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**MEETING OF THE NATIONAL FOCAL POINTS FOR
POLICY COHERENCE FOR DEVELOPMENT**

SUMMARY RECORD

7 November 2012

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SUMMARY RECORD

Fifth Meeting of the National Focal Points for Policy Coherence for Development (PCD)

7 November 2012

1. The meeting was opened by OECD Deputy Secretary-General **Rintaro Tamaki**. He noted the importance of continued collaboration among PCD Focal Points, in particular as we move forward with the implementation of the OECD Strategy on Development. Equally important – including from a PCD perspective – is the recognition of and reflection over new realities, such as:

- a more multi-polar global economy, with increasing wealth creation and knowledge generation in developing regions;
- a new geography of global poverty, with a growing proportion of the world's poor living in middle income countries;
- a new configuration of the international development architecture, with emerging and developing countries playing an increasingly important role as a source of finance, trade, investment, and innovation; and
- a more complex context where multiplying global value chains are changing the patterns of international trade.

2. Until now, dialogue on PCD has been carried out mainly among donors and with a narrow focus on coherence between aid and non-aid policies. We need now to broaden the analysis and engage a greater number of stakeholders, in particular to create the space to promote a more systematic dialogue with developing countries. This will help to build a common understanding on PCD and generate the necessary evidence to inform policy and convince decision makers to act.

3. With the OECD Strategy on Development, our work on PCD will adopt a dual approach. First, we will continue to respond to the needs of our members for evidence on the costs and benefits of non-aid policies on developing countries. And second, we will complement these efforts by further reflecting on and applying a broader approach to PCD and looking at other dimensions.

4. DSG Tamaki concluded his intervention with a question, namely “what are the implications of all this when it comes to measuring PCD?”, and asserted that the OECD will explore ways to develop effective instruments to monitor and assess progress on PCD. He encouraged Focal Points to engage in this process, including with the help of existing mechanisms and tools, such as the web-based PCD Platform.

SESSION 1: NEW NARRATIVES IN THE GLOBAL ECONOMY: IMPLICATIONS FOR MONITORING AND MEASURING PCD

5. This session, which discussed the nearing MDG ‘deadline’ of 2015 and alternative quantitative and/or qualitative development goals, was chaired by **Pawel Wojciechowski**, Ambassador of Poland and Chair of the OECD Development Centre Governing Board. He encouraged participants to look at both the big picture (*i.e.* shifting wealth and/or shifting poverty) and the small picture (*i.e.* operational issues), and underlined the need to assess actual results. He also elaborated on what it is we want to measure. Are we only talking about institutional processes?

6. An introduction to global value chains (GVCs) – and the implications of their ongoing transformation – framed the discussion of a new PCD narrative. **Dirk Pilat**, OECD/STI, and **Raed Safadi**, OECD/TAD, outlined the key features of ongoing OECD work in this area.

7. Global value chains encompass emerging as well as developed economies. Goods and services that were once produced in their entirety in a single country are now commonly produced as part of a global production chain, driven by a range of factors including technological progress, cost, access to resources and markets, and trade policy reforms. One can look at it as a kind of “relay race” where in the end the whole “team” gains.

8. This fragmentation of production, however, has meant that traditional measures of trade that record gross flows of goods and services every time they cross borders may present an inaccurate picture of the importance of trade to economic growth and employment and also of the structural nature of bilateral trade balances. The *OECD/WTO Trade in Value-Added Initiative* (TIVA) is an attempt to account for the double counting implicit in current gross flows of trade, and instead measure flows related to the value that is added (labour compensation, taxes and profits) by a country in the production of any good or service that is exported.

9. Furthermore, the consequences of GVCs impact on a wide range of policy domains, not just those related to trade policy. Amongst others, they have far-reaching impacts on competitiveness, industrial policy, skills, access to markets, the role of capital and the use and protection of intellectual property. The development of GVCs has also contributed to the integration of emerging economies and developing countries in the global economy. Policies to upgrade and move to other stages within GVCs are assumed to also enhance the spillovers to the local economy.

10. The OECD is currently undertaking work along these different dimensions to address the new challenges that GVCs create for policy makers. The results of this work will be presented at the next OECD Ministerial Council Meeting in May 2013.

11. **Owen Barder**, Director of the Center for Global Development (CGD) Europe, presented the Commitment to Development Index (CDI) and the rationale behind it. He said that it is not about measuring PCD, but about trying to capture the extent to which rich countries care about the effects their policies have on poor countries, and their efforts to do something about it.

12. Published annually since 2003, the CDI scores 27 wealthy governments on helping poor countries via seven linkages: aid, trade, investment, migration, environment, security, and technology. Within each component, a country receives points for policies and actions that support poor nations in their efforts to build prosperity, good government, and security. This year, the CDI also looks at Europe as a whole: the region ranks third after New Zealand and Canada.

13. The particular benefit of such rankings is to help concentrate the mind, illustrate trends, promote conversation and further research. Unfortunately, we do not yet have good enough data for all components needed in order to include additional countries.

14. **Hildegard Lingnau**, OECD/DCD, discussed how policy coherence for development has been framed thus far and noted that the concept was already part of the 1996 DAC Report “Shaping the 21st Century”. Going forward, she underlined that PCD is part of the post-2015 implementation project of the OECD Strategy on Development, and also on the agenda for the DAC High-Level Meeting to be held in December 2015.

15. She stressed the need to step up efforts to reach MDG 8 (“Global partnership”), which is particularly relevant in a PCD context. Other areas of importance in the post-2015 debate include wellbeing as an ultimate outcome, and further thinking about the provision of global public goods. With regard to wellbeing, the OECD’s *Better Life Index* provides useful insights and allows a better understanding of what drives the wellbeing of people and nations and what needs to be done to achieve greater progress for all. The 4th OECD World Forum on Statistics organised jointly between the OECD and the Government of India in October 2012 in New Delhi, aimed to further this debate and to promote the development and use of new measures of wellbeing for effective and accountable policy making. Global public goods, in turn, will be further explored in the context of the 2013 OECD Development Co-operation Report.

16. The **discussion** touched upon GVCs and to what extent the OECD can promote more flexible technology transfer and IPRs, thereby facilitating developing countries’ move up the value chain. Participants also welcomed the distinction between policy *efforts* and policy *impacts* and agreed that we need measurements for both. The development of indicators on a sectoral level and proceeding incrementally seems to be the most feasible way to proceed.

SESSION 2: NATIONAL EXPERIENCES OF PROMOTING COHERENCE AND ASSESSING IMPACTS IN A PUBLIC GOVERNANCE PERSPECTIVE

17. This session explored how to best promote PCD on an institutional level and the role of public governance policy. The participants discussed indicators and frameworks to assess PCD and shared views on what PCD measurement should capture.

18. **Brian Atwood**, OECD-DAC Chair, chaired the session and recognised the many important steps that have been taken at the OECD and elsewhere to bring the PCD agenda forward. Post-Busan and post-2015 discussions offer new impetus for this debate.

19. Participants were briefed on lessons learned from the DAC peer reviews. It was noted that development agencies should play an active role in PCD assessments and that PCD should be dealt with at the highest political level. Ministries across the board should be involved in the development of a PCD action plan and the establishment of a PCD unit that screens policies and initiatives is helpful. Furthermore, the integration of field offices and the regular reporting to parliament and the public on ongoing activities can help disseminate information on PCD.

20. The Bertelsmann Foundation, represented by **Daniel Schraad-Tischler** and **Najim Azahaf**, presented their Sustainable Governance Indicators (SGI) for OECD countries. The SGI is divided into the status index and the management index, which measure (i) policy performance and the quality of democracy and (ii) the interaction and steering capacity of executive capacities. The management index, in particular, might be relevant for PCD measurement as it focuses on governance capacities and the

formulation of policies, as well as institutional learning, coordination and the role of actors outside of the executive function. SGI indicates that there is a strong positive relation between “institutional learning” (especially reform capacity) and policy performance, and this information could fit very well into PCD assessments. The constant review of political institutions by governments, as well as their systemic adaptation to external and international pressures, seems to enhance policy performance.

21. Furthermore, a high capacity for strategic planning in the phase of drafting policies, regular Impact assessments in order to detect incoherencies during the phase of policy development, and inter-ministerial coordination and ministerial compliance as measured by the SGI, help capture PCD aspects.

22. The Foundation considers adding more PCD sensitive indicators into the SGI in the coming year.

23. The **discussion** underlined the need to look at PCD in the context of global political and economic challenges, which are being manifested – among other things – in the form of global value chains, changing trade patterns and new power structures. The Bertelsmann Foundation’s indicators can help countries deal with domestic challenges that arise from these global developments. Participants also alluded to the potentially very interesting policy insights that could be gained from “pooling” the results of the CDI and the SGI.

24. It is important to not only focus on policy and institutional assessment from a developed country’s point of view but also to look at the PCD dimension from a developing country perspective. Discussions on how to enhance PCD analysis should go beyond looking at ‘traditional’ and sectoral PCD policies and also tackle macroeconomic policies, and international spill over effects.

SESSION 3: MEASURING PCD – WORKSHOP

25. This session was organised in a workshop format. Three breakout groups, each facilitated by OECD experts, discussed questions related to measurement and PCD indicators in three areas where the OECD has core competences and can add value to the work of other stakeholders. Work underway in each of these areas contributes to the implementation of the OECD Strategy on Development:

a) Global food security and policy coherence

26. **Earnán Ó Cléirigh**, OECD/DCD, argued that measurement of impact provides evidence *for* PCD more than evidence *of* PCD. So far PCD measurement has been more on efforts and institutions than on outcomes. We need evidence of PCD in policy making in order to assess value *versus* opportunity costs, to address new issues, and to convince new actors of its importance. **Jonathan Brooks**, OECD/TAD, discussed the spill-over effects of OECD countries’ policies and asked what it is that we can measure. He suggested that the OECD is able to on a regular basis (i) identify coherent and incoherent policies; and (ii) quantify the *incidence* of policies, or *policy effort*; as well as (iii) compute indicators of intermediate or final outcomes. Quantifying policy impacts on developing countries, however, is more difficult and would be on an *ad hoc* basis. The **discussion** pointed to the importance of division of labour as we move forward with work on indicators and also that it is preferable to look at both policy effort and policy impact.

b) Financial integrity and development – curbing illicit financial flows

27. **Ben Dickinson**, OECD/CTPA, introduced OECD’s work on illicit financial flows, which aims to measure policy and practice effort by OECD countries in addressing illicit financial flows originating from the developing world. He highlighted work in progress on money laundering; tax evasion including exchange of information to address tax havens; bribery; stolen assets and asset recovery; and the role of development co-operation in these areas. This work, based on open source data, will produce a comparative report in 2013 with policy recommendations. Ranking, weighting and online data

manipulation will also be explored. The proposed work was well received and focal points raised a number of questions including on the role of development co-operation, the complexity of measurable indicators and the problems of quantifying the volume of illicit financial flows. **Sandrine Hannedouche-Leric**, OECD/DAF/ACD, made a presentation on bribery in international business transactions as one of the broader PCD challenges of illicit financial flows. Participants enquired about the scope of the Anti-Bribery Convention and the work of the OECD Working Group on Bribery in fighting corruption of foreign public officials in developing countries and on how bribery strips resources from developing countries that could finance development.

c) Green growth

28. **Paul Schreyer** (OECD/STD) introduced the OECD Green Growth indicators and put a special emphasis on those potentially relevant from a development perspective. **Ron Steenblik** (OECD/TAD) presented work underway to identify and quantify government support for fossil fuels (“the OECD Inventory”), which is intended to contribute to international efforts to (i) phase out inefficient fossil fuel subsidies while providing targeted support for the poorest and (ii) encourage effective policies to spur innovation and deployment of clean and efficient energy technologies. The **discussion** centred on questions related to measurement of PCD and highlighted policy areas which seem of particular PCD importance. The group confirmed that indicators need to be analytically sound, relevant, and measurable. It was also apparent that it is difficult to conceive a set of indicators of PCD. However, by applying PCD as a lens when looking at existing indicators, including the ones on Green Growth, a set of indicators relevant for PCD may be identified. A simple framework to organize these indicators would relate key policy areas to desired development outcomes in the form of a matrix. Some analytical work would have to be undertaken to determine which (existing or newly developed) indicators are meaningful candidates for each cell of the matrix. This pragmatic approach should involve both statisticians and policy makers, to balance relevance and measurability of indicators.

SESSION 4: THE OECD’S ROLE IN PROMOTING PCD – WHAT CAN WE DO FOR YOU?

29. This session, which was chaired by **Ebba Dohlman**, OECD Senior Advisor on PCD, featured a *Tour de Table* among members on their efforts to promote PCD. It provided an opportunity for Focal Points to exchange recent experiences, including best practices and success stories.

30. **The European Commission** highlighted its efforts to measure, enhance, and capture PCD across the European Union. A PCD monitoring exercise has been undertaken every two years since 2005, representing a collective exercise with EU member states. Another important development on EU-level in 2012 was the adoption by the European Parliament of its first comprehensive PCD report in October (led by the Development Committee and with important support from the committees for fisheries, employment, and women’s rights).

31. The EU plans to further raise the political visibility of PCD in the coming year by screening policy issues to go more in depth in regard to measuring PCD, advocating PCD across the Commission by providing training on PCD, and by working on cross-sectoral PCD issues such as bio fuels.

32. **Finland** gave an update on their food security pilot, for which they are using the OECD Framework for Policy Coherence for Development. The pilot looks at how Finland can strengthen its contribution to EU policy making in the area of food security, ensuring that a developing country perspective is taken into account. It is an exercise in pooling and sharing experiences between different government ministries, and more information about the ongoing process will be made available on the PCD Platform shortly. It is yet too early to say anything about the results.

33. **Belgium**'s new government is placing increased importance on PCD. To this end, they organised a large stakeholder meeting on PCD in May 2012, established a multi-stakeholder consultative group, and are putting in place the institutional mechanisms to promote PCD.
34. **Denmark** noted that while they often perform well in so-called PCD indices, they do not have an institutional set-up for PCD. Work on an action plan to this effect will begin mid-November.
35. **France** asked if there was any reason that the macro-economic dimension was not a part of the PCD discussions.
36. **Sweden** reported on their commitment from 2002 to produce a report on PCD to Parliament every two years. The most recent report dealt with the issue of economic exclusion, and a follow-up meeting will be organised in Stockholm in March 2013.
37. **Italy** informed that in 2012 the Minister of International Co-operation and Integration was officially empowered with the direction, promotion and coordination functions with regard to activities of other Ministries related to development aid. This institutional development has contributed to the promotion of several participatory activities, such as the meetings of a multi-stakeholder Inter-Institutional Table on Development Co-operation and a Forum on International Co-operation, held in Milan in September.
38. **Ireland** informed the participants about their ongoing work on making policies on the African region more coherent, and thereby harnessing efforts to foster development in Africa. It also referred to the International PCD Platform as important tool for uploading documents and exchange information.
39. **Korea** is promoting PCD on the national level through the use of cross-departmental committees. Green growth remains one area in which Korea remains particularly interested.
40. **Portugal** highlighted the importance of bringing together different policy communities and cross-committee work.
41. **Kaori Miyamoto**, OECD/DCD, took this opportunity to remind participants about the usefulness of the DAC Peer Reviews and the forthcoming twelve lessons on PCD.
42. **Ebba Dohlman** noted in her concluding remarks that there seems to be a clear interest among Focal Points for a "tracking" or "commitment" tool for PCD, and that we should build – to the extent possible – upon the existing tools. Starting with the three areas discussed today, other sectors can be added as appropriate. She also noted the importance of focusing on synergies and win-win situations in the promotion of PCD, encouraged members to test and provide feedback on our PCD Framework ("toolkit"), and to make use of the new web-based platform. The PCD Unit will be sending out a plan of work to help make this platform more interactive and useful for the Focal Points.

ANNEX: ACTION POINTS STEMMING FROM THE MEETING

- Actively reinforce the development dimensions of the work on GVCs (at the OECD and elsewhere), with a view to identify the opportunities and challenges for developing countries from a PCD lens.
- Engage with the relevant actors to reflect on how best to integrate PCD as a cross-cutting dimension in the post-2015 context.
- Explore, together with the Bertelsmann Foundation and the existing OECD governance fora, the possibility of making the 2014 edition of their Sustainable Governance Indicators (SGI) more PCD-sensitive, either explicitly with new indicator(s) or implicitly by reshaping existing indicators.
- Initiate work on a visually attractive and interactive monitoring matrix for whole-of-government policies and impacts, building also on the existing PCD Framework (i.e. the ‘tool kit’).
- Identify new “volunteers” to test the PCD Framework (Toolkit) and help us improve it, drawing also on the experience of Finland.
- Advance the PCD measurement agenda, starting with the areas of food security, illicit financial flows, and green growth:
 - Establish informal Task Teams of PCD Focal Points that have a particular interest in deepening the PCD dimensions of these themes.
 - Outline the key issues in these areas, as well as the challenges and opportunities that exist.
 - Identify existing monitoring and measurement tools of policies/processes/impacts.
- Strengthen the PCD Platform:
 - Develop the Platform along the lines of the concept note that was distributed at the meeting.
 - Identify ways to best support Members in their efforts to advance PCD awareness and action.
 - Moderate an online discussion on how to make best use of the revamped Platform. You will be invited to participate in this exercise, which is planned to take place during the first two weeks of December.