crisis – we see that all were global crises. All require international solutions. It became clear that isolated responses in individual policy areas, and that national responses alone are insufficient. In all of the crises, policy failures and incoherencies within and across countries played a key role.

That is why the DAC, and the OECD in general, will continue to deal intensively with PCD and work on promoting better policy that lead to better development results.

Thank you.

3. What are the key areas for future work on PCD in the OECD?

Agriculture: For developing countries, agriculture is still a major source of income and potential poverty alleviation. OECD analysis has shown that reducing agricultural trade protection and trade distorting support would improve global economic welfare. Agricultural policy reform is difficult to achieve, not because policy-makers are ignorant of the potential benefits but because those who fear they would lose out are able to block or water down reform initiatives. The impact of inefficient bio fuels policies on agricultural production and food prices and thus food security makes this sector even more critical.

Trade policy: The tariffs on industrial goods imposed by OECD countries affect products that are critical to the economic well-being of developing countries – textiles, clothing and leather – and raise prices for consumers in developed countries. While substantial energies are devoted to bilateral or regional trade negotiations, various analyses point to the advantages of a multilateral approach to trade liberalisation and regulation. The PCD impact of multilateral trade architecture versus regional/bilateral arrangements is not fully understood/analysed. In the trade sector the non-tariff measures (NTM) have become an increasingly important obstacle for developing country exporters when tariffs have been removed or reduced, examples of this include agricultural trade and so called phyto sanitary regulations.

Knowledge and technology transfer – Innovation strategy: Access to products of the knowledge-based economy, as well as effective transfer of technologies and information, are key determinants for growth in developing as well as developed countries. The role of policy and practice in delivering effective access to internet has been one specific PCD project that will be discussed at the Seoul Ministerial June 2008. But other areas of ICT can be equally relevant. The level of protection and enforcement of intellectual property rights (IPR) have been given increasing attention in the international debate, especially in relation to innovation, including in medicines for neglected diseases and to access to medicines for the poor. Innovation strategy could capture various aspects of PCD in different sectors.

Migration: Migration can be a powerful motor for economic and social progress in both sending and receiving countries. But the contribution of migration to development varies over time and from country to country. More effective management is needed to maximise the gains and minimise the risks associated with the phenomenon. The horizontal migration project has illustrated the global dimension of migration. It is important the horizontal dimension and collaborative working methods of migration work continue beyond the horizontal (CPF) project.

Governance and Anti-corruption: Insufficient transparency, accountability and integrity in the public and private sectors; deficient criminal legislation and anti-corruption mechanisms; and insufficient international cooperation all weaken OECD members' ability to address corruption and illegal transfers effectively, both at home and in their relations with other countries. Greater policy coherence would also require more attention to the supply side issues of corruption. A more comprehensive 'OECD anti-corruption strategy' could be created benefitting from OECD's unique expertise in both demand (done at DCD/POL) and supply side corruption. This could be explored after the Bali UNCAC meeting.

Climate change: The ensuing global warming will impose heavy costs on vulnerable developing countries. The 2006 OECD *Ministerial Declaration on Integrating Climate Change Adaptation into Development Cooperation* recognised that responses to climate change should be coordinated with social and economic development in an integrated manner, taking into account the needs of developing countries for the achievement of sustainable economic growth and the eradication of poverty. In addition to adaption the question of mitigation and an efficient and equitable multilateral framework on climate change are important elements for more coherent policies. The OECD work on climate change for MCM and other processes is a good opportunity to combine our expertise on development aspects of climate change. Need to follow up that this is sufficiently taken care of?