

Measuring Policy Coherence for Development

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Final Report



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The views expressed in this report are those of the authors only and should not be attributed to any other person or institution.

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List of acronyms

BMZ	Federal Ministry for Economic Cooperation and Development, Germany
BRICS	Brazil, Russia, India, China and South-Africa
CDI	Commitment to Development Index
CGD	Centre for Global Development
CSO	civil society organization
DAC	Development Assistance Committee
DGIS	Directorate General for International Cooperation, Ministry of Foreign Affairs, the Netherlands
ECDPM	European Centre for Development Policy Management
EC	European Commission
EU	European Union
GPG	Global Public Good
HRFSP	High Representative of the European Union for Foreign Affairs and Security Policy
ICEI	Instituto Complutense de Estudios Internacionales, Madrid
IIS	Institute for International Integration Studies, Trinity College Dublin
LDCs	Least Developed Countries
MDGs	Millennium Development Goals
NGO	non-governmental organization
OECD	Organisation for Economic Co-operation and Development
PCD	Policy Coherence for Development
PISA	Programme for International Student Assessment
PSE	Producer Support Estimate
SDGs	Sustainable Development Goals
UNDP	United Nations Development Programme
WTO	World Trade Organisation

Executive Summary

I: Objectives and methodology

1. In September 2011, The Netherlands Ministry of Foreign Affairs and the German Federal Ministry for Economic Cooperation and Development jointly commissioned two studies. The studies respectively aim to (1) associate other development-related financial contributions to Official Development Assistance (ODA) reporting and (2) examine the feasibility and potential design of a 'development-friendliness' index to evaluate non-aid donor policies affecting developing countries.
2. This report presents the results of the second study. The study's objective is to (1) assess the **feasibility** of a potential 'policy coherence' or 'development-friendliness' index to evaluate and compare donor policies beyond their quantitative ODA contributions, (2) outline its **key elements** and (3) propose possible **next steps** for its development. The aim is to contribute to a more informed multi-actor debate on the comparison of countries' contribution to global development after 2015.
3. The study's methodology was a combination of:
 - a. **desk research** examining approaches to measuring policy coherence and causal chains between policy and development outcomes, and exploration of theoretical issues in the construction of indicators, with a focus on six case studies of comparative performance indicators; and
 - b. **21 semi-structured interviews** with officials from the OECD and European Commission, national development agencies, OECD member diplomats based in Paris, one non-OECD government-official, non-government organisations and researchers.

II: Policy Coherence for Development in an evolving context and the case for measurement

4. The year **2015** marks the deadline to achieve the 21 targets of the **Millennium Development Goals (MDGs)** as well as the agreed date for reaching the 0.7% of gross national income (GNI) target as Official Development Assistance (ODA). It represents an opportunity to update and broaden the global development reporting framework to strengthen the global effort to reduce poverty in developing countries.
5. In recent decades the OECD and the EU have developed greater understanding of the importance of non-aid policies for development and have begun to formally pursue **Policy Coherence for Development (PCD)** as part of their overall development strategies. International commitments to greater coherence between

aid and non-aid policies have been made in the UN Millennium Declaration, the 2010 MDG review summit and more recently in the 2011 Busan Partnership for Effective Development Cooperation.

6. Despite this strong political support, actual progress in setting up PCD mechanisms and procedures in OECD countries during the past decade has been rather tentative.¹ In particular, there has been **insufficient investment to assess the actual effects of developed country policies in developing countries**. Most PCD-relevant research is theory-based and lacks adequate empirical verification. Investments in research are considered a prerequisite for functional and legitimate monitoring of countries' performance on PCD.
7. Recent decades have shown a **growing interest and investment in performance indicators** in the field of development cooperation. In the period from 2005-2009, this increased focus on monitoring progress has influenced discussions on PCD. However, not much concrete progress has been made in this area, with the exception of the independently published Commitment to Development Index (CDI). This index is valued and used to varying degrees by traditional donor countries, but is not systematically used or discussed in a relevant international or inter-governmental forum.
8. Greater efforts to measure policy coherence will occur within the context of important changes in the development landscape, in which **the relative importance of development assistance for the world's poor is declining** due to the growing global role of non-DAC development actors, and because the majority of the world's poor no longer live in countries presumed to be the focus of development cooperation.
9. The interviewees noted that these global trends do not disqualify the efforts made to promote PCD, but rather point to (1) a **reducing influence of OECD countries** in developing countries due to the increased influence of BRICS countries and (2) a need to **strengthen the development dimension in key Global Public Goods**.

III: Political considerations for a coherence index

10. Several possible guiding concepts to assessing coherence were examined, all of which would require **additional investment** to build up an evidence base to generate political consensus. Existing comparative indicator performance processes indicate that these work best when countries see the monitoring as being in their interest, which is only feasible when **key concepts and the objectives for monitoring are agreed and commonly understood**.

¹ For a recent overview of progress made, please refer to EC 2011a.

11. The majority of interviewees emphasised that an overarching objective must be the **gradual inclusion of emerging economies** such as China, India, Brazil and Russia, the EU12 and Arab states in a post-2015 development reporting framework. They further suggested that the OECD should continue its own efforts to promote PCD despite the fact that the relative influence of OECD policies on international development is declining. Besides the need to agree on which group of countries would have their policies assessed, a challenge is to decide **which group of developing countries** will feature on the other end, countries whose development motivate the exercise.
12. Analysis of the interviews indicated the following emerging consensus regarding **appropriate fora to discuss and compare assessments**.
 - a. The **collection of and quality control of indicators** could be done by the OECD, together with the IFIs and international sectoral agencies with global involvement such as the WTO, the FAO or UNEP with UNDP possibly taking a leading role.
 - b. Linked to discussion of the post-2015 global development framework, **a set of PCD commitments** could be agreed by the UN General Assembly. This does not negate the possibility to have similar general discussions in G20, should this be seen as useful and desired.
 - c. More specific **discussion of progress made as well as the relevance of what is measured** in relation to specific areas could be organised in the context of the international sector agencies with global involvement such as the WTO, the FAO or UNEP. Thus it will be important that those countries interested in promoting PCD should use relevant opportunities in these bodies to push for discussion of relevant indicators. Discussion on changing what is measured can feed into changes endorsed by the UN.
13. In relation to sequencing, most interviewees preferred the option whereby **one first brokers a political agreement at a rather high level to obtain the necessary resources and backing to design and use an index**. The Millennium Development Goals illustrate the importance of cooperation between different multilateral agencies in achieving agreement on globally acceptable indicators and the sequencing of the policy efforts involved in that exercise helped to inform the recommendations presented in this report. Some interviewees suggested specific political brokering approaches and ideas in line of this overall option:
 - a. Most interviewees considered an annual score-card for all countries involved as the most logical 'output' of a coherence index. One interviewee suggested **country-based reporting** as a complementary option, with a methodology similar to the existing DAC Peer Review.
 - b. A small number of interviewees suggested that **political and technical debates are pursued in parallel** and inform one another. Once indicator-

based comparison approaches have been introduced in some thematic areas where there was some existing political momentum, the political threshold to introducing them in other areas could be expected to decrease.

IV: Technical considerations

14. Several **technical challenges** will be faced when exploring possible indicators for a coherence index, including:
 - a. Compared to assessing outcomes of ODA expenditure, coherence indicators involve **more complex chains of causality** that imply greater uncertainty and debate about the precise role developed countries play in the determination of outcomes in developing countries.
 - b. Formulating indicators involves **trade-offs between development objectives**, such as between industrialisation and climate protection, which require making either political or long term judgements.
 - c. The need for an index to **distinguish** between developed countries and developing countries.
 - d. Otherwise coherent policies may have negative effects on outcomes when **developing country institutions** fail to deliver for their citizens.
15. The possible broad reach of PCD indicators also raises question marks over the **quality and transparency of data** underlying any future index, combined with the fact that some countries perform better than others in this area. This points to likely trade-offs between quality and inclusivity of an index.
16. Specific efforts are needed to avoid that an index becomes too focused on what can be measured in a quantitative sense, leading to the neglect of important dimensions which cannot be quantitatively measured. This also emphasises the need to look into **data gaps** and suggests that a parallel qualitative PCD peer review process would help shine light to unquantifiable areas of policy as well as strengthen the impact of the index.
17. The choice between a composite index and a portfolio of indicators can be understood as a **spectrum**, with a dashboard as a 'happy medium' between the two. Concerns over the arbitrary standardisation and summation of composite indexes points to the presentation of a portfolio of indicators as an attractive option. Other interviewees also referred to the possibility of presenting the same index in different ways, given that a composite index could complement a portfolio for communications purposes.
18. As one of the available tools for further operationalising an index, the **Logical Framework Approach (LFA)** can help in further **clarifying assumptions and objectives** as well as help **identify indicators**. It can also help identify groups

that can be left worse off after the 'desired' policy change. It is thus emphasised that investment in monitoring is ideally accompanied by additional investments in research to examine the actual impacts of these policies in different countries and by doing so confirm the causal assumptions made.

V: Conclusions and recommendations

19. This study's findings underline that **a coherence index can only be successfully realised if there is sufficient political will and a genuine interest among countries to be compared**. An important message from the interviews was the need to have a shared agreement on the objectives and purpose behind a coherence index. The findings further indicate that while many countries are anticipated to be receptive to the idea to compare the development impacts of non-aid policies, with some considering it inevitable in the long-run, presently there seems to be insufficient political support for an internationally recognised and institutionalised approach.
20. Such support is needed given the **significant technical challenges** of designing an approach that can monitor the impacts of non-aid policies on developing countries, notwithstanding currently functioning indices such as the Commitment to Development Index (CDI). Support may be more forthcoming once the **2015 date** gets closer and the need to think about a development agenda with a less central role for ODA becomes required.
21. We identify **four options** that could be explored separately or simultaneously to gain wider acceptance of the desirability of monitoring and benchmarking non-aid policies affecting developing countries and each could play an important role in realising a robust comparative approach to PCD:
 - a. Building on current efforts at indicator development at the OECD, agreement of **a comprehensive set of PCD objectives and indicators by DAC members at the OECD** that seeks to include non-DAC members in the design and data reporting stages. The DAC outreach programme can act as a starting point for including non-traditional donors and include sectoral multilateral agencies in data collection and secretariat responsibilities.
 - b. Make **evolutionary rather than revolutionary progress** towards a set of PCD indicators. Incremental progress is being made in developing indicators in recent years at OECD level for some PCD related policy areas, e.g. in the OECD on anti-bribery. Efforts could focus on strengthening and broadening these processes to include more areas of interest to PCD. This approach is considered by some to be the most likely to yield progress, particularly when first concentrating on 'low hanging fruit', and may over time lay the ground work for a comprehensive index.

- c. **Push for inclusion of a set of PCD commitments as part of an agreement on the post-2015 framework for global development.** In similar fashion to the establishment of the MDGs at the Millennium Summit in 2000, a commitment to PCD goals and indicators can be part of a renewed set of goals around overseas aid. Upon endorsement effective responsibility for collecting data can be delegated to the OECD and sectoral multilateral agencies.
- d. Provide adequate attention to and funding for more **explorative research that can help close the technical gaps** as observed in this report, including data shortages and clarification of causal chains, and further sharpen methodological approaches to assessing the impact of policies in developing countries.

22. In relation to four key options, **chapter 5 presents detailed operational recommendations** which can inform further steps towards a situation whereby countries can be compared on their contribution to global development.

23. There is sufficient reason to believe that **a political agreement should be the first step** in the process of agreeing indicators and that the technical aspects can be tackled thereafter. The findings presented in this report suggest what is essentially a **twin-track approach**, consisting of (1) continuing current efforts in the OECD to develop overall strategies as well as specific progress in thematic areas, and (2) pushing for more attention to and acceptance of PCD objectives and targets in the debate on the post-2015 framework for global development. Progress is best made incrementally, and with a specific focus on promoting further research on the effects of non-aid policies in developing countries.

24. Finally, it is highlighted that **continued political investment in the idea of a coherence or development friendliness index** across a range of international fora will provide like-minded countries with the highest chance of realising the objective of ensuring that **PCD and ODA become counterparts in the post 2015 development policy framework**.

About this study

In September 2011, The Netherlands Ministry of Foreign Affairs and the German Federal Ministry for Economic Cooperation and Development jointly commissioned two studies. The studies respectively aim to (1) look into scenarios of how development-related financial contributions can be associated to Official Development Assistance reporting and (2) examine the feasibility and potential design of a ‘development-friendliness’ index to evaluate donor policies affecting developing countries beyond their quantitative ODA contributions.

This report presents the results of the second study, whose scope and methodology is described in detail in section 2. The key question in this study is how countries might be systematically compared on how their entire range of non-aid policies² contribute to international development. A second question was to find out whether international stakeholders support the monitoring of policy coherence for development on a regular basis. In this context, the Terms of References requested the study to look particularly into whether an internationally agreed ‘coherence index’ based on quantitative and/or qualitative data could facilitate this monitoring.

In discussions on the study with the steering group composed of both the Netherlands and German ministries, the study team concluded that there were two dimensions to thinking about the feasibility of such an index and that both had to be addressed:

- The ‘political dimension’ of developing an index; establishing why governments might be interested in designing and using a development-friendliness index, and the level of support for this among donors,
- The ‘technical dimension’, in contrast, mainly revolves around one question: assuming a political agreement to develop an index of this kind, ‘how’ might this concretely be done.

In view of the study’s scope, objectives and key characteristics, the document has been structured as follows:

- Section 1 provides information about the study’s scope and methodology.
- Section 2 provides a conceptual and contextual analysis of why governments might be interested in designing and using a development-friendliness index.
- Section 3 presents the study’s findings in relation to the political dimensions of a development-friendliness index.
- Section 4 presents the study’s findings in relation to the technical dimensions of a development-friendliness index.
- Section 5 builds on the discussion in the previous two sections to scope out four options as potential next steps.

² Note: the term ‘non-aid policies’ is used here to refer to a country’s full set of public policies other than its specific development cooperation policy.

- Several annexes that are listed in the table of contents provide supplementary information on relevant case studies that inform this study.

1. Scope and methodology

The purpose of this report is to (1) assess the feasibility of a potential ‘policy coherence’ or ‘development-friendliness’ index to evaluate donor policies beyond their quantitative ODA contributions, (2) outline its key elements and (3) propose next steps for its development. As per its terms of reference, this study analyses the principal political and technical considerations to contribute to a more informed multi-actor debate on the comparison of countries’ contribution to global development after 2015.

The study was conducted in the period from September 2011 to February 2012, with the data collection undertaken in the period November to December 2011. The study’s methodology consisted of two components. First, the research team conducted desk based research examining approaches to measuring policy coherence, the available evidence on causal chains between policy and development outcomes and targets, and theoretical issues in the construction of indicators. Volume II of this report describes six cases of international initiatives using comparative performance indicators that are currently in use to measure progress in development: (1) Millennium Development Goals, (2) Sustainable Development Goals, (3) aid effectiveness monitoring, (4) Programme for International Student Assessments indicators, (5) Producer Support Estimates for agricultural support³ and (6) the Commitment to Development Index.

The second component of the study’s methodology draws on 21 semi-structured interviews⁴ with key stakeholders who were interviewed on the basis of anonymity:

- a. experts from the OECD and European Commission (n=5);
- b. national development agencies from Germany, the Netherlands, the United Kingdom, Ireland, Sweden, Denmark, Switzerland and Austria (n=8);
- c. diplomats based in Paris and involved in OECD/DAC discussions on PCD from the United Kingdom and the United States of America (n=2);
- d. a non-OECD government-official based in Latin-America working on international development (n=1)
- e. a policy officer working for the NGO Fair Politics Europe (n=1)
- f. researchers (German Development Institute, Center for Global Development in Washington, independent) (n=4).

³ The research team would like to express its appreciation to Carmel Cahill of the OECD who contributed this case study.

⁴ 27 people were approached for an interview. Those who did not respond to a request for an interview included emerging economies (n=2), one OECD member (n=1), NGOs (n=2) and a research organisation (n=1).

The list of people contacted for interview was drawn up by the research team in consultation with the two ministries. No interlocutors in the UN or the IFIs on the topic of PCD could be identified, which could lead to a bias towards the views of other institutions, namely the OECD and the EU. The interviews were facilitated by a consultation note that listed key questions defined by the study team, accompanied with key considerations and examples that informed these questions (see Annex 8).

2. Policy Coherence for Development in an evolving global context and the case for measurement

2.1. Introduction

Halfway through the last century the United Nations (UN) still consisted of only 52 member states, but in the 60 years that followed the UN grew by a factor of four to 193 members. The gradual addition of new nation states during this period was accompanied by the development of policies and programmes to support new members through various types of financial and technical assistance. Collectively this support became known as ‘development cooperation’.

In 2000, an important milestone was achieved with the adoption of the UN Millennium Declaration. In this declaration, the international community formally committed itself to the pursuit of sustainable development and poverty eradication. As emphasised by the OECD Development Assistance Committee (DAC), *“Development was recognised not as charity from rich countries, but as a collective responsibility that addresses the interests of all the world’s nations by upholding the principles of human dignity, equality, and global equity”* (DAC 2011a).

The Millennium Development Goals (MDGs), a set of eight internationally agreed development objectives, were adopted alongside the Millennium Declaration. Some commentators have observed that these goals insufficiently reflected and operationalised the collective responsibility for development, which was most directly embodied in MDG 8⁵ (Vandemoortele 2010). With the 2015 deadline for the achievement of the MDGs approaching, many states are distracted from their responsibility for development due to various crises. The notion of collective responsibility is further obscured by the fact that

⁵ MDG 8 seeks to realise a global partnership for development and encompasses four targets: (8a) develop further an open, rule-based, predictable, non-discriminatory trading and financial system, (8b) address the special needs of the least developed countries, (8c) address the special needs of landlocked developing countries and small island developing States and (8d) deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term.

today's world is too complex to be analysed in terms of relations between a group of developed countries on the one hand and developing countries on the other (Dervis et al 2011).

In recent years, development cooperation has found itself under increased political scrutiny and pressure. Various responses have emerged, most prominently an increased emphasis on results and 'value for money'⁶, but also a stronger recognition that development cooperation alone will not bring development. These discussions highlight the consequences for development of the effects of developed countries policies in areas such as trade, finance and migration.

2.2. The opportunity for PCD post-2015

The year 2015 marks the target date to achieve the 21 targets of the Millennium Development Goals (MDGs) as well as the agreed date for reaching the 0.7% of gross national income (GNI) target as Official Development Assistance (ODA), agreed at the UN's 2002 Monterrey summit on financing for development. As a result, 2015 represents an opportunity to update and broaden the global development reporting framework to strengthen the global effort to reduce poverty in developing countries. As of January 2012, neither the UN member states nor the EU had agreed to levels of ODA after 2015.⁷

In October 2010 the UN was mandated to prepare the ground for a post-2015 agenda or programme during the MDG Review conference (UN 2010). The extensive 32 page outcome document adopted at this meeting highlights an agreement reached to request the President of the sixty-eighth session of the General Assembly to organize a special event in 2013 to follow up on efforts made towards achieving the MDGs (paragraph 79), and to request the UN Secretary General to make recommendations in his annual reports, as appropriate, for further steps to advance the United Nations development agenda beyond 2015 (paragraph 81)⁸. In the course of 2010 and 2011 a number of studies were published that look into scenarios as to what 'development cooperation' may look like after 2015 (e.g. Sumner and Tiwari 2010, Melamed and Scott 2011). The

⁶ Demonstrated, for instance, by calls for increased investment in independent evaluation, and the use of randomized control trials aiming to isolate and 'prove' the effects of development cooperation.

⁷ Although the deadline for the 0.7% commitment was moved several times (the UN General Assembly initially agreed in a 1970 resolution that it could be attained by the middle of that decade), neither the ODA concept nor the 0.7 target have been altered in the intervening 40 years. In January 2005, the UN Millennium Project Report again recommended the funding target by 2015 specifically in relation to the MDGs, which was an important basis for the EU to recommend intermediate levels of ODA funding for the Member States that joined the European Union after 2004. Key trends in ODA and its reporting are analysed in greater detail in the second study conducted in this context (see 'about this study').

⁸ It is noted that the 2011 Annual Report on the MDGs did not feature such forward-looking reflections.

post-2015 development reporting framework has also been recently discussed as a possible topic for the next Human Development Report.⁹

The increasing activity in terms of research and policy debate does not guarantee a productive and outcome-oriented discussion. Consensus on a post-2015 framework cannot be assumed given recent difficult international negotiations in other arenas. As put by Sumner and Tiwari (2010): *“the MDGs emerged in a relatively benign/stable/fiscally buoyant period and any framework post-2015 might need to fit to the post-crisis context of periodic/multiple-source crises/instability, and a fiscally and carbon-constrained world”* (see also Annex 1).

2.3. Growing attention on the effects of non-aid policies on development

In recent decades the OECD and the EU have developed greater a understanding of the importance of non-aid policies, with the EU and many member states formally pursuing Policy Coherence for Development (PCD) as part of their overall development strategies. Members of the OECD have formally acknowledged the effects of policies other than development cooperation on developing countries (e.g. in the 1996 ‘Shaping the 21st Century: the Contribution of Development Co-operation’). In terms of monitoring, OECD members’ performance ‘beyond aid’ has also been evaluated by the DAC Peer Review process for over a decade now.

Further opportunities for better monitoring are also present. Endorsed at the ministerial level in June 2011, the OECD secretariat is currently preparing a strategy on development that describes how OECD members can *“(...) contribute to a future in which no country will have to be dependent on development assistance”* across its full range of policies (OECD 2011b). The strategy also intends to monitor members’ performance in relation to this strategy.

Countries forming the European Union stand out from other OECD members by having a legal basis for PCD. Re-using language that had been in the EU Treaties since 1992, the Treaty for European Union, which entered into force in December 2009, states that the Union *“(...) shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries.”* Of these development objectives, the primary objective is defined by the Treaty as *“the reduction and, in the long term, the eradication of poverty.”*

At the international level there are commitments to PCD found in the UN Millennium Declaration and subsequent review meetings on the MDGs.¹⁰ In the discourse on ‘south-

⁹ This is not to say that nothing was published on this subject before 2011 (e.g. Barder 2009), only that the frequency of publications on this overall topic has gone up in the past two years.

south cooperation' the bundling of policies is more taken as given since emerging countries do not clearly isolate ODA from non-ODA activities (nor do they report on ODA).¹¹ More recently, global acknowledgement of the importance of non-aid policies to development was acknowledged at the 2011 4th High Level Forum on Aid Effectiveness in Busan. The Outcome Document of the 4th High Level Forum, which has been signed by key actors for North-South and South-South cooperation alike¹² and which states *"Over time, we will aim to increase independence from aid, always taking into account the consequences for the poorest people and countries. In this process, 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."*

Parallel to the increased attention in policy statements and legal documents, the EU and OECD have also contributed to further conceptualising PCD. As part of this work, studies have argued that PCD can be promoted at five different levels (ECDPM and ICEI 2005):

1. **Internal coherence.** This refers to development policy itself, which should achieve consistency between its goals and objectives, modalities and protocols.

¹⁰ The outcome document that was adopted at the September 2010 MDG review summit includes a specific reference to PCD in paragraph 41: *"We call for increased efforts at all levels to enhance policy coherence for development. We affirm that achievement of the Millennium Development Goals requires mutually supportive and integrated policies across a wide range of economic, social and environmental issues for sustainable development. We call on all countries to formulate and implement policies consistent with the objectives of sustained, inclusive and equitable economic growth, poverty eradication and sustainable development."*

http://www.un.org/en/mdg/summit2010/pdf/outcome_documentN1051260.pdf

¹¹ For instance, the outcome document of the High-Level United Nations Conference on South-South Cooperation held in Nairobi in December 2009 states: *"[W]e reaffirm our view of South-South cooperation as a manifestation of solidarity among peoples and countries of the South, that contributes to their national wellbeing, national and collective self-reliance and the attainment of internationally agreed development goals, including the Millennium Development Goals. (...) South-South cooperation takes different and evolving forms, including, inter alia, the sharing of knowledge and experiences, training, technology transfer, financial and monetary cooperation and in-kind contributions."* See: <http://southsouthconference.org/wp-content/uploads/2010/01/GA-resolution-endorsed-Nairobi-Outcome-21-Dec-09.pdf>

¹² It should however be noted that especially China, although signing the outcome document, emphasised that it is not committed to any of the recommendations of the document. The text of the outcome document, which is not a legally binding document, explicitly mentions early on in its second paragraph that the principles, commitments and actions agreed in the outcome document in Busan shall be the reference for South-South partners on a voluntary basis. The document is available for download here: http://www.aideffectiveness.org/busanhlf4/images/stories/hlf4/OUTCOME_DOCUMENT_-_FINAL_EN.pdf

2. **Intra-governmental coherence.** More consistency is needed across all of the policies and actions of an OECD country in terms of their contributions to development. Policies most relevant for developing countries should be reviewed to prevent, or make up for, any decisions that go against development objectives.
3. **Inter-governmental coherence.** Policies and actions should be consistent across different OECD countries (as well as with those adopted at the EU or in regional organisations) in terms of their contributions to development, to prevent one from unnecessarily interfering with, or failing to reinforce, the others.
4. **Multilateral coherence.** Consistency should be promoted across the policies and actions of bilateral donors and multilateral organisations, and to ensure that policies adopted in multilateral fora contribute to development objectives.
5. **Developing country coherence.** Developing countries should be encouraged to set up policies that allow them to take full advantage of the international climate to enhance their economic and social progress.

Of these five, only the first three are the responsibility of developed countries alone, while the latter two are a shared responsibility between the donor and the recipient countries. In the past decade most attention in the OECD focused on the second and third levels. DAC peer reviews and EU policy discussions particularly emphasised the need to create institutional ‘mechanisms’ to help governments deliver on these commitments.¹³ However, the increasing attention to PCD at the international level may merit an additional stronger focus on the fourth and fifth levels.

In recent years, the concept of Global Public Goods (GPGs) has been discussed for its growing importance in relation to PCD, as part of efforts to promote ‘multilateral coherence’. GPGs are in principle available to everyone and each country has an interest in contributing to their promotion. Examples might include a fair, robust and market-orientated trading system for goods and services or climate stability. While the GPGs could conceivably be viewed as a competing, if less ambitious paradigm, to PCD, it can also be considered within the PCD framework as multilateral coherence. Box 1 below introduces the concept of GPGs and reflects on some of the issues likely to be encountered in its operationalisation for PCD indicator development.

Box 1: Promoting the development dimension of Global Public Goods (GPGs)

¹³ In April 2006, the European Council of Ministers adopted a political statement in which it invited “(...) the Commission and the Member States to provide for adequate mechanisms and instruments within their respective spheres of competence to ensure PCD as appropriate” (EU Council 2006). Mechanisms are typically divided into three types: (1) explicit policy statements of intent; (2) administrative and institutional mechanisms; and (3) knowledge-input and knowledge-assessment mechanisms.

A significant body of literature has emerged on the subject of GPGs, yet the concept has received less direct attention in public policies relating to international development. A recent policy note by the Netherlands Ministry of Foreign Affairs (2011) makes a connection between GPGs and the need to promote Policy Coherence for Development, and presents the following definition of GPGs:

“[GPGs] are in principle freely available to everyone, and their use by one person is not at the expense of another. (...) Because the market does not deliver these goods or services automatically, they are often provided by government, which may also initiate joint action or regulate their supply. At global level it is more difficult to ensure that all the world’s people benefit from public goods like peace and security, a stable climate and financial stability. That calls for targeted collective action and international cooperation” (Ministry of Foreign Affairs 2011).

As per the five levels for promoting PCD that were introduced in section 2.2, promoting the development dimension of GPGs can be seen as part of the fourth level of ‘multilateral coherence’.

The recent DAC Reflection Exercise concluded as the first of four new strategic priorities that ‘successful development needs more than aid’. Under this priority the DAC argued that successful development needs *“(...) policy actions in areas like trade, investment, security, migration, tax co-operation, and anti-corruption as well as leveraging all sources of development finance (domestic resources, export revenues, foreign investment, and remittances) for concrete results. National development strategies and donor assistance programmes must integrate global public goods, such as climate stability, control of infectious diseases, financial stability, an accessible and equitable global trading system, access to knowledge and international peace and security”* (DAC 2011a).

What is attractive about this approach for a coherence index that is the focus of this study is that potentially all countries have an interest in the outcome and thus more of an interest in developing a cooperative approach to put peer pressure on recalcitrant countries. Such shared interests should, however, not be assumed. Past research has shown that the provision of GPGs suffers from two types of failure: (1) market failure, meaning that individuals (whether single persons, families or firms) are reluctant to voluntarily contribute resources to public goods and (2) state failure, meaning that at the international level states are motivated by particularism or national interests. The second type of failure primarily happens when countries’ preferences vary widely and the net benefits of engaging in cross-border cooperation are unclear (Kaul 2010).

2.4. Weaknesses in the knowledge base on how policies affect developing countries

Although PCD is enshrined in MDG8, in EU treaties as well as various OECD and international declarations, actual research investments on PCD have been minimal both in an absolute and relative sense.¹⁴

In September 2011 a DAC meeting looked at a document prepared by its secretariat that presented a ‘mapping of incoherence’ as a basis for deciding on further actions in relation to PCD, building on recent ministerial and senior official discussions. This document noted that *“in order to discuss harmful policies towards developing countries, examining impact evaluations would become essential.”* Among the actions proposed for 2012 and beyond, the secretariat suggested a light stocktaking exercise to gather theoretical and empirical impact studies of incoherent policies that have been conducted by OECD or other institutions (DAC 2011b).

Although a body of empirical research on PCD issues is gradually growing in size¹⁵, the literature review carried out in preparation of this report points to the conclusion that most available research on PCD is theory-based. While these studies are of important value and get used in policy discussions, the conclusions they provide require better empirical verification as shown by the controversies in development discussions when it comes to issues such as brain drain and remittances, and the impact of biofuel mandates.¹⁶

Several interviewees consulted for this study referred to the need for more research on PCD as a prerequisite for a functional and productive coherence index. Particularly when used to compare the contributions of countries, indicators that address input or output results (e.g. levels of domestic subsidies, bank fees for remittances) must have a strong empirical justification showing their link to development. The ‘technical papers’ that are published together with the annual scores of the Commitment to Development Index provide an example of the level of scrutiny required, while the index also benefits from

¹⁴ This is partly related to the fact that most development officials in OECD countries’ Ministries responsible for development cooperation are located in general or EU policy departments, which often do not have large research budgets compared to thematic and geographic departments.

¹⁵ E.g. field studies carried out for the 2009 EU report on PCD, a study by the Centre for Development Issues Nijmegen in 2005, case studies by the NGO Fair Politics Europe in 2010 and 2011, and some specialist studies referred to in DAC 2011.

¹⁶ In the case of food security policies, research has explored the conditions under which these impact effects of higher world food prices might be reversed over time. Even if the immediate impact of higher food prices within developing countries on poverty is often negative, over time these can turn positive as indirect and induced effects of higher farm incomes come into play (Aksoy and Hoekman, 2010). The dynamic nature of these effects underline the need for systematic inquiry and a combination of quantitative and qualitative research to understand the actual impact of developed country agricultural policies in developing countries. The fact remains, however, that changes in food prices create both winners and losers between and within developing countries. Annex 7 presents a more detailed analysis of food security policies.

panels of scientific experts that scrutinise the overall methodology and the selection of indicators.¹⁷ In the case of a politically mandated and institutionalised coherence index, as analysed in this study, the need for such a strong peer review function with adequate research input is even stronger. By analysing the actual effects of developed countries in developing countries at different time-scales, this research will also legitimise the financial and institutional investments made in terms of operating an index and the political costs incurred by the countries that are compared. A few interviewees suggested that the commissioning of empirical research should be used to develop the ‘intervention logic’ that starts from identifying various impediments to meet the MDG targets and which then leads to proposed changes in developed country (and major emerging economy) policies to remove these impediments.

These weaknesses in the knowledge base are compounded by a lack of capacity in developed country administrations to systematically assess the coherence of emerging policies with relevance to developing countries. A systematic analysis of DAC Peer Review chapters on PCD concluded in 2008 that many countries were found to either “(...) *lack analytical capacity, or were failing to make good use of their analytical capacity*” (OECD 2008).

2.5. Growing emphasis on the use of performance indicators

Recent decades have shown a growing interest and increased investment in the use of performance indicators in the field of development cooperation. This is underlined by the popularity of the MDGs but also by the attention paid to more specialised indices such as Transparency International's corruption index or the World Bank's Doing Business Index. In the period from 2005-2009, these experiences also influenced discussions on PCD which became increasingly interested in what was being done and achieved.

One obstacle to measuring progress in PCD is the absence of an agreed methodology on how to construct a clear baseline and to measure whether non-aid policies are becoming more coherent over time.¹⁸ This essentially made assessing progress in PCD a subjective framing contest (Keijzer 2010). As noted in section 2.4, this problem does not stand on its own. It is linked to low levels of knowledge, unreliable or missing data and lack of investment into research on the effects of developed country policies in developing countries as described in the previous section.

¹⁷ See Volume 2 and section 4 of this report for more information on the CDI.

¹⁸ A limited number of OECD countries are known to define these baselines for relevant areas on a project basis.

EU ministers responsible for development recognised this in 2009.¹⁹ They endorsed five areas where the EU wanted to be more pro-active in promoting PCD and to improve its results-orientation. Tentative progress made in operationalizing a rolling work-programme in relation to these five areas, which was recently reviewed by the European Commission in December 2011 (EC 2011a). Countries such as the Netherlands, Ireland and Sweden have also made efforts at the national level to make PCD more results-oriented by defining more operational objectives and reporting processes.²⁰ Other OECD members are not known to invest specifically in systematically measuring performance at the national level.

Similar efforts to improve the measurement of PCD have also been made by the OECD, which in 2011 published a study titled 'Better policies for development'. This study reported on the so-called 'DevGoals' exercise - the OECD Secretary General's response to the members' request to define strategic development goals (OECD 2011c). This exercise has fed into the preparations for the OECD Strategy on Development which is expected to be launched in 2012. As per the framework document endorsed in 2011, this strategy is expected to promote the development of analyses on the costs of incoherent policies as well as to help assess and monitoring the impact of the OECD's work on development.

Besides the efforts made inside the EU and OECD, independent organisations such as universities, NGOs and think-tanks engage in research on how non-aid policies affect development. Most notably, the Centre for Global Development has been managing the Commitment to Development (CDI) index. The CDI receives support from several DAC members and since 2003 publishes an annual overview of how countries can be ranked based on their performance on development across six equally weighed policy areas. This index is however not systematically used or discussed in a relevant international or inter-governmental forum. It is valued and used to varying degrees by those countries that are assessed (see section 4 of this report and Volume 2 for more detailed analysis).

2.6. Key global trends affecting PCD measurement

The literature review and comments made by the interviewees pointed to two important trends that are expected to influence both the political and technical efforts to develop an internationally agreed 'coherence index':

- a. The global emergence of non-DAC development actors;
- b. The shifting location of the world's poor.

¹⁹ See:

http://www.consilium.europa.eu/uedocs/cms_Data/docs/pressdata/en/gena/111278.pdf

²⁰ The Irish Government specifically invested in the construction of a portfolio of PCD indicators for Ireland in 2010. See:

<http://www.tcd.ie/iis/assets/doc/IIS%20PCD%20Indicator%20Report%202012.pdf>.

a) Implications of the emergence of non-DAC development actors

Of particular importance is that 'emerging' economies such as China, India and Brazil (considered 'developing countries' in the WTO and other international fora) have become important providers of development-relevance finance.²¹ Their increasing influence on development manifests itself in various ways, including:

- **Growing foreign direct investment by Brazil, China, India, Russia and South-Africa (BRICS countries) and other emerging economies:** China is currently set to become the second largest provider of foreign direct investment after the European Union. Average outward investment flows from China increased nine fold between the early and late 2000s; those of India increased more than sevenfold (OECD 2011a). Though no studies confirm this, it is generally held that a sizeable share of these investments flows to developing countries, reducing the relative importance of ODA as a source of investment.
- **Increasing export shares and reliance on raw materials imports by BRICS countries:** The last 15 years have seen a more than ten-fold increase in the value of exports from China, and China is increasingly an exporter of high-end intermediates and consumer goods. Meanwhile, OECD countries' share of world exports has declined from 75% to 60%. In the BRICS, high-technology manufacturing trade now represents about 30% of their total manufacturing trade, compared to 25% for the OECD area (*ibid.*). The transition inside the BRICS economies further stimulates close economic cooperation with developing countries as the source of many of the external raw materials required. The transition is also in line with the growing importance of global value chains in the world economy (OECD 2010a).
- **Other financial flows have outgrown ODA:** Beyond the increasing profile of the BRICS countries, past decades have shown a broader trend whereby other international financial flows such as FDI and remittances have grown in size relative to ODA, leading to a decline in the relative importance of aid flows to developing countries. Even in a situation where there would be no ODA, PCD could still be promoted by those countries which have formulated development objectives.

²¹ While difficult to quantify, the growth of development finance and technical support in-kind provided by emerging economies has increased more significantly than Official Development Assistance provided by members of the DAC, as well as the EU12 who report on ODA in the context of the European Union since joining the Union after 2004. Rough estimations by the UN ECOSOC suggest that South-South-Cooperation – which can but does not necessarily share ODA characteristics – amounted to US\$ 12 to 14bn in 2008, thus approximately 10% of the Official Development Assistance (ODA). This is perhaps an underestimation of what in reality is provided in financial terms. This UN study was referred to in an analysis by the NGO Eurodad:
<http://www.eurodad.org/whatsnew/articles.aspx?id=4051>

These trends imply that the role of aid, and traditional aid donors, in influencing the global environment for development is diminishing over time. Achieving more coherent non-aid policies in the DAC countries thus has a smaller importance, in terms of the stimulus it can provide to development, than in the past. DAC countries still have the greatest weight in international decision-making, but ensuring the participation and support of emerging countries is now increasingly necessary for successful outcomes.

b) Implications of the shifting location of the world's poor

Recent reports point to the fact that today the majority of poor people no longer live in countries that are presumed to be the focus of key international consensus statements on development cooperation (e.g. the UN Millennium Declaration, the Paris Declaration on Aid Effectiveness), namely stable but low-income countries (Sumner 2010). These and other studies have shown that the majority of the world's poor nowadays live in middle-income countries (with a further share living in fragile states). This has led to recent proposals for changes in development policy, such as put forward by the European Union, to suggest that *“(...) many countries are graduating from EU development assistance because they are capable of funding their own development”* and that *“Grant-based aid should not feature in geographic cooperation with more advanced developing countries already on sustained growth paths and/or able to generate enough own resources”* (EC 2011b, EC and HFRSP 2011). For the so-called ‘more advanced developing countries’ the inequitable distribution of income is a growing cause of concern, with some authors suggesting that development policies should be directing increased attention to dealing with inequalities (Sumner 2010). Moreover, many of the world's poor also continue to live in fragile states, even if Sumner puts the percentage at lower than previously thought.

The interviewees noted these two global trends by no means disqualify the efforts made to promote PCD, but rather point to (1) a reducing influence of OECD countries in developing countries due to the increased influence of BRICS countries and (2) a need to stress the development dimension in key challenges that are affecting or will affect both developed and developing countries alike.

A related contextual element when exploring the trends affecting the potential contribution of a coherence index to international development objectives is the perception of increasing complexity in the promotion of PCD. This perception seems to be mostly fed by the realisation of the assumption of reduced relative impact of OECD countries in developing countries but also by the past reduction of ‘obvious incoherencies’ (e.g. export or production-coupled subsidies in agricultural policies). When combined with the inadequate investments in research noted in section 2.3, discussions on PCD in specific policy areas often remain inconclusive, for instance because it is argued that one policy affects different developing countries in different ways – up to the point of arguing that a developed country policy creates both winners and losers (see the discussion on PCD and food security in Annex 7 in Volume II).

3. Political considerations

3.1. Introduction

The discussion of global trends in section 2 suggests that the conditions to successfully conclude agreements to promote collective self-interest are less favourable than a decade ago. Governments in most OECD members and particularly those in the European Union are currently preoccupied with their short-term economic prospects, and have not yet strongly engaged in the post-2015 debate. Section 2 also underlined that any attempt to strengthen results-orientation and monitoring for PCD would require an investment of substantial political capital by those countries involved.

In addition to stressing the need for more research to be carried out, most interviewees strongly supported the idea of an index as a necessary basis to compare countries on the coherence of their non-aid policies with development objectives. The following sub-sections will present the study's findings in relation to the most important political considerations, these being:

- Identifying and endorsing key objectives and guiding concepts;
- Exploring countries' interests in supporting coherence monitoring;
- Deciding on the level of inclusiveness and country coverage;
- Choosing appropriate international fora to discuss and compare assessments;
- Managing and sustaining political consensus and commitment.

3.2. Identifying and endorsing key objectives and guiding concepts

PCD is a concept that has become increasingly accepted in EU institutions, in some EU member states and at the OECD. However, it is not a concept frequently used outside the OECD. PCD is expected to continue to be the key concept for discussing the impact of policies in developed countries on developing countries, but widening international discussion and action on this matter requires establishing clear and shared objectives and agreed guiding concepts. Interviewees pointed to what could be seen as essentially two groups: OECD countries which are familiar with the conceptual and policy discussions on PCD; and non-OECD development partners such as China, India and Brazil that seek synergies between policies on a more pragmatic basis with a less ambitious objective in mind (i.e. mutual benefit). Interviewees also emphasised that broadening the group of actors to discuss monitoring of such contributions should not imply that the OECD or EU should leave their existing commitments to promote PCD behind, but rather engage in a twin or multiple-track approach.

Based on the interviews, three paradigms on which to base discussions on PCD in a group larger than the OECD could be envisaged:

1. A development-friendliness index could be constructed around the existing concept of PCD. This concept points to the imperative for non-aid policies to be evaluated with respect to how they affect developing countries, however defined. OECD and EU members have opted for PCD as their guiding paradigm, but full implementation of the PCD can be considered as politically ambitious.
2. Alternatively, an index could be constructed around the notion of Global Public Goods. This would imply a stronger focus on what happens in international/multilateral fora and linking to ongoing initiatives that have a potential to promote the development dimension of GPGs, such as the proposal of Sustainable Development Goals that features in preparatory discussions in the run-up to Rio+20.
3. A third option, drawing on the external action policies pursued by BRICS countries, revolves around a lower level of ambition compared to PCD based on the pursuit of 'mutual interests' between countries. This approach has mainly been applied in bilateral relations (or in the case of India and China in partnership strategies towards the African continent), but it could be used to monitor non-aid donor contributions. The downside is the significant conceptual 'elasticity' of the term, which makes it challenging to prove that any bilateral activities do not satisfy 'mutual interests'.

Upon consideration of the options, section 4 of this report focuses on option one as the most desirable conceptual framework to construct a 'development-friendliness' index. Option three was deemed not likely to lead to a sufficiently ambitious range of policy areas, while option two remains more 'theoretical' and will depend on as yet uncertain outcomes of policy discussions towards 2015.

Countries embarking on the development of a coherence index should agree on which of these concepts the monitoring of non-aid policies will be based. Regardless of the option pursued, all options will require additional investment to build up an evidence base to legitimise the underlying concept and related indicators.²²

Some existing comparative indicator performance processes (see Volume 2) indicate that the key ingredient to a successful monitoring process is the genuine willingness of countries to be compared – which is possible when they see it as being in their interest.

²² A recent example of the fact that a global consensus on how to make policies more development-friendly should not be assumed has been the public discussion in December 2011 between WTO Secretary General Pascal Lamy and UN Special Rapporteur on the Right to Food about the contribution of trade policies to food security. Some information can be found here:
<http://www.srfood.org/index.php/fr/component/content/article/1-latest-news/1834-wto-defending-an-outdated-vision-of-food-security>

The following table compares two such performance indicator-based comparisons, one in the area of education which is perceived as reliable and successful, and one in the area of aid effectiveness which is perceived as less reliable and more problematic. Detailed analysis of the two cases described in the table can be found in Annex 3 and 4.

Table 2: Analysing two international comparative indicator processes	
Programme for International Student Assessment (PISA)	Monitoring the Paris Declaration on Aid Effectiveness
<p>The OECD Programme for International Student Assessment (PISA) is a collaborative effort among OECD member countries to measure how well students are prepared to meet the challenges of today's knowledge societies. PISA has a robust management structure with world-wide experts, national managers, independent consultants and an independent governing board all contributing to the implementation of the survey (see Annex 4).</p> <p>PISA looks at subject literacy, life-long learning and public policy issues through:</p> <ul style="list-style-type: none"> • Student questionnaires, to collect information from students on various aspects of their home, family and school background; • School questionnaires, to collect information from schools about various aspects of organisation and educational provision in schools; and • Parent questionnaires, to the parents of the students participating in PISA. <p>Every three years, countries can track their progress in meeting key learning goals. The data collected by PISA shows the successes of schools and the challenges being faced in other countries. It allows countries to compare best practices and to make their own improvements appropriate to their school systems. PISA also allows for the assessment of additional cross-curricular competencies from time to time as participating countries see fit. Countries may</p>	<p>In the Paris Declaration, both developed and developing countries agreed on aid effectiveness principles, and on actions which would be monitored so that they could hold each other accountable. The monitoring started with a baseline survey in 2006, followed by a mid-term survey in 2008 and in 2011 a final survey was undertaken to see if the 2005 targets were met.</p> <p>The surveys, one for donors and one for governments of developing countries, were intended to measure progress in improving aid effectiveness against 56 specific actions, from which 12 indicators were established and targets set for 2010, covering all five pillars of the Paris Declaration: ownership, alignment, harmonisation, mutual accountability and managing for results.</p> <p>As is described in more detail in Annex 3, the surveys were seen more as bureaucratic arrangements than as instrumental to pushing forward commitments agreed in the Paris Declaration. Some important lessons learned include:</p> <ul style="list-style-type: none"> • Monitoring commitments should balance the need for both a degree of standardisation to support international comparability and accountability with the need for sufficient flexibility to be country and context specific. • Broader participation at the country level of parliamentarians and civil-society organisations, of emerging donors and south-south cooperation actors, also in the design of future monitoring initiatives should support the development of better information on development at country level. • The 12 selected indicators for progress were not sufficiently representative, or in some cases

<p>choose to gather further information through national questionnaires. PISA is a successful programme, with more than 70 countries taking part.</p>	<p>reliable, and in practice became too much the focus of attention and action themselves. This narrowed the reform agenda while demanding enormous national and international efforts for monitoring.</p>
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3.3. Exploring countries' interests in supporting coherence monitoring

This study is intended as a scoping study and thus did not have the resources to conduct a fully-fledged political economy analysis to clarify countries' interests in supporting an internationally recognised coherence index. However, interviewees were invited to share their perceptions of the actual commitments to PCD made by different countries, as shown in both policy statements and concrete action:

- Several interviewees highlighted that EU Member States frequently emphasise the importance of monitoring PCD, but noted that Member States prefer such discussions to stay very general, without clear agreements on what Member States should do. This pointed to a frequent comment that at a general level espousal of PCD seems more politically acceptable than the steps necessary to overcome difficult policy dilemmas, especially where the interests of more powerful groups in society are affected (see also Barry, King and Matthews 2010).
- Other interviewees stressed that greater realisation by countries of their own limited influence on key global public goods yet increased dependence on a functioning international governance may help present an opening for greater monitoring of PCD. A recent report produced for the World Economic Forum indicates that governments' failure to do so is among the two key cross-cutting risks for the future (Elst and Davis 2011).
- Some interviewees argued that although PCD is becoming more important at the OECD, it would be incorrect to state that it is high priority. DAC Peer Reviews examine Members' efforts with respect to institutional aspects of PCD, but beyond this there has not been any agreement to monitor performance with respect to policy coherence per se. Interviewees mentioned instances where a proposal to make a policy more coherent was explicitly rejected, while others highlighted that it would be extremely challenging to get consensus on what policy actions contribute to development in policy areas such as agriculture and climate change.
- In the past, attempts to introduce PCD indicators in the DAC (in 2009) and in the European Union (in 2010²³) have not resulted in an agreement to endorse such indicators and use them for monitoring. The DAC Peer Reviews systematically examine Members' efforts towards institutional aspects of PCD, however there has been no consensus to monitor beyond what can be considered as no more than the institutional efforts of a country to strengthen PCD promotion within the domestic policy making system. The idea of developing PCD indicators was

²³ See also Keijzer 2010.

proposed to the DAC in 2009 and supported by some Members, however it was opposed by others. Since then some countries that were known to be resistant to this idea have had promising developments in their own national policy discussion, e.g. in the case of the USA.²⁴

The further discussion and adoption of the OECD's strategy, based on a framework agreed by the members in June 2010, will be the next opportunity to foster a consensus agreement in the area of PCD monitoring. Interviewees deemed this approach promising yet no easy task to be agreed and adopted, since earlier experiences have shown that countries may become more resistant when discussions on PCD become more operational and concrete.

3.4. Deciding on the level of inclusiveness and country coverage

The majority of interviewees emphasised that an overarching objective must be the inclusion of emerging economies such as China, India, Brazil and Russia, the EU12 and Arab states in a post-2015 development reporting framework. Achieving agreement on measures of finance for development or PCD indicators for a broader number of countries is likely to be a more challenging exercise with success not guaranteed. Several interviewees emphasised that the OECD should continue its own efforts to promote PCD despite the fact that the relative influence of their policies on international development is declining as a result of the increased impact of emerging economies. Although one should not assume this will happen automatically, some interviewees noted that it could be possible for a functioning monitoring practice launched at the OECD to also attract non-OECD coverage after some time. The case study of the OECD Producer Support Estimate is a concrete example of how this has happened in the recent past (see Annex 6 in Volume 2).²⁵

Besides the need to agree on which group of countries would have their policies assessed, there needs to be discussion about which group of countries will feature on the other end, those countries whose development motivate the exercise. While some

²⁴ In September 2010, Obama's Presidential Policy Directive on Global Development was adopted which decided to "*Elevate development as a central pillar of our national security policy, equal to diplomacy and defense, and build and integrate the capabilities that can advance our interests. (...) Through existing policy mechanisms (e.g., trade policy through the United States Trade Representative's Trade Policy Review Group, etc.), an assessment of the "development impact" of policy changes affecting developing countries will be considered.*" <http://www.whitehouse.gov/the-press-office/2010/09/22/fact-sheet-us-global-development-policy>

²⁵ In addition to OECD members, the PSE index covers Brazil, China, Russia, South-Africa and Ukraine. See: http://www.oecd.org/document/59/0,3746,en_2649_37401_39551355_1_1_1_37401,00.html

interviewees referred to the least-developed countries as a possibility, others felt such a grouping would be rather artificial and would raise a question as to what should happen once a country 'graduates' (e.g. like Cape Verde did). As a matter of fact no single definition of the term developing country is recognised internationally, and levels of development may vary widely within so-called developing countries.²⁶ The WTO uses a self-designation system where it is up to each member to declare whether they are a 'developed' or 'developing' country.²⁷ In the case of a greater focus in the future on promoting policy coherence for development in relevant GPGs, where all countries would be expected to contribute and all are beneficiaries of effective and equitable provision of GPGs, it is still necessary to discuss the grouping of countries given the need to differentiate between countries' capabilities, 'fair shares' and separate targets.

Given the 'globalisation of poverty' (e.g. increasing income inequality in OECD countries) and recent figures pointing to over 70% of the global poor residing in middle-income countries (e.g. Sumner 2010), there seems little logic in an index focusing only on the Least Developed Countries (LDCs). Moreover, middle income countries in the vicinity of LDCs (e.g. Kenya in East Africa) often function as an important hub for transport or value addition that facilitates LDCs' integration into the world economy. Thus, how richer country policies affect them is of key importance to LDCs too. Only a limited number of interviewees felt that only the impact of developed country policies on LDCs should be covered by an index. Using the World Bank's classification, an index covering both low income and lower-middle income countries might be considered, which most interviewees seemed to support.

In practice, this issue only becomes material if there are important differences in the effects of rich country policies on LDCs and on developing countries as a whole. Such differences can be demonstrated for some areas of PCD and one such example is the area of agriculture policy. For example, LDCs are predominantly staple food importers. Some argue that this justifies rich country policies that promote their agricultural production in order to keep world food prices down. Taking the wider list of developing countries as the relevant group, important food exporters are included, thus weakening this rationale. See Annex 7 for in Volume II for further discussion of these arguments.

3.5. Choosing appropriate international fora to discuss and compare assessments

²⁶ There is no established convention for the designation of "developed" and "developing" countries or areas in the United Nations system.

²⁷ See http://www.wto.org/english/tratop_e/devel_e/d1who_e.htm. Sumner 2010 concludes that all country classifications are contentious, referring to a publication which looked into these in more detail: Harris, D.; Moore, M. and Schmitz, H. (2009) Country Classifications for a Changing World, IDS Working Paper 326, Brighton: IDS.

When discussing the pros and cons of different international fora, interviewees distinguished various actions or responsibilities that could be allocated to those organisations widely considered to have a comparative advantage in a particular area. For example, some existing fora include their own existing peer review functions (e.g. OECD or the WTO's Trade Policy Review process).

The interviewees that contributed to the study shared perspectives and suggestions in relation to (combinations of) four possible fora where these monitoring tasks could be dealt with:

1. Most interviewees felt that the UN would be the best forum for discussions relating to the overall objectives and scores of an index to measure the development-friendliness of countries' non-aid policies. To encourage the participation of non-OECD members, a set of PCD indicators could form part of the MDGs reporting structure, managed through the MDG review meetings and adopted officially by the UN general assembly. Some interviewees pointed to the obvious challenge of decision-making being slower in the UN. A forum such as the UN Development Cooperation Forum would in principle be relevant but has in practice not delivered in the sense of pushing the policy debate and practice on issues such as PCD.
2. Interviewees generally agreed that, based on current capabilities, the OECD was the institution likely to make most progress in reaching agreement on and developing a set PCD indicators. The OECD is perceived as the most technically capable forum, with several ongoing cross-country performance index processes in other sectors (e.g. PISA, see Annex 4). Agreeing to be benchmarked against a set of internationally-agreed indicators is not, of course, a politically neutral process. International agenda-setting involves competing values and preferences. Concerns that PCD indicators would be overly influenced by OECD member perspectives, a critique also made of the CDI (see Annex 6), could reduce the likelihood of emerging countries agreeing to participate in the set of indicators and thus undermine their global legitimacy. Some interviewees noted that, given the politically sensitive nature of the measurements and comparisons, the OECD could have an important role in gathering and/or analysing the data used. This could be done on the basis of the collection of new data or, preferably, analysis of existing data already collected by the specialised UN agencies or IFIs. Even if the OECD were tasked with being the lead agency, the legitimacy of coherence indicators would be greatly improved if researchers and experts from all participating countries are involved in selecting and fine-tuning of the measurements.
3. The G20 includes both the emerging economies and key OECD states, but it is perceived as a forum most interested in pursuing its own economic interests as opposed to development or global (public goods) concerns. Particularly in the area of development cooperation little has been achieved (Schulz 2010). Some interviewees expressed concern that allocating the task of developing an index to the G20 would lead to efforts coming to a halt there.

4. Finally, a limited number of interviewees questioned the desirability and effectiveness of institutionalisation in any forum, instead arguing that availability of data and/or indices as maintained by independent organisations such as the CGD would be sufficient to allow key actors in developed and developing countries to hold governments to account and push for more coherent policy decisions.

It should be added that other interviewees pointed to a risk that discussions at the UN would not result in sufficiently clear goals and indicators, arguing instead that a more pragmatic action would be to aim for agreement at the level of the OECD and try to gain further support and participation by other countries over time (see also the example of PSE in Annex 6).

Analysis of the interviews indicated an emerging consensus on how these tasks could be distributed or shared:

1. The **endorsement and/or modification of the overall goals and indicators** could be done by the UN General Assembly every 5 years. Agreement of PCD goal at the UN would represent the maturing of PCD into a set of global objectives and would achieve greater inclusivity of participating countries. This does not negate the possibility to have similar general discussions in G20, should this be seen as useful and desired.
2. The **collection and quality control of indicators** could be done by the OECD, together with the IFIs and international sectoral agencies with global involvement such as the UNDP, WTO, the FAO or UNEP, and other relevant organisations. However such collaboration would not come naturally. Although most short-term progress could be achieved in the OECD it would seem appropriate for the UNDP to take a leading role as it would follow on its monitoring role of the MDGs as well its past low-scale involvement in the area of PCD.²⁸
3. More specific **discussion of progress made as well as the relevance of what is measured** in relation to specific areas could be organised in the context of the international sector agencies with global involvement such as the WTO, the FAO or UNEP. Discussion on changing what is measured can feed into changes endorsed by the UN.

3.6. Exploring peer-review approaches for monitoring PCD

In addition to exploring an index in its standard form (i.e. a periodically published assessment for all countries agreeing to take part), coherence monitoring could also be

²⁸ The UNDP was involved in a project organised by the ODI with support from UK aid, which included the preparation of a methodology for country studies but only led to two country cases that were not published:
<http://www.odi.org.uk/work/projects/details.asp?id=530&title=mapping-global-partnership-development-country-level-mappings-global-issues-external-policies-country-contexts>

envisaged by means of a series of country level peer-reviews of PCD performance. Such a process would strengthen the impact of the index and ensure that issues of coherence not easily measured are in fact considered on a regular basis. One respondent reflected on the process of monitoring non-aid policies in a way analogous to the currently existing DAC Peer Review process.

The DAC Peer Review represent a qualitative approach to monitoring internationally agreed development standards. Taking a similar approach to the OECD Peer Review process could boost the effectiveness of comparative monitoring of the development effectiveness of non-aid policies as follows:

- Appointing a body (UN, OECD, DAC, EU, G20 or another politically legitimated forum) to monitor, the development friendliness of the policies of the participating countries on the basis of a politically accepted and sophisticated methodology, with the results being recorded in a monitoring report. The methodology may or may not rely on an agreed set of indicators.
- Discussing a draft of the monitoring report with the countries concerned, with the possibility for the countries monitored to correct any technical errors.
- Discussion of the monitoring results for all monitored countries in a joint meeting (analogous to DAC Peer Review meetings) and recording of the main findings and recommendations.
- Review of the implementation of the recommendations one to two years after the discussion meeting by a joint body (analogue to the DAC Peer Review procedure, where the DAC president is responsible for the review).
- Every 3 to 5 years, elaboration of shared lessons learned, the same way as the DAC Secretariat has assessed the Peer Review Reports in recent years, with a view to defining different topics of common interest (see OECD 2008 for an example).
- After about 5 to 7 years, evaluation of the methodology (analogue to the International Evaluation of the Paris Declaration) with a view to assessing the extent to which expected outcomes were contributed to, namely (i) its contribution to development friendlier policies (outcome 1) and (ii) the resultant development progress.

An advantage of country-based reporting (as opposed to collective reporting of outputs) is that it could allow for easier 'differentiation' among countries given that the potential effect of their non-aid policies on developing countries can differ strongly.²⁹

A related issue pointed to by some interviewees is whether countries can be compared without a large emphasis on composite scores as some countries find this too politically

²⁹ For instance, some OECD member states are landlocked and do not contribute directly to overfishing in the exclusive economic zones of developing countries, which makes it difficult to compare their contribution to fisheries conservation on an equal footing to countries with large distant water fleets. In a similar vein, comparing OECD countries policies on migration needs to take into account the physical distance of these countries to developing countries.

sensitive (see also section 4). Some interviewees pointed to this aspect as part of the reason why a CDI or equivalent approach had not yet been adopted.

Two objections may be raised against such a procedure. First, such a procedure would need a major investment of time and efforts which could further reduce the hard-to-win political willingness of countries to adopt a coherence index. That may be the case, but without such a peer-review procedure the impact of a coherence index may be significantly reduced.

Second, this process cannot in the end ‘force’ the participating countries to make their policies more development friendly, in the way for instance the WTO Dispute Settlement Mechanism can authorise the imposition of sanctions to encourage a country to come into compliance with its commitments. A procedure such as this comes under the heading of “soft law”. Nevertheless, there is reason to assume that, taken together, agreeing on international standards (such as a coherence index), monitoring their implementation and sharing lessons learned can contribute, perhaps slowly, to changing policies and consequently to development progress.

3.7. Managing and sustaining political consensus and commitment

Although ‘how’ issues can be explored in a technical sense, for which we refer to section 4, they also refer to questions about what order of actions is considered best to make progress. Interviewees shared views on essentially two approaches:

- One option, which most interviewees felt was best, would be to first broker a political agreement at a rather high level (though not made explicit by all, some suggested Heads of State) which could provide the necessary resources and backing to design and use an index.
- Another option, which a few interviewees proposed, was to first develop a complete index at a technical level and to present this to a political level for endorsement. The advantage of a country-reporting based approach, as described in section 3.5, would be that those countries most in favour could first agree to be assessed, thus gradually creating acceptance of the ideas as well as some peer pressure to push more reluctant countries to be compared too.
- In addition to those expressing a direct preference, a small number of interviewees suggested that the two approaches could be combined whereby political and technical debates are pursued in parallel and inform one another. This political strategy would first aim for progress on areas of policy with existing momentum for indicator development, the so-called ‘low-hanging fruit’ (e.g. the OECD Anti-Bribery Convention).³⁰ Once indicator-based comparison approaches exist in

³⁰ In November 2010 the G20 Seoul Development Consensus and its Multi-Year Action Plan on Development was adopted. This Action Plan aims to complement the traditional

some thematic areas, the political threshold to introduce them in other areas could be expected to decrease.

Interviewees further emphasised that particularly in multilateral settings it does not work to elaborate something in great detail and subsequently present it to others on a 'take it or leave it' basis. An illustrative example of a more effective approach in a multilateral setting is the recent proposal of the Colombian government for a set of Sustainable Development Goals (SDGs) to be adopted at the Rio+20 summit in June 2012. The text of this proposal, which is rather concise at little more than 4 pages, is perceived more as an invitation to different stakeholders to exchange ideas in relation to what these SDGs could be, as opposed to a first proposal for further discussion/negotiation. In 2011, the Colombian government has used various occasions to present it to different groups of stakeholders in different countries, with the most recent note presenting a strategy to adopt a number of headline SDGs (any number but not more than 10) at Rio+20 as the basis for further discussions after the summit.³¹ At the time this report was finalised, a reference to SDGs was included in the zero draft outcome document of Rio+20.

As part of this study's literature review, an analysis was made of some existing indicator-based international assessment processes, as a means to gather further insights on how an internationally accepted coherence index could be developed. Out of the indicator formulation processes considered, the Millennium Development Goals (MDGs) were seen as illustrative of a multi-actor negotiation process with several trade-offs resulting in what was agreed. The example illustrates the importance of cooperation between different multilateral agencies to achieving agreement on globally acceptable indicators and the sequencing of policy efforts involved help inform the recommendations presented at the end of this report. Specifically, they support first seeking a political mandate to proceed with more technical considerations of monitoring coherence. A more detailed description is found in Annex 1. The description of the process of developing indicators to measure and compare support to agriculture across OECD countries also strongly supports this approach (see Annex 6 in Volume II).

Official Development Assistance-focused development agenda and is a good example of a more political agreement which can pave the way for further progress in indicator-development, in this case including the 2011 OECD 'Better Policies for Better Development' publication.

³¹ The proposal is available for download here:

[http://www.eclac.org/rio20/noticias/paginas/6/43906/2011-613-Rio+20-](http://www.eclac.org/rio20/noticias/paginas/6/43906/2011-613-Rio+20-Note%20by%20the%20secretariat%20Colombia%20note.pdf)

[Note by the secretariat Colombia note.pdf](http://www.eclac.org/rio20/noticias/paginas/6/43906/2011-613-Rio+20-Note%20by%20the%20secretariat%20Colombia%20note.pdf). On the 2nd December 2011, the 62nd UN General Assembly had an exchange of views on what the post-2015 global development agenda might look like. Brazil's representative argued that sustainable development should be at the heart of the Organization's post-2015 agenda, and pointed out that the June 2012 Rio+20 conference could be an important opportunity to take these discussions further (see annex 2).

Box 2: Formulating the MDGs

The eight Millennium Development Goals (MDGs) originate from the Millennium Declaration of the United Nations. Many of the goals were originally formulated in several United Nations conferences addressing topics important to development (like the conferences on education (Jomtien, 1990), children (New York, 1990), the environment (Rio de Janeiro, 1992), human rights (Vienna, 1993), population (Cairo, 1994), social development (Copenhagen, 1995), and women (Beijing, 1995).

The DAC drew up a list of UN summit declarations summarising the targets identified in these conferences to measure progress in these fields. In this way, the DAC took the lead in discussing concrete development objectives that could be measured. These goals were again refined in a hierarchy of goals, targets and technically sound indicators.

This list mainly got traction among OECD members, and much less beyond this group. In the meantime, the UN worked on the poverty reduction goals for the UN Millennium Assembly Declaration, which had to satisfy a broader constituency. Therefore, this list was longer, less coherent, and less based on results-based management (RBM) principles.

The two sets of goals were reconciled when the UN accepted IFI leadership in the development of national poverty reduction strategies (PRSPs), in exchange for IFIs' support for a listing of targets and indicators derived from the Millennium Declaration by the UN Secretariat. A task force with members from the DAC (and also including the World Bank, IMF and UNDP), reached concordance on the two sets of goals in what was claimed to be a purely technical exercise.

Subsequently, the UN developed a plan to implement the Millennium Declaration which itself consisted of a variety of resolutions. The MDGs were to operationalise these ideas by setting targets and indicators in order to achieve the Declaration on a fifteen-year timeline. The 'Road map towards the implementation of the United Nations Millennium Declaration' (UN, 2001, p. 55) describes how the world would achieve global poverty reduction, specifying what the exact goals and targets were. UN statisticians liaised with the OECD/DAC about indicators and sources of data, tested and refined the MDG indicators and organised a mechanism for global and national plans.

4. Technical considerations

4.1. Introduction

Common technical challenges faced by all policy indicators are further complicated in the case of a coherence index by more tenuous causality chains and the wide range of policies involved. As political consensus is building for improving PCD indicators, awareness of the variety of technical issues likely to be encountered during a process of indicator development can help inform policy makers as further progress is sought.

This report seeks to provide guidance on approaches to deal with each issue in turn, but the recommendations are not designed to pre-empt the outcome of any political process. Instead, the treatment of each issue provides a starting point for discussion on the technical aspects of PCD indicators. To help inform the dialogue a number of issues are discussed in turn: the importance and difficulties of demonstrating causality, the different properties of indicators and issues encountered in the aggregation of indicators. The section closes with a look at the potential of the logical framework approach in defining and clarifying causal chains for the purpose of operationalising an index.

The interviews conducted for this report tended to concentrate on the political and sequencing aspects of the development of a coherence index. As result, our analysis of the technical considerations of an index draws to a greater extent on the available literature, however interview responses are referred to when appropriate.

4.2. Defining Causal Chains

The linking of potential indicators measuring policy coherence to development outcomes through **verifiable causal chains** represents one of the central challenges for any set of PCD indicators. The need to develop explicit chains of causality to underpin indicators was highlighted by a number of interviewees. Even in the more confined world of development aid flows, the benign outcomes of ODA expenditure cannot be assumed when impacts on incentives, aid dependency and crowding out effects are considered (see section 2.4 for further details). The challenge for PCD indicators is complicated by more complex chains of causality that imply greater uncertainty and debate about the precise role developed country policies play in the determination of outcomes in developing countries in an increasingly globalised world (Barry, King and Matthews 2010). For example, the long term costs and benefits of different migration policies can vary significantly for different visa types, migrant education level, distance to home country and remittance costs.

Establishing robust causal chains needs significant investment in the collection of the relevant evidence to underpin the inclusion of particular indicators in an overall coherence index. Hopefully, there is now growing experience with the use of expert panels to agree on the status of available evidence in different fields. Examples of multilateral policy efforts based on significant investment in evidence include the International Panel on Climate Change (IPCC) and the FAO's Committee on Food Security High Level Group of Experts. Similar approaches using networks of experts and making use of open-source peer review would be feasible and desirable in the development of a coherence index.

Identifying causal chains can be challenging within the context of a number of inherent PCD complexities. First, trade-offs between development objectives can occur. For

example, tensions exist between the goals of industrialisation and the reduction of carbon emissions, and between agricultural production and the protection of biodiversity. Second, heterogeneity between and within developing countries creates both winners and losers in response to changes in developing country non-aid policies (see also Annex 7). A good example of this is the potential erosion of trade preferences for some of the poorest countries in the world arising from further multilateral reduction in tariff rates. Third, otherwise coherent policy may have negative effects on development outcomes when developing country institutions fail to deliver for their citizens.

In this report a logical framework approach is proposed as a potential tool to help manage these inherent complexities. The logical framework can help to clarify causal chains, record underlying assumptions and identify winners and losers from 'improvements' in indicator scores. Box 5 in section 4.5 describes an example of a logical framework for food security.

4.3. Properties of indicators

Interviewees generally did not express strong views on the three options for PCD **policy areas** presented in the consultation note (see Table 3), other than minor suggestions to split or combine some of these. The main reasons for this absence of strong views was that most participants felt that a political agreement should precede the development of an index (or adjustment of existing measurement tools) and not the other way around.

In Table 3, the study team made a preliminary effort to identify a list of PCD policy areas drawing on those included in the 2010 European Commission's Work Programme and the existing Commitment to Development Index, together with some modest additions.³² This list could provide a basis to 'simulate' or 'test-drive' some of the key steps that would be made assuming a political consensus is achieved in the medium-term. Alternatively, the five EU areas could be the starting point for indicator development, but it may be difficult to use the five EU areas as a basis for a broader group precisely because they are perceived as an EU-list.³³

While most interviewees were in favour of an international dialogue among governments to develop and endorse a group of policy areas to include in a coherence index, two interviewees suggested that an independent third party should decide on the areas, while

³² One interviewee suggested that the 5 policy areas from the 2010 Commission Work programme should be the starting point for developing indicators, while another suggested the 12 policy areas from the EU Consensus on Development.

³³ The draft EU work plan drafted by the Commission on the basis of the 5 EU areas also contain separate sections on intellectual property rights, investment, etc.: http://ec.europa.eu/development/icenter/repository/SEC_2010_0421_COM_2010_0159_EN.PDF

an alternative view from one interviewee was that as long as the list of policy areas is comprehensive, it matters less which institutional platform chooses them.

Table 3: Possible policy areas discussed in the interviews		
2010 Commission Work Programme³⁴	Commitment to Development Index	Alternative List
1. Trade and Finance 2. Food Security 3. Climate Change 4. Migration 5. Security	1. Aid 2. Trade 3. Investment 4. Migration 5. Security 6. Environment 7. Technology	1. Trade 2. Agriculture 3. Fisheries 4. Migration 5. Environment 6. Investment and Technology 7. Security 8. Finance

Once the key policy areas to be covered have been agreed, consideration of which indicators to be included to benchmark the extent of policy coherence would commence. Table 4 gives an overview of **selection criteria for indicators**, some of which will be examined in more detail in subsequent sections. In Table 4 Jesinghaus (1999) suggests eight criteria for choosing indicators. A number of the criteria relate to establishing causal chains between the indicator and the development outcome of interest, while a number of others are related to the quality and transparency of the data. Specifically, the broad reach of PCD indicators and the agenda to incorporate non-OECD countries into a potential development-friendliness index raises question marks over the **availability of data** underlying any future index. Various studies have indicated that several emerging economies, China most prominently, seem at best strategic and at worst rather unwilling to share information on some of their public policies, e.g. subsidy levels or levels of financial assistance to developing countries. Additional data collection efforts may be required by participating countries, whether coordinated by multilateral agencies or not, but such efforts can be limited by efforts to confine the index to currently available statistics.

Table 4: Criteria to be used with policy performance indicators³⁵	
Transparency	Can a layperson understand what is happening? Does the index hide or reveal facts?

³⁴ The EU agreed in November 2009 to focus proactively on five areas, while continuing to monitor 12 areas agreed in the 2005 EU Consensus on Development. Both are addressed through the biennial PCD reports, of which the next is due to appear in December 2011.

³⁵ Adapted from: Jesinghaus, J. (1999). Indicators for Decision-Making, http://esl.jrc.it/envind/idm/idm_e_.htm, Annex 6.1.

Policy relevance	Does the indicator/index relate to important societal debates?
Analytical soundness	Does the indicator measure the problem, or rather something else?
Responsiveness	Does a politician have any chance to improve the indicator/index?
Time horizon	How quickly can results be expected?
Non-ambiguity of “welfare message”	Does everybody agree that “more is better”, or vice versa?
Accountability	Does the indicator/index point at those who should be held responsible?
Robustness/ independence of assumptions	Could the value of the indicator change drastically by fumbling with some assumptions?
Measurability, data availability	Will we see comparable figures in the next ten years?

In the case of the CDI, the latest technical paper published with the 2011 edition of the index indicates that some progress has been made in the area of transparency (i.e. one set of data previously in the private domain is now available to the public) (Roodman 2011b). Also generally, the experience of the index is that in general the quality of the data on the movement of goods is superior to the quality of data on the movement of people. A key consideration to make is whether indicators for a coherence index should mainly draw on statistics that are already being collected, or whether it should be accompanied by additional investments in generation of data that is considered needed though unavailable.

King and Matthews (2012) identified four **types of PCD indicators**; outcome, policy output, policy input and policy stance indicators (Box 3 gives further details). Some interviewees expressed a desire for the index to focus on ‘results’ in terms of outcomes, inputs, outputs, and not the ‘positions’ of particular countries in policy processes. Their argument was that what a country wants to see reflected in inter-governmental decisions are not relevant to developing countries that are affected by decisions actually taken. The contrary argument is that a country might be campaigning strongly in an international forum for a particular outcome which is assessed to be more ‘development-friendly’, but may not yet be successful in persuading other country’s to its point of view. If that country’s domestic policies are consistent with its international position, then it would be important to recognise its leadership role by rewarding it with a higher score on the coherence index. However, the viability of developing political stance indicators of this kind was doubted by some interviewees.

Box 3: types of indicators

Outcome Indicators: Policy indicators tend to focus on outcomes. Outcomes are defined as socio-economic variables such as, in the case of the Millennium Development Goals (MDGs), income per capita, school enrolment rates or child malnutrition rates. They measure real trends

that are a result of both policy and societal changes and may only be partly influenced by policy instruments. As such, they may therefore not accurately measure policy efforts. For example, countries in close proximity to developing countries and sharing a language are likely to have a higher proportion of immigrants for/with a given immigration policy.

Policy Outputs: Policy output indicators capture concrete changes in efforts designed to make policy more 'development-friendly'. They are attractive measures because they are directly under the influence of policy-makers. A policy output might for example include the level of tuition fees for students from developing countries or a tariff rate for beef imports. The key challenge in identifying output indicators is the need to have a clear 'story' linking the indicator to success in development.

Policy Inputs: Policy input indicators are useful where it may be hard to quantify or summarise the output of a policy in a single indicator. Input indicators usually monitor donor expenditure on a particular policy area. The extent of financial contributions can be considered an important proxy for commitment to a policy area. Examples include financial contributions to aid for trade or biodiversity or, with negative consequences for development, trade-distorting subsidies. Input indicators have the advantage that they are easily measurable and comparable across countries. However, because the effectiveness of expenditure in meeting development goals may differ across countries, rankings using policy input indicators must be interpreted cautiously.

Policy stance indicators: Policy stance indicators arise because of the nature of decision-making within multilateral agencies such as the UN or the European Union. For example, EU decision-making is a process of compromise between Council, Parliament and member states and the position defended by member states may not be reflected in the final outcome. A similar situation occurs in multilateral negotiations, where country positions may differ from the final agreement. To capture the negotiating position of countries in such negotiations rather than the agreed outcome, the transparent publication of pre-negotiation positions is required.

Quantitative indicators can bias policy efforts towards what is measured and away from other aspects of policy that cannot be measured.³⁶ As a result, presentation of indicators should make explicit the **areas of policy that are not measurable** in a quantitative sense but should still be considered by policy makers. An example is unofficial remittances which are not measurable through international capital flow data and yet can be a sizable proportion of overall remittances. Another example could be the quality of financial inputs such as aid for biodiversity protection or aid for trade programmes. Although pseudo-measures of quality of financial flows can be developed, such as the percentage of tied aid, it can be challenging to develop comprehensive measures of quality. As a result, sole focus on the level of financial flows because of data availability can take the focus off efforts to ensure quality delivery of the programmes. A possible combination of an index with peer-review based country-reporting as discussed in 3.6 would address this issue.

³⁶ Some interviewees however emphasized that all actions by governments have to be justified in terms of results, while one other government interviewee suggested that if something could not be measured this meant it would have little value in the first place.

In addition, there may be compromises between technical perfection and inclusivity as countries differ on definitions and on the extent to which certain indicators are harmonised. The importance of data transparency was raised in some of the interviews, with some suggesting that if an index included a number of non-OECD countries the argument for assessing the transparency/sufficiency of the data provided would become stronger.

Agreement on the list of policy areas may naturally follow from any OECD or UN level agreement to develop PCD indicators and there should be a preference for a broader set of policy areas or public goods. However, trade-offs may exist between the breath of the index and political buy-in from some countries. Whatever the approach, we recommend that outcome, output and input indicators combine to form the index. Making explicit the issues around data quality and transparency may be politically difficult to include in any index and thus is perhaps better suited to accompanying documents to the index to inform bi-lateral dialogue on improving data quality.

4.4. Aggregation of Indicators

There are two opposing approaches to presenting policy indicators. **Composite indicators** are the combination of several policy indicators into a summary figure such as the Centre for Global Development's Commitment to Development Index (CGD 2010, see annex 5). An alternative approach is to present a **portfolio of indicators** and provide an editorial commentary for each policy area that combines information from each indicator and an understanding of its limitations. An example of this approach can be seen with the Millennium Development Goals (MDGs), which is described in detail in Annex 1. A hybrid between the two, known as a **dashboard approach**, is also possible where composite sectoral scores are presented but no overall aggregation occurs.³⁷

Composite indicators are more easily communicated than a portfolio of individual indicators as they combine diverse indicators into a more digestible measure. A portfolio of indicators can result in information overload. In a fast moving and media-influenced policy environment, indicators ideally should deliver short concise messages to stakeholders in the policy process and this is a distinct advantage of composite indicators. A few interviewees also suggested that the best approach would be purpose-dependent, e.g. if the priority is to track a country's performance over time as opposed to primarily comparing countries' on their respective performance a portfolio or dashboard approach would seem most appropriate.

³⁷ For an interesting presentation of dashboard approaches in relation to measuring poverty, please refer to Alkire, S. and Yalonetzky, G. (2011) Why Multidimensional Poverty Measures? Oxford: Oxford Poverty and Human Development Institute. Available at: <http://tinyurl.com/7tedloo>

Composite indicators involve a two stage methodology, namely standardisation and aggregation (including value weighting) and some caution is required. First, standardisation imposes uniform units on disparate indicators in order to combine them. For example, the CDI forces the vast majority of its individual indicators to have the same average '5', so that 3 is consistently considered below average, and the same standard deviation. This process can serve to dumb down the contribution of the individual indicator to policy discourse by obscuring the real meaning of differences between scores. The CDI uses a common scale around a mean of countries but other approaches are possible. Picciotto (2003) suggest an approach that considers the value of \$1 dollar of aid flows to developing countries as equal to \$1 of trade, \$1 of investment and \$1 of remittances.³⁸

Second, aggregation of standardised indicators into a composite indicator opens up the question of value weighting. One can weight the indicators based on a subjective ratio of importance, or remain agnostic and simply leave the indicators unweighted and calculate a simple average of the scores. For example, the environment score in the CDI is made up of standardised climate change indicators (60%), biodiversity and global ecosystems (30%) and fisheries (10%). However, the CDI overall country score weights equally the standardised scores for aid, trade, environment, security, technology, migration and investment.

The portfolio approach to PCD indicators was explicitly supported by a number of interviewees, partly for its comprehensiveness but also due to the sensitivity associated to the 'scores' that come with a composite index. King and Matthews (2012) provide an example of this approach in developing PCD indicators for Ireland. However, it was underlined that any set of PCD indicators, in particular a global effort, would need to have media resonance and allow for easy comparison across countries by non-technical professionals. The Millennium Development Goals is a good example of where several efforts were made to engage research organisations, as well as aim to sensitise citizens in OECD countries about the MDGs through 'branding' cultural events with the MDGs, etc. (see Annex 1 for more information).

PCD indicators should ideally not only be compared between countries, a relative ranking, but also be **comparable over time** for the one country. Although performance over time is less easily understood when indicators are aggregated, it is possible to allow comparability over time when changes to methodology are back dated, and the CDI is an example of this. To allow meaningful comparisons between countries over time of the CDI, the 'average' score is always the mean of the 21 countries in the first edition of the

³⁸ However, the approach of assigning equal weights to diverse financial flows can also be questioned when some actors feel that one flow is arguably more significant than another.

CDI (2003). This ensures that if all countries improve on an indicator, so that none improves relative to the group average, their scores will in fact rise (Roodman 2006). To help with comparisons over time back calculations are presented when underlying methodology changes. Nevertheless, a focus on a portfolio of indicators can allow for more transparent comparison over time for specific indicators.

The relative balance of aid versus non-aid objectives in a post-2015 global development framework remains an important issue for deliberation. At present the institutionalised global development reporting framework is focused solely on aid flows. In stark contrast, the CDI treats aid as one of seven policy areas that are weighted equally in the final CDI composite ranking. According to the designers of the CDI, a survey that asked leading experts to weight the importance of each policy area to developing countries did not produce any systematic agreement to encourage anything other than equal weighting (Roodman, 2006). While the agnostic approach may seem more ‘objective’, aggregation without explicit value weighting simply transfers the value weighting to the choice of policy areas and underlying indicators. For example, including technology as one of the seven policy areas in the equally weighted CDI means that technology policy is given equally billing to aid and the environment.

Indeed, one interviewee argued that while it is important to be comprehensive for a list of PCD indicators, this should not happen at the expense of overly diluting the focus on ODA. One proposal would be to have two equal pillars to the post 2015 reporting framework; an aid or financing for development score and a policy coherence score that are treated as equals but where the policy coherence score is an aggregate of 6-8 policy areas.

Box 4: Commitment to Development Index (CDI)

Since 2003 the Centre for Global Development publishes annually the Commitment to Development Index (CDI). The index provides a country by country overview for most OECD aid donors and the aim is to remind ‘the world that reducing poverty in developing countries is about far more than giving money’ (CGD 2011a). The CDI assigns points in seven policy areas: aid (both quantity as a share of income and quality), trade, investment, migration, environment, security, and technology. The seven components are averaged for a final score. The scoring adjusts for economic size in order to discern how much countries are living up to their potential to help.

The Commitment to Development Index has received a lot of media attention over the years and has sparked criticism and discussion among a wide range of audiences. Several Member States, NGOs, and academics have discussed the Index in more detail and published their criticisms. Nevertheless, the Dutch and Finnish governments have adopted the CDI as an official performance metric and the index has influenced policy white papers in Australia, Canada, Finland and Norway (Roodman 2006).

The index is not based on a theoretical model, since no such overall model exists for development processes. Evaluating policy is sometimes a matter of political philosophy, in which CGD aims *“to seek common ground (...) to earn credibility with the largest possible audience”* (Roodman 2006).

The CDI has a composite approach to indicators. This means it equally weights metrics of aid, trade, investment, migration, environment, security and technology. At present the index covers all OECD countries with the exception of Luxembourg, a list of countries that the designer, David Roodman concedes is starting to look archaic (Roodman 2011a). See Annex 5 for further details.

The choice between a composite index and a portfolio of indicators can be understood as a spectrum. Moving to the composite side of the spectrum means it becomes a more accessible/communicative figure, moving to the portfolio side means becoming richer in detail. Concerns over the arbitrary standardisation and summation of composite indexes points to the presentation of a portfolio of indicators as an attractive option. This approach allows observers to draw conclusions based on a detailed understanding of the indicators and their own understanding of their relative importance. In this scenario, aggregation can then be done ex-post by politicians, civil society representatives and other users of the indicators if this is felt desirable. However, a case can be made for the creation of a composite index to complement the portfolio for communications purposes.

4.5. Logical Framework for PCD Indicators

In section 4.2, a logical framework approach was suggested as a means to make explicit the causal chains between indicators and development outcomes. The Logical Framework Approach (LFA) is a long established intervention design methodology used by a range of major multilateral and bilateral donors and can be adapted for the purpose of indicator development. Although not free from criticism, the LFA is still a popular planning tool in development cooperation and in this context can also be examined for its potential to help in operationalising a coherence index.

The logical framework approach is commonly presenting as a series of linear causal chains, in our example running from indicators on the left to objectives on the right side of the framework. Assumptions necessary for each link of the causal chain are documented in the framework in separate columns. Suggested data sources and details for each indicator are also presented in the logical framework.

An implied assumption throughout the logical framework is that if countries improve their indicator scores, improvements in development outcomes will follow. As identified previously, changes in developed country policies can have net positive results for development outcomes for some, but other countries, sectors or regions can be made worse off. The addition of a dedicated column in the log framework can specifically

identify constituents that can be left worse off after the ‘desired’ policy change. It is thus emphasised that investment in monitoring is ideally accompanied by additional investments in research to examine the actual impacts of these policies in different countries and by doing so confirm and quantify the causal assumptions made.

To illustrate how the logical framework can be used to help develop policy indicators, this section extends the case study from Annex 7 (Volume II) on agriculture development and food security to demonstrate the potential of such an approach. There are many ways to conduct such an exercise and our case study is presented as an illustrative example only.

To develop this example logical framework, we first defined the PCD area of interest as agriculture development and food security. The logical framework depicted in Box 4 aims to map all policy areas arguably relevant for agriculture and food security in developing countries.³⁹ In our example the overall objective of donor countries’ engagement in agriculture development and food security, given their PCD commitments, is defined as economic development and poverty reduction in developing countries. This overarching objective is broken down into three intermediate objectives. Intermediate objectives are obtained by breaking down the overall objective into component policy areas with their own ‘intermediate’ objectives. For our example, the three intermediate objectives are as follows:

- The first intermediate objective, the development of the agriculture export sector in the developing country, includes indicators relevant to market access, developed country subsidies, and aid for trade with seven indicators presented under these four policy areas.
- Under the second intermediate objective, increased food production in developing countries, three potential indicators have been identified with two relating to financial support for food production and one related to technology transfer.
- Finally, the third intermediate objective is hunger alleviation and three finance related indicators have been proposed. In any further exercise it may be determined that aid related indicators should be excluded a priori from a set of PCD indicators. To reflect this, a number of indicators that might otherwise be considered as part of finance for development have been shaded in grey and can easily be omitted.

As discussed earlier, there has been a growing realisation that changes in developed country agriculture policies leads to ambiguous impacts in developing countries. In Box 4 the column on potential losers illustrates that changes to developed country agriculture subsidies and tariff rates can lead to heterogeneous impacts for the world’s poor, where negative outcomes are not compensated for due to weaknesses in redistributive capacity both within and between countries.

³⁹ Using the approach taken by King and Matthews (2011).

Box 5: Agriculture and Food Security

Policy Area	Indicator	Details	Indicator Type	Source	Assumptions	Potential Losers	Intermediate Objective	Assumptions	Overall Objective			
Market Access	Openness to developing country agri-food imports	Agricultural Goods Imports from Less Developed Countries 2007-2009	Outcome	UN Comtrade Data	<i>Increased openness to developing country agri-imports is a good indicator of policies to open up developed country markets.</i>	Higher prices for food in developing countries can reduce household spending power.	Development of a strong export Agriculture sector	Development of a strong export Agriculture sector increases export earning and incomes of those directly in the export sector and indirectly for those who are not food producers (small farmers).	Economic Development and Poverty Reduction in Low Income Countries.			
	Level of import protection	Total ad valorem equivalent Applied Tariff in Agriculture (estimated)	Output	www.macmap.org	<i>Overall protection against developing country imports restricts export opportunities for developing countries.</i>							
	Level of tariff protection	Agricultural Tariff Rate Weighted by Importance in Domestic Production - Producer price (at farm gate) minus reference price (at farm gate) as a percentage of reference price (at farm gate) all weighed by the value of production in each commodity.	Output	OECD Producer Estimates Database	<i>Tariff protection is an effective approach to discriminate against developing country exports.</i>							
	Non-tariff barriers	Overall Trade Restrictiveness Index (applied tariff, incl. prefs+NTMs) and Tariff Trade Restrictiveness Index (applied tariff, incl. prefs) - Agricultural Goods	Output	World Bank's World Trade Indicators 2009/10 Online Database	<i>Even when tariff rates are low or zero non-tariff barriers can prevent market access when local capacity is low.</i>							
Fair Competition/Subsidies	Level of trade-distorting subsidies to Agriculture	Payments based on output, payments based on input use, payments based on current A/An/R/I, production required, single commodity and payments based on non-current A/An/R/I, production required as a percentage of value of production at farm gate all weighed by the value of production in each commodity.	Output	OECD Producer Estimates Database	<i>Developed country subsidies reduce the unit cost for local producers and give an unfair advantage when competing against developing country exporters.</i>	Falling subsidies can reduce developed country food production levels and lead to an increase in the price faced by net food consuming countries and households.	Development of a strong export Agriculture sector	Development of a strong export Agriculture sector increases export earning and incomes of those directly in the export sector and indirectly for those who are not food producers (small farmers).	Economic Development and Poverty Reduction in Low Income Countries.			
Aid for Trade	Aid for Agriculture trade	Aid for Agricultural Trade and Capacity building Efforts to comply with Food Standards, Animal Health and Traceability Rules	Input	OECD	<i>Aid for trade can help developing world producers make the most of market opportunities.</i>					None, assuming aid does not create perverse incentives.	Development of a strong export Agriculture sector	Development of a strong export Agriculture sector increases export earning and incomes of those directly in the export sector and indirectly for those who are not food producers (small farmers).
	Level of ODA to Agri-food sector	Aid to the agri-sector as a % of GNP and absolute levels	Input	OECD	<i>General support for the Agri-food business in developing countries can increase export opportunities and reduce the price of food locally by increasing productivity.</i>	Increased Food production in Developing Countries	Support for local food production increases agricultural productivity, increases the availability of food and reduces prices for consumers.	Economic Development and Poverty Reduction in Low Income Countries.				
Support for Food production	Aid for Food production	Aid for food production as a % of GNP and absolute levels	Input	OECD	<i>Aid for food production can play be an important catalyst for increased agricultural productivity.</i>				None, assuming aid does not create perverse incentives.	Increased Food production in Developing Countries	Support for local food production increases agricultural productivity, increases the availability of food and reduces prices for consumers.	Economic Development and Poverty Reduction in Low Income Countries.
	ODA % Focus on Agriculture	Sectoral focus of ODA programme on increasing productivity and output of agricultural sector.	Input	OECD	<i>The relative priority placed on support for agriculture in ODA budgets is important.</i>							
	Technology Transfer	Policy efforts to allow food related technologies to transfer to developing countries.	Output	Possibly the CDI	<i>Technological transfer plays an important part in increasing food production in developing countries</i>							
Food related ODA	ODA in the form of Food	Food aid as a % of GNP and absolute levels	Input	OECD	<i>Food assistance can directly reduce hunger, at the risk of undermining the price achieved by local suppliers.</i>	Poorly managed food aid can undermine the livelihood of local food suppliers,	Hunger Alleviation	Food and nutrition related ODA can play a direct role in the reduction of hunger and malnutrition in crisis situations. Caution not to undermine local food suppliers should be headed.	Economic Development and Poverty Reduction in Low Income Countries.			
	Hunger and Nutrition related ODA	Hunger and Nutrition related health ODA as a % of GNP and absolute levels	Input	OECD	<i>Support for programmes to overcome malnutrition, water based diseases and other illness play a central role in hunger alleviation.</i>							
	Emergency Assistance for Humanitarian Disasters	Emergency Assistance a % of GNP and absolute levels	Input	OECD	<i>Emergency assistance can play a direct role in overcoming poverty and an indirect role in preventing starvation during natural disasters.</i>							

5. Conclusions and recommendations

5.1. Summary of key findings presented in sections 3 and 4

This report has examined the design and feasibility of a ‘development-friendliness’ index to evaluate and compare donor policies beyond their quantitative ODA contributions. The scenario envisaged is where developed countries are systematically compared on how their entire range of policies contributes to international development and regularly discuss their respective performance in an international forum. Although other processes can also be explored to compare countries on this basis, this study specifically analyses how this goal can be achieved with the help of a coherence index.

This report has described existing policy commitments made, analysed recent policy discussions on the post-2015 context for development cooperation and the evolving global environment. The following table highlights key findings in relation to the political and technical feasibility of a future institutionalised approach to coherence monitoring:

Table 5: Key findings	
Political dimensions	Technical dimensions
<p>1) General understanding and acceptance of the objectives and goals of a successful monitoring process should not be assumed but discussed and agreed by all involved.</p> <p>2) An overarching objective must be the gradual inclusion of emerging economies such as China, India Brazil and Russia, the EU12 and Arab states in a post-2015 development reporting framework. the exercise.</p> <p>3) Considering appropriate fora to discuss and compare assessments:</p> <ul style="list-style-type: none"> • The collection of and quality control of indicators could be done by the OECD, together with the IFIs and international sectoral agencies with global involvement such as the WTO, the FAO or UNEP with UNDP possibly taking a leading role. • Linked to discussion of the post-2015 global development framework, the goals and indicators for 	<p>1) Several technical challenges have to be faced when exploring possible indicators for a coherence index, including (1) the complex chains of causality pursued, (2) trade-offs between development objectives, (3) the need for country differentiation, (4) the influence of developing countries’ own policies and actions.</p> <p>2) Most interviewees did not express strong views on possible lists of policy areas that provide a basis for further indicator development. The possible broad reach of PCD indicators raises question marks over the quality and transparency of data underlying any future index, combined with the fact that some countries perform better than others in this area. This points to likely trade-offs between quality and inclusivity of an index.</p> <p>3) Specific efforts are needed to avoid that an index becomes too focused on what can be measured in a quantitative sense, leading to the neglect of important dimensions which cannot be quantitatively measured.</p>

<p>strengthening the development dimension of GPGs could be agreed by the UN General Assembly.</p> <ul style="list-style-type: none"> • More specific discussion of progress made as well as the relevance of what is measured in relation to specific areas could be organised in the context of the international sectoral agencies. <p>4) Most interviewees preferred the option whereby one first brokers a political agreement at a rather high level to obtain the necessary resources and backing to design and use an index. Additional suggestions include:</p> <ul style="list-style-type: none"> • Country-based qualitative reporting similar to the existing DAC Peer Review could be conducted in parallel. • Political and technical debates could also be pursued in parallel and inform one another, starting in thematic fora where there is most momentum. 	<p>4) An index should be presentable in different forms (e.g. portfolio, composite index) to facilitate communication and discussion.</p> <p>5) The Logical Framework Approach (LFA) can help in defining indicators: As one of the available tools for further operationalising an index, the LFA can help in further clarifying assumptions and objectives as well as help identify indicators. It is thus emphasised that investment in monitoring is ideally accompanied by additional investments in research to examine the actual impacts of these policies in different countries and by doing so confirm the causal assumptions made.</p>
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These findings were both derived from the interviewees, case studies and a review of the literature and lead to the overall conclusion that a coherence index can only be successfully realised if there is sufficient political will and a genuine interest among countries to be compared. The findings further indicate that while many countries are anticipated to be receptive to the idea to compare the development impacts of non-aid policies⁴⁰, with some considering it inevitable in the long-run, presently there seems to be insufficient political support for an internationally recognised and institutionalised approach.

Taking account of the range of views and issues set out above, the study team has identified four options that could be pursued separately or simultaneously to establish international comparisons of countries' non-aid policies in the post-2015 development reporting framework:

1. Build on current efforts at indicator development at the OECD and agree **a comprehensive set of PCD objectives and indicators by DAC members at the**

⁴⁰ This receptiveness can be assumed by these countries having endorsed policy statements outlining this intention, e.g. MDG8, Busan or the OECD development strategy framework document, or even a legal requirement in the case of the Treaty for European Union.

OECD that seeks to include non-DAC members in the design and data reporting stages. The DAC outreach programme can act as a starting point for including non-traditional donors and include sectoral multilateral agencies in data collection and secretariat responsibilities.

2. Make **evolutionary rather than revolutionary progress** towards a set of PCD indicators in specific thematic areas. Incremental progress is being made in developing indicators in recent years at OECD level for some PCD related policy areas, e.g. in the OECD on anti-bribery. Efforts could focus on strengthening and broadening these processes to include more areas of interest to PCD. This approach is considered by some to be the most likely to yield progress, particularly when first concentrating on 'low hanging fruit', and may over time lay the ground work for a more comprehensive index.
3. **Push for inclusion of a set of PCD commitments as part of an agreement on the post-2015 framework for global development.** In similar fashion to the establishment of the MDGs at the Millennium Summit in 2000, a commitment to PCD goals and indicators can be part of a renewed set of goals around overseas aid. Upon endorsement effective responsibility for collecting data can be delegated to the OECD and sectoral multilateral agencies.
4. Provide adequate attention to and funding for more **explorative research that can help close the conceptual, methodological and technical gaps** as observed in this report, including data shortages, and further sharpen methodological approaches to assessing the impact of policies in developing countries.

This report recommends the pursuit of options one, two, three and four in parallel. Our findings indicate the development of PCD indicators is a challenge too complex to be solved in one international forum alone, but instead require different fora to contribute to furthering this situation through exploring comparative advantages for each: e.g. the UN is a globally representative and inclusive forum for exchange, the OECD as a reliable provider of data and analysis, the EU as a possible grouping to further its own monitoring, etc. The next four sub-sections describe each of the strategic options in more detail.

5.2.Option 1: Agreement of a comprehensive set of PCD objectives/indicators by DAC members at the OECD

Given the progress made in promoting and monitoring PCD in the OECD, it may be important for the OECD to continue and remain a 'first mover' in this area. Political momentum to develop a framework to help monitor policy coherence is present at the DAC and among a number of OECD member states. OECD Ministers renewed their

commitment to PCD in June 2008 by issuing a Ministerial Declaration on PCD⁴¹ which encouraged members to continue best practices and guidance on PCD promotion and improve methods of assessment of results achieved.

The OECD members could conceivably seek to develop a comprehensive set of PCD objectives and indicators, e.g. as part of the future OECD strategy on development. The challenge would be to keep all OECD members on board with the process and to sign up to the subsequent monitoring. Another challenge would be to include important emerging economies in the process through the DAC outreach programme. The attraction of this approach is that reaching agreement on both the substantive and technical aspects, while likely to be challenging, would be more straightforward than through the UN.

However, while some non-DAC members might be persuaded to take part, engagement of emerging economies generally with the indicators in an OECD framework is unlikely. In addition, with some form of UN endorsed development reporting framework likely post-2015 the relationship between an OECD-led PCD indicators initiative and UN endorsed commitments would need to be carefully managed.

5.3.Option 2: Evolutionary rather than revolutionary approach to PCD indicators

Political pragmatism about the likelihood of a diverse set of developed and emerging countries publically committing to a set of PCD objectives suggests that an evolutionary rather than revolutionary approach to PCD indicators may deliver more results. Such a strategy would place less pressure on participating countries to compromise on important issues of national interest, but instead would seek to build a set of PCD indicators over a ten year period, initiative by initiative. Progress in specific areas may also make it easier for countries to see the operational value of engaging to a more comprehensive approach as advocated under options 1 and 2. This approach is considered by some to be the most likely to yield progress, concentrating specifically on 'low hanging fruit'.

Modest progress has been made in developing indicators in recent years at OECD level for some PCD related policy areas and policy efforts could focus on strengthening and broadening these initiatives to include more areas of interest to PCD. Recent policy endeavours that have yielded potential indicators relevant to PCD include the OECD's work on bribery and corruption and sustainable development.

A key aspect of a successful evolutionary approach would be to ensure additional costs should be as low as possible in the beginning, including through drawing on existing data and analysis tools should be drawn upon as far as possible. In case of the monitoring

⁴¹ [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)

being taken further in the OECD, cost sharing could for example be ensured through integrating the PCD index in the Programme of Work and Budget of the OECD which is financed by the regular budget to which all member states contribute.

Opportunities also exist to improve PCD related indicators through sectoral multilateral agencies and the IFIs such as the World Bank and the IMF. Likeminded DAC members interested in strengthening a broad range of PCD indicators through various international fora could seek to engage diplomatically and provide strategic investments to build up a critical mass of initiatives dealing with indicators in the PCD space.

5.4. Option 3: Push for the inclusion of a set of PCD commitments as part of an agreement on the post-2015 framework for global development

Our case study on the establishment of the MDGs at the Millennium Summit in 2000 illustrates how concerted international effort across a variety of international fora can lead to a complex international agreement on development objectives. As judged by the recent proposal for Sustainable Development Goals, UN members driving future efforts do not necessarily have to be from OECD countries and therefore the OECD and EU members need to take a constructive stance towards these and similar objectives to promote country accountability to PCD. Endorsement through the UN would provide significant global legitimacy and place PCD indicators side by side with any future commitments on ODA. Such an agreement would mark the acknowledgement of a new paradigm in development cooperation, where donor contributions are no longer seen solely as financial contributions.

UN endorsement could also help to gradually broaden involvement in the reporting exercise to emerging economies in Asia, South America, Eastern Europe and the Arab states and reflect the significant changes in the global economy since the emergence of traditional development cooperation in the 1950s.

However, unlike the MDGs, PCD objectives and indicators would encourage developed countries to address issues of incoherence that may be sensitive to domestic political actors. Reluctance to commit to the 0.7 percent commitment on ODA by some OECD member states in recent years may herald a similar reluctance to commit to an additional set of PCD related objectives and indicators. As a result, question marks remain over the political feasibility of achieving UN endorsement and over the time scale required for forging decisions such as these.

5.5. Option 4: Invest in explorative research to help close the conceptual, methodological and technical gaps

As a fourth option, the findings of this report underline that – even though at a political level one cannot yet argue that there is sufficient consensus and willingness – at a technical level there is a need to further invest in a number of issues such as:

- Explorative research on exploring causal chains (from developed country policies to developing country outcomes). Sophisticated ‘mapping’ the effects of national, regional or international policies on different groups in developing countries.
- Defining indicators for different policy areas and consideration of different types of indicators to include (i.e. input, output and/or outcome).
- Development of data collection procedures for important areas of PCD not yet serviced by existing data reporting structures.
- Assessment of what kinds of aggregation and presentation of information gathered by a coherence index could best facilitate technical and political policy discussions.

The technical challenges of an institutionalised coherence index are significant. Addressing these issues with initial investment of time and resources would help countries envisage how exactly such an index might work. In principle it may be possible to persuade participants of the potential of such an index through the presentation of an advanced version of the index prepared by technical specialists. In light of the second option outlined above, it would seem effective to first try to make progress by defining indicators in policy areas where there is presently strong political support and attention (see option 2).

5.6. Specific Recommendations

Table 6 outlines 18 operational recommendations relevant to a variety of actors; governments, multilateral organisations, research organisations and NGOs and developing country governments. To make progress with PCD indicators under any of the four strategic options presented all of the 18 specific recommendations can be pursued. However, recommendations which are more relevant for one or more of the four options are outlined below.

Table 6: Specific recommendations				
	Option 1	Option 2	Option 3	Option 4
1: Governments				
1.1 Push for adequate attention to PCD in the 2013 MDG review meeting and in the June 2012 Rio+20 meeting	X		X	
1.2 Increase financial support for improving methodologies to evaluate coherence and the financing of specific research projects		X		X
1.3 Take actions to measure impacts of national policies on developing countries and share results as well as methodological lessons learned with other countries and at international fora		X		X

1.4 Take own initiative in ensuring that coherence of policies is being discussed in international levels, either in a general sense or in specific fora on specific policy issues	X	X	X	
1.5 Promote discussion among those politically responsible for national policy making to ensure practical decisions on objectives that go beyond sectoral borders ⁴²	X	X	X	
1.6 Support efforts to discuss country reporting on the development dimension of GPGs at supra-national levels of governance			X	
2: OECD, European Union and United Nations				
2.1 Take policy initiatives to ensure that there is sufficient debate on concrete challenges and policy conflicts at the political level (ministers and/or heads of state, as appropriate)	X		X	
2.2 Seek to pro-actively inform debates among member countries on coherence of policies and take own initiatives to ensure more coordination, cooperation and lesson-sharing across departments	X		X	
2.3 Pro-actively seek to orient policy discussions on development cooperation towards considering how these efforts can help promote PCD in the equitable, effective and sustainable provision of Global Public Goods	X		X	
2.4 Parallel to more comprehensive and global efforts to promote cross-country PCD benchmarking, seek to operationalise efforts to make specific policy areas more coherent with development objectives, based on an assessment of where most 'traction' can be found	X			
2.5 Call on member states to increase investments into research of the impact of their policies in developing countries, and promote lesson learning on methodologies used				X
2.6 Suggest pragmatic and incremental steps forward in strengthening PCD monitoring, including through learning from existing peer-review approaches		X		
3: Research organisations and NGOs				
3.1 Government officials to engage in dialogue and cooperation with development NGOs and research on topics in relation to key policy coherence challenges, to prepare for a situation where development cooperation may less stand on its own as a separately budgeted field of work	X	X	X	
3.2 Take own initiatives to improve methodologies and provide concrete positive and negative examples of the interplay of policies and how this affects people in developing countries				X
3.3 Collaborate with organisations such as the OECD in efforts to further operationalise coherence indicators in relation specific policy areas where there is some political traction	X	X		
3: Research organisations and NGOs				

⁴² For an example, please refer to the recent policy note on GPGs by the Netherlands government: Ministry of Foreign Affairs, the Netherlands (DGIS) (2011) The Development Dimension of Priority Global Public Goods (GPGs). The Hague: Ministry of Foreign Affairs

4.1 Actively seek dialogue with individual developed countries and their membership organisations to discuss anticipated policy changes that might affect them	X	X	X	
4.2 Systematically point to adverse effects of developed country policies on developing countries at the UN General Assembly and in specialist UN agencies			X	
4.3 Support efforts to improve accountability to PCD at all levels, including through their own policies			X	

5.7. Concluding thoughts

This purpose of this report is not to lay out a definitive strategy for promoting issues of coherence in the post-2015 development reporting framework. Readers should use our analyses to draw their own conclusions as to what next steps should be pursued by the various interested stakeholders. The findings presented in this report suggest what is essentially a twin-track approach, consisting of (1) continuing current efforts in the OECD to develop overall strategies as well as specific progress in thematic areas, and (2) pushing the inclusion of a set of PCD commitments as part of an agreement on the post-2015 framework for global development. Progress is best made incrementally, and with a specific focus on promoting further research on the effects of non-aid policies in developing countries.

In any case, continued political investment in the idea of a coherence or development friendliness index across a range of international fora will provide like-minded countries with the highest chance of realising the objective of ensuring that PCD and ODA become counterparts in the post 2015 development policy framework. In these discussions, further efforts need to be made by OECD members to facilitate the participation of those countries who after decades of development aid now have become development partners in their own right.

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Note: References used in Volume 2 are found at the end of each annex.

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