

12th EADI General Conference
**Global Governance for
Sustainable Development**

The Need for Policy Coherence
and New Partnerships



**Policy Coherence:
The Newest Fad in the International Discourse?**

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Abstract :

In the current discourse international bureaucrats see Policy Coherence as a new and superior way of encapsulating activities by international organizations and actors.

However by tracing the discourse on Policy Coherence since the creation of the international post Second World War system and by reviewing models of economic growth and distribution over the last 3 decades, especially those developed under the so-called Washington Consensus, the paper argues that Policy Coherence is not a neutral concept and is value loaded. Achieving better results with policy coherence depends therefore on the international and national political context, as discussed for example in the report of the World Commission on the Social Dimension of Globalization.

The paper delineates various scenarios under which a system of improved Policy Coherence might be superior to a system in which Policy Coherence is absent or weakly implemented.

Policy Coherence: The newest fad in the international discourse?

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1. Policy Coherence

*It has taken a considerable long time before even economists looked at economic policy as a **coherent entity**. In most text books on economics or on economic policy, separate components such as trade policy, agricultural policy, credit policy wage policy are considered without much attention to their interdependence and targets and instruments of each of these components are often considered in isolation, this general coherence being neglected. Yet this interdependence is a reality and therefore the unit to be considered is the totality of all measures in execution at a given moment or proposed to be taken simultaneously; this we shall call a **system of economic policy or an economic policy**.*¹

The above quote stems from one of the major theoretical works of the first Nobel laureate in economics Jan Tinbergen: *On the theory of economic policy*. (Tinbergen has been especially at the latter part of his carrier, one of the most ardent supporters for development aid, for structural change in the north and for better global governance). The reason why I have put up this quote is that it dates from 1952. Tinbergen clearly explains that coherence lies at the heart of economic policy making .His quote is in effect most appropriate to describe the actual situation. Yet when the debate on policy coherence (re)surfaced in the 1990's Tinbergen's elegant formulation got lost in the literature² . In a less well known sequel to his theory of economic policy , entitled *Centralization and decentralisation and economic policy*, Tinbergen expands his analysis of policy making by introducing multiple actors, each with different objective functions (Tinbergen 1954) He demonstrates that in a situation of multiple actors, with different objective functions and with certain boundary conditions, it is difficult to define and achieve an optimum of economic policy and to find a maximum solutions for different parties concerned . The latter argument is taken up, as Picciotti, 2004 argues by Arrow (1963) with his impossibility theorem which argues that only under system of full dictatorship optimal economic solutions can be achieved.

Hoebink (1999 and 2004) and others (especially Winters 2002) have indeed argued that any meaningful discussion on policy coherence should first indicated policy coherence of what, by whom and for what. This simple observation may seem semantic, but a close observation of the plethora of papers on policy coherence which passes one's desk these days , shows us that many authors and analysts fail to answer these basic questions . Yet any assessment of whether policies are coherent, depends on what such policies are supposed to achieve and on whom can take action to implement them.

This paper develops the following lines of argument. Most commentators and analysts see Policy Coherence as a system to achieve better policy coordination among different actors³, But often actors have different objective functions and that is what we actually observe in many cases. This leads not infrequently to what Hoebink (2004) calls intended *policy incoherence*⁴. In this paper we (re)confirm the observations by Tinbergen and Arrow that it

¹See Tinbergen 1952 (5th edition 1970) p 68, emphasis by Tinbergen

² For example Hoebink in his very thorough reviews and essays on policy coherence for development (Hoebink 1999,2004) does not refer to Tinbergen 's work .

³ For Example UN Panel on Systemwide Coherence 2006 . *Delivering as one* , UN , New York

⁴ Hoebink has provided various different ways to classify policies with respect to policy coherence . One of them is the distinction between intended and unintended policy incoherence (Hoebink 2004) . An example of intended policy incoherence is the current agricultural policy of the EU which is ti disadvantage of farmers in developing countries. But powerful pressures in EU countries forces government to have incoherence between tehir domestic farm policies and external development policies. An example of unintended incoherence is bureaucratic inertia between different development directorates.

remains difficulty to achieve policy coherence at national level, and that this difficulty to achieve policy coherence at the national level is actually reinforced by the current process of globalization, which is amongst others, is leading to greater inequalities within most countries.

This tendency of current globalization, if unchecked, to result in greater incoherence at national level is sometimes, but not always and often unsatisfactorily, resolved through a political process, democratically or not. But what we observe also is that this tendency for greater incoherence at national level is often creeping also into policy making at the international level, where there is less political vetting than at the national level.

This process of creeping international incoherence is leading now to calls from different quarters for increased policy coherence at the international level. This paper argues that policy coherence in the international level can not be isolated from two important questions. Firstly which countries and which groups are benefiting more or less from the current process of globalization and secondly whether the current process of globalization actually necessitates a process of growing inequality⁵. If the latter were to be the case, one might have to conclude that arguing for greater policy coherence, without putting in question the current process of globalization and the growing inequalities it brings about, borders to naivety and may result into intellectual dishonesty by proposing improbable solutions.

The focus of this paper is consequently on whether policy alternatives exist to have a fairer globalization and under which circumstances policy coherence for a fairer globalization will achieve poverty reduction and decreasing inequality. A prior of this paper is also that poverty can not be reduced permanently and sustainable through hand outs or transfers and that full and adequately remunerated employment is a '*conditio sine qua non*' for poverty alleviation⁶

The paper is organised as follows: the next two sections will discuss various different strands of policy coherence which are currently often discussed. Then by discussing recent proposals for policy coherence we will focus on the continuing incoherence in policy at the international level and how this incoherence is not only driven by different objectives of various country groupings but also, which is much less developed in the literature, by disagreement on objectives by different socio-economic groups at the national level, despite the fact that in the articles of creation of various international organizations to take into account full employment and poverty alleviation have been written in as important objectives of these organizations. The last section concludes and discusses possible future developments.

2. Different notions of Policy Coherence in the International debate

Hoebink (2004) in his detailed analysis of Policy Coherence mentions the coherence debates among, the EU and the OECD DAC secretariat and refers also to the coherence debate between IMF, World Bank and WTO. Since then more notions of coherence have been proposed, notably in 2004 by the World Commission on the Social Dimension of Globalization, created by the ILO, emphasising coherence between economic and social policies at national and international level and by the UN panel on System Wide Coherence in 2006 on improving global governance by the UN and its related organs. See table 1.

⁵ see for example Pronk J 2001 *Collateral damage* ISS, The Hague

⁶ This point is because of space not developed here but see

Table 1 overview of major strands of policy coherence debates

	time	Major publication	Purpose in short	Brief assessment
IMF, World Bank, WTO	1994	Marrakech Declaration	Trade policy	Some progress
OECD/EU	1998	DAC review	Development	Various Attempts, but outcome poor
WCSDG/ILO	2004	Report WCSDG	Employment, social and economic policy	Objective accepted, but difficult implement
UN	2006	Report : Delivering as one	Better global governance	Hardly any progress

An overview of these 4 major strands of policy coherence follows.

3. Policy Coherence between IMF, World Bank and WTO

According to the Bretton Woods Project, the first mention of the concept of policy coherence appears in the ministerial declarations that preceded the Uruguay Round of trade negotiations in 1993 (BWP 2003)⁷. Policy coherence was embodied in the 1994 WTO Agreement⁸

Grabel (2007) provides a useful overview and notes that these original coherence commitments have been reaffirmed and extended in different fora since the issue was first discussed. For instance, the WB and the IMF each signed separate agreements to cooperate with the WTO in 1996. At the 1999 Seattle WTO ministerial meeting, the WTO, WB and IMF issued a “Joint Declaration on Coherence,” a statement that reflected a shared belief that trade liberalization was essential to the promotion of global growth and stability (BWP 2001). Following the Doha declaration of 2001, the WTO established a Working Group on Debt, Trade and Finance charged with examining the potential of the organization to ‘strengthen the coherence of international trade and finance policies with a view to safeguarding the multilateral trading system from the effects of monetary and financial instability

Grabel 2007 argues *‘In the hands of the IMF-WB-WTO, it is hardly surprising that coherence has come to mean the need for the simultaneous pursuit of complementary policies that further the neo-liberal agenda. Today, the drive toward policy coherence has been entirely subsumed under this agenda.’ ‘One of the most visible manifestations of this drive has been the emphasis on trade liberalization and integration of developing countries into the WTO as*

⁷ “need to improve the ‘coherence’ of international policy making by establishing better linkage mechanisms between the GATT and the Bretton Woods institutions” (BWP 2003 , as quoted in Grabel 2007).

⁸ .“achieving greater coherence in global economic policy-making, the WTO shall cooperate, as appropriate, with the IMF and the International Bank for Reconstruction and Development (WB)...” (Article III.5 of the 1994 Agreement Establishing the WTO, cited in Caliarì 2002:fn2 as Qoted in Grabel 2007).

critical components of WB-IMF work over the last decade.’ Indeed, UNCTAD notes that “the principle vehicle for trade liberalization are conditions attached to IMF-WB loans” (UNCTAD 1999:87 in Rowden 2001). The WB’s commitment to facilitate countries’ accession to the WTO began in 1996 with the launch of the “Integrated Framework” program. These comments point to perhaps the greatest concern about the abuse of the concept of coherence. The emphasis on policy coherence by the WB-IMF-WTO constrains the national policy space available to developing countries, creates a “locking in” of neo-liberal policies, and validates neo-liberal arguments about the limited role of the state in the development process. It is becoming far more difficult to pursue diverse types of national policies and for policy makers to engage in any type of policy experimentation because of the interlocking power of the IMF-WB-WTO and because of the formidable dispute settlement mechanisms in bi- and multi-lateral trade agreements that threaten severe sanctions for any departures from the neo-liberal regime.

Similar concern is being raised by the South Centre (2003) which argues that : *this analysis provides an overview of the Coherence agenda in the WTO and tries to inject a new perspective on how such an agenda can be made to serve the development goals and interests of developing countries . It emphasizes that the recognition of ‘ policy space’ and the placement of development goals as the central foci of coherence in global economic policymaking, can be used to form the core of a more positive ‘Coherence Agenda ‘ in favour of developing countries development interests in the WTO and Bretton Woods institutions.*

Winters (2002), on more theoretical grounds, is also sceptical of greater policy coherence between IMF , World Bank and WTO And argues that it make little sense to force more policy coherence on these organizations.

4. Policy coherence for Development: The EU and OECD

Although the EU and the OECD are different entities, the nature and details of the discussions on Policy Coherence in these institutions are more or less the same. According to a senior official at the OECD⁹ the dimensions of coherence considered are:

- Internal Coherence within development Co-operation policies
- Intra-country coherence : consistency between aid and non aid policies of a single donor
- Inter-donor coherence: consistency of aid and non-aid policies of many donors.
- Donor-partner coherence to achieve shared development objectives :consistency of donor and developing country policies

The Policy Coherence activities in the OECD and EU have been the most analyzed and discussed (see especially Hoebink ,1999, 2004, Picciotti 2004, OECD 2004a etc) .The major points of this debate don’t need to be debated and repeated here .

Since there has been a process of Policy Coherence for Development going on for almost 10 years in these organizations it might be actually more useful perhaps to try to gauge whether all the combined efforts of donors in the EU and OECD have resulted in improved outcomes. We use in that respects two analyses. First we review the Commitment to Development Index, which the Centre for Global Governance in Washington is publishing since 2003. Second we

⁹ R.Lahnalampi : *The policy Coherence for development work in the OECD* ,Presentation at OECD Workshop on *More Coherent policies for more inclusive growth and development* 30 November 2007 ,OECD Paris

use an evaluation on whether social policies have become more enshrined policy operations of the World Bank. Members of EU and the OECD are the major shareholders in the World Bank and their concern for Policy Coherence needs therefore in principle to be reflected in the operations of the World Bank, where they are major shareholders.

4.a The CGD Commitment to development Index

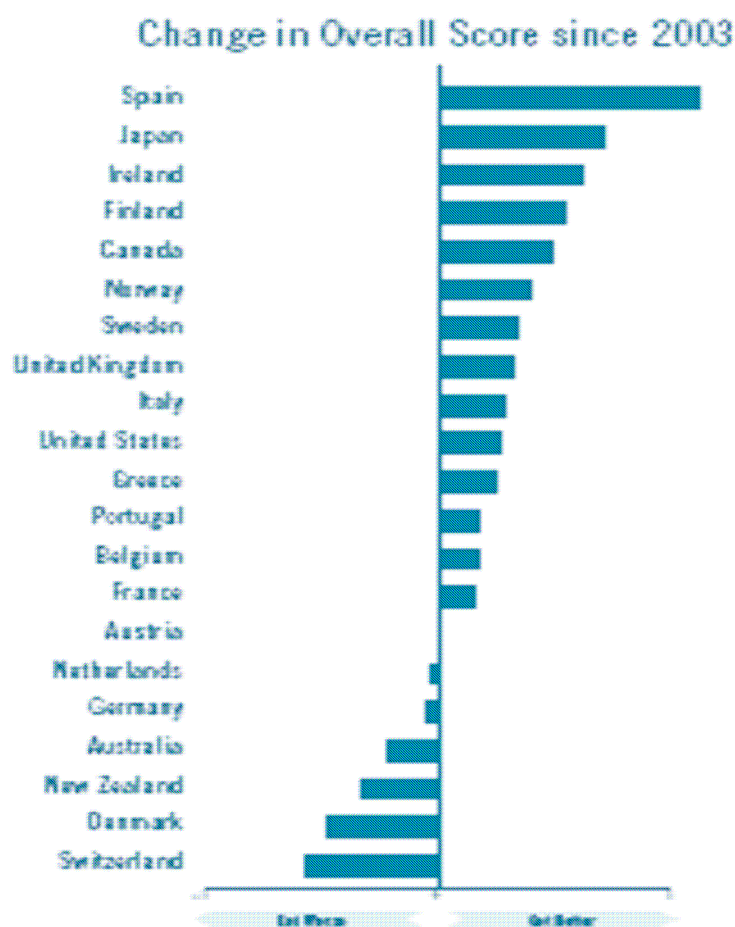
The 2007 version of the CGD's Commitment to Development Index is reproduced below. (table 2) . The purpose of the index is to raise awareness that rich country policies matters and that development is more than aid. The index states explicitly as objective 4 that coherence matters. In analyzing the index over the last years 3 issues stand out , Firstly that there is wide variety in development practices among the major donors (hence no overall coherence in the Organizations) , Secondly that even the countries with best scores still score insufficient in at least one or more areas of development policy (hence still need for improved national coherence) , and thirdly that the index changes very little over time and that there is not a clear sense of progress among the different countries(hence inertia in achieving greater policy coherence) See graph Furthermore lately the OECD DAC secretariat has warned that even that most members have made little or no progress in increasing development aid¹⁰ .

It may sound unfair to judge efforts of donor countries against a simple index, but in terms of this paper, a discussion based on the index is appropriate ; Firstly because the construction of the index is extremely transparent . All elements are in the public domain and can thus be used to discuss the strength and weaknesses of the index and Secondly because such an overall assessment can feed in the a broader debate on policy coherence , rather than the debate to become bogged down in discussing a large amount of details.

¹⁰ OECD DAC report , add ref...

Table 2 Commitment to Development Index 2007, CGD, Washington									
Rank	Country	Aid	Trade	Investment	Migration	Environment	Security	Technology	Overall (Average)
1	Netherlands	10.7	5.7	8.0	4.8	7.3	5.4	5.2	6.7
2	Denmark	12.0	5.4	5.8	4.6	6.1	5.9	5.4	6.5
3	Norway	10.5	0.7	7.5	4.9	8.4	7.1	5.6	6.4
3	Sweden	11.6	5.4	6.9	5.2	6.1	4.2	5.3	6.4
5	Australia	3.1	6.7	7.6	6.5	4.3	6.8	4.6	5.6
5	Canada	4.1	7.1	8.0	5.1	4.3	4.3	6.7	5.6
5	Finland	4.9	5.5	6.5	2.9	7.7	5.7	6.2	5.6
5	New Zealand	3.6	6.7	3.4	7.1	6.8	6.5	5.0	5.6
9	United Kingdom	4.8	5.5	8.1	3.0	7.5	5.2	4.3	5.5
10	Austria	2.9	5.4	3.9	10.4	6.2	3.8	4.4	5.3
10	Ireland	6.9	5.3	2.8	6.2	7.9	4.8	3.1	5.3
12	Germany	2.6	5.4	8.0	6.0	6.5	3.6	4.3	5.2
13	France	4.0	5.4	6.5	2.7	6.5	3.4	6.9	5.1
14	United States	2.2	7.0	7.0	4.7	2.9	6.4	4.9	5.0
15	Belgium	5.7	5.4	6.2	2.9	7.0	2.4	4.5	4.9
15	Spain	2.9	5.5	7.1	7.1	3.3	2.7	6.0	4.9
17	Switzerland	4.5	0.0	6.7	9.3	4.8	3.3	4.9	4.8
18	Portugal	2.4	5.5	6.5	1.3	5.8	5.6	5.2	4.6
19	Italy	2.7	5.6	6.1	2.7	4.8	3.8	5.0	4.4
20	Greece	2.0	5.4	4.9	1.9	5.1	5.1	3.0	3.9
21	Japan	1.2	1.5	5.9	1.7	4.7	1.7	6.3	3.3

Graph 1 Change in overall development scores Source CGD ,2007 : Commitment to development Index 2007 ,CGD, Washington



4.b Coherence in developing countries aid supported development strategies

One of the ultimate aims of Policy Coherence for Development is to enable developing countries to take responsibility for the development assistance they receive. One of the instruments to achieve that is the so-called Poverty Reduction Strategies, which are elaborated in the so-called Poverty reduction Strategy Papers (PRSP's)¹¹. These have been introduced by the World Bank and the IMF since the end of the 1990's (at the same time the debate on policy coherence came onto the agenda of the OECD and the EU) as a necessary aspect of securing HIPC debt relief and access to other funds. They are intended to increase national 'ownership' of programmes, through extensive participation of national and donor stakeholders .

Stewart and Wang 2003 argue that as far as civil society is concerned, the PRSPs currently permit little significant contribution to programme design. Governments appear to take a bigger role, but are also heavily constrained, especially with respect to macro-policy. The fact that the content of PRSPs is very similar to previous adjustment package, suggest that little real change has occurred through this process. Moreover, some large IFI programmes are unaffected by the process. Hence PRSPs do not significantly empower poor countries. They may give the appearance of greater ownership, but so long as there is no significant underlying change, such a change in perceptions about ownership, which could make IFI designed programmes more effective and thereby empower them, is likely to be short lived.

Many other observers have echoed this assessment too¹². One such an assessment, which is especially relevant for the later argumentation in this paper is by the ILO Washington office¹³, which argued that 'the role that PRSPs have played over recent years in shaping the actual policies of the World Bank and the country-level operationalizing of these policies, as carried out in the Country Assistance Strategy, the WB country business plan, is overestimated. In effect 'Poverty Reduction Strategy Papers have had a minimal impact on the policy content of World Bank-IMF operations at the country level, especially where the policies of the PRSP's do not coincide with the pre-established priorities of the World Bank. In effect the WB Country Assistance Strategy (CAS), which guides all WB country-level lending and programs, selects from the PRSPs only the topics it considers important according to the WB strategic priorities.

For example even in countries where Core Labour Standards (CLS) are highlighted in the PRSPs, the CASs did not even acknowledge let alone operationalize CLS in any project. Thus efforts at the country level to make national laws and policies compatible with each other are undermined if not obliterated by overlapping WB own programs and policy blueprints. In more than one case the technical assistance at the country level to improve regulations was reversed, or confuted by subsequent analytical work carried out by the WB. Furthermore, the priority given in the PRSPs to focus on employment-intensive investment is disregarded in the actual WB operations, since employment is never considered a progress indicator for the WB operations, *even if the government made employment a specific outcome indicator in its own PRSP.*

¹¹ For the origins and early assessment of PRSP's see World Bank xxx and SAPRIM 2005?For reason's of space these discussions are not repeated or reported here.

¹² for example Saprin 2005? WB OED early 2000??

¹³ Morgandi ,M : *The influence of the ILO decent Work Agenda and of PRSP's on the development strategies of the world bank* , Mimeo , May 2007, ILO ,Washington

Even in case where PRSPs did not highlight the need for labor market reforms, labor market assessment or labor market reform became part of binding conditionality to receive loans. Doing Business' Employing Workers Index (previously Hiring and Firing Index) were one of the main analytical tool to assess labor market regulations. These indicators contain no reference to CLS and actively discourage adherence to labour standards standards. Countries such as Tanzania that undertook labor law reforms are later criticized in the WB analytic work for not being private sector friendly.

It is also noted that WB operational successes are never assessed against the PRSPs objectives (such as employment creation), but only against the CAS objectives and the PRSPs' Joint Staff Assessments (which the WB uses to highlight the elements in the PRSPs that are "acceptable"). All this does not imply that PRSPs are unimportant; other bilateral donors make some use of them to direct their development strategies, and also PRSPs can still direct the use of national resources and policies (to the extent that donors and creditors do not contradict them directly). However, due to the stepping up of the Paris Aid Alignment and Harmonization Process, it will be increasingly important to monitor the policy content of the WB and the IMF, as these institutions are likely to have greater influence than national PRSPs in coordinating also bilateral donors' assistance. Hence, it is essential that more policy coherence is sought both upstream and downstream within the PRSP process.

5. World Commission on the Social Dimension of Globalization: Policy Coherence for a fair Globalization

The growing importance the international community is giving to objectives such as poverty reduction, full employment, provision of decent work and reducing growing inequality has necessarily led to a greater demand on the coherence of policies pursued by national governments and by the multilateral system. The current practise is increasingly challenged for at least three reasons. Firstly, although the consensus about these newly-formulated objectives has been large, the policy instruments and the coherence between these instruments still leave much to be desired. Secondly at national level, policies are defined and implemented through sectoral and specialized departments and are for either practical or political reasons reasons not always harmonised and coordinated. Thirdly, globalization of trade and capital flows and the tighter integration of world markets and societies have not only weakened such national coordination, but have also heightened the international consequences of national actions on labour and social outcomes.

These new challenge for policy coherence between economic and social issues stand in contrast to the situation in the last century when policy making, at least in developing countries, was mostly informed by the so-called Washington Consensus which set the parameters for international policy coherence and which was heavily influenced by the policy setting of the IFI's , although not accepted by all parties . This strong policy influence by the IFI's in the 1990's was also the consequence of the fact that more than 50 percent of all financial flows in the beginning of the nineties consisted of official flows. However, since the end of the nineties and even more in the beginning of this century, global trends in capital resources available to developing countries (especially the larger ones, LDC are still depending on official flows) depict the growing importance of private investors, of bilateral flows in development aid and of voluntary funding within multilateral resources. Public capital flows support in general the agreed and newly accepted international objectives as for example expressed in the MDT's, however private capital flows are less concerned with these

and its massive increase begs for better regulation to provide more stability as well as to take into consideration the economic and social development of the countries involved .

The World Commission on the Social Dimension of Globalization in its 2004 report “*A Fair Globalization: Creating Opportunities for All*” (ILO, 2004), enlarged the then current notion of policy coherence between trade, aid and financial policies and added to it, the need for greater coherence between economic and social policies. The World Commission identified in particular weaknesses in global governance. “The normal pressures in national politics to strike a compromise based on a trade-off between competing economic, social and environmental goals are typically absent in the global context” (paragraph 352). The Commission observed that international organizations should “apply their mandates in practice in ways that do not place their members in contradiction with obligations which they have also undertaken in other international instruments and treaties” (paragraph 603).

The report of the World Commission makes the point that the benefits of globalization are not reaching enough people and are badly distributed within and between countries. It concluded that individuals, families and communities judge globalization positively or negatively mainly according to its impact on their lives at work. That the “jobs issue” is at the heart of people’s priorities worldwide is confirmed by polls and politics. If full employment were the norm, the backlash would be significantly weaker.

In this context, the Commission proposed “decent work for all should be made a global goal and be pursued through coherent policies within the multilateral system. This would respond to a major political demand in all countries and demonstrate the capacity of the multilateral system to find creative solutions to this critical problem.” Specific suggestions were made to moving forward in policy coherence. At the national level the Commission suggested regular national reviews of the social implications of economic, financial and trade policies.

At the international level, the Commission proposed that Policy Coherence Initiatives should be launched by the relevant international organizations to develop more balanced policies for achieving a fair and inclusive globalization. The objective would be to progressively develop integrated policy proposals that appropriately balance economic, social, and environmental concerns on specific issues. The first initiative should address the question of global growth, investment, and employment creation.

An underlying notion in the Commission’s reasoning¹⁴ is that the sustained creation of more and progressively better employment can only be achieved in the context of high and stable sustainable growth in the global economy accompanied by domestic policies focussing on productive employment and decent work. This in turn depends on ensuring high levels of productive investment and consumption. Moreover, both “growth” and “investment” are strategic economic variables that depend on a wide range of policies and institutional arrangements. Those governing the flows of trade, foreign direct investment, finance, and technology are of obvious importance. Each of these is also increasingly interrelated to the others as a result of increasing globalization. This has been clearly recognized by the WTO, IMF, and the World Bank in their arrangements for ensuring coherence between these policies. Employment and Decent Work are not merely a by-product of these economic variables. Labour market policies and institutions also exert an influence on growth and investment through their impact on skill formation, labour mobility, the motivation and productivity of workers, the degree of wage and income inequality, the resolution of

¹⁴ Note by E.Lee on Policy Coherence ,mimeo , ILO 2004

distributional issues through either confrontation or social dialogue and the resulting effect of all these factors on productivity. In addition, policies towards enterprise creation and technology development also have an impact on investment, growth and employment. In particular, it is important to focus on institutional and policy reforms to enhance the contribution of the informal economy to growth and employment creation.

The notion of Policy Coherence introduced by the commission clearly emphasized the notion of Tinbergen mentioned above and underscores the need for policy space of developing countries.

6. United Nations Reform and Policy Coherence

The ILO Constitution, established in 1919 after the first World War, identified very early the implications of the interdependence of countries “..The failure of any nation to adopt humane conditions of labour is an obstacle in the way of other nations which desire to improve the conditions in their own countries.” as well as the necessary coherence across policies “...it is a responsibility of the International Labour Organisation to examine and consider all international economic and financial policies and measures...”¹⁵

Indeed central to the original vision of the post Second World War United Nations multilateral system was coherence among the policy spheres of labour, finance and trade. These were meant to be embodied in the ILO, the Bretton Woods institutions and an International Trade Organization, with each of these institutions having overlapping rather than exclusive mandates among these policy spheres. For the ILO, this vision of policy coherence became further embodied in the Philadelphia Declaration of 1944, which states that “it is a responsibility of the International Labour Organization to examine and consider all international economic and financial policies and measures in light of this fundamental objective”, where the fundamental objective is “social justice”.

Article I of the International Monetary Fund’s Articles of Agreement states that one of the purposes of the International Monetary Fund is to “facilitate the expansion and balanced growth of international trade, and to contribute thereby to the promotion and maintenance of high levels of employment and real income and to the development of the productive resources of all members as primary objectives of economic policy.”

Provisions for the protection of workers’ rights in trade agreements were addressed by the Havana Charter of 1948, which was intended to lead to the creation of an International Trade Organization. Indeed, Article 7 of the Charter is titled “Fair Labour Standards” and states: “The Members recognize that unfair labour conditions, particularly in production for export, create difficulties in international trade, and, accordingly, each Member shall take whatever action may be appropriate and feasible to eliminate such conditions within its territory.” Tellingly, the Havana Charter was the product of the United Nations Conference on Trade and Employment and the participants clearly recognized the link between the two spheres when they pledged to work together under the International Trade Organization to “facilitate [...] solution of problems relating to international trade in the fields of employment, economic development, commercial policy, business practices and commodity policy”. Instead of an International Trade Organization, in the General Agreement on Tariffs and Trade (GATT) came into force in 1948, supplanted by the World Trade Organization (WTO) in 1994, and neither GATT nor the WTO address labour concerns in their regulations. At the WTO’s

¹⁵ ILO constitution para

Ministerial Conference in the Singapore in 1996, however, the participants affirmed their commitment to respecting basic workers' rights and also that the ILO was the appropriate agency in the multilateral system for setting and enforcing international labour standards

Most recently challenged by globalization, the multilateral system has increasingly stressed the importance of facilitating national and global action in support of sustainable development "in its economic, social and environmental aspects" as stated in the 2005 World Summit Outcome.

Such a holistic approach stands in sharp contrast to the current practise of the multilateral system organized along sectoral lines divided between economic and financial institutions, specialized agencies of the UN system and various funds and programmes established for particular purposes and groups. This explains why alongside the making of a global consensus on creating "an environment –at the national and global levels alike- which is conducive to the development and to the elimination of poverty" and the identification of key priorities for development as those found in the Millennium Declaration, calls for greater coherence of policies have multiplied. Indeed the Millennium Declaration itself resolves "to ensure greater policy coherence and better cooperation between the United Nations, its agencies, the Bretton Woods Institutions and the World Trade Organization, as well as other multilateral bodies, with a view to achieving a fully coordinated approach to the problems of peace and development".

In 2000 the United Nations General Assembly supported globalization as "a positive force for all the world's people" noting both the opportunities it offered as well as the uneven sharing of its benefits and costs. Such concerns were reiterated in 2005 when Heads of State "strongly supported fair globalisation and resolved to make the goals of full and productive employment and decent work for all, including for women and young people, a central objective of our relevant national and international policies as well as our national development strategies, including poverty reduction strategies, as part of our efforts to achieve the Millennium Development Goals" (Paragraph 47). Further endorsement came from the UN Economic and Social Council (ECOSOC) in July 2006 through a Ministerial Declaration which "...strongly encouraged multilateral and bilateral donor and inter-agency cooperation and coordination in the pursuit of the goals of full and productive employment and decent work for all."

The Monterrey Consensus on financing for development (March 2002) squarely established the principle of shared responsibility committing developing and developed countries to specific principles and objectives allowing for a more equal distribution of the benefits of globalization. The 2005 World Summit Outcome document recalled that "It is particularly important for developing countries, bearing in mind development goals and objectives that all countries take into account the need for appropriate balance between national policy space and international disciplines and commitments". UNCTAD echoed similar concerns in a 2004 report: "The need for coherence between the international trading system and the international monetary and financial system has gained in importance with the abandoning of the system of fixed, but adjustable, exchange rates and the adoption of widespread floating, combined with a return of private international capital flows..." (page vii, Trade and Development report, 2004)

Most recently the secretary general of the UN installed a High-level panel on United Nations System-Wide coherence, which delivered its report 9 November 2006. Although the report was well received, the political context of the report - commissioned by an outgoing UN

Secretary General, thus depriving his successor of a fresh new initiative- made the authors of the report reluctant to propose drastic changes.

In effect most of the report's recommendations relate to country level cooperation and more coherent policy setting by different UN organizations at country level. In this context, the role of the United Nations development programme (UNDP) is to be strengthened and in several pilot countries joint activities and development programming between various UN organizations are taking place to forge One UN teams. These activities are enthusiastically supported by various bilateral donor activities.

However in relation to the equally important governance issues and especially the Coherence between activities of the UN and Bretton woods organizations, which many observers find wanting, the recommendations of the report are rather muted:

' The United Nations and the Bretton Woods institutions were established with the intention that they would work together in a complementary way. Over time both the World Bank and the United Nation as institutions have gradually expanded their roles , so that there is increasing overlap and duplication in their work . A balance needs to be struck between healthy competition and inefficient overlaps and unfilled gaps. The Bretton woods institutions and the United Nations need to work more closely together to remove unnecessary duplication and build on their respective strength. ¹⁶ The panel thus recommends: ... as a matter of urgency , that the Secretary General , the President of the world Bank and the Executive director of the International Monetary fund set up a process to review ,update and conclude formal agreements on their respective roles and relations at the global and the country level. These reviews must be periodically updated as ell as assessed ¹⁷

Such a muted set of recommendations in relation to the important issue of Policy Coherence between the UN, its agencies and the Bretton Woods organizations are the result of the lobbying by major industrialized countries, which want to safeguard the 'status apart 'of the Bretton Woods organizations. This attitude could be listed as Hoebink's category of intended policy incoherence (Hoebink 2004) . One reason why some want to maintain the specific status of the BW organizations is that these organizations voice the concern of some major groups in developed countries, which want to keep the primacy of national policy making restricted to economic policy making (as recent discussion on the issue of central bank independence and the objectives of price stability and employment creation indicate) . For example Winters (2002) provides a similar case how giving more political power to Central Banks and so creating an order of importance to specific institutions to resolve an underlying policy dilemma solves the problem of policy incoherence at national level.¹⁸

7.Conclusions

The World Commission on Globalization, like many other analysts raised the concern for growing inequality as a consequence of globalization. Although as Kanbur (2005) has argued that it depends sometimes on how and by whom statistics are interpreted, it remains appropriate to say that under various circumstance globalization will work to the disadvantage

¹⁶ UN Report of the HIGhlevel panel 20 nov 2006 , page 15

¹⁷ idem page 16

¹⁸ *'...Interestingly, in most countries this dilemma has been solved (at least for now) by defining the seniority of different intermediate objectives and of institutions. Central Banks and curing inflation take priority, and coherence is expected to emerge as fiscal policy-makers recognise this in the discharge of their responsibilities.'*
Winters 2002 p 8

of the poor either absolutely or by increasing inequalities, whereby the poor profit less than proportionally. Birdsall (2002) and (2007) argues that these inequalities are created either because the market works but against the poor, such as the stagnating remunerations of unskilled workers because of growing wages gap between skilled and unskilled worker, and the fallout from financial crises affecting the poor disproportionately¹⁹ or in contrast , because powerful groups let the market not work for the poor (the case of intellectual property rights and monopolistic behaviour) . In both cases, however the moral foundations of the international system would require policy intervention both at national and international level to mitigate or to remove the underlying causes. (Birdsall, 2007).

It is the challenge of the current Globalization process that although markets are integrated policies to deal with the consequences of these integrated are woefully limited or absent. Van der Hoeven (2001) for example has argued that the integration of markets at national level in industrialised countries during the industrial revolution in the 19th and beginning of the 20th century resulted in the political acceptance of a social welfare state where currently some 10 to 20 percent of GDP is distributed, either as transfers, subsidised access to services, or as investment for disadvantaged groups (education, loan guarantees etc.). At the growing integration at the international level current agreements on even transferring less than 0.5 percent of developed countries are difficult to achieve, while most countries also fail to let their markets work for poorer countries and for the poor as the CGD

It is the challenges of current globalization that brings a renewed sense of the need for policy coherence in the multilateral system. But as Kazancigil and Senarclens (2007) argue *globalization has turned upside down the principles of multilateral cooperation and the institutional architecture to govern the international system, which was established in the wake of the Second World War. The mechanisms and organizations have nowadays become quite inadequate to deal with the economic and social challenges, foster development and human security, reduce inequalities and poverty, as well as coping wit the resulting injustices and violence. Yet, the universal political and legal principles, as expressed in the UN charter, the major conventions and resolutions dedicated to justice, human rights or economic and social progress still provide a legitimate normative framework for global governance. These principles have been neglected by the powerful actors of neo-liberal globalization. Their reactivation is necessary if globalization and its governance are to serve the common good and operate to the benefit of humankind as a whole*²⁰.

A major question is whether there exist strong enough coalitions among the various disadvantaged groups to force a different globalization governed by international policies which take the concerns of al into account and undo the harsh effects of integrated and unregulated or poorly regulated markets. Stewart (2007) has argued that at various levels counter tendencies can be observed but before these questions can fully answered more research is needed. Until then , the call for Policy Coherence can only remain an indication of the ineffectiveness of the current system of governing globalization and an expression of a wish and a need for a fair globalization, rather than to provide ready-made answers and generally applicable policy tools.

¹⁹ See van der Hoeven,R and Luebker,M 2006,

²⁰ Kazancigil and Senarclens 2007 ,p5

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