



## Key points

- OECD-DAC members have a mixed record on progress towards Policy Coherence for Development (PCD)
- PCD requires action on three fronts: political commitment; policy coordination; and monitoring, analysis and reporting
- More action is needed to gather evidence, particularly from developing countries, to make the case for PCD

### Overseas Development Institute

ODI is the UK's leading independent think tank on international development and humanitarian issues.

ODI Project Briefings provide a focused and specialised summary of a project, a country study or regional analysis.

This and other ODI Project Briefings are available from [www.odi.org.uk](http://www.odi.org.uk)

# 'Beyond Aid' for sustainable development

Alan Hudson and Linnea Jonsson

The prospects for developing countries are shaped by a wide range of issues, some of which – such as politics – are, primarily, domestic, while others have important cross-border dimensions. These include aid, but go far beyond it. These 'Beyond Aid' issues include trade, migration, investment, environmental issues, security and technology. In the context of globalisation, it is these issues, rather than aid alone, that will shape the development prospects for many countries. The Beyond Aid agenda is about making sure that policies on these issues – which go beyond the remit of aid agencies alone – deliver for development.

There are two aspects to the agenda. The first concerns efforts by developing countries to engage more effectively with these broader issues by putting in place appropriate, country-specific policies and institutions. The second aspect concerns efforts by powerful countries to ensure that their policies on Beyond Aid issues support, or at least do not undermine, progress towards the Millennium Development Goals (MDGs), achieving win-wins between development and other issues. This aspect of the agenda – a major focus for the Center for Global Development's Commitment to Development Index – is part of what is referred to as Policy Coherence for Development (PCD). With support from both the Organisation for Economic Co-operation and Development (OECD) and the UK Department for International Development (DFID), this Paper focuses on the PCD angle, while emphasising that progress on the Beyond Aid agenda requires action by both developing and developed countries, at global as well as national levels.

## Policy coherence for development

Governments in the developed world are increasingly aware of the importance of the Beyond Aid agenda and PCD. Efforts are being made – and in some cases resisted – on PCD

and development-friendly policies on a number of issues with important cross-border dimensions (see Table 1).

However, examples of incoherence are all too easy to find. Policies on agricultural trade are, perhaps, the most glaring. The provision by the EU and the US of subsidies to their farmers, while developing countries are encouraged to export agricultural produce to world markets, makes little economic sense. On migration, too, incoherence is apparent. While the resulting remittances are welcomed by developing countries, policies promoting the migration of skilled health professionals to the developed world may reduce the impact of aid spent on health systems in those developing countries.

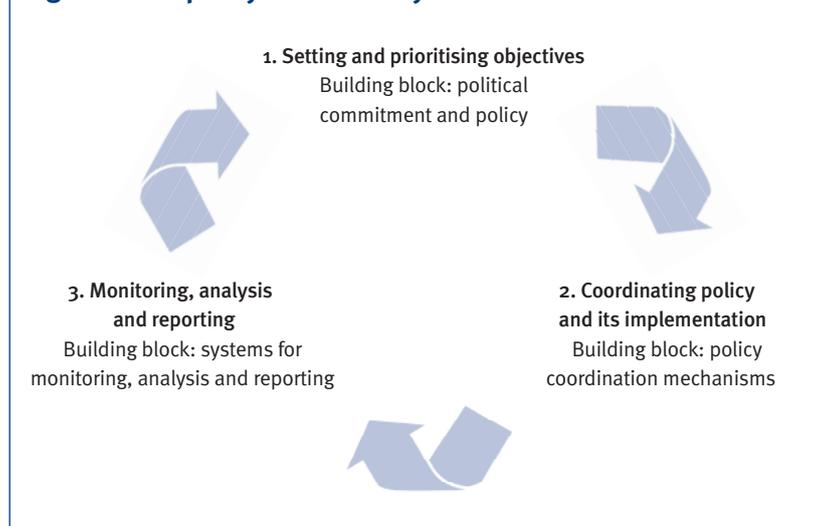
Governments in the developed world, as elsewhere, pursue many objectives. With elections won by the political parties that appeal to domestic constituencies and interests, and with the interests of developing countries poorly represented, it is not surprising that domestic objectives take priority over effective policies for development.

Defending and promoting national interests and reducing global poverty may, particularly in the short term, appear to be in tension. But in a world where the impacts of events that take place in developing countries are felt far beyond their borders, neglecting development may undermine the pursuit of other objectives. As the 2008 OECD Development Cooperation Report puts it, 'all countries have a common interest in developing countries achieving sustainable and broad-based development' (OECD, 2008a: 28). Progress towards policies that are more coherent and supportive of development is an important part of this process, in addition to being part of the commitment by governments to MDG8, the building of a global development partnership. The remainder of this Briefing Paper explores the progress made on PCD by governments in the developed world.

**Table 1: Examples of PCD in practice**

| Cross-border issue                                    | Aim  | Challenges  | Mechanisms and fora  |
|---|--|---|--|
| <b>Trade (including agricultural trade)</b>           | Enable developing countries to benefit from trade                        | Powerful agricultural interests; agricultural subsidies; trade barriers   | WTO 'Development Round'; aid for trade   |
| <b>Migration</b>                                      | To enable developing countries to benefit from migration                 | Political sensitivities about immigration; difficulty of reconciling interests of origin and destination countries and rights of migrants | Codes of conduct for the recruitment of health-workers and teachers; partnership agreements; dual citizenship  |
| <b>Investment</b>                                     | Enable developing countries to benefit from investment                   | Balancing the need for developing countries to attract international investment and regulate it appropriately                             | Corporate Social Responsibility; United Nations Global Compact; OECD Guidelines for Multinational Enterprises; Investment treaties   |
| <b>Environmental issues, including climate change</b> | Limit, and enable developing countries to adapt to, environmental change | Dependence on fossil fuels; unsustainable consumption practices   | Burden-sharing between developed and developing countries in international climate change negotiations; regulation of international timber trade   |
| <b>Security</b>                                       | Enable developing countries to avoid conflict and insecurity             | Shifting priorities; understanding the development-security nexus; regulating international arms trade                                    | Donors' approaches to working in 'fragile states'; EU code of conduct on strategic (arms) exports; International Arms Trade Treaty   |
| <b>Technology</b>                                     | Enable developing countries to make use of appropriate technologies      | Lack of incentives for firms to invest in research and development in relation to products destined for developing country markets        | Bilateral and international regimes for intellectual property rights, including in relation to generic medicines; regulation of genetically-modified organisms; support for research and development |

**Figure 1: The policy coherence cycle**



### The three phases of PCD

Progress towards policy coherence – policies that support, rather than undermine, each other – can be conceptualised as a three-phase cycle, with each phase of the cycle supported by a building block (see Figure

1). All building blocks must be in place for a country to make good progress towards policy coherence.

Phase one involves setting policy objectives and determining which objective takes priority if there are incompatibilities between policies. The building block is political commitment, backed by policies that translate commitment into action.

Phase two involves working out how policies, or their implementation, can be modified to maximise synergies and minimise incoherence. The building block is policy coordination mechanisms to resolve conflicts or inconsistencies between policies, and navigate the complex politics of policy processes.

Phase three involves: monitoring, to collect evidence about the impact of policies; analysis to make sense of the data collected; and reporting back to parliament and the public. This phase provides the evidence base for accountability and for well-informed policy-making and politics. The building block is effective systems for monitoring, analysis and reporting.

If progress around the policy coherence cycle is to lead to progress on PCD, development needs to be given sufficient weight at each phase of the cycle: political commitment and policies must give weight to development objectives; policy coordination must take account of development interests; and monitoring, analysis and reporting must relate to development impacts and progress towards development goals. Whether or not sufficient weight is given to development is largely a question of politics.

Governments in the developed world have made some progress in putting in place the building blocks for PCD, with some countries – particularly in Northern Europe – making very good progress (OECD, 2008b). For many countries, however, progress on PCD has been mixed. Political commitments may have been made and policy coordination mechanisms established, for example, but with less progress made on monitoring, analysis and reporting.

### PCD in practice: Phase one

Progress on PCD starts with building block one: political commitment that is translated into clear, prioritised and coherent policies. All Members of the OECD Development Assistance Committee (OECD-DAC) are in principle and on paper committed to development, but some Members – including Italy, Greece, Japan and Portugal – had not made a commitment to PCD at the time of their most recent OECD-DAC Peer Review.

More promisingly, the European Union (EU), the Netherlands and Sweden have given PCD a central place in a cross-governmental approach to international development. In the Netherlands, a 2003 policy statement on 'mutual interests, mutual responsibilities' stressed that effective development cooperation requires an integrated and coherent policy framework covering diplomacy, political dialogue, security, trade, market access and aid.

For the EU – building on the Maastricht Treaty's principles of coherence, complementarity and coordination – the 2005 European Consensus on Development makes a specific commitment to PCD, requiring policies in all areas to take account of development objectives.

In 2003, the Swedish Parliament endorsed the Policy for Global Development, making equitable and sustainable development the shared responsibility of all ministries and placing PCD at the centre of Swedish development policy. Under the Policy for Global Development, ministers with responsibility for domestic issues, as well as those covering international issues, must ensure that their policies take account of development. The entry of this Policy into law followed extensive public outreach and awareness-raising to generate support.

### PCD in practice: Phase two

Members of the OECD-DAC have made varying degrees of progress in putting into place the necessary building block for phase two: policy coordination mechanisms that take full account of development interests. For some countries, such as Ireland and New Zealand, with compact governments and short lines of communication, informal mechanisms have, until recently, been seen as sufficient, an approach that may well have costs in terms of transparency and accountability. For others, including Denmark and the UK – two countries that have made reasonable progress overall on PCD – policy coordination has been dealt with on an issue-by-issue basis, with, for instance, the UK paying particular attention to trade, debt and conflict.

Other countries have created innovative formal mechanisms, in addition to the Cabinet and Inter-Ministerial Committees that are the standard approach to policy coordination. Germany requires that legislative proposals are screened for their development implications, and Sweden, Finland and the Netherlands have established clear focal points with lead responsibility for PCD.

In 2002, the Netherlands established a dedicated Policy Coherence Unit, formalising the previously ad hoc approach to PCD. The Policy Coherence Unit covers all three phases of the policy coherence cycle. Its work includes coordinating the positions of various ministries on PCD-related issues and ensuring that the Netherlands' positions in EU meetings take account of development impacts. The Policy Coherence Unit provides a clear focus for PCD work and policy coordination, enabling the Ministry for Foreign Affairs to work proactively and intensively on coherence.

### PCD in practice: Phase three

It is when we come to phase three of the policy coherence cycle – monitoring, analysis and reporting – that we find the greatest weakness among

OECD-DAC Members. Many countries, such as Belgium, Greece, Italy, Japan, Norway and Spain, were found, in recent peer reviews, to lack analytical capacity, or were failing to make good use of their analytical capacity. This applies to countries that are at the forefront of progress on PCD as well as to the laggards. For instance, the UK's Peer Review notes that more progress is needed in recognising, understanding, specifying and assessing policy coherence issues, while the Peer Review for Germany reports that monitoring and reporting on policy coherence has yet to become explicit and systematic. However, there are signs of progress. In Sweden, Finland and the UK, there is now a requirement that the Government report annually to Parliament on PCD.

The EU is also making welcome progress. In 2007, the EU produced its first biennial report on PCD. The report – designed to inform the PCD debate and to serve as a public information tool – assesses the efforts of EU Member States to enhance PCD at an EU level, at national level, and in terms of specific issues. The issue-specific element focuses on the policies and policy processes of Member States on 12 priority areas: trade; environment; climate change; security; agriculture; fisheries; the social dimension of globalisation, employment and decent work; migration; research and innovation; the information society; transport; and energy. The report is based on data provided by Member States themselves and is rather limited in terms of analysis of impacts, but provides a good basis on which the EU can build.

### Policy: Next steps

Progress on PCD is about the interplay of politics, institutions and evidence. It requires governments to: manage the politics by generating the necessary support for sustained political commitment; establish a focal point to coordinate progress and ensure that development interests are well-represented; and invest in effective systems for monitoring and analysis, with transparent reporting on results.

The progress made by OECD-DAC Members on PCD and its building blocks has been mixed. This is, in part, because development is not at the top of the agenda for most governments or people in the developed world. But it is also due to the lack of persuasive evidence about the benefits of coherence, the costs of incoherence and the results of putting the various building blocks in place. With better evidence, the balance of political interests could shift to give development and PCD a higher priority.

OECD work on PCD has highlighted the lack of attention given to collecting relevant data. A 2007 OECD progress report, for example, suggests that further efforts are needed to enhance identification of best institutional practices on the achievement of PCD and to ensure systematic assessment of its impact – and the costs of incoherence – in reducing poverty and supporting sustainable growth.

Generating better evidence to alter the politics

## Box 1: Lessons for OECD members

### Phase one: Setting and prioritising objectives – requires 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.

### Phase two: Coordinating policy and its implementation – requires policy coordination 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 coordination and policy arbitration, ensuring that mandates and responsibilities are clear, and involving fully Ministries beyond development and foreign affairs.

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

### Phase three: Monitoring, analysis and reporting – requires effective systems

**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 cooperation activities and progress towards meeting the MDGs.

of PCD requires that the OECD, its Members, and others, spend more time on the analysis of issues through a PCD lens and less time on the promotion of PCD in general. The OECD Synthesis Report on PCD suggests, for example, assessing the extent to which the lessons about PCD (see Box 1) have been applied to a particular issue such as migration.

More ambitiously, a focus on particular issues might make it possible to specify results chains that set out the links from policy processes, to policy outcomes, to policy impacts. This would provide a basis for establishing indicators along the results chain, to better monitor progress and move beyond a focus on policy inputs. Looking at specific issues could also allow better analysis of the political economy or governance dynamics of, for instance, policy-making in particular developed countries. This could include such issues as climate change, the recruitment of doctors and nurses from developing countries, or the regulation of tax havens.

The PCD agenda would also benefit from a greater focus on field-level perspectives. Indeed, it is not possible to generate the evidence needed to inform policy without such perspectives. While it is difficult to trace the impacts of one policy from a particular

developed country to a single developing country, a mappings approach that analyses how a number of Beyond Aid issues play out in the context of a specific developing country is a promising way forward.

Bringing together both aspects of the Beyond Aid agenda – PCD and the engagement of developing countries with cross-border issues – can generate the evidence to inform policy processes in developing and developed countries. This could drive faster progress towards PCD and policies that are more ‘development-friendly’, in practice as well as on paper. Ultimately, such an approach could do much to advance the Beyond Aid agenda and ensure that Beyond Aid issues deliver for development.

By Dr Alan Hudson, ODI ([a.hudson@odi.org.uk](mailto:a.hudson@odi.org.uk)) and Linnea Jonsson, London School of Economics. The findings draw on research conducted in early 2008, funded by the Organisation for Economic Co-operation and Development (OECD). Funding for this paper was provided by OECD and the UK Department for International Development (DFID). Additional resources: [www.odi.org.uk/country\\_mappings](http://www.odi.org.uk/country_mappings); [www.oecd.org/development/policycoherence](http://www.oecd.org/development/policycoherence); [www.dfid.gov.uk/mdg/aid-effective-ness/policy-coherence.asp](http://www.dfid.gov.uk/mdg/aid-effective-ness/policy-coherence.asp); and [www.cgdev.org/cdi](http://www.cgdev.org/cdi)



Overseas Development  
Institute

111 Westminster Bridge  
Road, London SE1 7JD

Tel +44 (0)20 7922 0300

Fax +44 (0)20 7922 0399

Email  
[publications@odi.org.uk](mailto:publications@odi.org.uk)

Readers are encouraged to quote or reproduce material from ODI Project Briefings for their own publications. As copyright holders for this publication, ODI/OECD request due acknowledgement and a copy of the publication.  
© ODI/OECD 2009  
ISSN 1756-7602

## References

- OECD (2008a) ‘Development Co-operation Report 2007’, *OECD Journal on Development*, Volume 9, No. 1.
- OECD (2008b) ‘Policy coherence for development: Synthesis report on the OECD-DAC Peer Reviews, 2003-07’ (ODI with ippr).