Advocates of international development tend to focus on the size of donor countries’ aid flows, exhorting governments to reach the quantitative target of 0.7 per cent of gross national income. However, equally if not more important are the quality of foreign aid and the contribution of non-aid policies to development in the Global South. Indeed, improvements in aid effectiveness and donor policies in other areas could have a greater impact than simply increasing aid budgets.¹ Key to the goal of development is the concept of policy coherence, through which one or more actors’ policies work in tandem, synergistically or at least not in open contradiction, to promote a common overarching objective.

This chapter analyses the concept of policy coherence for development (PCD), which applies the notion of policy coherence to the policy field of development cooperation. PCD has become, since the early 2000s, a central component of the development discourse. Development is an ill-defined term, which can be used to express various concepts, including economic growth, poverty reduction, improved well-being and greater opportunities to fulfill human potential. The common thread, however, is the central idea that benefits will accrue to developing countries and the people who live in them.

Though PCD is a key tool for development and its potential is widely recognized, problems in applying it go beyond the technical difficulties that are commonly evoked. Rather, it is traversed by ambiguities, trade-offs and internal contradictions, muddied by idiosyncratic uses of the term and reinforced by the underlying power dynamics in North-South relations. In the next section, I explore the various conceptualizations and levels of analysis of PCD. I then consider challenges to applying and assessing PCD in donor countries. The subsequent section considers the trade-offs and contradictions of applying PCD in aid to developing countries. The conclusion sums up the state of knowledge and gaps regarding PCD and its application.

Defining Policy Coherence for Development

Part of the difficulty in analysing PCD derives from the differences in how the expression is applied; various actors mean different things by the same term. In its negative sense, coherence implies that

¹ Some aid critics take the argument too far, stating that aid is somehow irrelevant because it is dwarfed by the international flows in remittances, trade and investment. However, such private flows are generally concentrated in a short list of destinations, generally not low-income countries, and do not necessarily provide benefits to the poorer strata of their societies, be it through job creation, poverty reduction measures or the provision of public goods. These issues are discussed elsewhere in this volume.
policies do not detract from or contradict each other, in other words, the “absence of incoherences” (Ashoff 2005: 12) or mere “consistency” (Keijzer and Oppewal 2012: 3). Thus, at a minimum, PCD implies that non-aid policies will not be detrimental to development. In its positive form, coherence suggests a beneficial complementary relationship, working together towards the broader common goal of international development – a much greater challenge. A 2003 OECD definition suggests that PCD requires only “taking account of the needs and interests of developing countries” (OECD 2003: 2), potentially implying very little change in behaviour or policy. Almost a decade later, in 2012, the organization offered a more robust and proactive conceptualization: “it entails the systematic application of mutually reinforcing policies and integration of development concerns across government departments to achieve development goals along with national policy objectives” (OECD 2012b: 3).

PCD can also be applied at different levels. As in the 2012 definition cited above, the minimalist conception of PCD addresses only the coherence among policies in different sectors of a single donor country, often referred to as horizontal, inter-departmental or intra-country coherence. For instance, to what extent are its policies in trade, agriculture, migration, banking, education, intellectual property, environment, security, weapons sales, among other areas, consistent with its aid program and development goals? Dropping tariff barriers on imports from least-developed countries or curbing illicit financial flows are examples of non-aid policies with beneficial development impacts. Conversely, policies such as actively seeking immigrants from developing countries that work in the healthcare profession has a detrimental effect on development in the Global South. In another example, anti-terrorist and anti-drug operations could reinforce repressive regimes and be detrimental to human rights and civil liberties. Similarly, a donor country’s support for its own extractive industry could indirectly promote conflict, human rights abuses and environmental degradation abroad. PCD could even include industrialized countries’ policies that permit unsustainable consumption patterns (ODI et al. 2013: 51).

A broader conception of PCD, however, adds several levels of coherence to the minimalist perspective of inter-departmental coherence within a donor country. At the national level, the term PCD can also be used to describe coherence within the government’s aid program, also known as intra-departmental, institutional or restricted coherence. A donor aid agency’s own policies can sometimes work at cross-purposes. For instance, its democracy-promotion activities may actually harm the recipient’s prospects for economic growth if aid is cut because of substandard elections in an otherwise well performing country, revealing tensions between the promotion of democratic and economic development.

Both inter- and intra-departmental coherence can actually both be labelled horizontal or intra-country, as they occur within a single state. Vertical or multilateral coherence, on the other hand, pertains to a donor country’s coherence with a multilateral organization, such as the United Nations or the EU. Vertical coherence can also denote coherence between donors and a recipient country (donor-recipient coherence), equivalent to the concept of alignment in the Paris Declaration on Aid Effectiveness. Finally, inter-country coherence refers to coherence among donor countries, what the Paris Principles call harmonization.

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2 Though the various levels are sometimes labelled or conceptualized differently, they are outlined in numerous studies, including Forster and Stokke (1999), Picciotto (2005), Sianes (2013), and Weston and Pierre-Antoine (2003).

3 On the case of European Commission assistance to Ethiopia and the tensions between being a “democracy promoter” and a “developmental donor”, see Del Biondo and Orbie (2014).
Applying Policy Coherence for Development in the Global North

Northern donors have embraced the concept of policy coherence for development to varying degrees, none more enthusiastically than the European Union. PCD is in fact set out as an obligation in the EU’s 1993 Maastricht Treaty and reinforced in countless subsequent policies and documents. Most of the literature on PCD accordingly considers coherence within the EU context (e.g., Carbone 2008, 2013). Collectively, it traces the mechanisms used to promote coherence, but also tracks remaining deficiencies, be it in the EU, its member-states or other donor countries.

There is a great degree of convergence on the reasons why donor governments frequently do not adopt PCD policies or put them into practice. First among them is the lack of political will within a government. Northern countries are simply not willing to always or even usually take the interests of developing countries into account, let alone respond directly to them. The state, after all, defends its raison d’état. When Northern countries have applied the concept of policy coherence to foreign policy, including foreign aid, notably through “whole-of-government”, “comprehensive” or “joined-up” approaches that span departments (for instance, in Afghanistan), the overarching goal tends to be security, not development, and aid is thus subordinated to self-interest, not the other way around. In more peaceful contexts, commercial interests tend to predominate. Policy coherence is therefore often not for development.

Voter preferences can often also play an important role: Governments are often reluctant to supplement their aid budgets with measures that could actually harm their citizens. For instance, cutting or even eliminating agricultural subsidies would be of great assistance to the producers in the Global South, but could have devastating effects on the domestic sector. Voters are generally supportive of some financial transfers in the form of aid, but less so of measures that could result in the loss of domestic jobs. Altruistic development NGOs also generally have less influence on public policy than more self-interested private-sector lobby groups (Carbone 2008: 327).

Second, incoherence is much easier than coherence. Coherence requires a clear, overarching goal and strategy, which are hard to define and agree on. Even when a joint goal and strategy are defined, subsequently achieving policy coherence requires important administrative mechanisms to ensure coordination, if not full integration, in support of the common goal. It adds bureaucratically onerous steps that slow down decision-making and policy implementation.

Third, states are not monolithic actors. In some cases, responsibilities for aid/development in donor countries are fragmented across donor ministries and agencies. For instance, it is common for the Ministry of Finance to be responsible for contributions to and representation at the World Bank and International Monetary Fund, not the Ministry of Foreign Affairs or the aid agency. At the sub-state level, while aid agencies can or at least should prioritize development, the missions of other government departments place greater emphasis on national interest — and their collective influence usually outweighs the development ministry or agency. As a result, many sub-units will seek to defend their narrower missions and interests, rather than integrate further. Some actors can drag their heels and otherwise try to sabotage PCD efforts. The European Union has similar internal policy fragmentation and tensions (Elgström and Pilegaard 2008; see also Prontera 2014).

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4 Many governments tend to take a short-term approach to national interest. In the long term, there is an important convergence in the interests of the Global North and South, as both would benefit greatly from a peaceful, prosperous world. On “mutual long-term benefits”, see Barry et al. (2010: 210-214). On the application of whole-of-government approaches in “fragile states”, see OECD (2011) and Patrick and Brown (2007).
Assessing Policy Coherence for Development in Donor Countries

Assessing the degree and quality of PCD in industrialized countries poses important challenges. Northern donors qualitatively assess the state of each other’s PCD in periodic “peer reviews” coordinated by the Organisation for Economic Co-operation and Development (OECD). However, there is no generally agreed metric for PCD, even in its most narrow conception. As a result, it is challenging to compare donors’ degrees and types of PCD.

The best-known systematic attempt to measure various donors’ degree of PCD is the Commitment to Development Index, published annually by the Center for Global Development, a Washington-based think tank. It attributes a score to 27 donor countries across seven policy areas: aid, trade, finance, migration, environment, security and technology. The average of the seven scores represents the country’s commitment to development. In 2013, the top-ranked countries were Denmark, Sweden, and Norway, in large part because of their strong scores on aid; at the bottom were South Korea and Japan (CGD 2013). Though useful, the index has been criticized on a number of fronts, including its scoring mechanism (what is actually counted for each of the categories), the equal weighting of all seven components (e.g., support for the creation and transfer of new technologies counts as much as the quality and quantity of aid). Sianes and Ortega Carpio (2014) offer a more conceptually sophisticated comparison than the Commitment to Development Index’s simple scoring and ranking. They use the data from the index to identify six clusters of similar countries based on their performance on the various sectoral scores, with clear regional patterns (Europe, Asia and “Anglo-Saxon” countries).

Keijzer and Oppewal (2012) analysed 22 evaluations of PCD and identified numerous challenges to assessing PCD. They found that the various studies used different definitions and conceptualizations of PCD itself and desired outcomes, which creates inconsistencies and makes comparisons difficult, if not impossible. In addition, most studies focused on the presence or not of PCD, like the Commitment to Development Index. None of the studies credibly assessed the actual impact of policy coherence or incoherence. They conclude that “the evaluation of coherence is still in an early and nascent stage” and that “Slow progress has been made in evaluating the impact of donor country ‘non-aid’ policies on developing countries” (Keijzer and Oppewal 2012: 33). The German and Dutch governments have commissioned a report to assess “the feasibility and potential design of a ‘development-friendliness’ index to evaluate non-aid donor policies affecting developing countries” (King et al. 2012: 5), exploring the possibility of establishing an official, institutionalized monitoring system, rather than relying on outside assessments such as CGD’s.

Assessing PCD’s Impact in Aid to Developing Countries

Most of the studies cited above focus on the narrow definition of PCD, that is to say, the inter-departmental or horizontal level – coherence among aid and non-aid bodies within a single entity. They also concentrate on the presence or not of PCD as a process, rather than the outcomes of donor (in)coherence in recipient countries. A few studies analyse the economic benefits of PCD (e.g., Boysen et al. 2014; Gary and Maurel 2013) or problems resulting from incoherence (e.g., Hoebink 2008), while a number consider the impact of one of the other levels of policy coherence for development. However, the latter tend to focus on a single recipient country, with very few undertaking a comparative approach (an exception is Dijkstra 2005).

As a whole, the literature traces a portrait replete with trade-offs and contradictions. Scholars whose work is cited below generally urge caution in applying uncritically the Paris Principles of
ownership, alignment and harmonization, which are central to the current aid effectiveness agenda. In bringing this much-needed nuance, however, they tend to examine aid mechanisms exclusively, ignoring the potential benefits and harm potentially associated with non-aid instruments that are central to the (narrow) conceptualization of PCD. The emerging concept of development effectiveness (Kindornay 2011), rather than aid effectiveness, may help researchers and practitioners reintegrate the crucial non-aid dimension, but that will make policy coherence even more difficult to plan, implement and evaluate holistically.

As in any kind of policy change, PCD – at any level – will have positive and negative effects, create winners and losers, and thus require trade-offs. Even the most “development-friendly” policy changes can harm some people in developing countries. For instance, Barry et al. (2010) point out that if Northern countries drastically reduce their subsidies to their own agricultural sectors – a non-aid measure often called for in the name of development – farmers in the Global South should be able to export a lot more. However, that would also lead to an increase in food prices, which is detrimental to the urban poor. A truly coherent approach would include special programs to mitigate that harm. The authors also note that promoting one sector or goal will often be at the detriment of another. For instance, industrialization can be at the expense of environmental protection, increased agricultural protection can reduce biodiversity, while the benefits of exporting biofuels can undermine food security (Barry et al. 2010: 214). They therefore recommend a “skilful navigation of trade-offs” (Barry et al. 2010: 215), assuming that there is a better answer, rather than a “Sophie’s Choice”.

The remainder of this section examines the trade-offs and contradictions, including unwanted side-effects, of donor countries’ aid policy coherence with recipient countries (ownership and alignment) and among donors (harmonization).

Ownership and Alignment

At the core of the aid effectiveness principles is the concept of ownership. In the Paris Declaration, this translates into recipients being able to set their own priorities, as well as designing and implementing their own strategies. Donors are expected to align their aid with the recipient country’s plan and financial systems, thus maximizing coherence between donors and recipients. In practice, the process is often reversed. Donors first make it clear to recipients what kind of strategy they would fund and then negotiate the plan with the recipient government (Dijkstra 2005; Eyben 2007; Raffinot 2010; Saliba-Couture 2011). As a result, Hayman (2009) believes “joint ownership” is a more accurate term than “national” or “local ownership”. Aid can in fact undermine national ownership by making recipient governments more accountable to donors and less to their own citizens (Dijkstra 2013: 6-7).

Most donors have increasingly moved away from stand-alone project aid to programme aid, sector-wide approaches with multi-donor basket funding and the provision of general budget support (GBS) – though this trend may be reversing itself, at least in the case of GBS (Development Initiatives 2013: 72, 314). GBS is considered to be the ultimate expression of alignment with national ownership, as it involves the transfer of funds from donors to the recipient’s treasury in support of a broad development strategy – “the most fundamental symbol of political trust” (Hyden 2008: 261; see also Molenaers 2012: 791). Studies have found, however, that GBS has had some unexpected and even perverse effects. Rather than simply reducing transaction costs related to multiple projects, missions, reporting, etc., it has also created new ones. For instance, the recipient government has to negotiate a complex agreement with multiple donors, not all of whom might agree amongst themselves. Through this process, donors might also “[become] more embedded in the policy process”, including through the

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5 As detailed in OECD (2012a), Northern donors have actually missed most of the targets they set for themselves in the Paris Declaration.
application of multiple conditionalities (Hayman 2009: 595; see also Batley 2005; Bidaurratzaga-Aurrea and Colom-Jaén 2012; Dijkstra 2013; Molenaers 2012; Whitfield and Fraser 2009: 19). In addition, GBS actually increases the risk of aid volatility and the unpredictability of aid flows, since donors are prone to suspend aid when the recipient takes measures that displease donors, despite the ineffectiveness of such conditionality (Molenaers 2012). General budget support also reconfigures power within the recipient government, moving it away from line ministries, to the office of the president, prime minister, or finance or planning minister (Hyman 2009: 590-91; see also Delville 2013; Hyden 2008: 268). Non-harmonized, project-focused aid can have some advantages for effectiveness, such as sometimes placing less of an administrative burden on government, or at least its central agencies, better targeting of poor populations, more effective management and better donor understanding of local conditions (Batley 2005: 419; see also Hyden 2008: 272), as well as improving the odds of avoiding elite capture in corrupt countries (Winters 2014). Eyben (2007: 645) also believes that projects also more “likely to achieve greater and longer-term progressive social change”.

Preconditions for GBS, such as having an agreement with the International Monetary Fund, can actually restrict recipients’ policy space, rather than promoting ownership (Dijkstra 2005: 456). Even when providing GBS, donors are reluctant to cede control to recipient governments. Whitfield and Fraser (2009) recognize that, fundamentally, donors often do not sufficiently trust recipient governments enough to follow their lead, but argue that donors should do so, out of respect for national sovereignty and the need for a domestic political process. Booth (2012), by way of contrast, believes donors are right not to cede control uncritically and opposes a blanket “politically correct” application of alignment with locally “owned” strategies. Aid, he asserts, can reinforce illegitimate regimes and actually be “harmful to country-owned development, because of the way it shields incumbent leaders from the consequences of irresponsible or short-termist actions” (Booth 2012: 539; see also Buiter 2007; de Renzio 2006; Eyben 2007; Molenaers and Nijs 2009: 565-566). It is risky to assume that governments necessarily represent their populations’ views or prioritize development-related objectives, when they may instead prioritize their own survival. Zimbabwe under Robert Mugabe stands out as a stark example of the latter. Moreover, just because a policy can be said to be locally owned (by the government or more broadly) does not mean that it will be more effective in reducing poverty or promoting development (Raffinot 2010: 90-92). In Colombia, the government used the Paris principles of ownership and alignment to legitimize its controversial policies and strengthen its hand vis-à-vis both donors and civil society actors (McGee and García Heredia. 2012).

Unlike Colombia, however, a number of countries, especially more aid-dependent ones in Africa, do not have the technical capacity to develop plans that they would “own”. Many aid-related practices have actually severely eroded state capacity in the past, notably via the structural adjustment programmes that donors imposed in the 1980s and 1990s, and some do not even aspire to ownership (Delville 2013; Raffinot 2010; Saliba-Couture 2011). Effectively ownership thus requires a “return of the state” (Azoulay 2011). Booth therefore sees “country-owned development as an outcome to be constructed, rather than as an established fact” (Booth 2012: 539), with ownership as a precondition for harmonization. Eyben (2007: 643-643) takes her critique even further and is highly sceptical that a broad-based consensus on development strategy is possible even in an industrialized country, let alone a developing one. Ownership, and therefore alignment, are thus to a certain extent enabling fictions of the aid world.

**Harmonization**

Most studies of donor coordination emphasize the gains to be made from eliminating inefficiencies of duplication and working at cross-purposes, often framed as reducing transaction costs. Bigsten and Tengstam (2014: 8), for example, “find that major cost savings can be achieved if donors concentrate
their aid efforts on fewer countries and focus on more general forms of aid transfers, such as general budget support”. Barry and Boidin (2012: 648) outline four expected advantages of aid coordination: lower transaction costs, greater transparency and participation, the rationalization of objectives and procedures, and taking advantage of different actors’ comparative advantages. Bourguignon and Platteau (2014: 10) conclude that that, “Aid coordination is a very desirable objective, in particular because it can reduce the costs of delivering and monitoring aid (the transaction cost effect) and improve the targeting of the poor (the governance effect)”. However, supported by a case study in Mali, they note that donors often fail to coordinate because they lack a centralized mechanism for doing so and are worried that they will have to sacrifice their policy sovereignty, while others might avoid paying such a political cost. Others also observe that donors have their own political agendas and priorities that make coordination difficult, if not impossible (Barry and Boidin 2012: 657), as well as internal institutional disincentives to coordinate (Winters 2012). The growing number of development actors, including new and emerging donors, private foundations and vertical funds, render coordination more difficult logistically (Hyden 2008: 261). Many, if not most, nonetheless consider it worth pursuing because its advantages outweigh the drawbacks (Bigsten and Tengstam 2014: 9).

Other scholars are more critical about the benefits and even desirability of donor harmonization. Considering the economic calculus, Eyben (2007: 644) notes, “the harmonisation agenda has resulted in a very large number of papers, management tools, consultancies, training workshops, and international conferences, which surprisingly no one seems to have identified as transaction costs”. By far, the biggest concern among critical scholars is the increased control that donors can exert when they coordinate, potentially creating a cartel (Barley 2005: 422-423). Lindsay (2009: 370) therefore recommends that donor governments actively oppose harmonization and “[negotiate] with donors individually” in order to improve their leverage. Harmonization also short-circuits the domestic political process (Winters 2012: 338), though the counterfactual is unclear – if there would otherwise be broader-based debate and ownership (see Yanguas 2014). Donor domination can actually increase the application of conditionalities and selectivity, and thus decrease ownership. Because donor prescriptions are usually based on neoliberal assumptions and growth models, Dijkstra (2013: 9) considers harmonization potentially “dangerous” – whereas others see some kind of selectivity as important (Molenaers and Nijs (2009: 566-567), especially in states with weak institutions (Yanguas 2014).

Regardless of whether it is neoliberal or not, harmonization – and PCD more generally – implies convergence around a single vision of development or what Eyben (2007: 543) calls a “single diagnosis” (see also Dijkstra 2013: 16-17). Though one can intuitively understand the increased efficiency of focusing all efforts on a single strategy, it assumes that the strategy will prove to be a good one. Given the failure of previous development panaceas, such as structural adjustment, and the current fundamental disagreements among academics and policy-makers on the best strategy, putting all development eggs in one basket is a highly risky proposition. The consequences of failure are immense. A case can therefore be made for experimenting with multiple strategies to determine which is more effective under the recipient’s own circumstances and according to its own priorities (a more sincere recognition of ownership). In fact, recipient countries often use non-Western assistance to pursue goals that are not in line with the Western vision of effective aid, thus exercising ownership to subvert harmonization.

Conclusion

Even though full policy coherence for development may be a “mission impossible”, it is widely embraced as a laudable goal well worth pursuing (Carbone 2008), whether the coherence is within a donor government, among donors or in the relations between donors and recipients. However, as this chapter
has demonstrated, PCD encompasses many ambiguities and uncertainties, including on what is actually meant by the term. The application of PCD-inspired measures invariably engenders costs and benefits and the latter do not necessarily outweigh the former from a development perspective. At a minimum, the negative side effects warrant closer examination and sometimes additional measures to mitigate harm.

Though coherence is intuitively more efficient than incoherence, it is far more difficult and not always more effective in promoting development. Policy coherence can be favour policy goals other than development, within both donor and recipient governments. Even when development is the primary goal, what form that development takes (economic growth, poverty reduction, empowerment) is a bone of contention among scholars and practitioners, as is the best strategy for reaching it. Measures adopted to increase the coherence of aid, especially donor alignment with local ownership and inter-donor harmonization, can have damaging short- and long-term side effects in recipient countries. Sometimes these measures can undermine the very process they are meant to support. As a result, as Dijkstra (2013: 16) argues, rather than rushing to apply the same measures everywhere, “It is probably best to accept that a lot of aid money will be wasted in excessive transaction costs, in duplication of efforts and in counterproductive efforts”. Though Winters (2012: 338) recommends intra-country coherence at the recipient level too (a level of PCD largely absent from the literature), he suggests some incoherence allows developing countries to hedge their developmental bets by experimenting with difference models and pursuing several strategies at the same time.

As this chapter has illustrated, much of the literature on PCD focuses on the extent to which it exists as a policy process, especially within the European Union and its member-states. Efforts to measure systematically the presence or absence of PCD across donor countries are at a very early stage. Relatively little has been written about the actual impact of PCD measures in developing countries. Some studies examine one particular level of aid coherence, such as alignment or harmonization, or one aid modality, such as general budget support. In doing so, they raise important problems with various forms of PCD. However, almost without exception, they limit their discussion to a very general level or focus on one recipient country, more often than not in sub-Saharan Africa. What emerges is a list of potential problems, but it remains unclear the extent to which these challenges are manifest across the spectrum of developing countries. A more systematic comparison would provide greater guidance on the relative costs and benefits of PCD at various levels, ideally broken down by type of country and perhaps by sector as well, with particular attention to the resulting redistribution of power across actors and the enduring domination of donors over recipient countries. Although policy coherence is usually framed technocratically, it is a profoundly political endeavour. An even bigger challenger will be for researchers to integrate the various levels of PCD in their studies, spanning aid and non-aid activities, including not only donor and recipient governments, but also non-state actors, such as private companies and civil society organizations. Only then will a more complete picture of PCD truly emerge.

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