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

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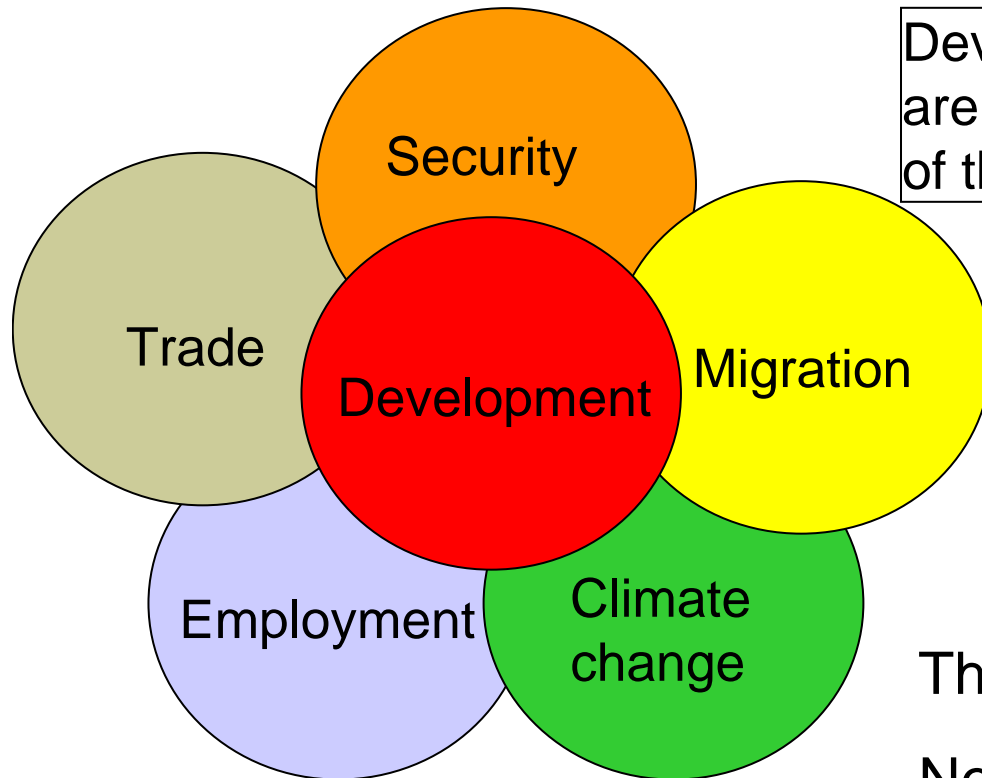
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Multiple government objectives



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

**Policy coherence means:
mutually consistent decisions**

The problem:

Not always complementary objectives,
but also conflicts of interest,

or, at least, differing priorities.

Development 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.

The infiltration of other objectives into development policy



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Independently of need (poverty etc. being controlled for), aid allocation depends on:

- donor exports (**trade, employment**)
- alignment with East or West (**security**)
- places with strong migrant community (**migration**)

→ Aid allocation literature, since mid-1970s...



Why this infiltration?

- (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



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- 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

The example of climate versus development



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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?”)

Climate versus development

(1) Complementarities



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- 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.)

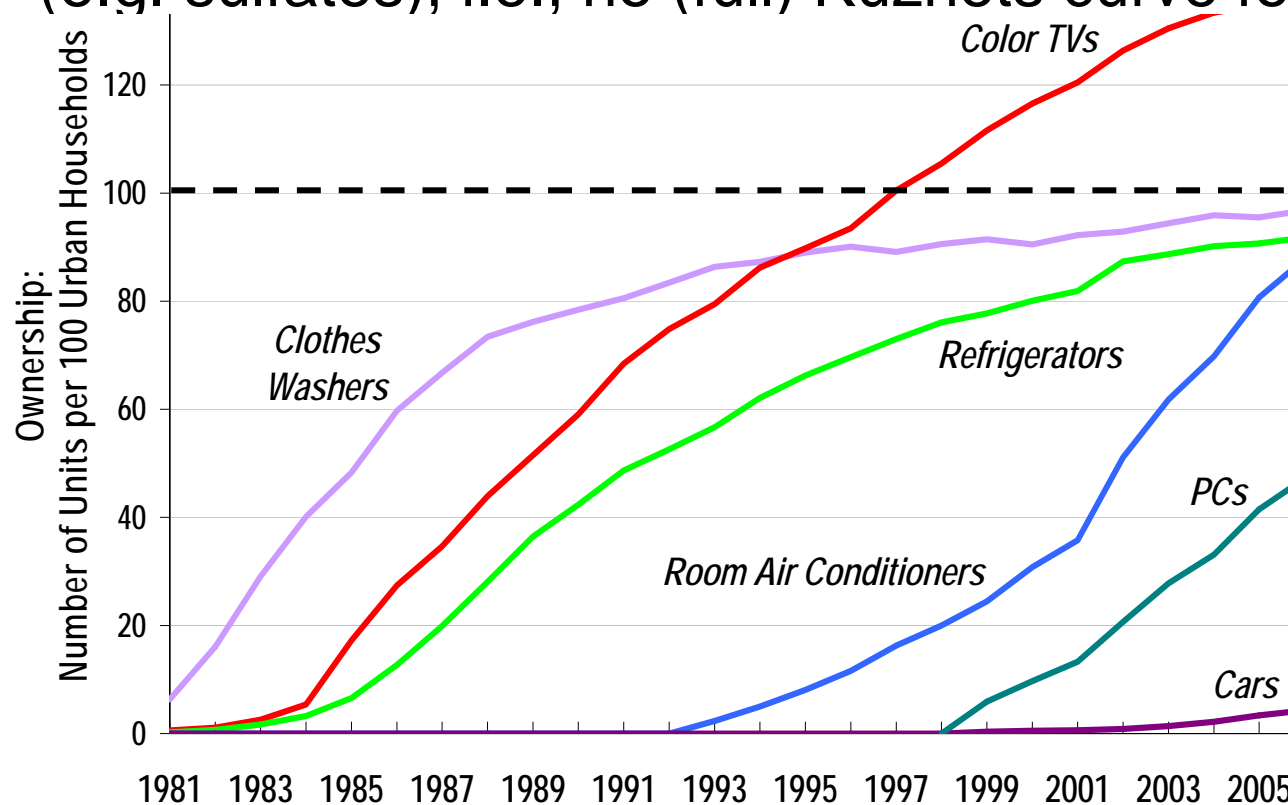
Climate versus development

(2) Conflicts



Economic development **generates higher CO₂ 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 CO₂.



Example: Consumer behavior in urban China

Source: Fridley et al. (2007, p. 8).

Climate versus development

(3) Differences in priorities



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Often overlooked:

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

Example:

- Financing a **hydropower plant**
 - mitigates climate change
(long-term positive development effects)
 - reduces local pollution from power generation (health benefit)
 - can displace the local population (adverse development effect)

Development on the climate policy agenda?



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Development issue **omnipresent** in climate policy negotiations

Strong emerging economies like China, India, Brazil, and **small island states** are key players in the negotiation rounds.

→ Agreements on:

- **additionality** of climate finance on top of development funds
- parallel objectives of **emission reductions** and **development** for the CDM

→ Blocking of agreements:

including reduction commitments for DCs

(Note, however, the conflict of interest *among* DCs...)

Climate change on the development policy agenda?



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- IC governments attempt to **fulfill their climate related commitments through aid funds** (additionality?)
- Otherwise, **not much pressure** for climate issues to enter development aid.
- However, development agencies **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
 - strong use of climate change topic for PR purposes; recent example, the WB:

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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?



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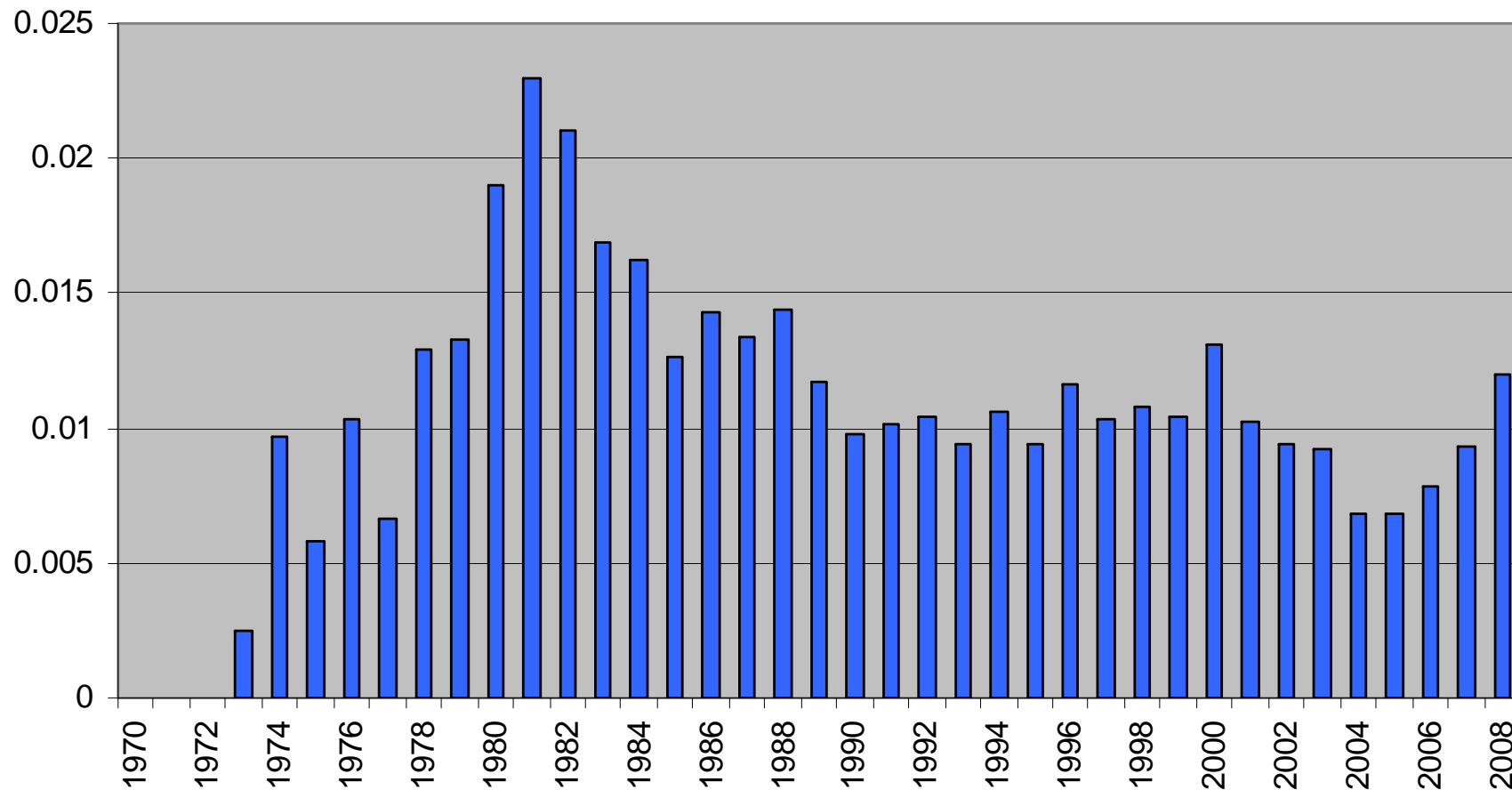


- Savannah elephant vocalization (US)
- Uniforms for park guardians in Central America (Spain)
- Protection of Maya archaeological sites (Germany)
- Tobacco control (New Zealand)
- Lead reduction in transport fuels in Pakistan (UK)
- Earthquake safety (Switzerland)
- Green Parliament contribution to 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:
Mitigation related projects as a share of total DAC aid activities



Climate change on the development policy agenda?



Mitigation related projects as a share of total DAC aid activities

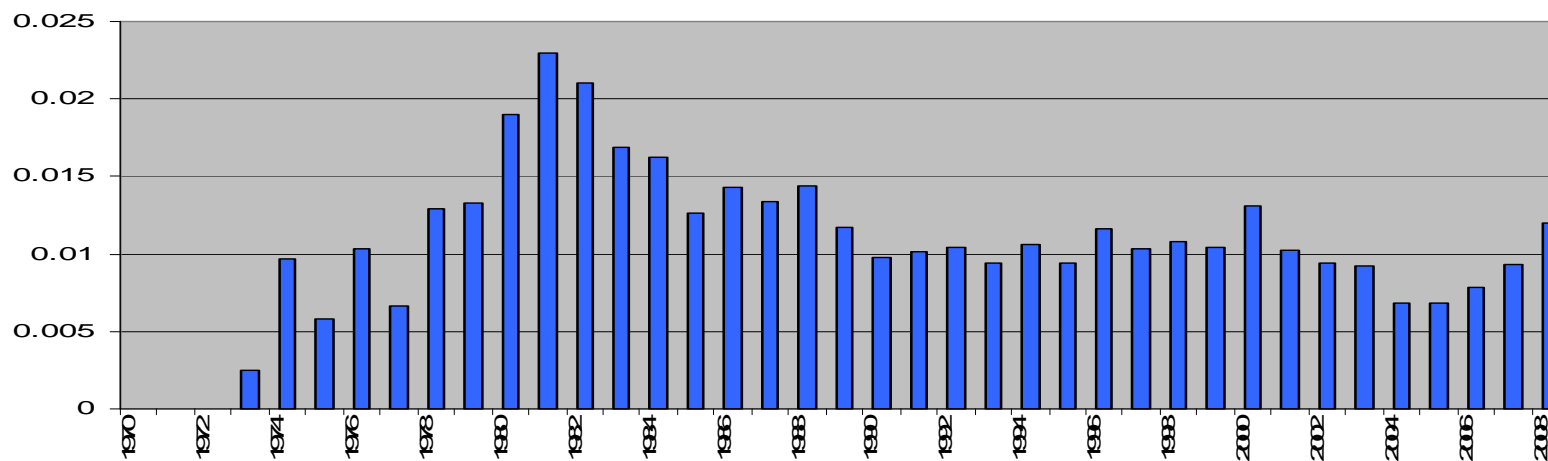
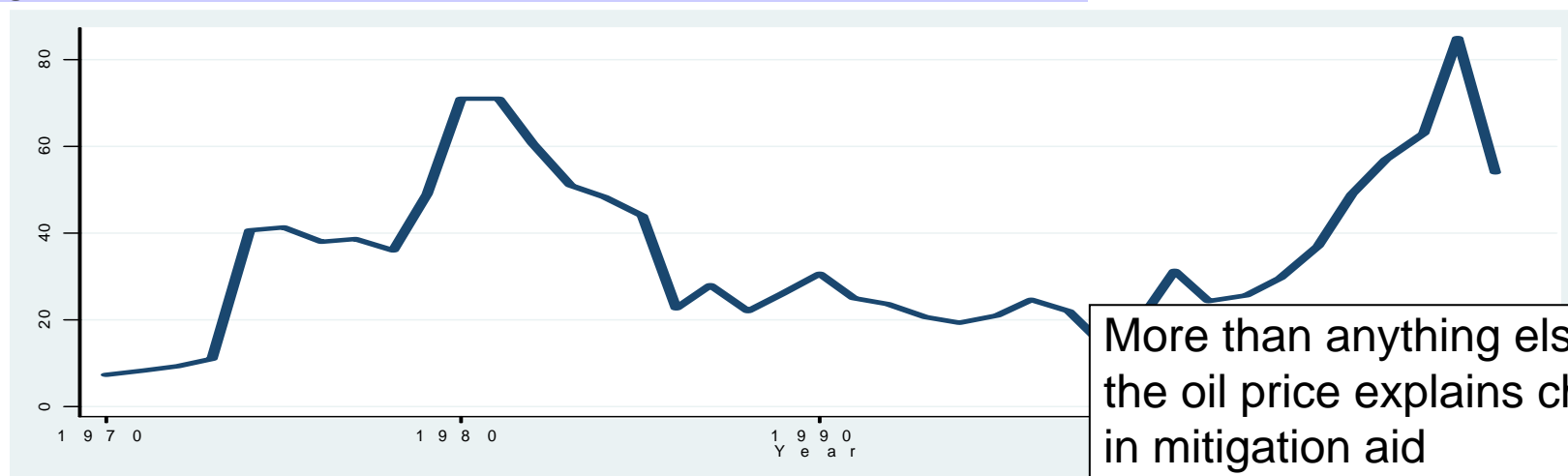


Figure 4: Development of oil prices (const. 2005 US\$)



More than anything else, the oil price explains changes in mitigation aid (Michaelowa/Michaelowa 2010)

Climate change on the development policy agenda?

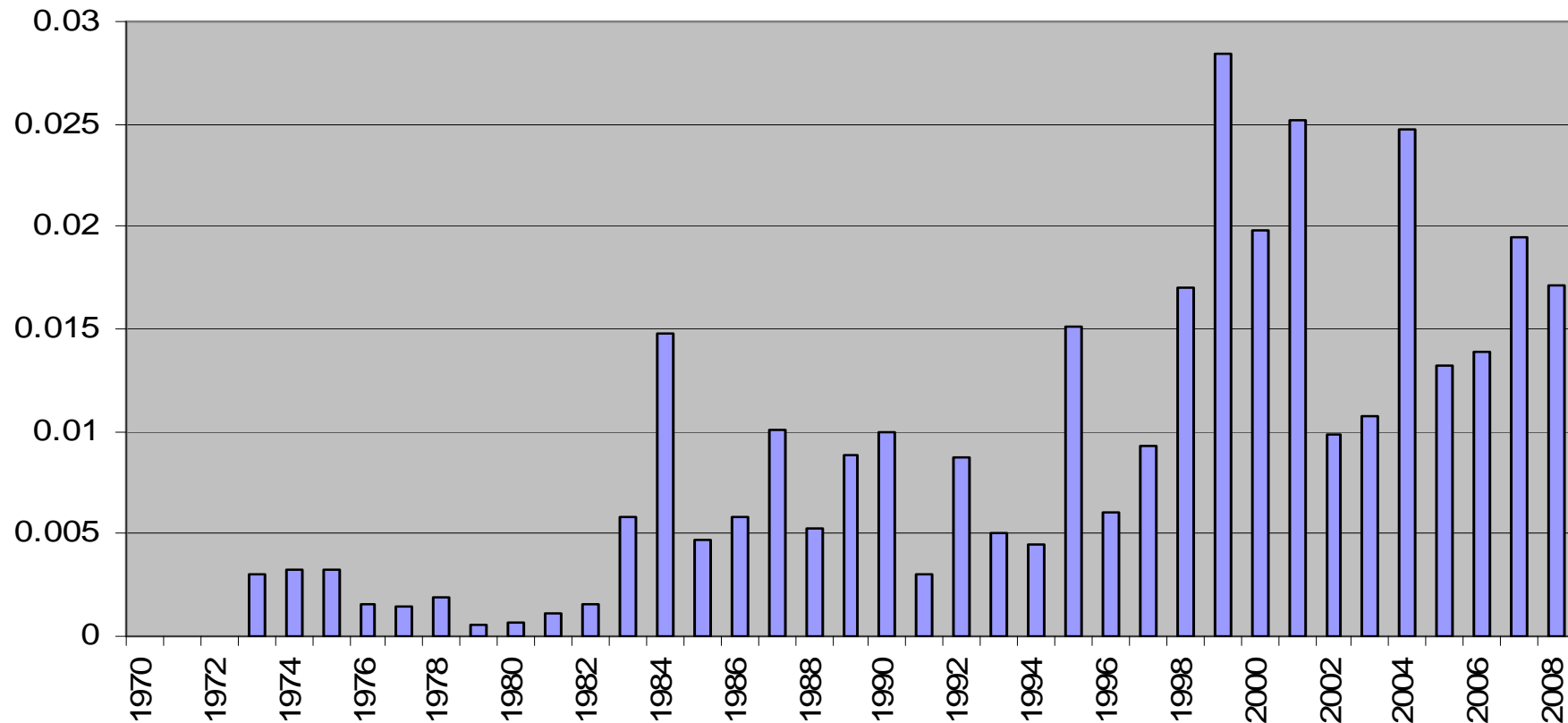


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For **adaptation**, however, we **do** see some change.

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**”.
- **Mutual consideration of both objectives**
- Aid agencies eagerly embrace the climate policy agenda.
- As opposed to proponents of climate policy, they even **tend to refuse to acknowledge conflicts** of interest.
- But there is a word-deeds gap regarding mitigation aid.
- Overall, 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!]