



# **The Challenges of Policy Coherence: The example of climate versus development**

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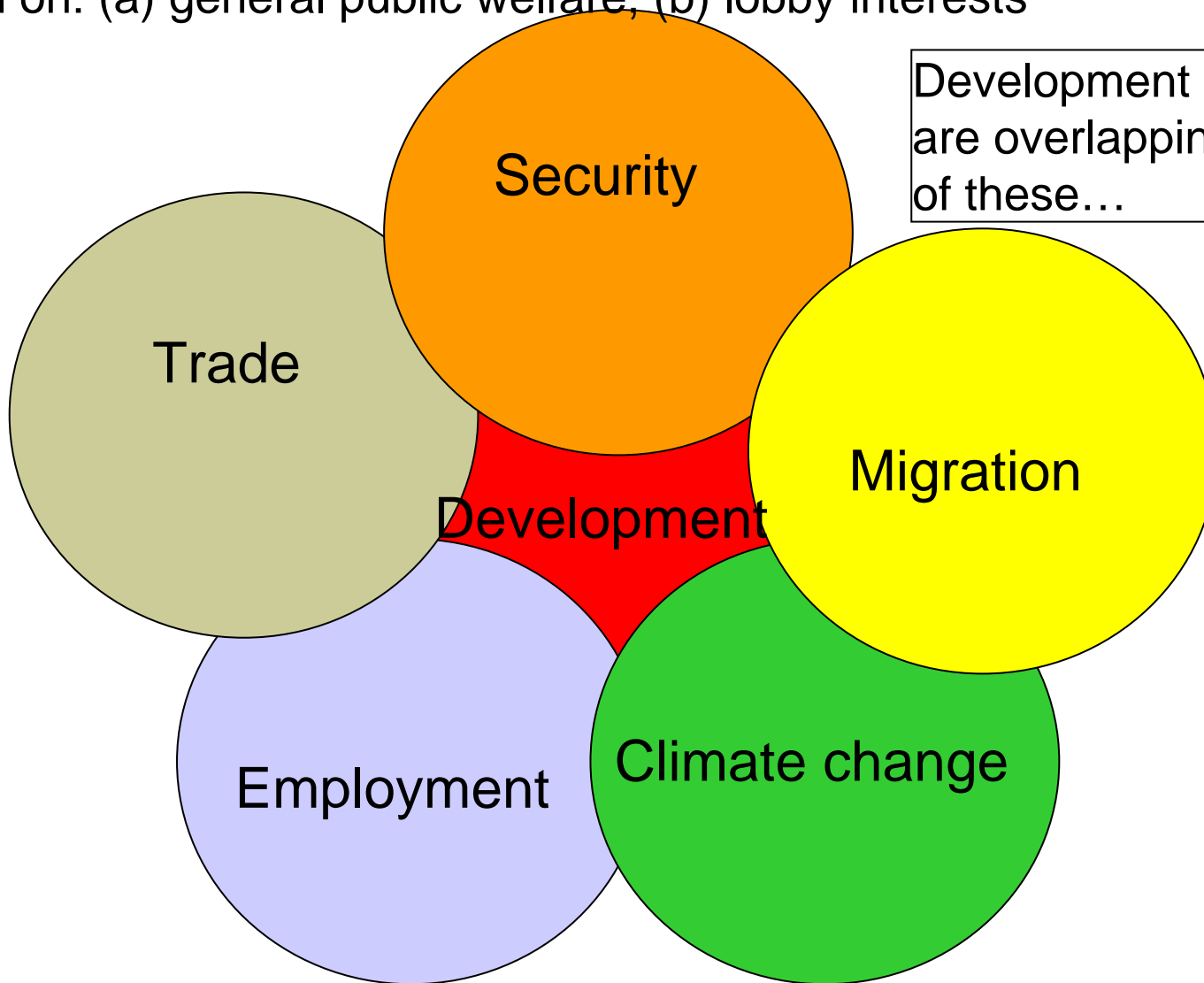
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# Multiple government objectives

based on: (a) general public welfare, (b) lobby interests



Development policy issues are overlapping with many of these...

etc.



## Multiple government objectives

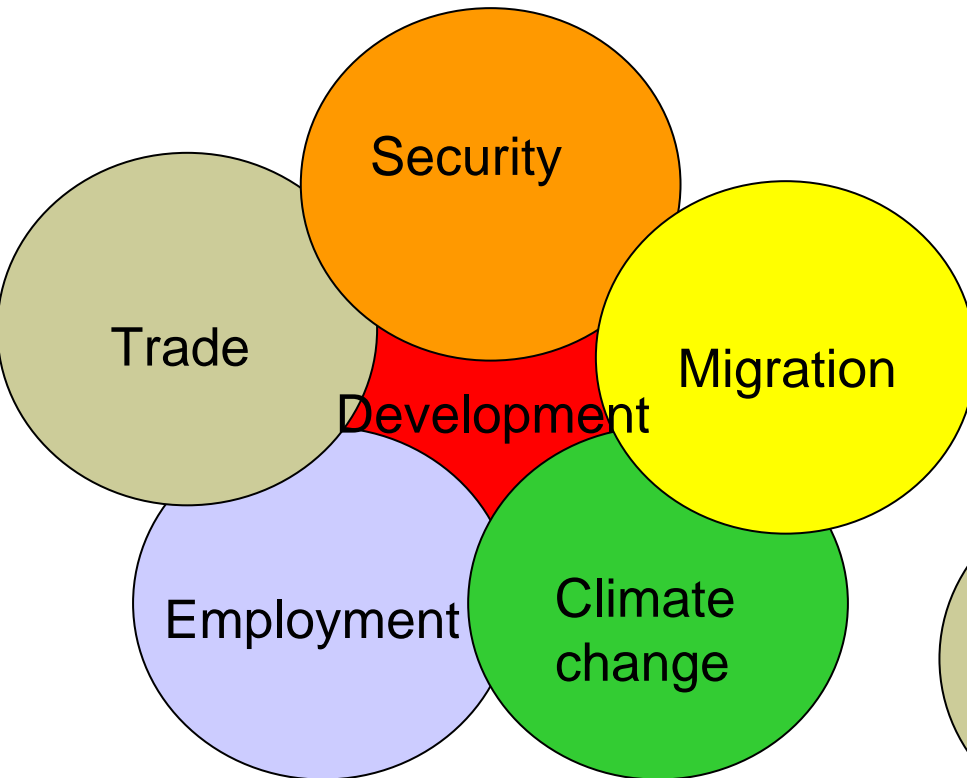
1. **Complementarities** between development (say “poverty reduction”) and other objectives
  - Long-term trade increase when DCs develop economically
2. **Conflicting objectives**
  - Protection of national industries against DC imports
3. Even when objectives **appear** complementary, the priorities attached to different policies/programs are generally not the same
  - For trade promotion, general development assistance is certainly **not the most direct** / the most efficient intervention

Now policy coherence asks for **consistent policy making**.

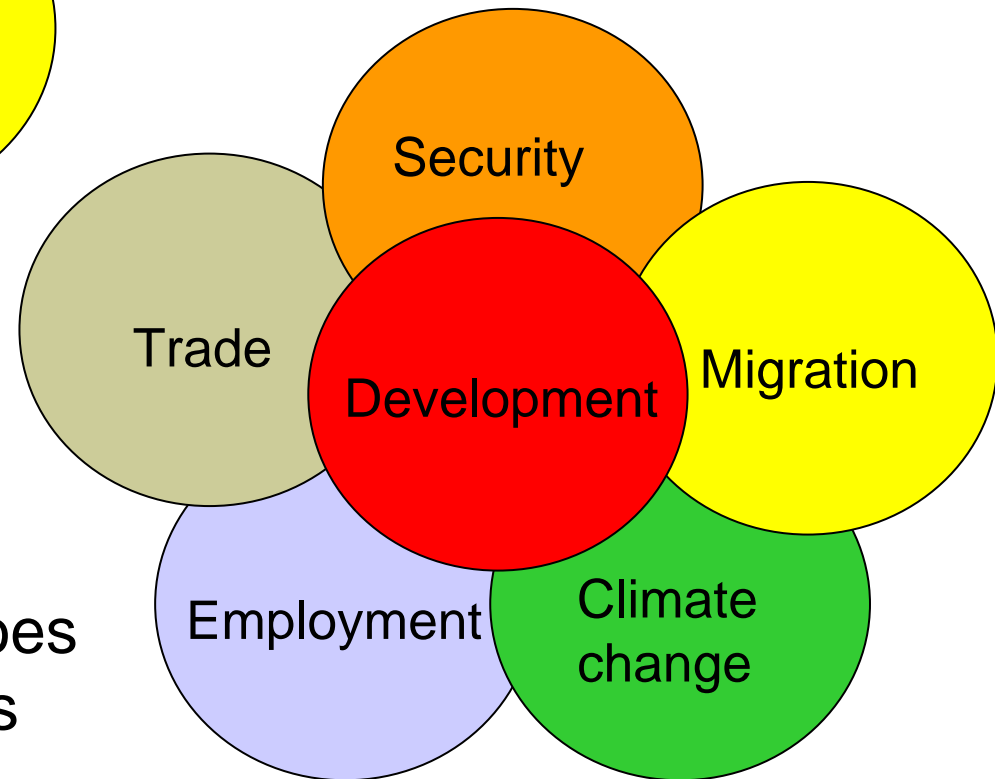
**Who wins?** – development or the other objectives?



# The question is: “Who wins?”



or



Problem:

Development in DCs usually does **not have a strong lobby** in ICs



## Example: Agricultural subsidies

UNDP (2003): EU subsidies resulted in a typical European **cow** being over the 2\$/day poverty line in 2000 – more than half of the people of this world are not...

But 2003 reform of agricultural subsidies shifted subsidies from payment per cow to payments not linked to production levels



## How other objectives infiltrate development goals

→ The aid allocation literature provides answers by comparing the objectives of “**donor interest**” and “**recipient need**” (since the mid-1970s)

Independently of need (poverty etc. being controlled for), we often find significant coefficients for:

- alignment with East or West (Cold War times) → **security**
- places with strong migrant community in donor country (→ **migration**)
- donor exports (→ **trade, employment**)



| Donor country | Elasticity of aid to trade intensity | Difference with average other donor | Category |
|---------------|--------------------------------------|-------------------------------------|----------|
|---------------|--------------------------------------|-------------------------------------|----------|

|             |              |               |            |
|-------------|--------------|---------------|------------|
| Switzerland | 0.052        | <b>-0.330</b> | altruistic |
| Norway      | <b>0.179</b> | <b>-0.200</b> | altruistic |
| Austria     | <b>0.174</b> | <b>-0.188</b> | altruistic |
| Ireland     | <b>0.189</b> | <b>-0.188</b> | altruistic |
| Netherlands | <b>0.209</b> | <b>-0.162</b> | altruistic |
| Denmark     | <b>0.257</b> | <i>-0.118</i> | altruistic |
| New Zealand | <b>0.273</b> | <i>-0.109</i> | altruistic |
| Germany     | <b>0.293</b> | -0.051        | average    |
| Canada      | <b>0.358</b> | -0.013        | average    |
| Belgium     | <b>0.380</b> | 0.006         | average    |
| Japan       | <b>0.375</b> | 0.016         | average    |
| Finland     | <b>0.392</b> | 0.022         | average    |
| USA         | <b>0.431</b> | 0.053         | average    |
| UK          | <b>0.420</b> | 0.072         | average    |
| Japan (a)   | <b>0.468</b> | <i>0.087</i>  | egoistic   |
| USA (b)     | <b>0.505</b> | <b>0.134</b>  | egoistic   |
| France      | <b>0.565</b> | <b>0.219</b>  | egoistic   |
| Italy       | <b>0.582</b> | <b>0.231</b>  | egoistic   |
| Australia   | <b>0.677</b> | <b>0.330</b>  | egoistic   |

## Donor behavior:

A three-dimensional panel 1980-1999 analysis, excerpt for the impact of trade relations

### Notes:

The elasticity estimates come from a fixed-effect regression with donor-specific parameters estimated together.

The difference with average donor comes from fixed-effect regression with common parameters for all the other donors than the specified donor.

(a) models estimated without the Japan – Asia dummy variable

(b) models estimated without the United States – Latin America dummy variable

Standard errors estimated with robust recipient cluster method whenever possible

**Bold:** significant at 1% level,

*Italics:* significant at the 10% level

Source: Berthélemy (2006, Table 2)



# Why this infiltration of objectives?

Development objectives have a small lobby in ICs →

(1) **Other objectives dominate** within government  
(other ministries can impose their positions).

(2) Aid agencies try to justify their existence  
(and their budget) by **pointing to objectives which  
are more strongly present in the public debate  
and/or have stronger lobbies.**





# The example of climate versus development

- Climate ↔ development : **new issue** for the development community
- Climate change: **Global common** (in a way similar to development)
- Climate change as a relatively new topic still **gets more public attention** / is perceived to have stronger lobbies

## Here we will consider:

- What are the (1) complementarities, (2) conflicts of interest, and (3) differences in priorities?
- How do **climate policy discussions** deal with the **development** objective? (“Development on the climate policy agenda?”)
- How is the aid agenda **adjusted** to climate policy? (“Climate change on the development policy agenda?”)  
And if so: Is the climate topic **imposed by others** or self-imposed?



- Climate change affects the **poorest countries** and the poorest populations most strongly. Mitigation of climate change reduces this adverse impact.
- Adaptation to climate change helps to reduce **negative impacts** on income, health (disease vectors, pollution), and vulnerability to shocks (e.g. flooding)  
→ many **direct links to MDGs**
- Market mechanisms for climate change mitigation (CDM) can **generate new income resources** for poor countries while simultaneously generating investment, technology transfer, and, ideally, additional development benefits (such as employment, reduction of local pollutants, etc.)

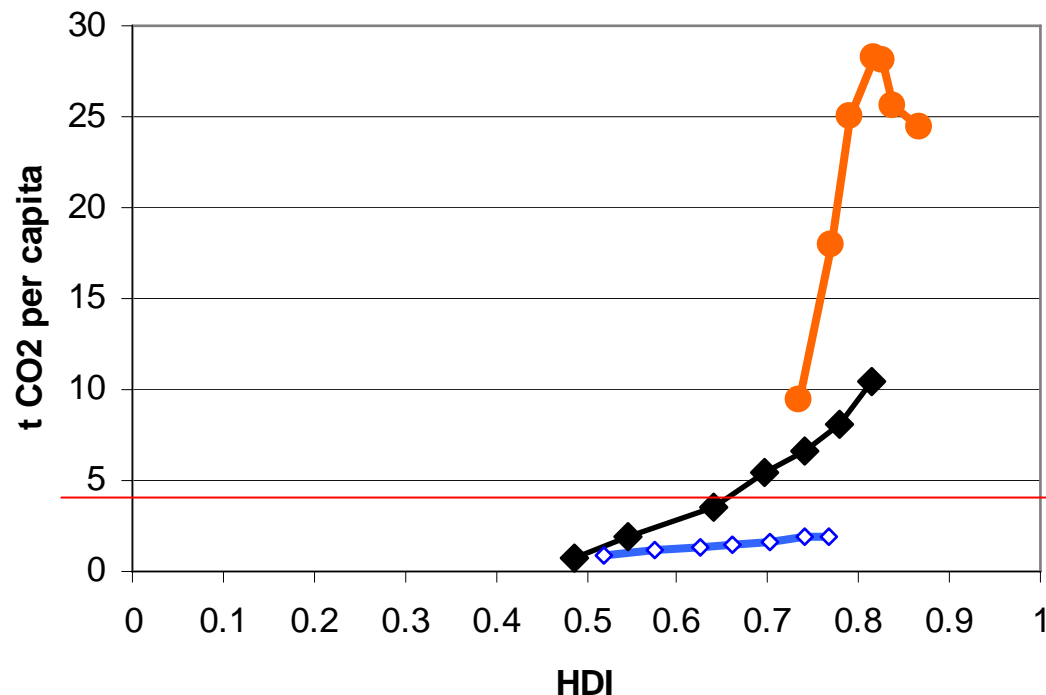
# Climate versus development

## (2) Conflicts

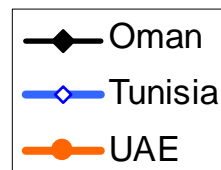


Economic development **generates higher CO<sub>2</sub> emissions**, albeit to a very different extent in different countries.

Typically, we do **not see a reversal** of the effect beyond certain levels of development as we do with other pollutants (e.g. sulfates), i.e., no (full) Kuznets curve for CO<sub>2</sub>.



**Figure 1: Emissions-extensive versus emissions-intensive development 1975-2005**



Sources: UNDP (2007) and IEA (2007)

# Climate versus development

## (2) Conflicts

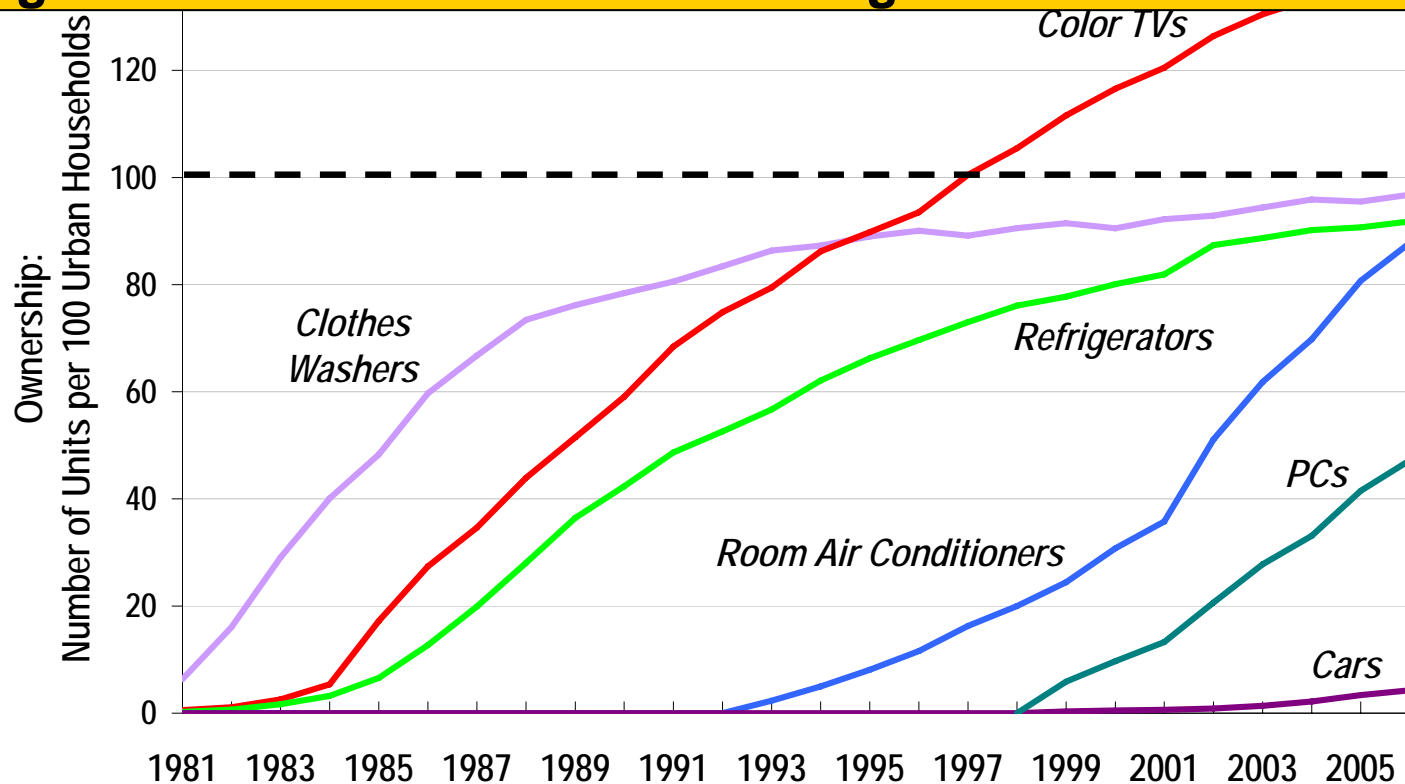


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Economic development generates higher CO<sub>2</sub> emissions  
The example of China (today: highest CO<sub>2</sub> emissions worldwide)

**Figure 2: Penetration of household goods in urban China**



Note: According to current trends, penetration in rural areas starts 10-15 years later.  
Source: Fridley et al. (2007, p. 8).



*Often overlooked:*

Even policy interventions **serving both objectives** would usually not be ranked in the same way

*Some examples:*

- Financing a **hydropower plant**
  - mitigates climate change
  - reduces local pollution from power generation (health benefit)
  - can displace the local population (adverse development effect)
- Generating a **well-trained workforce** may appear as a development priority, but is only marginally relevant to climate change (if at all).
- From a development perspective, the resources provided by the CDM would be required most in the poorest countries, but these are generally the **least attractive** for such investments.

# Development on the climate policy agenda?



- Indeed the **development issue is omnipresent** in climate policy negotiations (as opposed to other policy areas like trade, security ...), and conflicts are recognized.
- **Strong emerging economies** like China, India, Brazil, and **small island states** are key players in the negotiation rounds.
- This results in agreements (at least on paper) on:
  - + **additionality** of climate finance on top of development funds
  - + parallel objectives of **emission reductions** and **development** for the CDM (and complex discussions about economic and social sustainability)
  - + and in the blocking of agreements that **include reduction commitments for developing countries**(Note, however, the conflict of interest between DCs...)

# Climate change on the development policy agenda?



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- IC governments attempt to **fulfill their climate related commitments through aid funds** (“flexible” interpretation of financial additionality → the example of Switzerland)
- Otherwise, **not much pressure observed** for climate issues to enter development aid.
- However, development agencies appear **eager to embrace the new topic** perceived to have stronger public support (to counteract the current aid fatigue)
  - unwillingness to recognize conflicts of interest or diverging priorities (brochures on “How to reach all MDGs through climate change-related aid”!)
  - strong use of climate change topic for PR purposes; recent example, the WB:

74%

percent of all Fiscal Year 2009  
IBRD Country Assistance or  
Partnership Strategies  
substantively address climate-  
related issues.

# Climate change on the development policy agenda?



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What **happens in reality?**

Interestingly, **not so much**, at least not for mitigation.

- OECD/DAC statistics show a **substantial increase in climate mitigation-related aid**, but detailed keyword search in AidData suggests that **about 30% of the corresponding projects are coded wrongly** (Roberts et al. 2010, Michaelowa/Michaelowa 2010).

→ some examples



# Climate change on the development policy agenda?



Savannah elephant vocalization (US)

Uniforms for park guardians in Central America (Spain)

Protection of Maya archaeological sites (Germany)

Tobacco control (New Zealand)

Lead reduction in transport fuels in Pakistan (UK)

Earthquake safety (Switzerland)

Green Parliament contribution to UNICEF telemarathon (Greece)

Monetary climate in Democratic Republic of Congo (Belgium)

Education sector assistance in Kiribati (Australia)

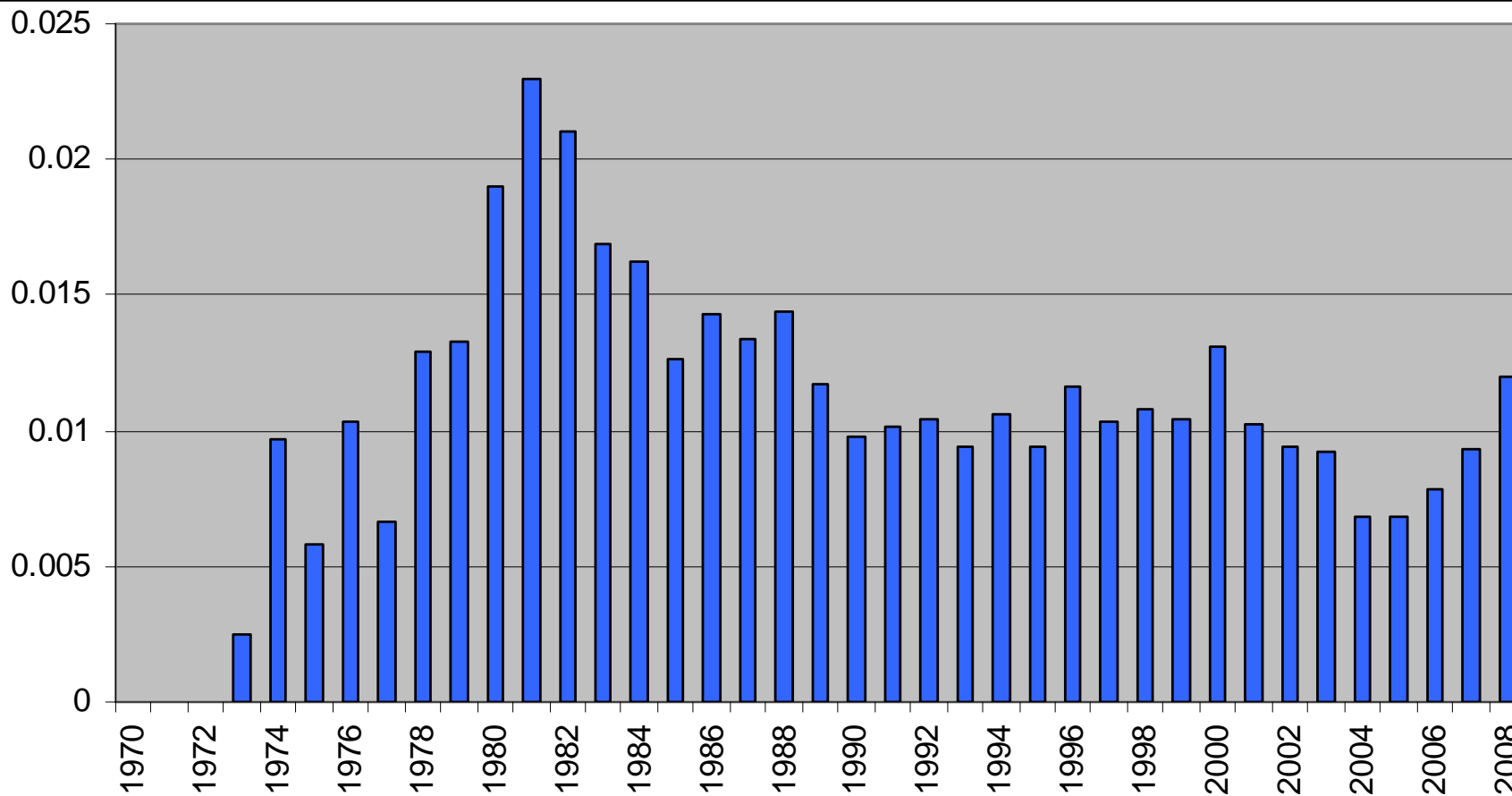
Love movie festival (Belgium)

# Climate change on the development policy agenda?



General trends, own coding: mitigation

**Figure 3: Mitigation related projects as a share of total DAC aid activities**



# Climate change on the development policy agenda?



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Figure 3: Mitigation related projects as a share of total DAC aid activities

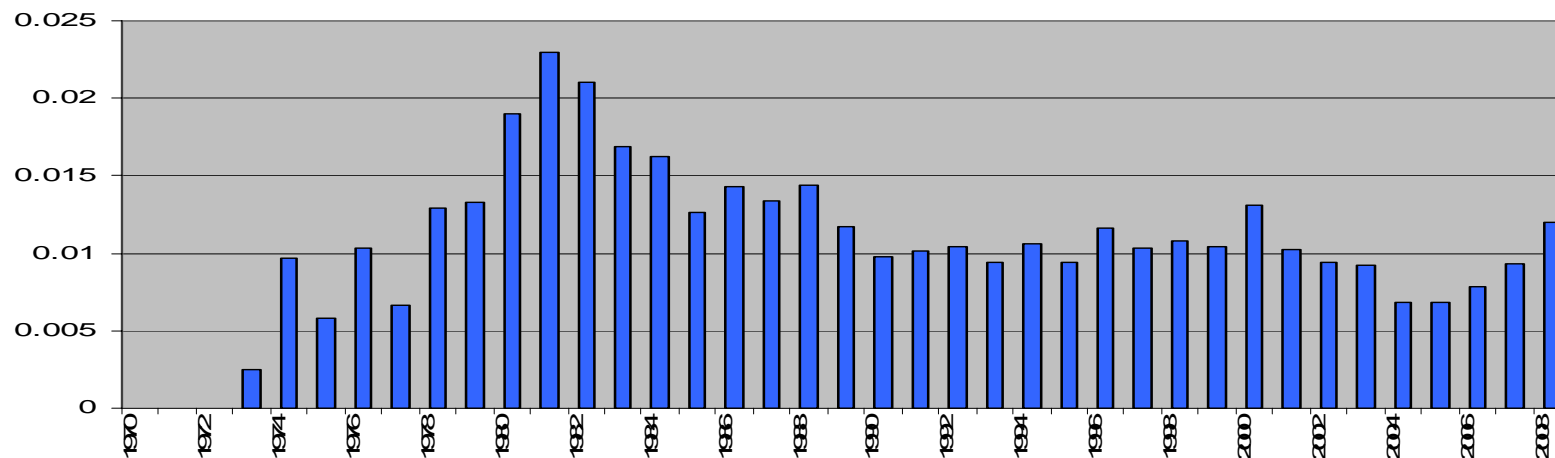
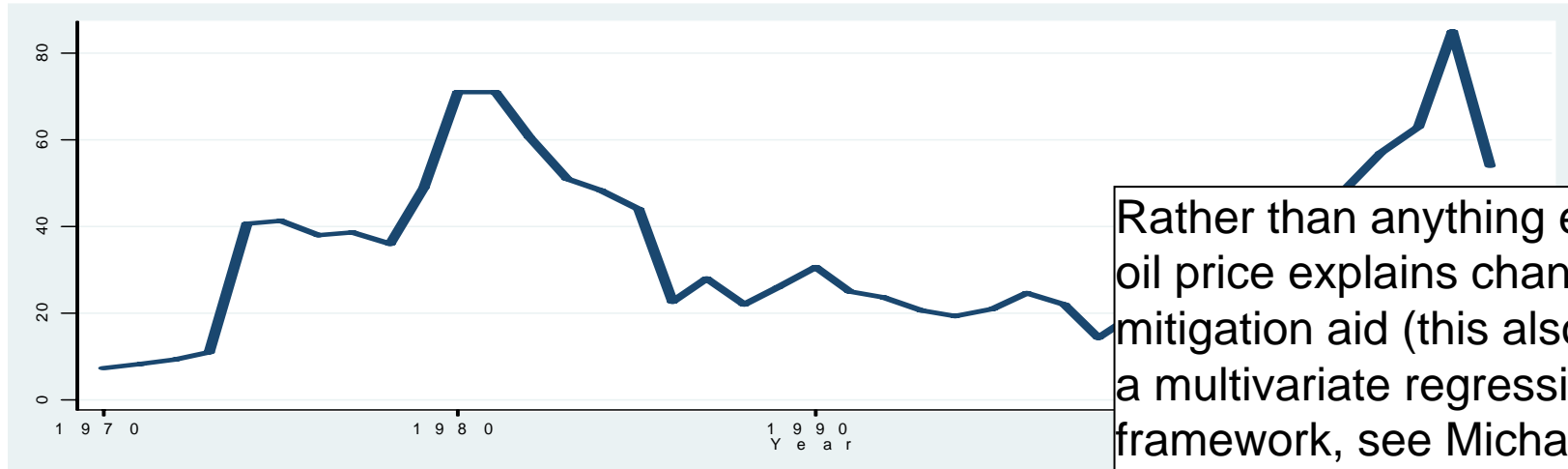


Figure 4: Development of oil prices (const. 2005 US\$)



Rather than anything else, the oil price explains changes in mitigation aid (this also holds in a multivariate regression framework, see Michaelowa and Michaelowa 2010)

# Climate change on the development policy agenda?

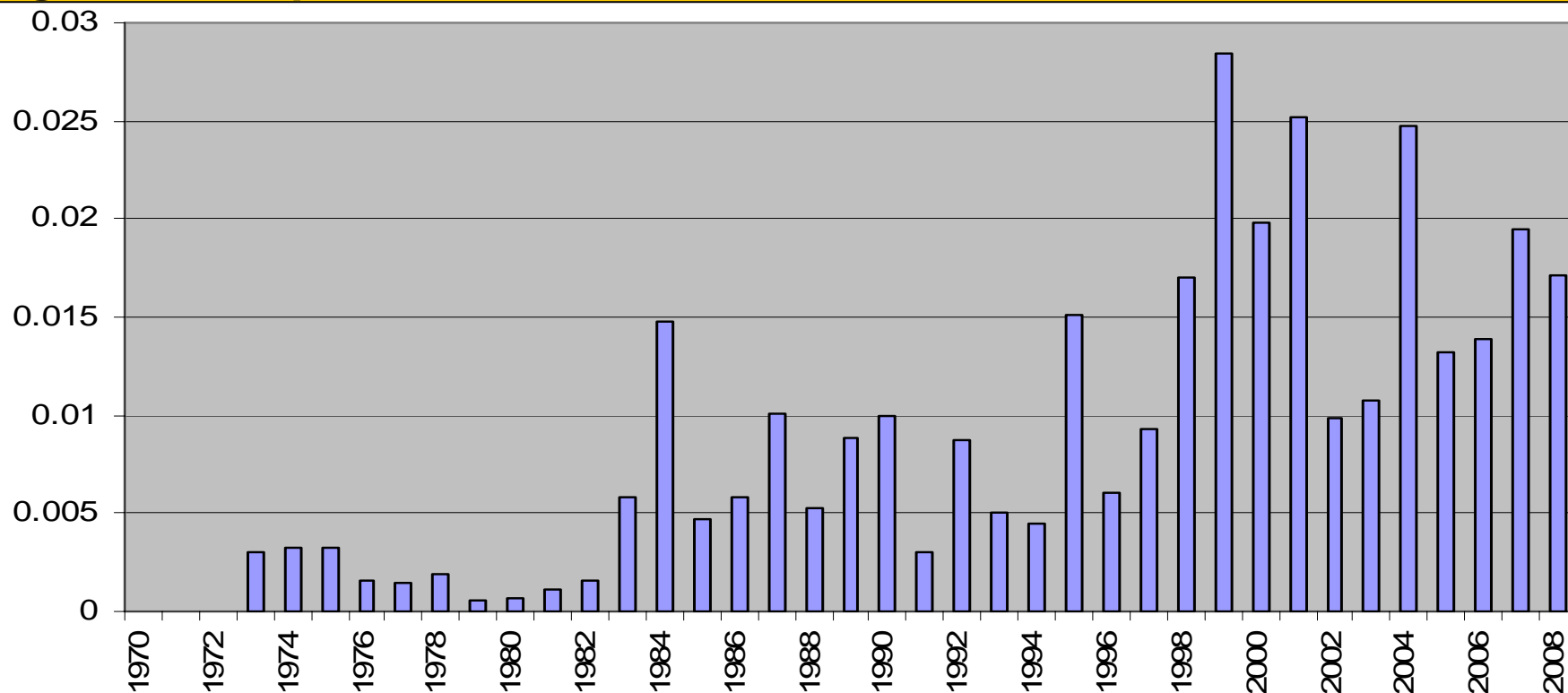


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For **adaptation**, however, we **do** see developments that are more closely linked to the growing awareness of climate policy issues, especially, for the **share in financial aid volumes**

**Figure 5: Adaptation related aid as a share of total DAC commitments**





## Conclusions

- As opposed to other policies, development and climate change are on a more “**equal footing**”.
- The two objectives are **mutually considered** by policy makers from the other area.
- As opposed to proponents of climate policy, **aid agencies tend to refuse to acknowledge conflicts** of interest, and—at least in their rhetoric—fully embrace the climate policy agenda.
- In practice, however, the outcome is **not too bad**:
  - +**Adaptation aid** (usually more closely / more directly related to development objectives) has **substantially increased**
  - +**Mitigation aid** has **not increased** [important for DCs, too, but does not need to happen *in* DCs (global benefits large, local benefits small), thus indeed not a priority to do this through aid!]