

## **The Issue of Coherence: its Relevance and Significance from the Perspective of the South For Norwegian Department for Development Policy**

This brief report is in response to the request made by the Chairman of the Norwegian Government's Committee on Coherence in Development Policy in his letter of 24 April 2008, for advice "on which policy areas that are most crucial from your point of view and on what Norway should prioritize politically in national and international policy arenas."

There are in my view *three immediate priority areas* that the Committee might consider: Aid, Trade and Investments. There is the issue of climate change, but that is a slightly longer term issue. There are also other policy areas that can give rise to development incoherence such as political/security issues being reflected in multilateral/bilateral relations, and multilateral governance architectural issues, or incoherence arising out of special foreign policy interests of Norway. However, given the nature of the brief I will focus on the above three areas that, in my view, are of immediate and urgent importance.

Before I come to these, I would like to point out that my perspective is different from OECD's definition of "coherence" which the Committee takes as the basis of its work. It is, as quoted to me in the above letter:

*"A coherent policy for development will ensure that the development policy goals are not undermined by government policy in other areas and that these other policy areas support development goals whenever possible."*

The above definition deals only with one aspect of coherence/incoherence. The challenge of trying to achieve "coherence" is often understood as arising out of different goals and objectives pursued by different Government Departments internally within donor countries. For example, the Defense Department may have very different objectives from the Trade or Development Department of Government. That may well be the case.

This report focuses, rather, on *how incoherence arises at the receiving end* of donor policies on aid, trade, and investments.

From my long experience working in Africa, and from working over the last three years as the Executive Director of the South Centre in the context of negotiations in the World Trade Organisation (WTO), the World Intellectual Property Organisation (WIPO), the UNCTAD, the World Health Organisation (WHO), the International Labour Organisation (ILO), among other IGOs based in Geneva, and the European Union in Brussels and the OECD in Paris, I would say that there are really *two sources of incoherence* in the developed industrialized countries' attempts to address issues of development and poverty in the countries of the South.

1. Incoherence arising out of *conceptual* (mis)understanding of development; and
2. Incoherence arising out of *practice at variance with* stated "development" policy *objectives* and means to development set out by OECD countries.

The second problem I will illustrate with reference to the three areas of aid, trade, and investments. But the first is a more serious problem than the second. It arises out of the misconception that “development” in the South should follow the same route and adopt the same institutions of governance that the North used in its own development path; that the North has the “*responsibility*” for the development of the south; and that following from this the “*right to intervene*” in the affairs of the south on matters related, especially to *setting norms* and their application, among others, to human rights, health standards, child welfare, the building of democratic institutions of governance, and so on. Some of these are indeed *internationally agreed responsibilities and norms* to which countries of both the North and the South have subscribed (for example, the common but differentiated responsibility on climate change). But often during the process of negotiations on these norms and their application, countries in the South (especially aid-dependent weaker ones in Africa and the LDCs) are compelled to accept the interpretation and application of these by the North.

Such forced (real or perceived) interpretations and applications of norms on the part of the North, might well “be paved with good intentions”, but they often backfire, and produce quite opposite results from those intended. The industrialized countries are then frustrated at the results (e.g. in Darfur, Iran, Zimbabwe, Myanmar, Korea, etc), and often wonder why, for example, China would not put pressure on governments in Myanmar or in the Sudan (in the way that the North desires), or South Africa in Zimbabwe (again in the way the North desires). Frustration also arises because North cannot measure the South’s development by standards set by the North. These frustrations of the North are understandable, especially in the case of those countries in the North (and here I would single out the “non-imperialist” Nordic countries) who put much effort and goodwill into creating a “better world”. Unfortunately, it is so very difficult for the North to fully appreciate that *it is not their responsibility to develop the South*, and that the countries of the South are all at different level and pace of development and they must each follow their own path to development, no matter how much time and pain it takes.

Let me come now to the three areas.

## **1. Aid**

On matters related to aid, the lessons of the past *may have* finally dawned on the OECD. It has addressed some of the issues in its so-called “Paris Declaration” on “Aid Effectiveness” (PDAE). Implicitly the PDAE recognises that the present global architecture of “development cooperation”, dominated as it is by the World Bank, the IMF, the Paris Consortium and the donors, suffers from democratic deficiency. It sets out, in my view, reasonably sensible principles on aid effectiveness -- namely, ownership, alignment, harmonisation, managing for results, and mutual accountability. By mid-December 2007, 115 countries are listed in the OECD website as having endorsed the declaration.

The difficulty arises in the *process* by which the PDAE is being shepherded by the OECD, poor understanding of power and linkages to self serving policies and interests, and in the *practical application* of these principles. I have studied this matter carefully, and have several papers on the subject (attached is a brief summary comparison of PDAE and SCAE – which stands for South Centre Aid Exit strategy). For the purpose of this brief, let me summarise a few critical problems with the PDAE.

***First, the UN was initially excluded from the system and then, belatedly, brought in, through the Development Cooperation Forum (DCF) of the UN to give it credibility.***

The UN was not involved in it from the start and lacks any leverage to promote its priorities into the PDAE. For example, the ILO's internationally recognised concept of "decent work" does not appear as one of the objectives in aid evaluation. Also many of the MDG related objectives do not feature into the performance criteria, especially MDG 8 that deals with North-South relations.

***Second: the performance conditionalities*** are prepared by donors in conjunction with the World Bank. There is ***no real mutual accountability***. For example, if the "recipient" countries do not perform, they are subject to penalties in the form of reductions or withholding of aid disbursements as well as tighter conditionalities. However, if the "donor" countries do not perform, or worse, mis-perform in the sense of implementing policies that may actually undermine the development or policy space of aid recipients, there are no penalties.

***Third: the compliance tests*** are administered by the World Bank (on for example procurement) that do not use the economic and social policies of the "recipient" countries. These are externally imposed tests based on World Bank-devised procurement assessment methodology focused, essentially, on ensuring that foreign firms can compete with domestic firms for government contracts.

The OECD hopes to get the PDAE endorsed by a High Level Ministerial conference in September 2008 in Accra, under the so-called Accra Action Agenda (Triple A). And indeed, because of the "aid dependence" of many countries in Africa (especially when the matter is being discussed in an African city), the OECD may well get the endorsement it is seeking.

But that, in my view, would be short-sighted. The effort, especially to bring the IMF and the World Bank through the back door, will backfire. I fear that over time, when African countries realise what is happening, there would be a strong reaction. (I would be happy to send you more documents on this issue).

## **2. Trade**

For lack of space, I would refer you simply to the recent Report by Jan Ziegler, the UN Special Rapporteur on Right to Food (A/HRC/7/5). Many of his observations and conclusions reflect our own findings at the South Centre. But since he is part of the UN system, it is better to quote him. Among other very important findings, he points out that

Western subsidized food dumped in African market and subsidized US maize under NAFTA has displaced 15 million Mexican farmers. He also says that his two missions to Niger showed that the market-based paradigm of development, largely imposed by the IMF and the World Bank, has been harmful to food security for the most vulnerable. Cost-recovery policies in health centres, for instance, mean that many poor children are *not* being treated for malnutrition. The privatization of government support services, including the logistics and food distribution system (OPVN) and the National Veterinary Office has exacerbated food insecurity amongst small-scale farmers and pastoralists.

He points to what he calls "schizophrenia" in the United Nations system and in States' policies, as well as the increasing control of vast sectors of the world economy by transnational corporations. He says that the policies and practices of agencies such as the IMF, and the World Bank, along with the US government and the WTO, undermine peoples' right to food through imposing on the most vulnerable States the "Washington Consensus" emphasizing liberalization, deregulation, privatization and the compression of State domestic budgets, a model which in many cases produces greater inequalities.

He argues that while states have recognized the right to food in the World Food Summit Declarations and more than 150 States are parties to the International Covenant on Economic, Social and Cultural Rights (ICESCR), at the same time, they engage in trade policies that are detrimental to the enjoyment of human rights in other countries.

I could have elaborated on these from my own practical experience in Africa.

There is, however, one issue to which I must draw your attention. Although Norway is not a member of the EU, but since Norway does operate in the European context, I might add that the Economic Partnership Agreements (EPAs) currently being negotiated between the EU and the African, Caribbean and Pacific (ACP) countries would, if signed in June this year (as it seems), would (and I choose might word carefully) *undermine* development of the ACP countries. The latter are caught up in a situation in which the European Commission has led them to believe that they have no options but to sign on the dotted lines. Our study in the South Centre shows that the countries do have real options, but these countries are under pressure to sign.

### **Investments**

On 7 April this year I was invited by Honorable Agot Valle, MP, to address a Parliamentary workshop on Norway's Draft Model Bilateral Investment Treaty (BIT), and to make some comments on it. I had then suggested that the Draft Model, in my view, should be scrutinized very carefully before it is passed by the Norwegian parliament. I was informed that the context of the BIT was the need to maintain Norwegian (and EFTA) industrial and commercial competitiveness in relation to what the EU receives or perceived to receive from the developing countries. If this is so, then this should be clearly stated, and understood as part of Norway's commercial policy and must not be "marketed" as its "development" policy. From a developmental perspective, the

BIT will have serious negative consequences for countries in the South that would sign the Norwegian BIT.

I am aware that the UNCTAD also commented on the Norwegian Model BIT, and among other things has suggested it has gone beyond TRIMS. We at the South Centre, taking a specifically southern perspective, made our own analysis and this is the conclusion we have reached (attached is full report for your information):

“The Norwegian Model BIT may have the potential to diminish the development policy space of developing countries that might wish to sign the BIT with Norway.

It reflects the standard BIT objectives of promoting and protecting investments overseas. Should Norway agree on a BIT with a developing country, the potential is high that what would be promoted and protected effectively would be Norwegian investments into the developing country rather than vice-versa as a result of the greater investment capacity and economic strength of Norwegian companies as compared to their developing country counterparts.

The model BIT, unless substantially changed, could have the effect of locking in Norway’s developing country treaty partners into a relationship of economic inequality and dependence – akin to a new form of colonialism – vis-à-vis Norway, as the BIT’s provisions could prevent the developing country partners from engaging in more active industrial development policy that might require at various stages certain levels of discriminatory treatment against foreign investors in order to develop and to create more competitive domestic industries.

Furthermore, it envisions an architecture that establishes equal levels of treaty obligations on both Norway and its developing country partners. There is no provision at all in the model BIT that provides for special and differential treatment for the developing country partner in terms of the level or extent of obligations to investors and investments, thereby disregarding the fact that the economic development status of many developing countries may make it more difficult for them to comply with the BIT’s obligations.”

In conclusion, allow me to emphasise three points:

1. If Norway provides aid and engages in trade and investments in the South for its own commercial or foreign policy or strategic reasons, then this is perfectly well understood, and it should say so openly and transparently. But this should not be confused with “development assistance”. It is more honest to call a spade a spade rather than a shovel.

2 Whilst recognising that there are indeed “common but differentiated” responsibilities countries have towards, for example, the protection of “global commons”, including international conventions, it must be stated emphatically that development is nationally self-owned and self-determined. It is part of the “***national project***” of each country.

Norwegian or any other country's "development coherence" in relation to the South can only be assessed by the extent to which the South becomes more self-reliant in owning its development process.

3. The biggest support that the North can give to the South is to unconditionally help build the institutions of the South to "*think for themselves*" through supporting genuine knowledge-based and knowledge-creating bodies of the South that are not simply replicas of the think tanks of the North.

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