

# The Future of Development Cooperation: from Aid to Policy Coherence for Development?

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## 1. Development cooperation: the handicap of a head start?

The Member States of the European Union collectively contribute more than half of worldwide 'Official Development Assistance' (ODA), a concept that was defined in 1972 and since then has not been fundamentally revised. Whereas ODA once played a strong role, and still does in least-developed and fragile states, the traditional donors in developing countries were more recently joined by increasingly influential private donors as well as so-called 'emerging economies' such as China and India. This group of 'new' donors generally does not report in terms of ODA but nevertheless makes significant investments in developing countries.

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Besides the developments outside Europe, globalisation also influences the character of public policy, to such an extent that it is hard to imagine a policy area that today does not have an external dimension. Many examples are available:

- About 12 million hectares outside Europe are needed to produce feedstock for European agriculture, and two thirds of the fish that is processed or consumed in Europe is caught outside its territorial waters.<sup>1</sup> Back in 2013 developing countries already provided 32% of worldwide fisheries subsidies<sup>2</sup>, which are presently estimated at 20-25% of the total financial returns of global fisheries.<sup>3</sup>
- The current international system of patenting and intellectual property rights does not stimulate medical innovation for diseases that only poor countries and communities are faced with.<sup>4</sup>
- Illicit financial transactions from developing countries are estimated to be between 850 and 1000 billion US Dollars per year, an amount far bigger than what these countries receive in terms of ODA and foreign direct investment. It is estimated that one third of these transactions involve foreign companies, including European, who avoid or bypass taxation through complex routes.<sup>5</sup>
- Another important aspect is the relatively declining size of ODA due to the faster growing financial transactions, remittance flows but also the growing public budgets of emerging economies. The combined defence budgets of India and China in 2009 were estimate at twice the size of net ODA provided by the OECD/DAC during that year.<sup>6</sup>

The declining influence of European ODA in developing countries as well as the increasing effects of other policy areas makes that in the long run the size of the European ODA budget will no longer be a sufficient indicator of its contribution to international development – if this had ever been the case. International policy discussions refer in this context to ‘Policy Coherence for Development’ (PCD), a concept that expresses the ambition to make sure that all policy areas that affect developing countries contribute positively to the objectives of development cooperation.

This brief paper aims to inform the debates about PCD during the 2012 Stakeholders Meeting of the Belgian Development Cooperation. Section 2 gives an overview of existing commitments and the political economy of PCD, followed by section 3 that presents a more detailed analysis of efforts made to increase the results of PCD. The paper ends with a number of general conclusions and suggestions for further debate during the Stakeholders Meeting.

## 2. Existing commitments and political feasibility

Policy Coherence for Development is by no means a new concept for the European Union. The Treaty of Maastricht from 1992 already points to the need to take account of development objectives in the process of formulating new policies. In the ‘European Consensus on Development’ of 2005 it was agreed at the highest political level that PCD should play a central role in European development cooperation. The European Consensus reaffirms Europe’s “(...) *commitment to promoting policy coherence for development, based upon ensuring that the EU shall take account of the objectives of development cooperation in all*

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<sup>1</sup>[http://www.pbl.nl/sites/default/files/cms/publicaties/Protein\\_Puzzle\\_web.pdf](http://www.pbl.nl/sites/default/files/cms/publicaties/Protein_Puzzle_web.pdf)

<sup>2</sup><http://www.searoundus.org/researcher/dpauly/PDF/2010/JournalArticles/BottumUpReestimationOfGlobalFisheriesSubsidies.pdf>

<sup>3</sup>[http://www.wto.org/english/tratop\\_e/rulesneg\\_e/fish\\_e/fish\\_intro\\_e.htm](http://www.wto.org/english/tratop_e/rulesneg_e/fish_e/fish_intro_e.htm)

<sup>4</sup><http://www.biomedcentral.com/content/pdf/1472-698X-10-20.pdf>

<sup>5</sup>[http://eurodad.org/uploadedfiles/whats\\_new/news/fighting%20illicit%20flows%20from%20developing%20countries.pdf](http://eurodad.org/uploadedfiles/whats_new/news/fighting%20illicit%20flows%20from%20developing%20countries.pdf)

<sup>6</sup>[http://www.rand.org/pubs/monographs/2011/RAND\\_MG1009.pdf](http://www.rand.org/pubs/monographs/2011/RAND_MG1009.pdf) (see page 92)

*policies that it implements which are likely to affect developing countries, and that these policies support development objectives.*<sup>7</sup>

PCD has therefore been part of the objectives of EU development cooperation for more than 20 years. Article 208 of the present EU Treaty defines the overall objective of European development cooperation as follows: *“The Union’s development cooperation policy shall have as its primary objective the reduction and, in the long term, the eradication of poverty. The Union shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries.”*

The current EU treaty positions this objective more explicitly against the ambition to give shape to a more assertive European external action policy, including through the creation of the European External Action Service and the mandate of the High-Representative of the Union for Foreign and Security Policy. The current institutional architecture of the Union and recent international political developments such as the Arab Spring gives that Europe now has to reconcile its values and interests. European policy in areas such as trade, finance and agriculture is formulated in consultation with powerful actors, which creates a political economy in which the interests of developing countries cannot be sufficiently brought to the attention. Particularly at times of declining economic growth or recession this creates the risk that an emphasis on short-term interests obstructs the articulation of European values in the long term, which is detrimental to both the development of Europe and developing countries.

The Organisation for Economic Cooperation and Development (OECD) plays an important role in informing European and international discussions about PCD. The political mandate of the OECD was agreed in the 2002 ‘OECD Action for a Shared Development Agenda’. This mandate was expanded in 2008 when a ministerial declaration on PCD was adopted<sup>8</sup>, which included agreements to further invest in measuring the effects of OECD members’ policies and the results that are achieved through concerted efforts to promote PCD. Since 2000 the ‘Peer Reviews’ of the members particularly look into the efforts made with regard to overall policy changes and innovations in terms of processes and exchange of information. The Secretariat of the OECD currently works on the preparation of an ‘OECD Strategy on Development’, which describes how the OECD and its members can contribute to a future in which no country should have to depend on development cooperation, and in which much emphasis is placed on the promotion of PCD.<sup>9</sup>

Outside the OECD an important basis is found in the 8th Millennium Development Goal. This goal describes the UN members’ ambition to give shape to a global partnership for development and includes specific objectives in the area of ODA, cancellation of debts, a fair international trade system, access to medicines and the digital agenda. The outcome document endorsed during the ‘UN MDG review meeting’ of 2010 puts important emphasis on PCD.

More recently the ‘Busan Partnership for Effective Development Cooperation’ was adopted on 1 December 2011 in Korea. This declaration, endorsed by the OECD members, developing countries, private donors and influential non-OECD members such as China and Brazil, acknowledge the importance of coherence: *“(…) it is essential to examine the interdependence and coherence of all public policies – not just development policies – to enable countries to make full use of the opportunities presented by international investment and trade, and to expand their domestic capital markets.”*<sup>10</sup> Although countries like China have only to a limited extent bound themselves to the agreements made in Busan (the declaration emphasizes

<sup>7</sup> [http://ec.europa.eu/development/icenter/repository/european\\_consensus\\_2005\\_en.pdf](http://ec.europa.eu/development/icenter/repository/european_consensus_2005_en.pdf)

<sup>8</sup> [http://acts.oecd.org/Public/Info.aspx?lang=en&infoRef=C/MIN\(2008\)2/FINAL](http://acts.oecd.org/Public/Info.aspx?lang=en&infoRef=C/MIN(2008)2/FINAL)

<sup>9</sup> <http://www.oecd.org/dataoecd/8/17/48106820.pdf>

<sup>10</sup> [http://www.aideffectiveness.org/busan/hlf4/images/stories/hlf4/OUTCOME\\_DOCUMENT\\_-\\_FINAL\\_EN.pdf](http://www.aideffectiveness.org/busan/hlf4/images/stories/hlf4/OUTCOME_DOCUMENT_-_FINAL_EN.pdf) It should be added that the objective to which coherence is linked here, namely international trade, investments and the growth of the domestic capital market, is a different objective from the one described in the EU Treaty.

that these countries will implement the agreements on a voluntary basis), Busan is seen by many as an important step in a gradual transition from aid to development effectiveness.

Another important development is the discussion in the run-up to the Rio conference on sustainable development of June 2012, and the attention given in the draft outcome document to the Colombian proposal of 'Sustainable Development Goals'. At the time that this paper was written there was still much discussion about the content of such goals and how they would relate to the Millennium Development Goals.<sup>11</sup>

It is important to emphasise that the EU's ambition to formulate coherent policies covers its entire sphere of influence:

1. from strongly politicised policy reform processes with large financial implications (such as the reform of the EU's Common Agricultural Policy);
2. to highly technical implementation matters (such as the maximum allowed level of chemical elements in imported products);
3. to the enforcement or absence of policies (such as EU fishing vessels that are active in the waters of developing countries with whom the EU has not agreed a Fisheries Partnership Agreement)

Given the current reality in which we live, formulating policies that are coherent with development objectives may seem a politically unrealistic or even naive objective. General statements of intent by the EU and other influential countries and regions require only limited costs, as the real costs will have to be met when concretising such intentions. When these investments are made, the results achieved can also serve European goals, for example:

- a. The increasing demand for agreements on corporate social responsibility in new trade agreements with third countries, and the attention to transparency in market chains;
- b. The strongly reduced export subsidies in the context of the Common Agricultural Policy, and the decoupling of the direct financing to farmers from their levels of production, evolutions which are related to the Europe 2020 that seeks to decouple economic growth from the use of natural resources.

### 3. Do 'institutional mechanisms' make policies more coherent?

The large quantity of existing commitments and the scarce evidence on progress made in making policies more coherent underlines that promoting PCD should not be seen as a technical problem to be solved by civil servants and mechanisms, but as a primarily political challenge that needs to be seized at that level. Doing so would in turn lead to the freeing up of adequate resources and technical solutions, but not the other way around.

During the past two decades studies have largely focused on the importance of so-called 'institutional mechanisms' that should support governments at the technical and/or political level to make policies coherent. Such mechanisms, that are also covered by the OECD/DAC peer reviews, can be any of the following three types: (i) the adoption and clarification of overall ambitions and objectives, (ii) the facilitation of the exchange of information and decision-making and (iii) research, monitoring and evaluation.

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<sup>11</sup> <http://www.uncsd2012.org/rio20/content/documents/colombiasdgs.pdf>

Institutional mechanisms can vary strongly from country to country, since they have to function within a particular political and administrative context and tradition. Seeking to make policies coherent should therefore not be seen as a separate activity but rather as part of the regular process of formulating, changing and implementing policy. Studies such as the DAC peer reviews and a joint-evaluation led by the ECDPM<sup>12</sup> conclude that the unique nature of decision-making and the political process in each country excludes the possibility of 'copying' successful experiences from one country to another. Successful mechanisms in Germany do not work in France, and vice-versa. Since 2007 the efforts of EU Member States are also monitored by the European Commission by means of a biennial progress report on the EU's efforts to promote PCD, of which the third edition was published in December 2012.

The existing reports and evaluations note that the ambitions and objectives of the various countries with regard to policy coherence are not always aimed at development. The studies moreover note that countries have hardly made investments in the third type of mechanism, namely investments in research, monitoring and evaluation.<sup>13</sup> Mechanisms are however at best a means, and never an end in themselves. The lack of investments in evaluations and research to find out more about the actual effects of European policies in developing countries however turns discussions about mechanisms into a largely symbolical exercise – as long as it is insufficiently clear to what extent these mechanisms help to make policies more coherent and achieve results in developing countries

It can be concluded from this analysis that many countries acknowledge the importance of PCD at the public and political level, but that problems are faced in translating these agreements into concrete results. This can be primarily be explained by political obstacles and the place of development in the policy hierarchy, but also by the difficulty to have a vivid political debate about often rather technical subject matter. These political obstacles are partly generated by or lead to further technical challenges:

1. First of all there is a lack of a clear baseline which defines show coherent policies are at a certain point in time, and a clearly defined level of ambition as to how more coherent the policy should have become after a certain period of time.
2. Besides complicating more precise planning and efficient use of efforts, this also leads to discussions about progress being bogged down into 'glass half full or half empty' discussions and difficulties for ministries to free up financial and human resources.
3. The formulation of targets is further complicated by the absence of 'evidence' and research that can more precisely map the extent to which European policies have an effect on developing countries (besides other influence such as the developing countries' own policies) as well as conceptual confusion on how to define 'development' in this context.
4. In the absence of empirical evidence discussions are mainly based on assumptions on what kind of 'outputs' in terms of European policies can generate particular 'outcomes' in developing countries, but such relations are in fact largely based on theoretical assumptions and logical reasoning.

An important way to tackle the political challenge is by making objectives more concrete and explicit. In November 2009 European ministers responsible for development cooperation made a series of agreements on the future of PCD. They agreed that there was a need to engage more proactively on five areas: (1) trade and finance, (2) food security, (3) climate change, (4) migration and (5) security. The ministers emphasised the need for result-orientation to ensure a more focused and operational approach that can take PCD further at all levels and in all sectors.<sup>14</sup> The ministers invited the Commission to prepare a work programme for the period 2010-2013 with proposals for objectives and indicators that should

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<sup>12</sup><http://three-cs.net/images/triplec7.pdf>

<sup>13</sup>E.g.: [http://www.un.org/en/ecosoc/newfunct/pdf/hls\\_finland-policy\\_coherence\(oecd\).pdf](http://www.un.org/en/ecosoc/newfunct/pdf/hls_finland-policy_coherence(oecd).pdf)

<sup>14</sup><http://register.consilium.europa.eu/pdf/en/07/st14/st14921.en07.pdf>

facilitate further results. Such a work programme should create a basis for political accountability for the promotion of coherent policies.

In June 2010 the Commission's proposed EU work programme received a lukewarm reception, and since that time not much has happened with it apart from the five areas being the main focus of the 2011 EU progress report – which however focused mostly on processes and initiatives and not on concrete results achieved. The approach of the work programme mostly focused on the synergies between different European policy choices, and much less on promoting PCD as such. The work programme moreover assumed a need to reconcile different conflicting objectives, while PCD in essence points to a needed redefinition of European interests in function of development objectives. Given the ambition as defined by the EU ministers in November 2009 there is still quite a lot to do, especially in the area of adopting concrete objectives for different policy areas in terms of their envisaged contribution to the achievement of the development objectives of the European Union.

## 4. Conclusions and suggestions for further

The analysis in this paper points to two challenges for the EU and more generally the international efforts to promote global development:

1. The need for further investments to explore the effects of the globalisation of policies, and the possibilities for more development-friendly policies, much more systematically and intensively – which includes a need to look into the representativeness of global governance; and
2. The 'reinvention' of the push for more coherent policies in a more interconnected world, in which ODA will play a less central role after 2015 and in which the objectives of development cooperation may broaden from a focus on poverty reduction to the development dimension of Global Public Goods. Rio+20 will be an important step in this debate that will intensify in the coming years.

For the time being the question as to whether the European Union will play a leading role in confronting these two challenges remains unanswered, and Europe still has a lot of 'homework' to do in order to better think and act beyond short-term financial considerations, and instead focus more on contributing to global development in the interest of European development in the long term.

A few additional questions also emerge from this analysis and perhaps provide inspiration for further discussion:

- a. After Busan and perhaps Rio+20 later this year, what are the chances to make discussions about Policy Coherence for Development more concrete and result-oriented? What place should PCD take in the discussions on development goals after 2015?
- b. While the European Parliament is increasing its profile on this area (e.g. by appointing a 'standing rapporteur' on PCD) and investments by the Commission in consultation and 'impact assessments' shows potential, the debate among Member States strongly depends on the rotating EU Presidency. What are the possibilities for a more permanent attention to PCD at the political level in Europe, and at what level(s) should this best take place?
- c. How can systematic research on the effects of European policies in developing countries best be organised, and under whose responsibilities and with what resources should such research be realised?

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