Better Policies for Development

In Focus: Policy Coherence for Development and Global Food Security

2013

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BETTER POLICIES FOR BETTER LIVES

better policies for better lives

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ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

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This publication is produced by the OECD's Policy Coherence for Development Unit in the Office of the Secretary-General. It has benefited from inputs from several sources. The In Focus feature on food security draws primarily on a Synthesis co-ordinated by Jonathan Brooks, the Trade and Agriculture Directorate. The sections on PCD measurement are based upon work by the Development Co-operation Directorate and the Centre for Tax Policy and Administration (illicit financial flows), the Environment Directorate and the Statistics Directorate (green growth), and the Trade and Agriculture Directorate (food security). Contributions have also been received from the Africa Partnership Forum, Member States and a number of civil society organisations.

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FOREWORD

BETTER POLICIES FOR DEVELOPMENT

Policy coherence for development (PCD) matters in the interdependent world we live in, where policy impacts have no borders. Today, policy makers have to address challenges not only at the local and national levels, but also at the regional and global levels. All countries have a shared responsibility to ensure that their policies are conducive to, or at least do not undermine, development elsewhere. The OECD, with its interdisciplinary approaches, is well placed to provide evidence-based analysis that can underpin such efforts. Its Strategy on Development provides renewed impetus for PCD as a new tool to help policy makers translate PCD into practice.

This year's edition of the PCD publication puts the spotlight on global food security and on the challenges in measuring PCD. In a world of unprecedented economic opportunities and with vast resources at our disposal, the fact that 850 million people in the developing world still suffer from hunger and undernourishment represents one of the greatest incoherencies of our times. 2.6 million children die of malnutrition every year, while the FAO recently reported that nearly 40%–50% of root crops, fruits and vegetables are wasted. The world produces enough food to feed everyone, yet more than one person in seven still goes hungry.

Applying a PCD lens to the challenge of global food security tells us that the main challenge of ensuring global food security is to raise the incomes of the poor, and that both agricultural development and rural diversification are needed to foster economic growth and job opportunities. Increased productivity to close the yield gap between advanced and developing countries will require large increases in investment, including from the private sector and farmers themselves. Trade will also have an increasingly important role to play in ensuring global food security.

Going forward, we need a broader and more proactive approach to PCD to inform and address structural conditions that constrain development and growth, such as barriers to trade and markets, and knowledge and technology transfer. It can also help inform the design of mutually reinforcing policies in a wide range of economic, social and environmental areas, and foster enabling environments that unleash the development potential of countries. In this context, international co-operation has an important role to play in providing co-ordinated and coherent responses. To be successful, it will be critical to further deepen our dialogue and collaboration with emerging economies and developing countries. This will help improve our understanding of policy linkages between countries and regions to inform policy making, and improve our ability to design better policies for development.

Part I of the report suggests elements for a new PCD narrative that better reflects today's global context. It shows that coherent policy making is instrumental for achieving global food security and identifies: *(i)* ways in which OECD countries can reform their policies to improve coherence and avoid negative spill-over effects; *(ii)* how developing countries can benefit from PCD to achieve development outcomes; and *(iii)* areas where co-ordinated action at the global level can help implement those efforts. It concludes by looking at how the "measurement" of PCD can benefit from the monitoring of existing policy indicators, including those developed at the OECD. Part II is comprised of external contributions. It outlines OECD countries' recent efforts to promote PCD, both in terms of institutional mechanisms and concrete policy initiatives. It also features inputs from civil society.

The OECD stands ready to work with our members and partners to learn from each other and, together, lay the groundwork for "better development policies for better lives".

Angel Gurría
OECD Secretary-General

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New Impetus for PCD at the OECD

PCD AS A CORE ELEMENT OF THE OECD STRATEGY ON DEVELOPMENT

Ministers approved the *OECD Strategy on Development* in May 2012, emphasising the need to strengthen members' capacities to design policies consistent with development. Enhancing policy coherence for development (PCD) is one of the primary objectives of the Strategy. In pursuit of that objective, Ministers called on the OECD to:

- Develop more systematic approaches to evidence-based analyses on the costs of incoherent policies as well as on the benefits of more coherent policies.
- Work with partner institutions to develop robust indicators to monitor progress and assess the impact of diverse policies on development.
- Apply a PCD lens to contribute to the analysis of key issues, such as global food security, illicit financial flows and green growth.
- Provide a platform for dialogue with developing countries and key stakeholders on PCD issues.
- Foster coherence for development throughout the Organisation and its Committees; identify particular areas of policy incoherence; and ensure that the OECD's policy advice is coherent and consistent with development objectives.

To respond to this mandate and support effectively OECD members in their efforts to enhance policy coherence for development, it will be necessary to give more clarity to this concept. Today, there is no single agreed definition of PCD and it is not always clear what its focus should be: policy making processes or institutional mechanisms; policy efforts by advanced countries; or impacts of policies on development.

PCD has been a relevant part of discussions on development policies at the OECD since the early 1990s and the approach has evolved over time. A series of commitments have been made not only by individual OECD members and by the whole OECD membership at the Ministerial level, but also at the international level.[i] In 2002, the Ministerial statement *OECD Action for a Shared Development Agenda* called on the Organisation to "enhance understanding of the development dimensions of member country policies and their impacts on developing countries…to encourage greater policy coherence in support of the internationally agreed development goals."

This mandate clearly delineated a two-pronged approach for PCD. First, there is a need to avoid impacts that adversely affect the development prospects of developing countries. Second, there is a need to exploit the potential of positive synergies across different policy areas, such as trade, investment, agriculture, health, education, environment and development co-operation.

The *2008 Ministerial Declaration on Policy Coherence for Development* and the *2010 Recommendation of the Council on Good Institutional Practices in Promoting Policy Coherence for Development* further strengthened this dual focus for PCD. A new element in both instruments was the emphasis on the need to strengthen the dialogue between OECD countries, developing countries and emerging economies on the effects of policies on development, as well as to consider the increasing relevance of PCD in developing countries' policies. The 2010 Council Recommendation identified good institutional practices to promote PCD,[ii] while emphasising that progress requires strong leadership and political commitment at the highest level.

The three "building blocks" (political commitment; co-ordination; analysis and monitoring) need to be in place for a country to make sustained progress towards PCD.[iii]

The *Framework for an OECD Strategy on Development* [C/MIN(2011)8], endorsed by Ministers in 2011, underlined the need to foster PCD at different complementary levels as a key element of the OECD Strategy on Development. This should be undertaken mainly at the level of members, but also at the level of the Organisation, and at the level of emerging and developing countries. This is in recognition of the need for more comprehensive, collective, and coherent action at the national, regional and global levels to tackle development challenges that are increasingly complex in nature. There are also different dimensions in which coherence can be promoted (Box 1).

TOWARDS A NEW NARRATIVE FOR PCD

Policy coherence for development emerged at the OECD from the Development Assistance Committee (DAC) discussions in the early 1990s in the context of a growing international concern with aid effectiveness. Today, PCD operates in a new context. The global economic and development landscape has changed dramatically over the last two decades. Shifting wealth and new poles of growth mean new actors in development and new sources of finance, growth and innovation. Growing inequalities and a new global geography of poverty highlight the important role of domestic institutions and policies. There is a need to rethink conventional approaches to development, as there are no one-size-fits-all approaches. Multiple crises in the last decade—financial, economic, food, fuel—have further shown that development challenges have implications for all. A new global reality therefore calls for updating our narratives, instruments and tools. Some considerations for broadening our approaches and strengthening our tools to promote policy coherence for development include:

(i) PCD needs to reflect a multi-polar global economy in which all countries are playing a role in driving global growth and development.

In an interconnected global economy, domestic policies implemented by advanced and emerging economies are especially likely to have a global reach and influence the growth and development prospects of lower-income countries. As recognised in the OECD Strategy on Development, neglecting the international spillovers of domestic policies can undermine development objectives, as well as the effectiveness of international development co-operation efforts. PCD in this new context can help to better understand policy inter-linkages and trade-offs, and inform decision-making so as to prevent, or at least minimise, negative spillover effects.

Box 1

Building a common understanding – the five dimensions of PCD

Improving understanding and operationalisation of policy coherence for development requires looking at the different dimensions in which coherence can be promoted. Although there are a number of typologies, the most common framework distinguishes five dimensions:

1/ Internal coherence – whether there is consistency between goals and objectives, modalities and protocols of an OECD government's development policy (e.g. between bilateral aid, multilateral aid, technical assistance, and aid channelled through non-governmental organisations or the private sector).

2/ Intra-governmental coherence – whether an OECD government's aid and non-aid policies contribute jointly to—or at least do not undermine—development objectives.

3/ Inter-governmental coherence – whether there is consistency across different OECD countries' aid and non-aid policies in terms of their contribution to their shared development objectives.

4/ Multilateral coherence – whether there is consistency across policies and actions of bilateral donors, multilateral organisations, and other actors, and whether policies adopted in multilateral fora contribute to development objectives.

5/ Developing country coherence – whether policies adopted by developing countries contribute to achieving shared development objectives and allow them to take full advantage of the international climate to enhance their economic and social well being.

These dimensions are closely interrelated and mutually reinforcing. To make further progress there is a need to look at all these dimensions from a comprehensive perspective.

(ii) Challenges in an interconnected world economy are global and require more comprehensive approaches as well as coherent and co-ordinated responses at multiple levels: nationally, regionally and globally.

Economic shocks can reverberate quickly, and issues such as climate change, financial instability, social and economic inequality and conflict can have serious and wide-ranging consequences worldwide. So far, efforts to improve understanding of incoherence and promoting PCD have been carried out on a sector-by-sector basis. The analysis has looked at issues with important cross-border dimensions, such as trade, agriculture, invest-

ment, environment, technology and migration, amongst others, but without giving due attention to the inter-sectoral linkages and the multidimensionality of development challenges. A broader approach to PCD has the potential to cut across different policy domains; to connect diverse stakeholders and actors; and to shape and monitor policy efforts, changes and impacts.

(iii) Mutually supportive policies are critical to generate greater positive impact on development.

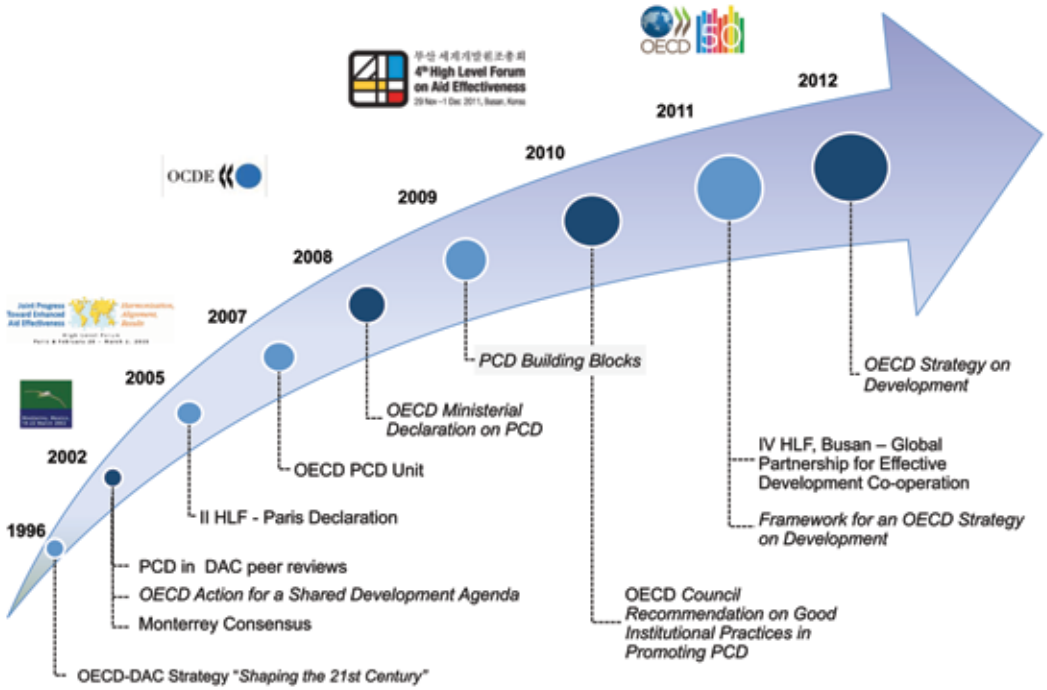
PCD in this new context is about designing mutually supportive policies across a wide range of economic, social and environmental issues and through collective international efforts. This is key to creating enabling environments and unleashing the development potential of countries and helping them transition away from aid dependence. As highlighted in Busan, "it is essential to examine the interdependence and coherence of all public policies—not just development policies—to enable countries to make full use of the opportunities presented by international investment and trade…."[iv]

***(iv)* Inclusive dialogue with all actors and stakeholders is key.**

Dialogue on PCD up until now has been carried out mainly among the donor community, with a specific focus on coherence between aid and non-aid policies, and has primarily adopted a "do no harm" approach. PCD in the new context is about collective action and putting greater emphasis on synergies, opportunities, and win-win scenarios. There is a need to provide a dedicated space where countries and relevant stakeholders can hold open exchanges and build common ground on how to make collective efforts in key policy areas more coherent and effective.

With the OECD Strategy on Development, the Organisation and its members have taken an important step forward on how to approach policy coherence for development in a rapidly changing and more complex global context. We aim to make full use of the OECD's multidisciplinary expertise, evidence-based approaches to policy making, and peer learning working methods. This will contribute to better informed policies and provide decision makers with the necessary tools and instruments for achieving greater policy coherence for development. The concluding remarks in this publication suggest a series of actions needed to respond effectively and make further progress.

PCD – A Concept in Evolution



In Focus 2013: Policy Coherence for Development and Global Food Security

Building global food security presents multiple challenges that require a cross-cutting approach to policy coherence for development. This entails collective and coherent action by all countries across a wide range of policies, such as agriculture, trade, investment, environment and development co-operation. In order to address the different dimensions of food security and reduce hunger across the globe, there is a need to deal with structural conditions that constrain development, such as barriers to trade and markets, and knowledge and technology transfer. We also need to go beyond a "do no harm" approach to PCD and advocate for policies that create synergies and foster an enabling environment for sustainable growth and development. This is a shared responsibility, yet each country ultimately has primary responsibility for its own economic and social development.

The OECD Strategy on Development underlines the need to foster PCD at different complementary levels, mainly at the level of members, but also at the level of the emerging and developing countries, as well as globally. This chapter illustrates how action at the three levels is important for achieving greater food security and ultimately for the transformation process itself. It looks at ways in which OECD countries can usefully reform their own policies to improve global food security. It also explores ways in which developing countries can strengthen their own food security policies, and how OECD countries can support those efforts. Finally, it identifies priorities for global action.

Three key messages emerged from the analysis:

- With approximately 850 million people undernourished in the developing world and 2.6 million children dying every year from malnutrition, the challenge of ensuring global food security is first and foremost one of raising the incomes of the poor so that they can afford the food they need to lead healthy lives. In many countries, the majority of poor people make their livelihoods through smallholder farming. Agricultural development, therefore, has a key role to play in raising incomes directly. It is equally important to foster wider economic growth that creates diversified rural economies with jobs both within and outside agriculture. Social protection instruments are needed to bolster incomes, consumption and nutrition in the short-term, and in the longer term, to build resilience and stimulate productive investment and local economic development.
- Large increases in investment will be needed to both raise incomes and increase the supply of food sustainably, notably by raising productivity. Most of the investment will need to come from the private sector, especially from farmers themselves. Governments have an important role in establishing framework conditions that complement and encourage responsible private investment. Priority areas for public spending, with aligned official development assistance (ODA), include basic services in education and health, rural infrastructure, and research and extension.
- Trade will have an increasingly important role to play in ensuring global food security. Countries need to avoid policies that distort world markets and make them a less reliable source of food supplies. Support for supply-side capacities may be needed to help poorer countries and population groups benefit from trade reform, along with complementary measures to minimise adjustment costs.

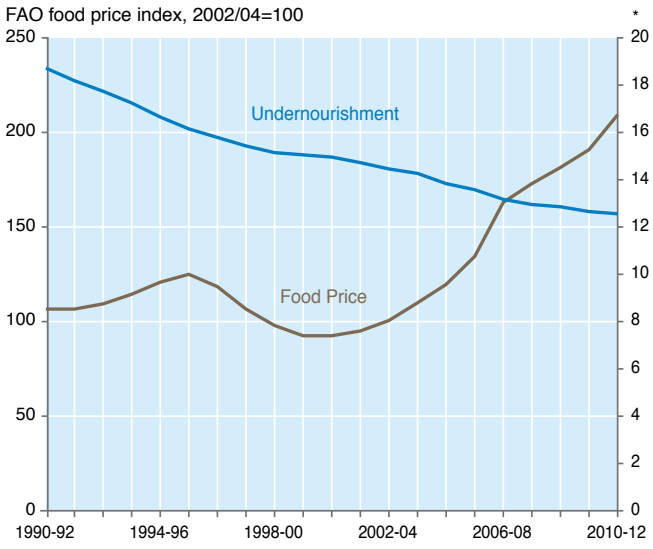
THE FOOD SECURITY CHALLENGE

Ending hunger and malnutrition is among the greatest challenges humanity faces. Malnutrition is estimated to be the cause of 30% of infant deaths, the predominant factor behind the global burden of disease, and a major impediment to cognitive development, as well as to improvements in labour productivity, wage earnings and overall incomes. Sustained progress requires first and foremost raising the incomes of the poor. According to FAO figures, there are approximately 850 million undernourished people in the developing world—this population is mostly a subset of the 1.3 billion people that the World Bank estimates to be living on less than USD 1.25 per day.

Higher food prices have made the challenge more difficult, but price levels are not the fundamental problem. High prices impose undeniable hardship on the poorest consumers, including many subsistence farmers whose production is insufficient to meet their consumption needs. Yet the persistence of global hunger—the chief manifestation of food insecurity—is a chronic problem that pre-dates the current period of higher food prices. Indeed, there were as many hungry people in the world in the early 2000s, when international food prices were at all-time lows, as there are today. Similarly, high food prices have made little difference to the overall downward trend in the proportion of undernourished (Figure 1).

Progress has been uneven and the world is not currently on target to achieve the hunger targets established as part of the first Millennium Development Goal (MDG1). These include halving, between 1990 and 2015, the proportion of the world's people who suffer from hunger measured via the prevalence of undernourishment and being underweight (i.e. an abnormally low weight-for-age ratio) among children under 5 years of age. According to the Food and Agriculture Organization of the United Nations (FAO), the proportion of the population in developing countries that is undernourished has fallen significantly over the past two decades, from 23% in 1990–1992 to 15% in 2010–2012. As a result of population growth, the total number of undernourished people in developing countries has fallen even more slowly, from just under a billion in 1990–1992 to around 852 million in 2010–2012.

Figure 1. Undernourishment and world food prices, 1990 to 2012



* Prevalence of undernourishment, % of global population

Source : Adapted from FAO, WFP and IFAD (2012).

The focus of this chapter is on how more coherent policies towards the food and agriculture sector can contribute to improved food security in developing countries, thereby accelerating progress on MDG1 and whatever hunger targets are established to replace the current goals (for which the deadline is 2015). In examining this issue, it is helpful to clarify what is meant by food security and identify the main requirements for its attainment, and then to define what constitutes "coherent" policies.

Four dimensions of food security

According to the FAO definition, agreed at the 1996 World Food Summit, food security exists "when all people, at all times, have physical, social and economic access to sufficient, safe and nutritious food to meet their dietary needs and food preferences for an active and healthy life." Increased recognition of the importance of the nutritional dimension, for example, at the 2009 World Summit on Food Security in Rome, has led many to prefer the term "food and nutrition security." The FAO's definition suggests that people will only be food secure when sufficient food is **available**, they have **access** to it, and it is well **utilised**. A fourth requirement is the **stability** of those three dimensions over time.

The principal obstacle to the attainment of global food security is poverty, which constrains people's **access** to food. Most of the world's hungry are chronically hungry, and that is because they are poor. The basic requirement for poverty reduction is broad-based development. The underpinnings are mostly well-known but often elusive. They include peace and political stability, sound macroeconomic management, strong institutions, well-defined property rights and good governance. The food and agriculture sector has a key role to play in reducing global poverty. More than half of the world's poor depends, either directly or indirectly, on agriculture for their livelihoods. Policies which affect the functioning of the food and agriculture sector have an important role to play in strengthening the incomes of this constituency.

Governments can also increase the **availability** of food via measures that increase supply sustainably or restrain demands that do not translate into improved food security outcomes. There is

great scope for fundamentally altering supply conditions by raising productivity growth, improving the efficiency of natural resource use, reducing post-harvest losses and adapting to climate change. Equally, changes on the demand side, including reduced over-consumption and less consumer waste, could substantially ease the supply-side challenge. Because of the wide scope for change in each area, there is a danger of looking for a "magic bullet" in one area that makes actions in the other areas unimportant. However, actions are needed across multiple areas.

The chief requirements to improve the **utilisation** of food are complementary policies. Improvements in education and primary health care can strengthen income growth, and—along with other investments, notably in sanitation and clean water—improve nutritional outcomes. Direct nutrition interventions have also been shown to be effective. However, a well-functioning food and agriculture system which improves availability and access (and guarantees their stability) should also increase energy consumption and—with increased diversity of diets—nutrition too.

The fourth way in which policies related to food and agriculture can improve food security is by ensuring **stability**, such that farmers' incomes and consumers' ability to buy food are resilient to shocks. This means helping the food insecure manage domestic risks (such as weather-related risks in the case of farmers) and international risks (such as extreme price swings and trade interruptions).

The four channels are interconnected, with potentially important complementarities. For example, policies which raise agricultural productivity strengthen the incomes of farmers and rural communities and with it their food access. They also increase food availability, benefiting consumers (and increasing their access) to the extent that domestic prices are lower than they would otherwise be.[v] They can contribute to reduced income and price risk, ensuring greater stability of access for producers and consumers. Finally, by raising the real incomes of both producers and consumers, they may lead to healthier diets and improved utilisation.

Policy coherence for development

Within national governments, policy coherence issues arise between different types of public policies, between different levels of government, between different stakeholders and at an international level. It requires countries, when designing their domestic policies, to be aware of the possible impacts, both negative and positive, on developing countries. It also expects countries, when implementing their domestic policies, to take steps to avoid any negative impacts on developing countries and, where possible, to seek to create positive spillovers and effects. One related aim is to ensure that the OECD countries' policies are supportive of the countries' development goals and that they support, or at least do not undermine, progress towards internationally agreed development goals, including MDG1.

The question is how policy coherence for development can improve each of the four dimensions of food security described above. The recommendations flowing from OECD work can be grouped into three categories:

(i) Ways in which OECD countries can usefully reform their own policies.

These consist of specific contributions to global food security that OECD countries can make via reforms to their own policies, in terms of avoiding policies that create negative spillovers and adopting beneficial policies.

(ii) Ways in which developing countries can strengthen their own food security policies, and how OECD countries can support those efforts.

The mix of policies needed to ensure food security is likely to vary according to a country's level of economic development and its structural circumstances, including its comparative advantage in agricultural activities. National governments themselves have responsibility for implementing strategies and policies to improve food security. OECD countries can support those efforts, through knowledge sharing and ODA that is aligned with national priorities.

(iii) Identification of priorities for global action.

While some policies can be implemented at the national level, in many areas there are clear gains from multilateral action. In particular, the benefits of widespread trade openness exceed the benefits from unilateral liberalisation. Similarly, multilateral platforms can be an important vehicle for knowledge sharing (for example, in research and development, or in the design of risk management tools).

The remaining sections of this chapter consider how more coherent policies in each of these three areas can contribute to improvements in global food security.

REFORMING OECD COUNTRIES' POLICIES TO IMPROVE COHERENCE

Agricultural policy reforms by OECD countries would improve policy coherence

OECD countries can accelerate the reform of policies that create negative international spillovers. Historically, the concern has been with high levels of support and protection that have

the potential to undercut farmers' livelihoods in developing countries. Notwithstanding tariff preferences afforded to some developing countries, tariffs on agricultural products remain several times higher than those levied on industrial goods. This restricts market access for developing countries' farmers with export potential. Higher prices have historically led to the accumulation of surpluses, which have been disposed of with the use of export subsidies. These depress international prices, making conditions more difficult for competitors in international markets and for import-competing producers in domestic markets. Policies to support farmers have also often been counter-cyclical, which stabilises domestic markets but exports instability into world markets.

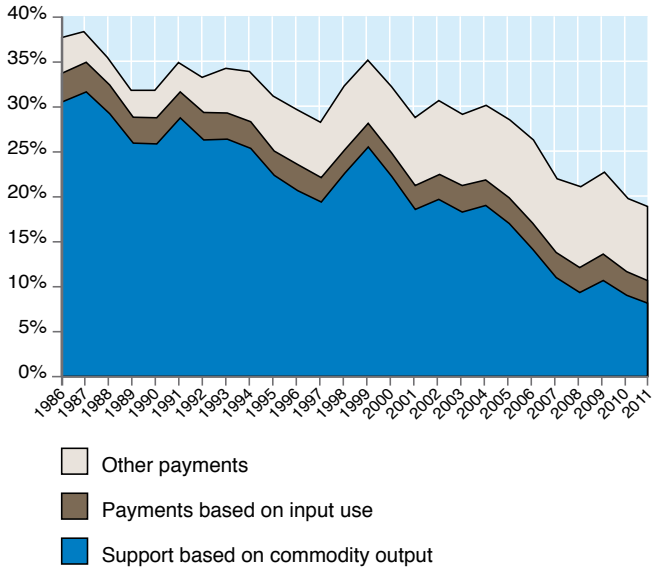
There have been important reforms, with the result that the marginal impacts of support on developing countries are now much lower. Across the OECD area, annual support to farmers, in the form of higher prices than those prevailing in world markets or direct payments financed by taxpayers, increased in nominal terms from USD 239 billion in 1986–1988 to USD 248 billion in 2009–2011. This represents a decline in real terms and as a proportion of farmers' incomes, with the share of farmers' gross receipts coming from consumer and taxpayer support falling from 37% to 20% (Figure 2). There are now only three countries (Japan, Norway and Switzerland) where government support accounts for a half or more of farm revenues.

The reduction in the degree of support provided has been accompanied by a shift in the ways in which support is provided—support has become less production- and trade-distorting. Whereas in 1986–1988 90% of farm support was linked to output or input use (predominantly higher prices for the former, lower for the latter), by 2009–2011 that share was down to 58%. However, reform has been uneven. For example, the share of support in the European Union linked to output or input use fell from 96% to 33%, whereas the corresponding change in Japan was from 97% to 87%, and the change in the United States was from 64% to 46%. In recent years, there has been little use of export subsidies.

Reforms in recent years have been facilitated by strong market conditions, which have reduced the gaps between domestic prices and world market prices. Moreover, as price gaps have narrowed, so the counter-cyclical element of domestic support programmes has declined. At the same time, some OECD countries have instituted supports for biofuel production, which has the reverse tendency of making international food prices higher than they would otherwise be, while (in the case of mandates) adding to price volatility by creating a demand that is less responsive to prices. In addition, a number of tariff peaks and cases of tariff escalation remain. Given high food prices, now would be a good time to remove all trade-distorting instruments and put in their place more efficient alternatives, including social safety nets and tools to help farmers manage risk.

Figure 2. OECD composition of Producer Support Estimate, 1986–2011

Percentage share of gross farm receipts



The Producer Support Estimate (PSE) captures transfers to farmers from consumers (in the form of higher prices) and taxpayers (in the form of budgetary payments).
Source: OECD, PSE/CSE database, 2012.

Policies that subsidise or mandate the use of biofuels should be removed

As world food prices have risen, concern has focused on policies that add to upward pressure on prices, including the diversion of land to biofuel production. There are huge uncertainties over the scale of impact that biofuels will have on overall land use. Technological developments in biofuels, the cost and availability of fossil fuels and the policy environment are hazardous to predict. The removal of policies that subsidise or mandate the production and consumption of biofuels that compete with food would imply that these technologies come on-stream when and where they make economic sense, and in the meantime do not jeopardise food security unnecessarily.

A range of positive actions can ease the conditions of global food availability

Besides avoiding harmful policies, there are many positive ways in which OECD countries can contribute to global food security, in particular by easing the conditions of food availability. Sustainable increases in supply, which can be achieved through productivity increases, are one way of doing that. The returns to public (and private) investment in agricultural research and

development are very high, although the lag times are long. Renewed efforts at the national level, accompanied by greater international collaboration, are warranted. At the same time, incentives to encourage more efficient use of land, water and biodiversity resources would contribute to sustainable supply increases in many regions. Innovation, broadly defined to include not just science but education, training, and organisational improvements, also offers a strong potential to mitigate and adapt to the negative impacts of climate change. On the demand side, improved information and public awareness could substantially reduce over-consumption, cut down on consumer waste and facilitate healthy food choices.

SUPPORTING DEVELOPING COUNTRIES' OWN EFFORTS

Agricultural development has a key role to play in ensuring food security

The overriding priority for ensuring global food security is to raise the incomes of the poor, and with it their access to food. Agricultural development has a crucial role to play, given that the majority of the world's poor lives in rural areas, where agriculture is the foremost economic activity. But this is not a separate or independent role: agriculture needs to be integrated into wider growth and development strategies. The countries that have been most successful in reducing rural poverty and food insecurity have been the ones in which balanced rural development has allowed a progressive integration of rural and urban labour markets.

Balanced rural development involves promoting agricultural development on the one hand, while broadening opportunities for the many farmers who will have better long-term (i.e. intergenerational) prospects outside the sector. Even with higher prices and greater opportunities within agriculture than there have been for decades, resource-poor farmers will face adjustment pressures and, as incomes rise, the majority of children from farm families will have better prospects outside the sector. The key to striking the right balance is to avoid creating incentives that prejudice the individual's decision on whether to exploit improved opportunities within or outside farming. Focusing exclusively on supporting smallholder structures could trap households into livelihood patterns that—even if they can improve their immediate food security—impede their long-term prospects.

An important challenge, therefore, is to promote an efficient farming structure that is capable of yielding incomes that are comparable with those in the rest of the economy, and doing so in ways that are environmentally sustainable. In many countries, smallholders have a key role to play because they constitute the dominant type of farm structure. Yet they are often poor and food insecure. In some contexts the immediate priority may be to raise smallholders' incomes directly by investing in smallholder productivity; in other cases it may be more effective to concentrate on building alternative opportunities in the rural economy and beyond.

In many cases, the foremost need is to redress urban bias, which results in under-provision of public goods and essential services, such as health, education, and physical infrastructure (including ICT) in rural areas. Public investments, and public-private partnerships, to provide strategic public goods or quasi public goods for further agriculture development, such as adapted research, training and extension services, are likely to be much more effective over the long term than market interventions, for example, through price supports and input subsidies. Even in the short term, with appropriate skills and supporting infrastructure, wider application of already available technologies could help reduce the productivity gap in developing countries' agriculture, bringing with it significant economic benefits.

There is a particular need for risk management tools tailored to the needs of vulnerable farmers, which can reduce the effects of price volatility and enable them to manage risks from weather, climate change, pests, macroeconomics and other shocks. At the same time, governments may need to manage a range of national risks, including those emanating from global markets. The development of such tools is being supported by the Platform on Agricultural Risk Management (PARM).

For larger developing countries, it is important to note that their agricultural and associated trade policies have increasingly important impacts on world markets. Indeed, it is no longer relevant, given the changing structure of world trade, to view the spillover effects of agricultural policies as exclusively an OECD-country issue. During the 2007–2008 food price crisis, export restrictions were used predominantly by emerging and developing countries, and this exacerbated the crisis—as well as placed a specific burden on some developing countries which could not source imports. The use of alternative non-trade-distorting policies would provide domestic benefits and avoid undermining other countries' food security.

There is a general tendency to view the food security implications of biofuels solely in terms of their impacts on world food markets. But for a number of developing countries, biofuels could provide important economic opportunities. The realisation of those opportunities could require significant farm level adjustment, with larger operations and relatively more people earning an income from wage labour, as opposed to relying on their own food production for their livelihoods. Insofar as that adjustment occurs, the terms under which farmers relinquish their land and the conditions of salaried employment will be an important determinant of the food security implications.

The main impetus for improvements in countries' food security will come from their own strategies and policies. But progress at the national level can be supported by improved co-ordination and coherence at the multilateral level, through knowledge sharing in technical areas such as research as well as on best policy practices, and through the catalytic role of aid. It is in these areas that OECD can support countries' efforts to ensure the food security of their citizens. These issues are taken up below.

Public investment, supported by development aid, can complement and attract private investment

The OECD and the FAO Agricultural Outlook suggests that structurally higher food prices are here for the coming decade. Strong demand and prices will provide farmers with the incentives needed to feed a wealthier world population that is expected to exceed 9 billion by 2050. But policy makers can further stimulate the food supply response and constrain demands that put upward pressure on food prices without leading to improved nutritional outcomes—for example, by reducing waste throughout the food supply chain and encouraging consumers to adopt more balanced diets.

The connected challenges of raising agricultural and rural incomes, and boosting supply sustainably, call for large increases in agricultural investment. Many developing countries have a dearth of domestic resources, and their agricultural sectors have suffered from decades of under-investment. The FAO estimates total net investment needs in primary and downstream agriculture in developing countries at over USD 80 billion per year over the next four decades, which is about 50% higher than current levels. Most of this investment will have to come from the private sector, but strategic public investments can help attract private investment—both foreign and domestic.

A report by twelve agencies to the Mexican G20 Presidency, entitled "Sustainable Agricultural Productivity Growth and Bridging the Gap for Small-Family Farms" (FAO, OECD et al., 2012), stressed the global importance of strengthening long-term productivity, sustainability and resilience, and the primary need for agricultural investment in developing countries and for public investments that can induce complementary private investments. There is a specific need for investment in agriculture's enabling environment, with investments in roads, ports, power, storage and irrigation systems, as well as in non-agricultural areas such as education—particularly of women, sanitation and clean water supply and health care. Public Private Partnerships can be an effective vehicle for increasing foreign direct investment (FDI), while development aid can be a catalyst, complementing the primary role of private sector investment.

More generally, governments need to provide the framework conditions for investment in agriculture. The OECD has developed a *Policy Framework for Investment in Agriculture* in order to support countries' efforts to mobilise private investment in agriculture (Box 2). Policy coherence across various sectoral policies is critical to creating an attractive environment for all agricultural investors. Investment policy should be well aligned with agricultural policies, for instance, by simplifying land registration procedures. Similarly, human resource development policies should support the implementation of agricultural development objectives by focusing, for example, on specific agricultural sub-sectors or technical skills. They should rely on a careful assessment of the skills' needs of all types of investors, from those that can be addressed by technical trainings to those requiring efforts on tertiary education. Furthermore, appropriate co-ordination mechanisms between the ministries responsible for infrastructure and agriculture development should be in place to provide adequate agriculture-related infrastructure, in particular in rural areas, in order to connect investors to their customers and suppliers and enable them to take advantage of new technologies, thereby increasing productivity and incomes.

Official development assistance (ODA) has an important role to play in improving food security in some countries, particularly those that do not generate enough tax revenues to pay for essential public investments and services. There is renewed recognition that aid needs to refocus on agricultural development, including promoting agricultural trade, as the sector is a key area of comparative advantage in many developing countries. In the case of strategies towards agricultural development, OECD analysis suggests that policies which develop agriculture's enabling environment are likely to be more effective than those which support specific production activities. The basic prerequisites are long-term investments in public goods which improve competitiveness, such as research and development and rural infrastructure, coupled with targeted assistance to poorer households via social programmes. Trade facilitation and Aid for Trade have an important role in improving developing countries' supply capacity, so that they can respond to improved export opportunities.

Beyond helping with resourcing requirements, OECD countries, in particular, countries that have developed recently, have potentially important experiences to share. These can help illuminate the role that agricultural development has to play in poverty reduction, and the kinds of institutional changes and policies that have been effective. There may also be specific knowledge and expertise that can be transferred in areas such as agricultural research and innovation, and farm management techniques. Of course, knowledge sharing works in multiple directions. OECD countries can learn from the experiences of developing countries, and the benefits of information exchange among developing countries are becoming increasingly apparent. The OECD provides mechanisms for policy dialogue so that countries can benefit from such mutual learning.

Box 2

A policy framework for sustainable private investment in agriculture

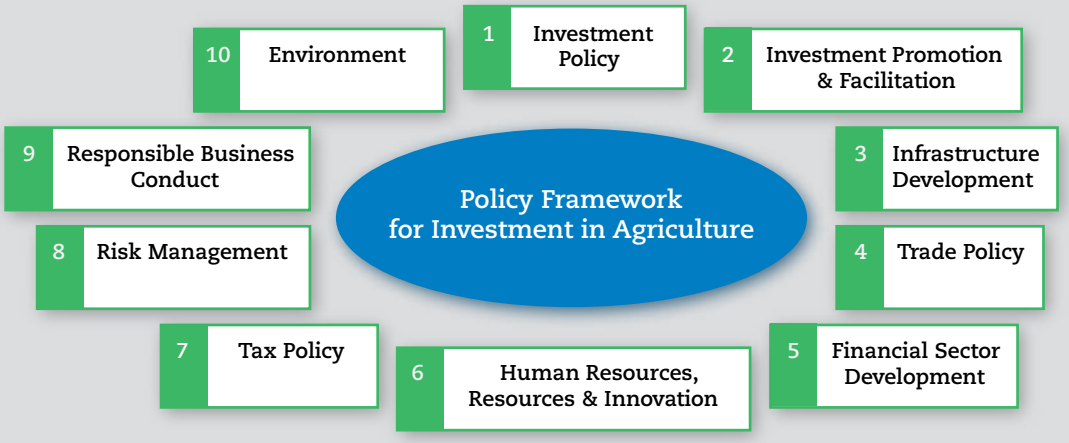
The Policy Framework for Investment in Agriculture (PFIA) aims to support countries in evaluating and designing policies to mobilise private investment in agriculture for steady economic growth and sustainable development. Attracting private investment in agriculture relies on a wide set of policies that go beyond agricultural policy, including macroeconomic and sectoral policies. A coherent policy framework is an essential component of an attractive investment environment for all investors, be they domestic or foreign, small or large. The PFIA is a flexible tool proposing questions for governments' consideration in ten policy areas to be considered by any government interested in creating an attractive environment for investors and in enhancing the development benefits of agricultural investment.

The PFIA draws on the Policy Framework for Investment (PFI) developed at the OECD in 2006 by 60 OECD and non-OECD countries. It was first developed in 2010 by the NEPAD-OECD Africa Investment Initiative, the Sahel and West Africa Club (SWAC) and the Office of the Special Adviser on Africa (OSAA) of the UN Secretary General. It has benefited from inputs from several OECD policy communities, in particular the Secretariats of the Committee for Agriculture, the Development Assistance Committee (DAC), the Committee on Fiscal Affairs and the Committee on Financial Markets. The revised version of the PFIA is issued under the auspices of the Investment Committee and the Committee for Agriculture.

The PFIA has already been used as a self-assessment tool by Burkina Faso, Indonesia and Tanzania and is currently being used in Myanmar. Given the range and variety of relevant measures involved, the PFIA promotes policy co-ordination at the host-country level, both in the design and implementation phases. All relevant stakeholders, including not only Ministries and government bodies but also the private sector, civil society and farmers' organisations, should be actively involved in the PFIA process.

The PFIA can complement existing national and international initiatives aiming to attract more but also better investment in agriculture. In particular, it can contribute to achieving the CAADP and Grow Africa objectives by supporting the design and implementation of regional and national agricultural investment plans and investment blueprints and by strengthening cross-sector collaboration. It can provide the Global Donor Platform on Rural Development (GDPRD) and the New Alliance for Food Security and Nutrition with an instrument to facilitate donor dialogue, harmonisation and alignment around countries' priorities. The PFIA can also be used as an instrument to support the Feed the Future initiative launched in 2009 by the US government, aiming in particular to create enabling policy environments facilitating private sector investment. Finally, it can help implement principles for responsible investment at the country level, in particular by building on the ongoing consultations on responsible agricultural investment launched by the Committee on World Food Security in 2012.

Policy Framework for Investment in Agriculture



Source: OECD (2012c).

Efforts to raise incomes need to be complemented by other policies to improve nutritional outcomes

Income growth is essential, and while many countries are making progress, others—mostly located in Africa and South Asia—are being left behind. Yet income growth is necessary but not sufficient to accelerate reduction of hunger and malnutrition. The composition of growth matters, as more equal growth is likely to lead to faster improvements in the food security of the poorest. Inequalities in personal incomes are also often matched by inequalities in access to public services, such as education and primary health care. Universal provision of core public services would boost the potential of households to earn higher incomes. There are also direct benefits to nutrition, from providing safe water and sanitation, to specific initiatives to improve nutrition, such as improved awareness regarding adequate nutrition and childcare practices and targeted supplements in situations of acute micronutrient deficiencies. Across these areas, ODA can play a catalytic role.

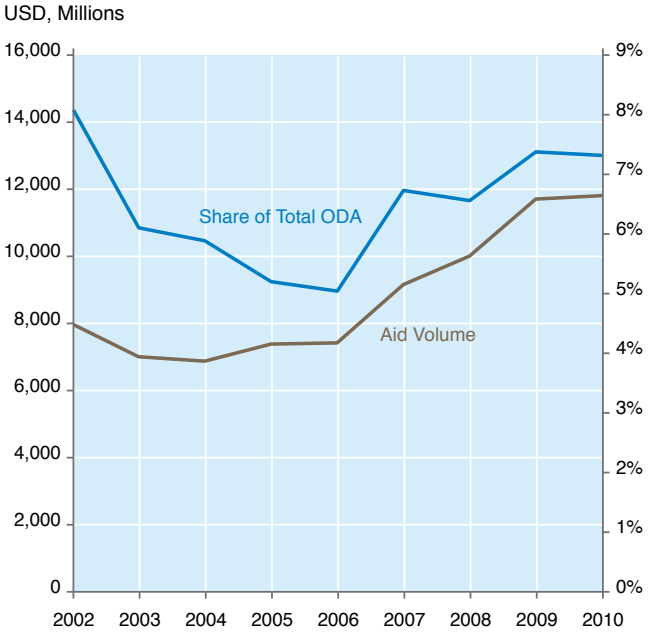
As countries develop, the challenge of ensuring food security becomes progressively less a question of incomes and fiscal resources, and more one of modifying behaviour. Poor nutrition is a significant health issue in both developed and developing countries. Globally, there are more overweight people than there are underweight, while large numbers of middle-income countries suffer from both problems, with significant proportions of the population underweight and overweight, and many individuals overweight yet poorly nourished. These issues may be more easily tackled via policies that raise consumer awareness and thereby change consumption habits than through taxes and regulations. The scope for using food taxes to constrain demands is limited by the fact that most foodstuffs—unlike say tobacco—are good for health within limits.

Donor support for food and nutrition security

Data on DAC donors' aid for food and nutrition security (FNS) come from the Creditor Reporting System (CRS). All aid reported under agriculture, agro-industries, forestry, fishing, nutrition and development and food aid/food security assistance is considered aid for FNS. While this approach will include some aid that is not specifically targeted to FNS and exclude some which is, in the absence of a specific FNS classification, it provides a reasonable picture of trends in aid in this area.

Total ODA (multilateral and bilateral) for FNS in 2010 stood at around USD 11.7 billion, up 49% in real terms from 2002 (Figure 3). Its share of total ODA over that period, however, has fluctuated only slightly, around an average of 7%. The data show that ODA for FNS has kept pace only with the overall rise in total ODA; there was no evident surge in ODA for FNS following the food price hikes of 2007 and 2008. The share of ODA for FNS began to pick up from a low of 4.5% around 2006 and is therefore unrelated to the current interest in FNS.

Figure 3. ODA for FNS



Source: OECD DAC/CRS, Commitments, constant 2010 USD.

Who are the main FNS donors?

In terms of volume, the main FNS bilateral donors are the US and Japan, which spent on average USD 1.7 billion and USD 1.3 billion p.a. respectively over 2008–2010 (Table 1). Together, these two donors account for just under half of the total bilateral ODA for FNS. In terms of the importance of FNS in a donor country's overall aid programme, countries above the DAC average of 6% for 2008–2010 included Canada (12%), as well as Ireland, Japan and Spain (each at 10%).

What is the aid being spent on?

Most ODA for FNS is allocated to agriculture (61% for 2008–2010), the second largest category being development food aid at 22%. Compared to 2005–2007, there has been little change in the composition of ODA for FNS, despite growing recognition of the persistence and severity of the problem and a better understanding of the comprehensive nature of the causes of FNS, which include but extend well beyond agriculture. ODA for nutrition, for example, has remained at 3% of ODA for FNS, despite it being increasingly recognised as a critical factor, but this underesti-

mates overall support for nutrition, as it does not include sizeable amounts channelled through humanitarian budgets.

Who are the main recipients?

At the regional level, Sub-Saharan Africa received 41% of ODA for FNS in 2009–2010. Asia was the other main recipient, with 32%. In terms of income groups, 42% of ODA for FNS went to the Least Developed Countries (LDCs) (Figure 4). Low Middle Income Countries (LMICs) were the second largest recipient group with 25%. While the share going to Other Low Income Countries (OLICs) appears relatively low (10%), there are in fact only six countries in this group now, compared to 48 LDCs and 40 LMICs.

The top five recipients in 2010 in terms of volume were Afghanistan, Ethiopia, India, Indonesia and Brazil. Compared to 2005, countries such as China and Viet Nam now receive much less ODA for FNS. In terms of ODA for FNS per capita, the top five recipients in 2010 were Afghanistan, Armenia, the West Bank and Gaza Strip, Mali and Bolivia. Overall, there has been considerable movement in ODA for FNS between 2005 and 2010; half of the countries currently in the top 20 recipients list (volume and per capita) were not on the list in 2005, including Ghana, Guinea Bissau, Haiti, Liberia, Mongolia, Niger, Rwanda, Senegal, Sierra Leone and Zimbabwe. In addition, total ODA for FNS in 2010 for both Afghanistan and Mali represents a threefold increase from their 2005 totals.

Table 1. Bilateral ODA for FNS: 2008–2010 average

	Total ODA (Millions USD)		% of ODA for FNS
United States	1708	Canada	12%
Japan	1364	Ireland	10%
Spain	477	Japan	10%
France	455	Spain	10%
Canada	423	Norway	9%
Germany	352	Korea	8%
Norway	287	Luxembourg	7%
United Kingdom	255	Denmark	7%
Australia	179	Finland	7%
Netherlands	142	United States	7%
Denmark	121	Australia	7%
Belgium	115	Belgium	7%
Sweden	96	Italy	6%
Italy	79	France	5%
Ireland	74	Switzerland	4%
Switzerland	72	New Zealand	4%
Korea	54	Germany	4%
Finland	52	United Kingdom	3%
Luxembourg	21	Sweden	3%
Austria	14	Netherlands	3%
New Zealand	10	Greece	2%
Greece	5	Austria	2%
Portugal	3	Portugal	1%

Source: DAC/CRS.

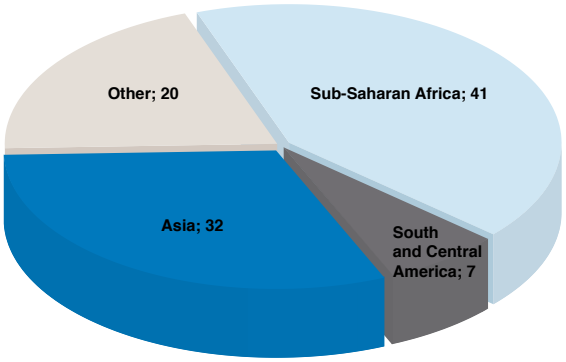
How much is going to food crisis areas?

Over the past decade, the Horn of Africa and the Sahel have experienced persistent food crises. In the Horn of Africa, total emergency food aid for 2010 amounted to USD 825 million, with ODA for FNS standing at USD 811 million (Ethiopia was by far the main recipient of both emergency food aid (USD 498 million) and ODA for FNS (USD 534 million). In comparison, Chad received USD 139 million in emergency food aid and only USD 47 million in ODA for FNS. The reverse is true for Uganda, which received only USD 31 million in emergency food aid and USD 117 million in ODA for FNS. Looking at ODA for FNS on a per capita basis, again, Ethiopia tops the list at USD 6.4 per capita, while Uganda and Eritrea each received less than USD 4 per capita. At present, and triggered by severe under-development, drought, conflict and the resultant massive displacement of people, the areas of highest concern are in Somalia, Ethiopia and Kenya.

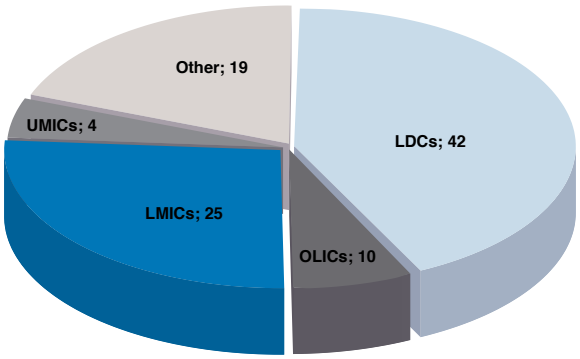
In the Sahel region, aid levels both by volume and per capita are considerably higher than in the Horn. Of course, the Sahel includes more countries, including some also classified as part of the Horn of Africa. The Sahel has five countries on the list of top 20 recipients on a per capita basis, while the Horn has none. Total emergency food aid to the Sahel stood at USD 1.3 billion in 2010. Ethiopia and Sudan account for 72% of that total, with Chad and Niger also receiving sizeable amounts. Turning to ODA for FNS, Ethiopia again dominates the picture in terms of volume, accounting for over one-third of the total. However, Burkina Faso, Mali, Niger, Senegal and Sudan were also important recipients in 2010. On a per capita basis, Mali was the main recipient in 2010, with over USD 15 per capita, while Chad, Djibouti, Eritrea, Somalia and Sudan received less than USD 5 per capita. Such low levels of ODA, together with often significant shortfalls in both government and private sector spending, help illustrate why the Los Cabos G20 Summit focused heavily on the pressing challenge of strengthening both emergency and long-term responses to food insecurity.

In sum, ODA for FNS represents only a portion of the total financing needed to support countries' FNS plans. ODA supports about one-quarter of the total financing needed, developing country contributions cover another quarter, leaving a financing gap of about 50%. Under the 2003 Maputo Declaration, African countries pledged to spend a minimum of 10% of national budgets on agriculture. Progress towards meeting this target varies considerably across countries, but the average rate across Africa in 2010 was around 6.5%, with only a small number of countries actually meeting or surpassing the target. The most serious problem, however, is finding ways to attract sustainable investment from the private sector (international, domestic and informal). There is still much to do to encourage more private sector investment and public-private partnerships, for example, in tackling obstacles related to credit, productivity and risk.

Figure 4. ODA for FNS: Breakdown of geographic & income group: 2009–2010 average



Note: "Other" includes unallocated disbursements.
Source: OECD DAC/CRS, disbursements, current prices.



Note: "Other" refers to Europe (1%), North Africa and Middle East (2%), North America (5%), Oceania (1%), and unallocated (12%).
Source: OECD DAC/CRS, disbursements, current prices.

This is now a focus of the recent G8 Camp David initiative on the New Alliance for Food Security and Nutrition.

Focusing on trends and patterns of ODA for FNS means focusing on inputs. While this is usually the first part of any aid story, the most important part concerns how well that aid is working. In other words, is it delivering the intended benefits? Considerable work is now underway on two fronts—delivering aid effectively and measuring its results. Based on the DAC Principles of Aid Effectiveness of Accra and Busan and the Rome Principles on Sustainable Global Food Security, donors are increasing support to partner-country-owned food security plans and investment strategies, helping to strengthen capacity for in-country implementation and co-ordinating their programmes in partner countries. The AFSI group is also currently active in developing a framework for better measuring the results of ODA for FNS that will cover data collection and will utilise common indicators to track progress and provide good practices to contribute to the design and implementation of frameworks tailored to the specific situations and needs of partner countries.

AREAS FOR GLOBAL ACTION

Sustainable agricultural productivity growth is a common challenge for developed and developing countries.

There is more scope for raising agricultural productivity than there is for mobilising more land and water resources. While it is likely to become increasingly difficult to push yield frontiers at a constant percentage rate of growth (i.e. exponentially), there is great scope for developing countries to close the gap between actual and potential yields. The key to realising these gains is innovation in the wider sense, combining adapted technologies with improved farm management practices. There is evidence of high rates of return to research and development accompanied with extension, albeit with long time lags.

A large share of the world's agricultural production is based on the unsustainable exploitation of water resources. There is a need for policies to manage both land and water resources sustainably, for example, by strengthening land tenure systems and introducing water charges or tradable water rights.

Climate change is expected to have a range of (mostly negative) effects on agricultural production. A range of investments—for example, in research, irrigation and rural roads—can help improve resilience, but production will ultimately need to be located in areas where it is inherently sustainable. Accurate data and public information have a vital role in helping farmers to adapt. Global co-operation is also particularly critical to mitigate climate change. While agriculture can contribute to climate change, in particular through greenhouse gas emissions, agricultural production is particularly vulnerable to climate change consequences, such as global warming, rising sea levels, changing precipitation patterns and extreme weather events. International treaties and agreements on environmental management and international initiatives, such as the carbon market mechanism REDD (Reducing Emissions from Deforestation and Forest Degradation) launched by the UN in 2008, and private voluntary initiatives can be supported and implemented. Bring-

ing down trade barriers in environmental goods and services would facilitate their dissemination and use, thereby increasing local agriculture competitiveness and improving the environmental sustainability of productive activities.

There is important scope for sustainable intensification, and investments in infrastructure can help limit producer losses, which account for around one-third of all production in low- income countries. Yet current production patterns may not always be compatible with sustainable resource use, implying trade-offs between sustainability and immediate food security outcomes. In many countries and regions, there is no effective pricing of natural resources, with the result that production is too intensive or occurs in areas where ultimately it should not. Pricing of resources could improve the sustainability of production but it could also raise farmers' costs and, in some circumstances, put upward pressure on food prices. Likewise, agriculture is a major contributor to anthropogenic climate change, but taxing farmers' greenhouse gas emissions could lower their incomes and raise food prices. These trade-offs underscore the primary importance of income growth: only if incomes grow sufficiently can food security and sustainable resources be fully compatible. On the other hand, pricing of environmental services could raise some farmers' incomes.

Sustainable productivity growth will require strengthened food and agriculture innovation systems, comprising research, extension and broader knowledge sharing, with particular emphasis on adaptation to climate change and coping with scarce land and water. Public and private investments in scientific research and development, technology transfer, and education, training and advisory services are needed to ensure that successful practices are scaled up.

While increased private investment in agriculture by agro-food industries and institutional investors can enhance productivity and drive job creation and income growth, there are legitimate concerns regarding the terms of the deals and their implications for existing rights and livelihoods. As new actors—such as institutional investors and state-owned or state-controlled enterprises and funds—invest in the agricultural sector, they may be confronted with ethical dilemmas and risks of infringing universally agreed standards of responsible business conduct, particularly in countries with weak governance and insecure land rights. Governments should co-operate with each other and with other actors to strengthen the international legal and policy framework in which business is conducted in order to ensure that such investment brings development benefits.

To support this objective, the OECD is developing consultations aimed at providing these investors with guidance on ways to promote responsible business conduct along agricultural value chains. This work, undertaken jointly with the FAO, builds on and feeds into the consultations on responsible agricultural investment led by the Committee on World Food Security (CFS). Improved functioning of the world trading system would also deter investments that are based on geo-political reasoning as opposed to commercial logic.

Trade has an important role to play in ensuring global food security. Reforming countries may need to put in place parallel measures to maximise the benefits and minimise the costs.

Open markets have a pivotal role to play in raising production and incomes. Trade enables production to be located in areas where resources are used most efficiently and has an essential role in getting product from surplus to deficit areas. Trade also raises overall incomes through the benefits to exporters (in the form of higher prices than would be received in the absence of trade) and importers (through lower prices than would otherwise be paid), while contributing to faster economic growth and rising per capita incomes.

Nevertheless, there are legitimate concerns about potentially negative effects that may follow from greater trade openness, and how those effects should be managed. First, trade reform generates an immediate pattern of winners and losers. For protected farmers, trade liberalisation will lower the prices they receive and expose any lack of competitiveness. Equivalently, if exports are taxed then the removal of those taxes will increase consumer prices. Second, while domestic shocks may be more frequent and severe than international shocks, there have been episodic spikes in international prices that have been large enough to raise concerns about the immediate welfare of those who spend a large share of their budgets on food. Third, trade openness may lead some countries to import more of their food, and for some of them a spike in food prices that is not matched by increases in the prices of exports could lead to difficulty in meeting their food import bills. Fourth, there are concerns about the reliability of world markets. When food prices peaked in 2007–2008, some countries failed to honour forward contracts and the widespread application of export restrictions to suppress domestic prices undermined some importers' confidence in world markets as a reliable source of food supplies. Fifth, on the nutrition side, there are possible downsides from increased trade, for example, if the prices of energy-rich but low-nutrient food staples fall relative to the prices of more nutritious alternatives.

While acknowledging the legitimacy of these concerns, trade policy instruments are not the optimal tools for addressing them. In terms of the winners and losers created by trade reform, the needs of the latter are best addressed through a combination of adjustment assistance and social safety nets. Price support, and associated trade protection, tends to be inefficient at delivering support to farmers and is inequitably distributed.

Moreover, among the poor (and hence food insecure) there are typically both buyers and sellers of food so price instruments and associated border measures, are particularly blunt instruments. In the case of potential exporters who should benefit from reform, there may be a need for complementary reforms and supply-side investments for those gains to be realised. Moreover, such measures may reinforce the gains even when there is existing capacity.

For mitigating the adverse impacts of international price volatility, targeted social programmes (including cash transfers) are a preferable option, while agricultural investments and the development of risk management tools can improve farmers' resilience to risk. Although price stabilisation (as opposed to price support) can limit the impact of adverse shocks on producers and consumers, it often proves to be fiscally unsustainable. As long as the programme endures, it can provide a more stable investment climate, but thwarts the development of private risk management, and can export instability into world markets.

Work on the macro implications of higher food prices suggests that self-sufficiency is likely to be an expensive way for food importing countries to limit their exposure to periodically higher food import bills. Hedging on international markets is an alternative option, while the international community has several financing mechanisms that could enable developing country governments to overcome rare but potentially severe surges, such as that experienced in 2007–2008. Insofar as the prices of food items do not all move contemporaneously, countries can also limit their exposure to price risk by diversifying the commodity composition of both exports and imports.

The best way of coping with problems related to the unreliability of world markets is for countries to desist collectively from adopting beggar-thy-neighbour policies. These policies cause bilateral and regional trades to break down, and generate wider negative spillovers when applied by countries with a larger presence in world food markets. Many of the responses to the 2007–2008 food price spike were ineffective because of the collective impact of other countries applying similar measures. Countries can mitigate some of these risks by having a wider range of trading partners.

Export restrictions are only weakly constrained by WTO rules, and they were used by several emerging economies during the 2007–2008 food price spike. Export restrictions add to upward pressure on international food prices and transfer price risk to the international market. Recent evidence suggests that the aggregate result of exporting countries imposing export restrictions, and importers temporarily reducing tariffs, has been equivalent to spectators standing up in a stadium in order to see better. The first movers may have had some advantage, but in the end there has been little benefit to adopters of those policies, while non-adopters have suffered and more countries have lost than have gained.

Many countries face significant nutritional issues, including not enough consumption and over-consumption (with both often occurring in the same countries) and unbalanced diets. Again, the use of trade policy is a blunt instrument with which to try and modify consumption patterns. Public information and education are the first requirements for addressing these issues.

Trade will be essential in order for supply increases to be achieved sustainably. Trade enables production to locate in areas where natural resources, notably land and water, are relatively abundant, and where systems are more resilient to the effects of climate change. Looking ahead, the areas of the world with sustainable productive potential are not the same as the areas experiencing rapid population growth. Nor is there any one model of efficient farm structure. Global food security will need to be underpinned by a mix of small, medium and large farms, and by domestic, as well as international, markets.

In the context of high food prices, new issues have emerged with potential implications for food security. They include export restrictions, the use of biofuel mandates, and the opportunities and threats presented by the involvement of new actors investing in agriculture. On these issues, as well as in terms of conventional support mechanisms, policies in emerging economies (in particular the BRIICS) are increasingly important.

High and volatile food prices have made the task of ensuring food security more difficult in the short term. The 2007–2008 food crisis highlighted the need for a number of reforms to improve the efficiency and reliability of world food markets. Several specific recommendations were proposed in a policy report that the OECD and nine other international organisations provided to the French Presidency of the G20 on "Price Volatility and Agricultural Markets: Policy Responses" (FAO, OECD et al., 2011).

One was the need to improve market information and international co-ordination, in order to improve readiness and avoid unco-ordinated responses that may actually aggravate price instability. The creation of the Agricultural Market Information System (AMIS) and the associated Rapid Response Forum (RRF) at the beginning of 2012 responds to this demand, by improving the flow of information on markets, stocks and policy developments. The AMIS is housed at the FAO, with a secretariat that includes representatives from other international organisations, including the OECD. In response to the IO report, G20 governments have also sought, through the work of Finance Ministers and Central Bank Governors, to improve the transparency and functioning of agricultural futures markets.

It was also suggested that developing and scaling up safety net systems would be of value to the most vulnerable consumers in a food crisis, which could include systems of strategically placed humanitarian reserves. The World Food Programme, supported

by other IOs, proceeded to develop a proposal for a pilot program for a small targeted regional emergency reserve in West Africa.

However, recent high food prices are not just a one-off shock. They also appear to reflect a basic structural change that has taken place in world food markets. While it is hazardous to project food prices, it would appear highly unlikely that prices will return to their historic lows in the medium term. Rather, the outlook for the next decade and beyond would appear to be one in which demand growth, driven by rising population and incomes, will pose a rising supply-side challenge, in particular given limited land and water resources and their potential allocation to non-food production. Responding to that supply-side challenge provides important new opportunities for the food and agriculture sector.

Trade can make an important contribution to the attainment of global food security, but smoother functioning of world food markets will require efforts at the multilateral level. Some gains can be achieved at the regional level, but there would be wider benefits from WTO members addressing the Doha Development Agenda and successfully concluding the Doha Round of trade negotiations.

The Challenge of PCD Measurement

This chapter looks at the opportunities and challenges for measuring PCD in three sectoral areas: *(i)* global food security; *(ii)* illicit financial flows; and *(iii)* green growth.[vi] It takes stock of existing indicators and suggests using measures of policy effort as proxy indicators for PCD. This represents the beginning of a more long-term exercise that will be revisited in subsequent editions of this publication, including for other sectors. The intention is to develop a framework for providing a regular update of countries' efforts to implement policies that are conducive to development and to track their progress in doing so. The chapter also looks at indicators in the area of governance and explores how coherence can be built by tracking country commitments based upon experiences from the Mutual Review on Development Effectiveness.

TAKING FORWARD THE PCD MEASUREMENT AGENDA AT THE OECD

Specifying the nature, scale and impact of policy incoherence and quantifying its costs present major methodological challenges. Addressing these challenges successfully is an important step on the road towards coherence. It requires identifying policy examples that undermine development objectives and identifying examples that show how policy coherence can foster development. It also requires being more specific about what it is we want to measure and why, and then agreeing on how to measure it.

The OECD Strategy on Development provides the Organisation with a mandate to take forward the PCD measurement agenda. At the same time, the nearing MDG "deadline" of 2015 provides a timely opportunity to discuss new quantitative and qualitative development goals.

In general, to assess the impact of different policies the results chains need to be identified. This is particularly challenging in the area of PCD, where an often unspecified number of policy areas is concerned and the cause-and-effect relationships are blurred. Another challenge relates to time lags: the actual effects of incoherent policies emerge at various times—as do actions to remedy such policies. The *OECD Policy Framework for Policy Coherence for Development* (2012) outlines three stages of evaluation that can help to frame PCD assessments more generally:

- **Baseline assessment**: Mapping out what exists at the present, with a focus on the degree of existing policy coherence.
- **Prospective evaluation**: Ex ante evaluation impact assessment of a specific initiative in terms of how and to what extent it aims to increase policy coherence, including preparation for future evaluations.
- **Retrospective evaluation**: Assessment of what has been achieved at some stage of an initiative/proposal (intermediate evaluation) or after it has been finished (ex post evaluation).

An alternative way to "assess PCD" could be to consider the factors that may contribute to or hinder a certain outcome, as opposed to the factors that can be attributed to a particular development result—the latter being more difficult (or even impossible in some cases) to identify.[vii]

FOOD SECURITY

What is the PCD challenge?

As the world population increases by three billion people over the next four decades and incomes rise in much of the developing world, global consumption patterns are changing the demand for food quantitatively and qualitatively. At the same time, land, water and biodiversity resource limits are tightening in some countries. Improving coherence across agriculture and related policy areas will be required to improve domestic policy performance in many countries and to contribute to reducing poverty and hunger in many others (Figure 5).

What can we measure?

Since the mid-1980s the OECD has been measuring policy effort and developing indicators and analytical tools to assess the impacts of agriculture policies on a range of outcomes. This time series of data can be used to inform the debate on global food security and PCD.

i) Advanced and emerging economies

In the area of agriculture, for all OECD countries and some emerging economies the OECD is able to:

- Identify coherent and incoherent policies.
- Quantify the incidence of policies, or policy effort.
- Compute indicators of intermediate or final outcomes.
- Quantify their impacts on developing countries.

Information and data is made available on a regular basis for the first three elements above (Box 3). These data also provide important input to models (AGLINK, PEM, DEVPEM). Information on the fourth element, however, tends to be on a more ad hoc basis. King, M. et al. (2012), for example, propose a logical framework as a means to make explicit the causal chains between indicators and development outcomes in the area of agriculture and food security (Table 2).

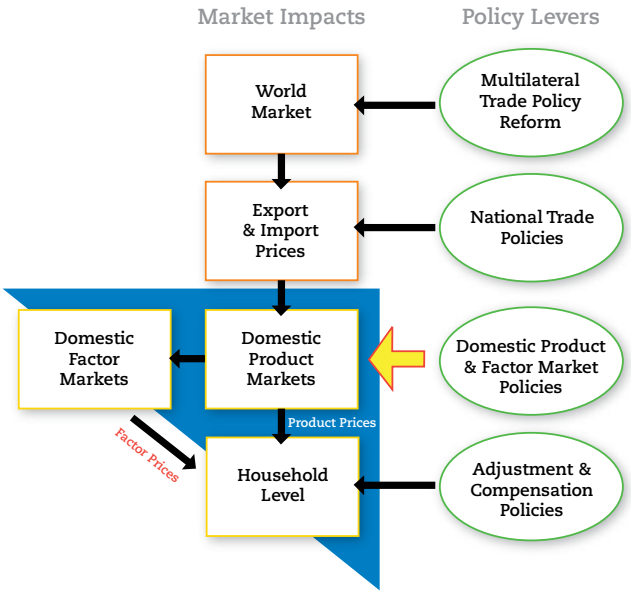
For more than 20 years, the OECD has provided internationally recognised measures of support and protection in agriculture for its member countries and, more recently, for Brazil, China, Indonesia, Kazakhstan, Russia, South Africa and Ukraine as well.

The OECD's annual measurement of support to agriculture attaches a monetary value to the different forms in which support can be provided. The welfare impacts of OECD countries' agricultural policies on developing countries come via efficiency losses and terms of trade effects (which create both winners and losers).

Total support to agriculture includes support to agricultural producers and support to services which benefit the sector more generally (Figure 6). Various measures are used to deliver support to agricultural producers. Market price support, which affects prices received by producers and paid by consumers, payments based on output and subsidies to variable inputs which do not constraint input use are potentially the most production- and trade-distorting forms of support to producers. Other forms of producer support, such as payments with no requirement to produce or payments based on the provision of amenities unrelated to commodity production, are much less or minimally distorting. Support to services includes expenditures for marketing and promotion, public stockholding, research and development and food inspection systems. Some countries also provide support to consumers.

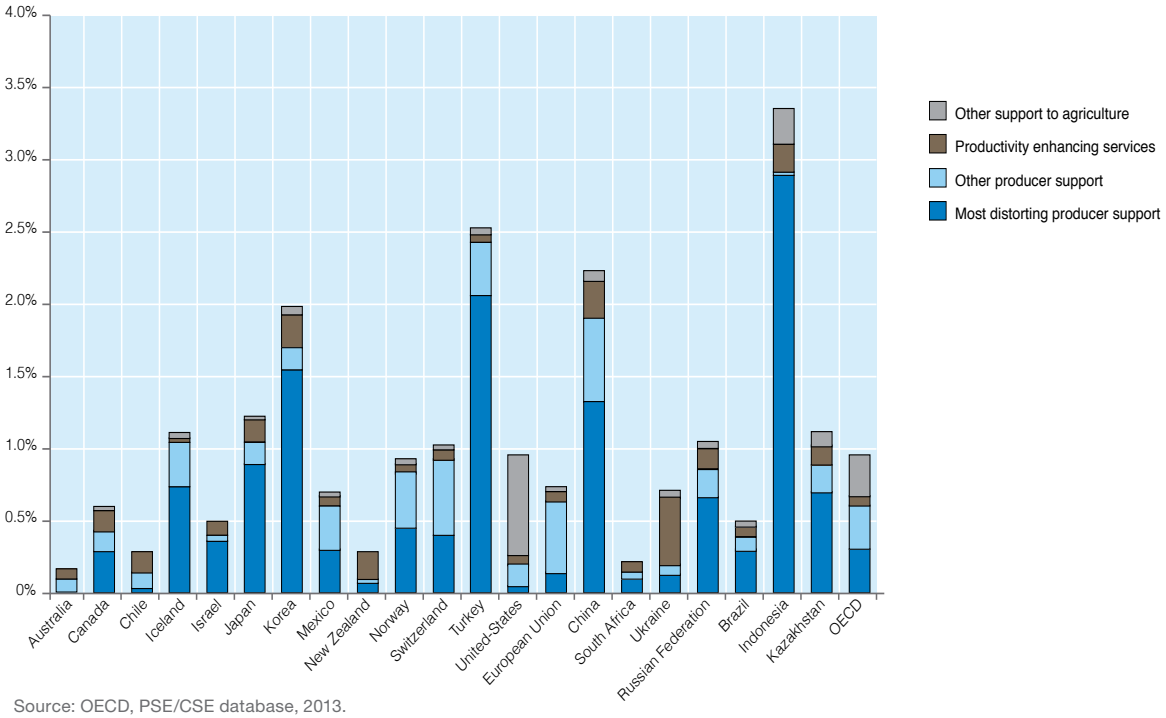
On average, support to agricultural producers in the OECD area has decreased from around 30% of gross farm receipts in the mid-1990s to less than 20% at the beginning of the 2010s. And remaining support is less production and trade distorting, as the share of most distorting forms of support is now less than 10% of gross farm receipts compared to over 20% in the mid-1990s (Figure 7).

Figure 5. A simplified schema of market and policy linkages



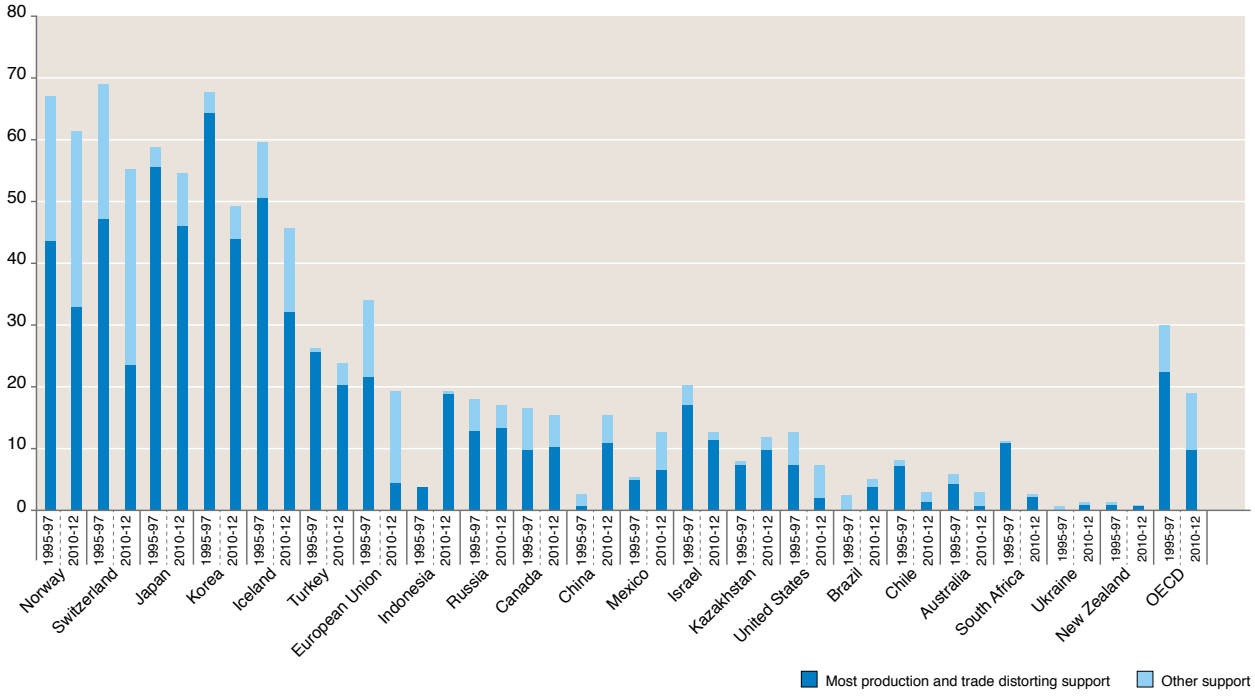
Source: Agricultural Trade and Poverty: Making Policy Analysis Count (OECD, 2003).

Figure 6. Total support to agriculture as a percentage of GDP, 2010–2012



Source: OECD, PSE/CSE database, 2013.

Figure 7. Level and composition of support to agricultural producers in OECD countries and selected emerging economies, 1995–1997 and 2010–2012



Source: OECD, PSE/CSE database, 2013.

Box 3

Definition of OECD indicators of agricultural support

Producer Support Estimate (PSE): The annual monetary value of gross transfers from consumers and taxpayers to agricultural producers, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives or impacts on farm production or income. It includes market price support, budgetary payments and budget revenue foregone, i.e. gross transfers from consumers and taxpayers to agricultural producers arising from policy measures based on: current output, input use, area planted/animal numbers/receipts/ incomes (current, non-current), and non-commodity criteria.

Percentage PSE (%PSE): Producer Support Estimate as a share of gross farm receipts.

Market Price Support (MPS): The annual monetary value of gross transfers from consumers and taxpayers to agricultural producers arising from policy measures that create a gap between domestic market prices and border prices of a specific agricultural commodity, measured at the farm gate level. MPS is also available by commodity.

Budgetary Transfers: The annual monetary value of gross transfers from taxpayers to agricultural producers, measured at the farm gate level arising from agricultural policies.

Most production- and trade-distorting support: Three categories of support to producers measured in the PSE—market price support, payments based on output and payments based on variable input use without constraints on the use of inputs.

Consumer Support Estimate (CSE): The annual monetary value of gross transfers from (to) consumers of agricultural commodities, measured at the farm gate level, arising from policy measures that support agriculture, regardless of their nature, objectives, or impacts on consumption of farm products. If negative, the CSE measures the burden (implicit tax) on consumers through market price support (higher prices), which more than offsets consumer subsidies that lower prices to consumers.

General Services Support Estimate (GSSE): The annual monetary value of gross transfers to general services provided to agricultural producers collectively (such as research, development, training, inspection, marketing and promotion), arising from policy measures that support agriculture, regardless of their nature, objectives, and impacts on farm production, income or consumption. The GSSE does not include any payments to individual producers.

Percentage GSSE (%GSSE): Transfers to general services as a share of TSE.

Total Support Estimate (TSE): The annual monetary value of all gross transfers from taxpayers and consumers arising from policy measures that support agriculture, net of the associated budgetary receipts, regardless of their objectives and impacts on farm production and income, or consumption of farm products.

Percentage TSE (%TSE): Total Support Estimate as a share of Gross Domestic Product.

ii) Developing countries

While the OECD has monitored its members' agricultural policies since the 1980s, there has been no systematic comparable monitoring of policy developments in developing countries. In response—and recognising that the earnings of the world's poorest households were often depressed by their own country's policies, which had pro-urban, anti-agricultural and anti-trade biases—the World Bank launched in 2006 its *Distortions to Agricultural Incentives Project*. The project generated a global panel dataset of estimates of distortion by product and country for the past half century.

In 2009, the project reported that progress has been made over the past two decades by numerous developing countries in reducing policy biases, but that many welfare- and trade-reducing price distortions remain in low-income countries. General findings included (Anderson, 2009):

- The economic welfare cost to the world of global distortions to goods trade fell by 58% between the early 1980s and 2007, and the cost to developing countries fell by 46%.
- Developing countries have gained disproportionately from those reforms, and their farmers have gained far more than non-farmers in those countries.

- Developing countries would benefit 50% more than high-income countries from completely freeing global markets for agricultural and other goods (with their farmers being the major beneficiaries).
- Of the prospective overall gain to developing countries, half would be due to agricultural policy reforms.

This World Bank project is a major contribution to clarifying the nature and the impact of policy distortions across 75 countries and more than 90% of global agriculture output.

There are other regional efforts under way that could serve to monitor agricultural policy trends and potentially the impact of these trends on global food security.

Through the *Monitoring African Food and Agricultural Policies* (MAFAP) initiative (funded by the Bill and Melinda Gates Foundation), the Food and Agriculture Organization of the United Nations (FAO) and the OECD are collaborating to develop common indicators for monitoring policies and public expenditure on agriculture in selected countries in Africa. This will help policy makers and donors understand the impact of policy efforts and compare results across countries and over time. More specifically, MAFAP's country reports are intended to provide policy makers with detailed assessments of:

- public expenditure to support food and agriculture;
- the impact of food and agricultural policies on producers; and
- whether these are consistent with other government policies and objectives.

This systematic comparison of policy objectives, public expenditure and policy impact helps identify both opportunities for making policies more coherent and priorities for investment. MAFAP builds on existing efforts at the regional level, such as the Comprehensive Africa Agriculture Development Programme (CAADP). Reports from MAFAP are expected to become available before the end of 2013.

A number of regional organisations (Asian Productivity Organization, Inter-American Development Bank, etc.) have also undertaken work to better measure and assess agriculture policy efforts in their respective regions. Thus far, these efforts have been sporadic and no ongoing system of data collection and policy monitoring has been established.

Box 4

Pursuing a PCD agenda through action in developing countries

The OECD Development Co-operation Directorate has developed a proposal for work that aims to move the analytical frame for PCD to the developing country level, thereby complementing existing OECD analysis. Evidence of specific measured impacts in real-country situations can at times be more influential in domestic policy discussions than more theoretical assessment of generic impacts on the MDGs, particularly where domestic policies are formally reported as negatively impacting on the donors' own development co-operation programme. Evidence of specific impacts in individual country contexts is also important for developing countries' stakeholders—government and non-government. Having the ability to analyse and assess the impact of the OECD policies on them will facilitate the design of their own policy responses to the impact of incoherencies, as well as provide a stronger basis for advocacy and negotiation bilaterally and multilaterally.

In addition to pursuing PCD in OECD domestic policy making, OECD countries need to decide what they can do in practice in the developing countries where they operate to counter the negative impacts of their developmentally incoherent policies. This will involve: assessing aid and non-aid policies and actions, and using the developing countries' strategies as the reference point around which coherence is assessed; and taking into account the developmental needs, levels of poverty and economic development, demographics, natural endowments and economic structure of the country involved. This type of country-level PCD assessment could then be used not only to provide feedback for PCD efforts domestically in OECD countries, but also as the basis to ensure coherence in their Official Development Assistance (ODA) programmes. This constitutes a challenge to the assumption underlying much of the PCD agenda that development co-operation programmes are inherently coherent with development.

Food security, given the impacts of rapid price movements and volatility in global food markets and the relevance of longstanding coherence issues around trade and agriculture policies, would be an appropriate development objective for which coherence could be assessed in many poor developing countries. Scoping out impacts on food security will provide an additional perspective, allowing the research agenda and the areas of the OECD policy that will be analysed to be determined also in function of their impact on food security in the developing countries.

Findings of this work will be reported as they become available.

Table 2. A logical framework approach: Agriculture and food security

Policy Area	Indicator	Details	Indicator Type	Source	Assumptions	Potential Losers	Intermediate Objective	Assumptions	Overall Objective
Market Access	Openness to developing country agri-food imports	Agricultural Goods Imports from Less Developed Countries 2007-2009	Outcome	UN Comtrade Data	Increased openness to developing country agri-imports is a good indicator of policies to open up developed country markets.	Higher prices for food in developing countries can reduce household spending power.	Development of Agriculture Export Sector	Development of a strong export Agriculture sector increases export earning and incomes of those directly in the export sector and indirectly for those who are not food producers (small farmers).	Economic Development and Poverty Reduction in Low Income Countries
	Level of import protection	Total ad valorem equivalent Applied Tariff in Agriculture (estimated)	Output	www.macmap.org	Overall protection against developing country imports restricts export opportunities for developing countries.				
	Level of tariff protection	Agricultural Tariff Rate Weighted by Importance in Domestic Production - Producer price (at farm gate) minus reference price (at farm gate) as a percentage of reference price (at farm gate) all weighed by the value of production in each commodity.	Output	OECD Producer Estimates Database	Tariff protection is an effective approach to discriminate against developing country exports.				
	Non-tariff barriers	Overall Trade Restrictiveness Index (applied tariff, incl. prefs+NTMs) and Tariff Trade Restrictiveness Index (applied tariff, incl. prefs) - Agricultural Goods	Output	World Bank's World Trade Indicators 2009/10 Online Database	Even when tariff rates are low or zero non-tariff barriers can prevent market access when local capacity is low.				
Fair Competition/ Subsidies	Level of trade-distorting subsidies to Agriculture	Payments based on output, payments based on input use, payments based on current A/An/R/I, production required, single commodity and payments based on non-current A/An/R/I, production required as a percentage of value of production at farm gate all weighed by the value of production in each commodity.	Output	OECD Producer Estimates Database	Developed country subsidies reduce the unit cost for local producers and give an unfair advantage when competing against developing country exporters.	Falling subsidies can reduce developed country food production levels and lead to an increase in the price faced by net food consuming countries and households.			
Aid for Trade	Aid for Agriculture trade	Aid for Agricultural Trade and Capacity building Efforts to comply with Food Standards, Animal Health and Traceability Rules	Input	OECD	Aid for trade can help developing world producers make the most of market opportunities.	None, assuming aid does not create perverse incentives.			
	Level of ODA to Agri-food sector	Aid to the agri-sector as a % of GNP and absolute levels	Input	OECD	General support for the Agri-food business in developing countries can increase export opportunities and reduce the price of food locally by increasing productivity.				
Support for Food production	Aid for Food production	Aid for food production as a % of GNP and absolute levels	Input	OECD	Aid for food production can play be an important catalyst for increased agricultural productivity.	None, assuming aid does not create perverse incentives.	Increased Food production in Developing Countries	Support for local food production increases agricultural productivity, increases the availability of food and reduces prices for consumers.	
	ODA % Focus on Agriculture	Sectoral focus of ODA programme on increasing productivity and output of agricultural sector.	Input	OECD	The relative priority placed on support for agriculture in ODA budgets is important.				
	Technology Transfer	Policy efforts to allow food related technologies to transfer to developing countries.	Output	Possibly the CDI	Technological transfer plays an important part in increasing food production in developing countries				
Food-related ODA	ODA in the form of Food	Food aid as a % of GNP and absolute levels	Input	OECD	Food assistance can directly reduce hunger, at the risk of undermining the price achieved by local suppliers.	Poorly managed food aid can undermine the livelihood of local food suppliers,	Hunger Alleviation	Food and nutrition related ODA can play a direct role in the reduction of hunger and malnutrition in crisis situations. Caution not to undermine local food suppliers should be headed.	
	Hunger and Nutrition related ODA	Hunger and Nutrition related health ODA as a % of GNP and absolute levels	Input	OECD	Support for programmes to overcome malnutrition, water based diseases and other illness play a central role in hunger alleviation.				
	Emergency Assistance for Humanitarian Disasters	Emergency Assistance a % of GNP and absolute levels	Input	OECD	Emergency assistance can play a direct role in overcoming poverty and an indirect role in preventing starvation during natural disasters.				

Source: King, Michael, Niels Keijzer, Eunike Spierings and Alan Matthews (2012)

Possible next steps

Interest in improving the information base for improved agriculture policy making is widespread. Recently, the OECD and the International Food Policy Research Institute (IFPRI) have re-started discussions with other international and regional organisations to explore options for further collaboration and voluntary pooling of efforts and expertise. An initial meeting of interested organisations and agencies is planned in 2013.

The OECD is also exploring the feasibility of complementing existing work with impact assessments in developing countries (Box 4).

ILLICIT FINANCIAL FLOWS

What is the PCD challenge?

Every year huge sums of money are transferred out of developing countries illegally. Figures are heavily disputed, but illicit financial flows (IIFs) are often cited as outstripping ODA and inward investments. The most immediate impact of such illicit flows is a reduction in domestic public and private expenditure and investment, which means fewer jobs, hospitals, schools and less infrastructure—and ultimately less development.

What can we measure?

Ongoing OECD work on illicit financial flows includes a cross-directorate effort that aims to measure policy and practice effort by OECD countries in addressing such flows originating from the developing world. The focus is on issues where international agreements or standards have been established with a monitoring system in place, (i.e. where open-source data is readily available). As such, this initiative does not aim to measure the OECD policies' impact on developing countries, but rather the policy effort of OECD countries to implement existing international standards and agreements which are directly relevant to the issue of illicit flows. They are:

- OECD members' performance on the anti-money laundering standards of the Financial Action Task Force (FATF).
- Reviews of the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum).
- Reports of the Working Group on Bribery (WGB) on OECD countries' compliance.
- A joint OECD/Stolen Asset Recovery Initiative (StAR) progress report on asset recovery.
- Development co-operation.

Some preliminary findings for each of these five areas are given below. The indicators, as illustrated by the graphs and tables, can be used to inform the PCD agenda in the absence of more concrete indicators to assess coherence.

Money laundering

To generate comparable ratings of the OECD countries' performance on parts of the anti-money laundering regime promoted by the FATF,[viii] compliance scores from FATF Mutual Evaluation reports have been converted to numerical values in the following manner: non-compliant (NC) = 0; partially compliant (PC) = 1; largely compliant (LC) = 2; fully compliant (C) = 3. Simple averages have been computed for each of the 11 sub-categories of the 2003 FATF Recommendations (Figure 8).[ix] The analysis is based exclusively on publicly available data from the FATF's country reports (Mutual Evaluation Reviews and some follow-up reports), which are based on assessments of compliance with the 2003 FATF Recommendations.[x]

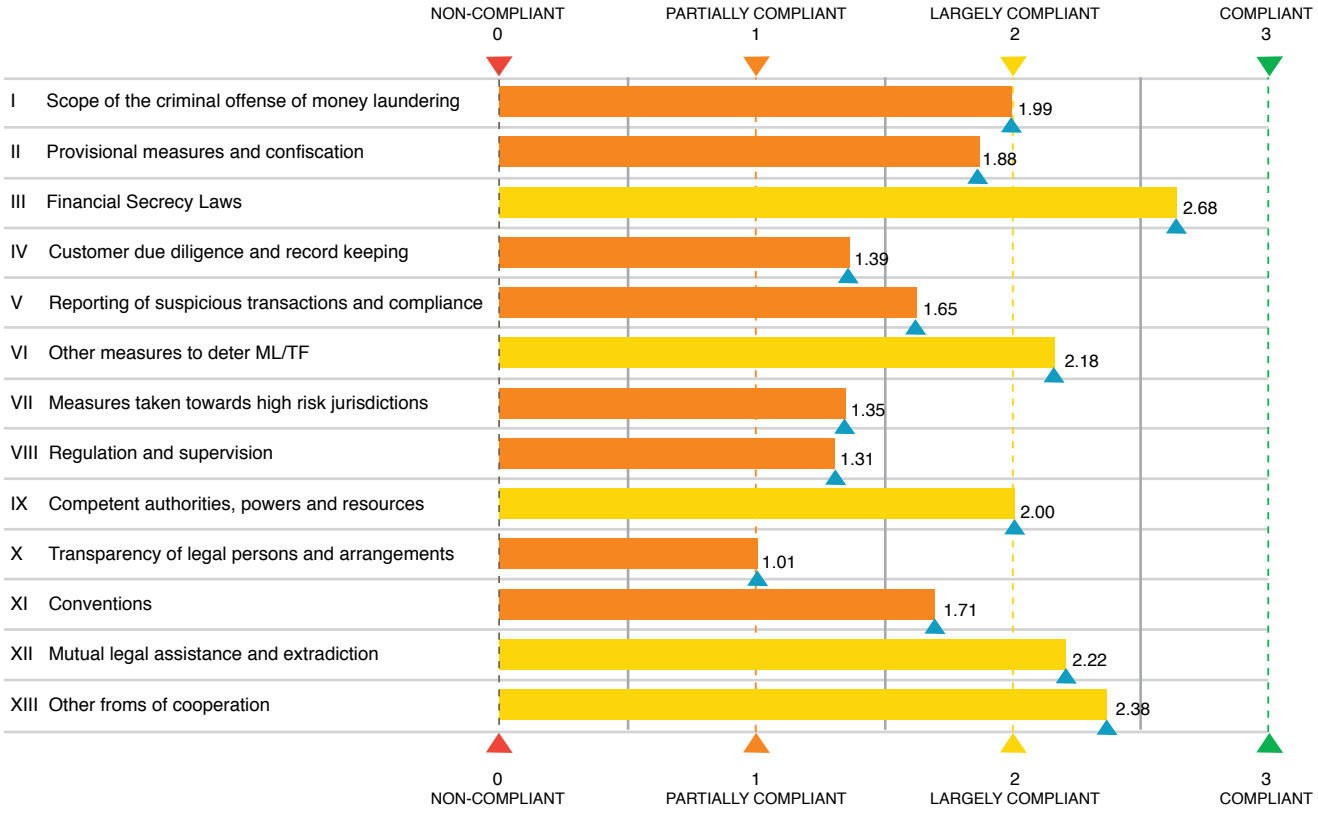
There is significant variation in the OECD countries' compliance with the FATF Recommendations (Figure 8). The lowest averages across the OECD are to be found in the areas of Transparency of Legal Persons and Arrangements, Measures Taken with Regards to High Risk Jurisdictions, Regulation and Supervision, and Customer Due Diligence. Ten countries are below Partially Compliant in the area of Customer Due Diligence, with particularly low scores for non-financial businesses and professions, such as trust and company service providers that set up and manage various forms of legal structures. In order to prevent, uncover and eventually prosecute and sanction individuals who engage in money laundering and other economic crimes, authorities must be able to identify the persons who ultimately control or benefit from corporate vehicles, trusts, and other structures in a timely and cost-effective manner—the Beneficial Owners. Overall OECD performance on this sub-category is weak.

In the area of Regulation and Supervision, the FATF asks countries to license, register and monitor businesses which provide a service of money or value transfers. Scores in this category are generally weak, especially when it comes to regulating and supervising non-financial businesses. The FATF compiles a list of "high-risk and non-cooperative jurisdictions" and asks members to give special attention to business relationships and transactions with individuals and legal persons from these countries, or to transactions within their own branches operating there. Almost half of the OECD countries score Partially Compliant or below. Many countries apply few administrative sanctions and have few criminal sanctions for money laundering.

Tax evasion

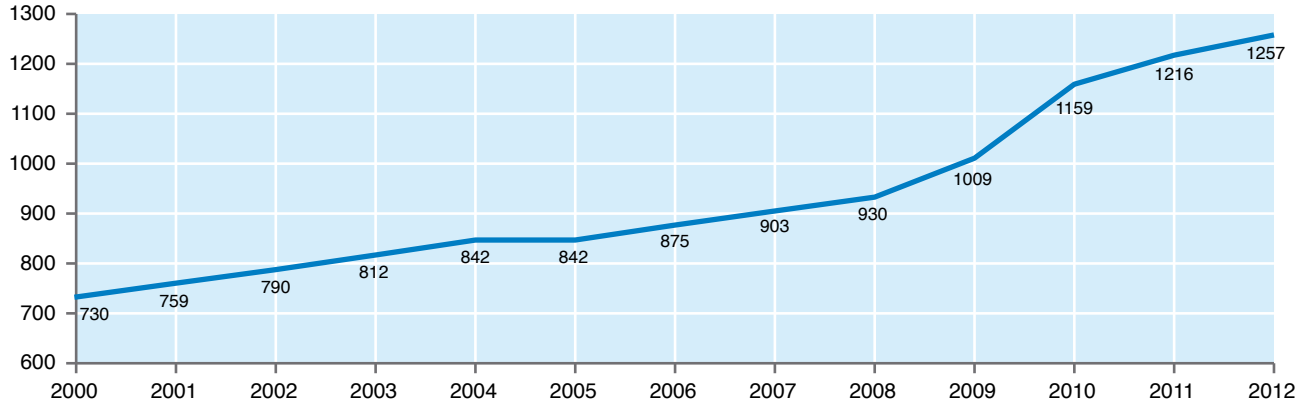
In order to combat international tax evasion, tax authorities must be able to access and exchange relevant information, such as individuals' and companies' activities, assets or incomes in foreign

Figure 8. Average OECD compliance by FATF sub-category



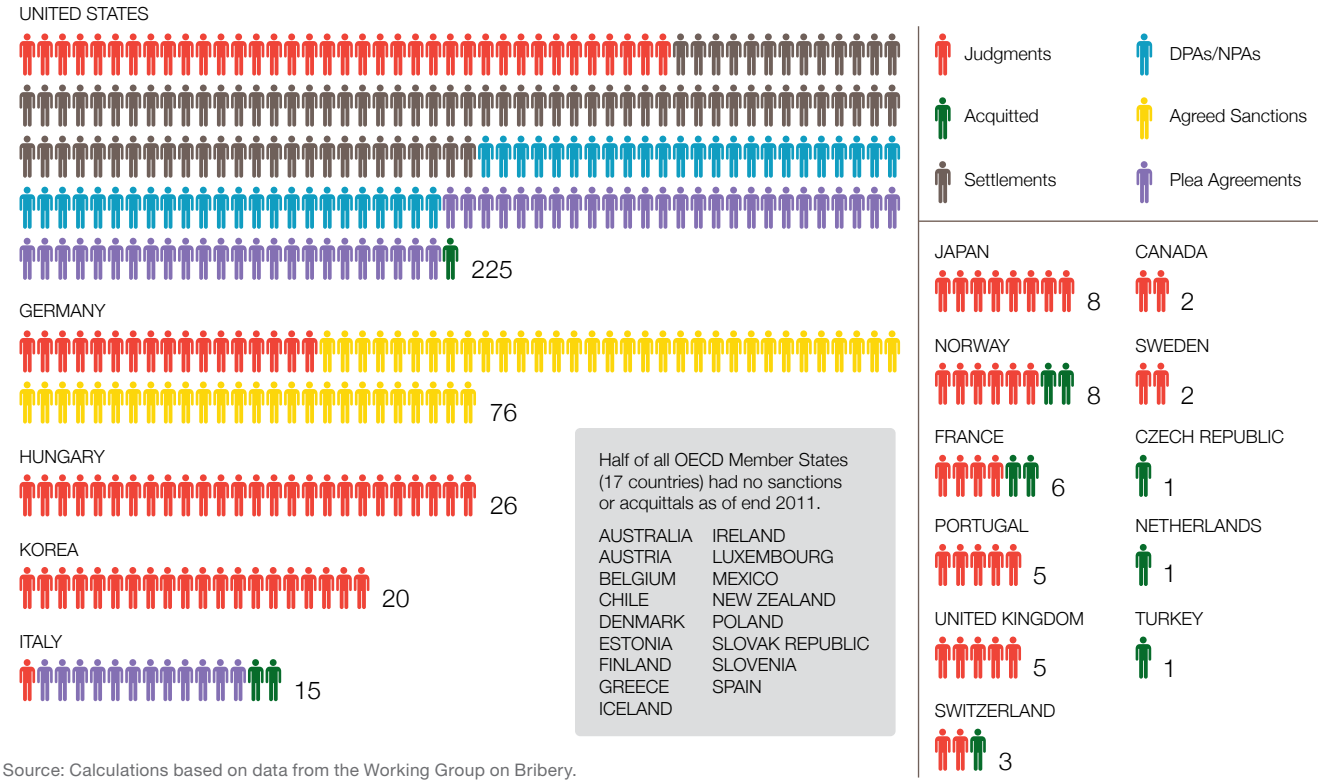
Source: Calculations based on data from Financial Action Task Force, MONEYVAL and GAFISUD.

Figure 9. Exchange of Information agreements signed between OECD countries and developing countries (2000–2012)



Source: Calculations based on data from Global Forum on Transparency and Exchange of Information for Tax Purposes.

Figure 10. Total number of individuals and legal persons sanctioned or acquitted



Source: Calculations based on data from the Working Group on Bribery.

jurisdictions. Since 2009, the environment for tax transparency has changed dramatically, with the G20 providing the leadership over action to combat tax evasion.

One of the key elements of the effective exchange of information is a robust network of agreements for exchange of information with relevant partners (Figure 9). Since 2000, over 500 Exchange of Information (EOI) agreements have been signed between OECD countries and developing countries.

International bribery

Serious consequences result when public officials take bribes in awarding contracts to foreign businesses for public services such as roads, water or electricity. A one million dollar bribe can quickly amount to a one hundred million dollar loss to a poor country through derailed projects and inappropriate investment decisions which undermine development. Bribery is a source of illicit flows—and whether the bribe itself is transferred in or out of developing countries, some of the subsequent gains from bribing will eventually leave developing countries. Hence, the OECD countries' implementation of the Anti-Bribery Convention is important for the global fight against corruption, including combating illicit flows.

Figures from the OECD Working Group on Bribery show that 210 individuals and 90 legal entities (companies, trusts, Non-governmental Organisations (NGOs), etc.) were sanctioned through criminal proceedings for foreign bribery in 14 OECD countries from 1999 (when the Convention came into force) to the end of 2011 (Figure 10). At least 66 of the sanctioned individuals were given prison terms for foreign bribery. Another 43 individuals and 92 legal entities have been sanctioned in criminal, administrative and civil cases for other offences related to foreign bribery, such as money laundering or accounting (in four signatory states). In addition, there were 59 agreed sanctions for individuals and 48 deferred prosecution agreements (DPAs)/non-prosecution arrangements (NPAs) with legal persons. Around 300 investigations are still ongoing in 26 states, and criminal charges have been laid against 158 individuals and entities in 13 states.

Recovering stolen assets

One way to counter illicit financial flows is to recover and repatriate stolen assets to their jurisdiction of origin. Recovering assets stolen by corrupt leaders can serve three distinct purposes. To start with, it has the potential to provide additional resources to developing countries' governments. Secondly, by signalling that

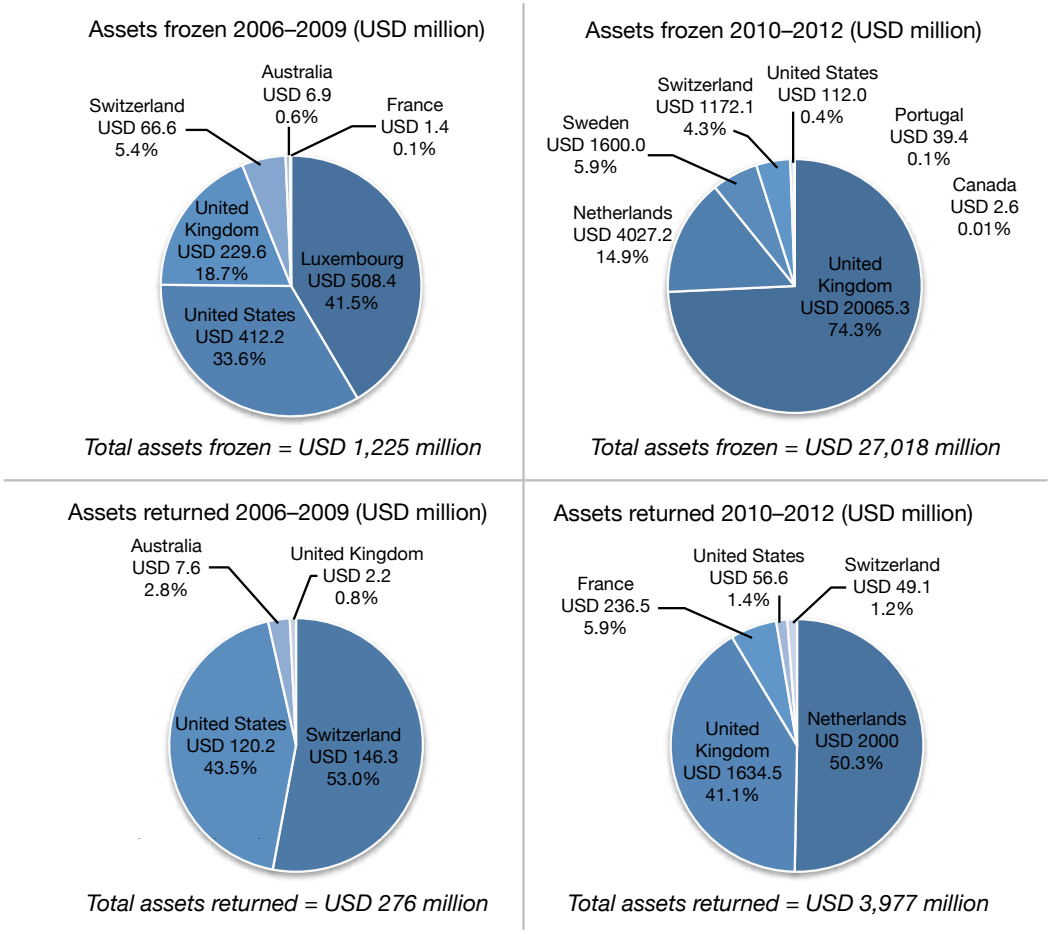
there are consequences to corruption and that corrupt money will not be easily hidden, it can have a deterrent effect on corruption and theft among political figures. Lastly, by denying corrupt leaders their loot, asset recovery can be seen as providing justice for victims. Recognizing these potential benefits, OECD countries have committed themselves to repatriate stolen assets to their jurisdiction of origin.

In 2011, the OECD and StAR carried out a survey among OECD members in order to take stock of their commitments on asset recovery (Figure 11). The survey measured the amount of funds frozen and repatriated to any foreign jurisdiction between 2006 and 2009. It found that only four countries had returned a total of USD 277 million to a foreign jurisdiction during this time, namely Australia, Switzerland, the United Kingdom and the United States. These countries, plus France and Luxemburg, had also frozen a total of USD 1.22 billion at the time of the survey (OECD/StAR 2011).

In 2012, the OECD and StAR launched a second survey, measuring the assets frozen and returned between 2010 and June 2012. Responses are still being collected and analysed but preliminary results show that the volume of assets frozen and returned during this period has increased significantly: a total of USD 27 billion was frozen and around USD 4 billion returned or unfrozen/released. It is worth noting that this drastic increase was largely driven by action in response to a United Nations Security Council Resolution on Libya (1970 of 26 February 2011) which ordered the freezing of Muammar Gaddafi's regime's assets held internationally, with a total of USD 24 billion frozen and USD 3.6 billion returned or subsequently released.

Considering the case of Libya separately, the remaining asset recovery figures look more similar to those achieved over the 2006–2009 period, although with some progress. A total of USD 1.3 billion were frozen by seven countries and USD 400 million were returned by five countries over the 2010–2012 period.

Figure 11. Assets frozen and returned (2006–2009 and 2010–2012)



Source: OECD/StAR (2011) and forthcoming OECD/StAR progress report on asset recovery (2013).

Development co-operation: Overview of DAC support to leading transparency initiatives

There is limited data on the amount of ODA funds being spent on activities to counter illicit flows (Table 3), but an analysis of ODA spent on anti-corruption and strengthening of tax systems in developing countries shows that less than 1% of ODA is currently being dedicated to these. Yet experience shows that the return on investment, in terms of benefits for developing countries, is significant: Donor support worth USD 5.3 million in 2004–2010 to improve tax collection in El Salvador led to increased revenue of USD 350 million per year—an impressive rate of return. Support to capacity building in the area of Transfer Pricing by the OECD Tax and Development Program to Colombia, at a cost of approximately USD 15,000, led to an increase in revenues from USD 3.3 million in 2011 to USD 5.83 million in 2012 (a 76% increase). This is a rate of return of approximately USD 170 of revenue per USD 1 spent. Similarly, the OECD DAC donor experience suggests that for each USD 1 spent on investigating the proceeds of corruption originating from the developing world, and transferred to OECD countries, up to USD 20 has been tracked and frozen, with a significant proportion of that sum repatriated to the treasury of the developing country in question—again, an impressive rate of return. Recognising the central role of tax authorities in fighting economic crime, the OECD launched the Oslo Dialogue aimed at promoting a whole-of-government approach to fighting financial crime, including tax and customs administrations, law enforcement agencies, anti-corruption and anti-money laundering authorities, public prosecutors and financial regulators. The initiative includes a capacity-building program for criminal tax investigations from developing countries.

Aid agencies have played an important role in bringing the issue of illicit flows onto the international agenda. They have supported much of the initial research on this issue—through advocacy NGOs and international organisations. Donors have also been drivers behind many of the programmes which aim to counter illicit flows, such as the various transparency initiatives which include the Extractive Industry Transparency Initiative, Publish What You Pay, The Oslo Dialogue on Tax and Crime, and the Open Government Partnership.

Table 3. Overview of DAC support to leading transparency initiatives

	Oslo Dialogue	EITI	GF	OGP	KP	IAITI
Australia	Yes	Yes	Yes	*No*	Yes	Yes
Austria	Yes	*No*	Yes	*No*	Yes	*No*
Belgium	Yes	Yes	Yes	*No*	Yes	Yes
Canada	Yes	Yes	Yes	Yes	Yes	Yes
Denmark	Yes	Yes	Yes	Yes	Yes	Yes
Finland	Yes	Yes	Yes	Yes	Yes	Yes
France	Yes	Yes	Yes	*No*	Yes	*No*
Germany	Yes	Yes	Yes	*No*	Yes	Yes
Greece	Yes	*No*	Yes	Yes	Yes	*No*
Ireland	Yes	*No*	Yes	*No*	Yes	Yes
Italy	Yes	Yes	Yes	Yes	Yes	*No*
Japan	Yes	Yes	Yes	*No*	Yes	*No*
South Korea	Yes	*No*	Yes	Yes	Yes	*No*
Luxembourg	Yes	*No*	Yes	*No*	Yes	*No*
Netherlands	Yes	Yes	Yes	Yes	Yes	Yes
New Zealand	Yes	*No*	Yes	*No*	Yes	Yes
Norway	Yes	Yes	Yes	Yes	Yes	Yes
Portugal	Yes	*No*	Yes	*No*	Yes	*No*
Spain	Yes	Yes	Yes	Yes	Yes	Yes
Sweden	Yes	Yes	Yes	Yes	Yes	Yes
Switzerland	Yes	Yes	Yes	*No*	Yes	Yes
United Kingdom	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
United States	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**	**Yes**
Source:	Launch Closing Statement	EITI Website	OECD Website	OGP Website	KP Website	IAITI Website

Possible next steps

Combating illicit financial flows will require concerted action both in developing and OECD countries. On the side of developing countries, it will require structural reforms that improve economic governance. Yet OECD countries must also play their part by ensuring compliance on international standards.

The OECD is currently working to deliver a comparative report on the institutional, regulatory and legal arrangements in place in OECD countries. This report will provide the basis for the "In Focus" feature in the 2014 edition of *Better Policies for Development*, and might allow us to take the PCD measurement agenda one step further in this important area.

GREEN GROWTH

What is the PCD challenge?

Green growth can be defined as "fostering economic growth and development while ensuring that the natural assets continue to provide the resources and environmental services on which our well-being relies" (OECD, 2011a). To do this, green growth must catalyse investment and innovation which will underpin sustained growth and give rise to new economic opportunities. The success of a green growth strategy relies on a well-defined framework for action and a consistent set of economic and environmental policy criteria. It will need to build on a high degree of co-ordination among ministries and levels of government, as well as stakeholders outside government, to identify a policy mix suitable to local conditions. This makes the PCD challenge particularly pertinent.

What can we measure?

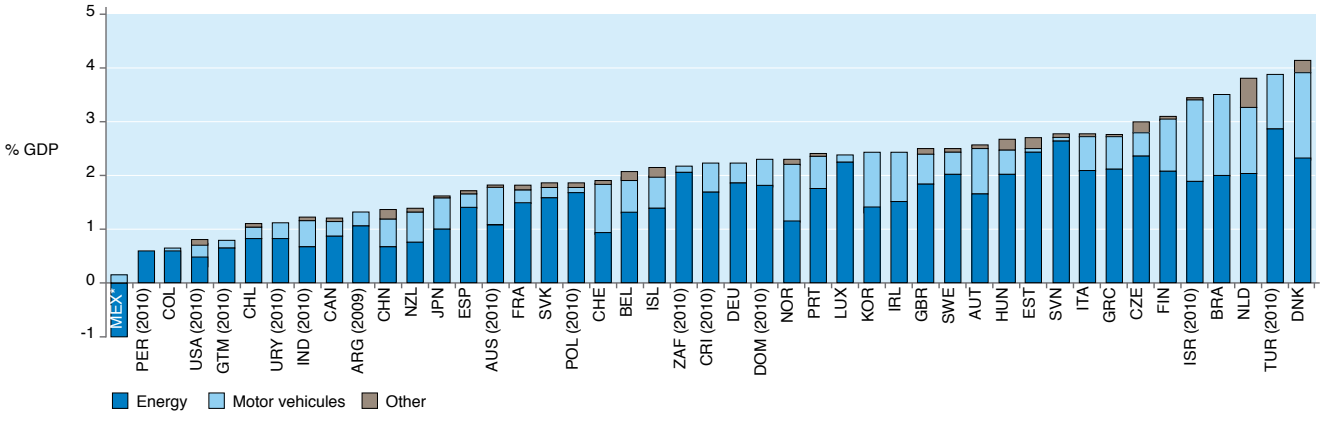
With its Green Growth Strategy, the OECD laid out a conceptual framework for measuring progress towards green growth. Indicators were selected based on the criteria of policy relevance, analytical soundness and measurability, while at the same time maintaining an appropriate balance between the economy and the environment. The OECD's measurement framework for green growth outlines four interrelated groups of indicators, which are underpinned by the socio-economic context (OECD, 2011b):

- Environmental and resource productivity.
- Natural asset base.
- Environmental quality of life.
- Policy responses and economic opportunities.

In addition to monitoring progress towards green growth, these indicators can be used to support strategic and coherent policy planning. They help to articulate the pragmatic role of green growth tools to achieve sustainable development.

One example of such tools would be environmentally related taxes which fall under the policy responses and economic opportunities indicator group. The composition of environmentally related taxation is dominated by taxes on energy products, while other taxes (e.g. on air pollution, waste and water management) represent a case for revenue raising in most OECD countries (Figure 12).

Figure 12. Environmentally related taxation revenues, as % of GDP, 2011 or latest



* Since 2000, Mexico has applied a price-smoothing mechanism. If petrol and diesel prices are higher than international reference prices, the differential effectively represents an excise duty.
Source: OECD\EEA Environmental Policy Instruments Database; OECD, Green Growth Database.

In addition to encouraging the adoption of known pollution abatement measures, environmentally related taxes can provide incentives for firms and consumers to seek new, cleaner solutions. This search for alternatives can then make it commercially attractive to invest in R&D activities, and emission mitigation, and innovate for cleaner ways of production and consumption. This is especially important, as innovation is generally undersupplied in the environmental field.

Patents indicate inventive performance. In both OECD countries and among the BRIICs, patent applications have mainly been growing (Figures 13a and 13b), although patent applications in the environmental field had to rebound in the OECD area after the 2008 economic crisis. Patent applications mainly increased in the field of energy generation and efficiency.

Some of the green growth indicators have already been considered within a developing country context, while others would need to be adapted or complemented by taking into account the specific country context, for example, the institutional arrangements, data availability and monitoring capacity, as well as the specificity of the country's economy and its natural asset base (OECD-CAF-UNIDO, 2013).

Green growth indicators for developing countries can support investment projects and foster innovation to reduce the scope of downward risks in the long run and create economic opportunities. In the Latin American and Caribbean (LAC) region, Colombia, Costa Rica, Ecuador, Guatemala, Paraguay, and Peru are developing green growth indicator-based reports. Similar efforts are also under way in a few countries in Eastern Europe, Caucasus and Central Asia (EECCA). Some LAC countries (e.g. Colombia and Paraguay) have included additional indicators that are of national interest and importance, such as on water pricing and water extraction productivity, illness rate by waterborne diseases, human exposure to industrial risks, and environment-related government and municipal expenditures.

The application of OECD green growth indicators is also becoming part of the OECD member countries' initiatives on green growth, including the Czech Republic, Denmark, Germany, Korea, Mexico, the Netherlands, the Slovak Republic, and Slovenia. These projects provide feedback on policy relevance, help exchange experience and best practices and contribute to better tailoring of the indicators in a specific country context.

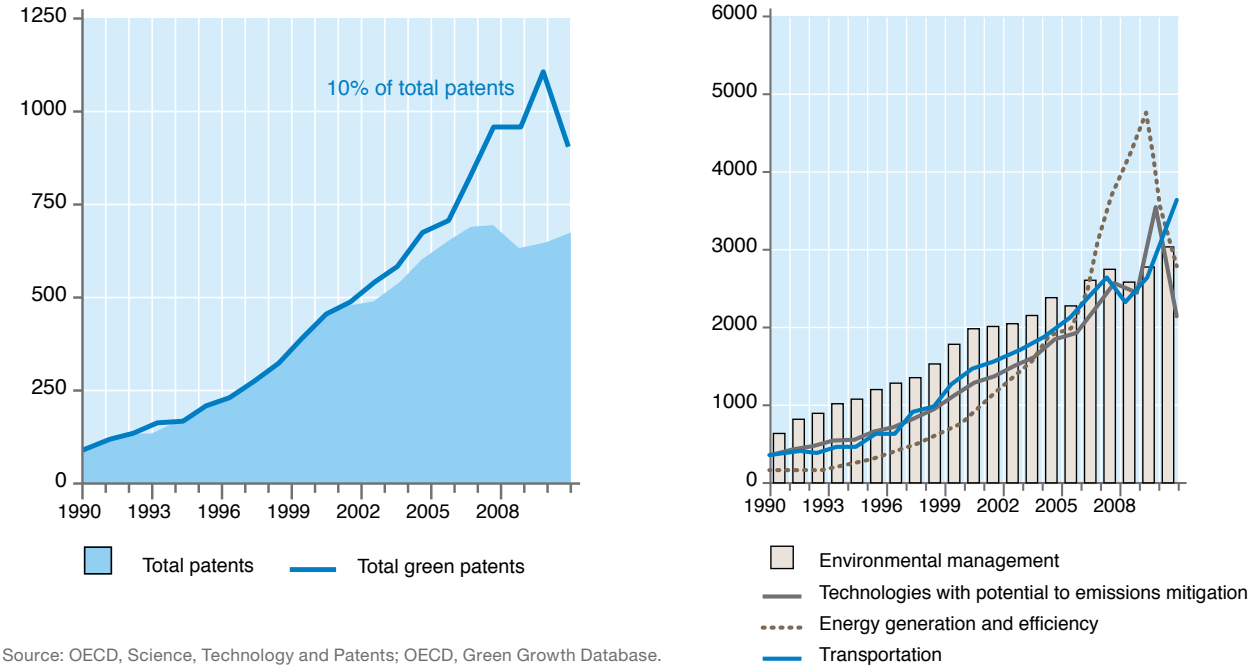
Possible next steps

Quantifying the links between green growth policies and country and regional outcomes is complex given the long-term impacts of climate change, the long-term effects of policies, and the various causal chains. Measuring the effects of policies, for example, on the level of income and development, institutions, or adaptation capabilities, is subject to further statistical, econometric and modelling analyses and cannot be captured by existing green growth indicators per se.

Despite these complexities, the green growth indicator framework and the set of indicators could be a useful vehicle to systematically address issues of policy coherence and green growth. On the one hand, the indicators could systematically be examined for links back to policies ex-post (i.e. the retrospective evaluation stage); on the other hand, they could systematically be linked to development objectives as laid down in the MDGs or in future Sustainable Development Goals.

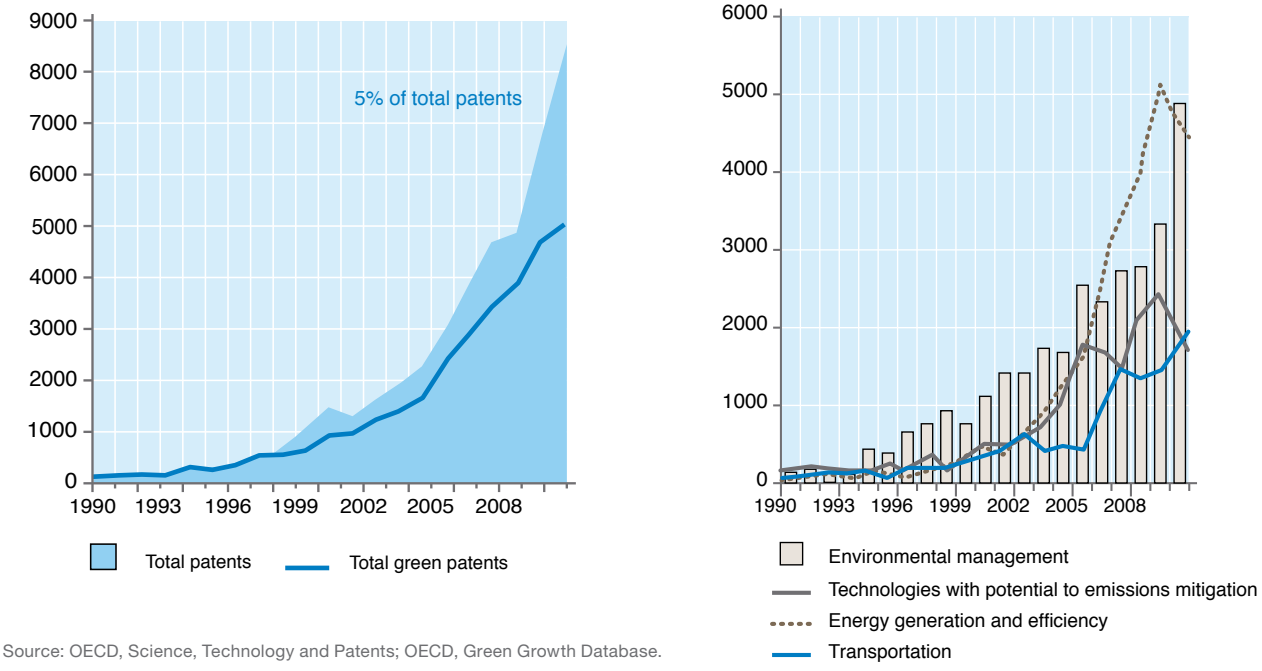
While it will be difficult to quantify causal relationships, even more qualitative assessments can provide a basis for policy guidance tailored to country circumstances and development goals. In the case of Chile, for example, the OECD identified measurable indicators for the transition to a low-pollution, low-carbon and resource-efficient economy. The focus was put on three sectors: sustainable construction; sustainable tourism; and consumption and production of firewood. The country's development status and asset base, as well as development goals and regional circumstances were taken into consideration, along with production and consumption, green jobs and skills, and sustainable strategies for local public and private actors. Other countries too could be assessed in a similar manner.

Figure 13a. Patent applications under the Patent Co-operation Treaty (PCT) of importance to green growth, OECD area



Source: OECD, Science, Technology and Patents; OECD, Green Growth Database.

Figure 13b. Patent applications under Patent Cooperation Treaty (PCT) of importance to green growth, BRIICS



Source: OECD, Science, Technology and Patents; OECD, Green Growth Database.

Taking forward the PCD measurement agenda with partners

The OECD regularly engages in dialogue with other international and regional organisations, civil society organisations and research institutions. Collaboration with specialists across the policy spectrum contributes to harnessing results through the exploration of complementarities. It ranges from reviews and joint meetings to framework designs and knowledge partnerships. This section outlines two independent initiatives that have the potential to foster policy coherence for development. The first one is the product of recent collaboration with the Bertelsmann Foundation; the second one suggests how an existing tool of the Africa Partnership Forum might be important from a PCD perspective. Additionally, Box 5 introduces the Commitment to Development Index developed by the Centre for Global Development.

SUSTAINABLE GOVERNANCE

The Sustainable Governance Indicators (SGI) of the Bertelsmann Foundation, published for the first time in 2009, analyse and compare the OECD countries' performance in sustainable policy making, their respective quality of democracy and their governance capacities. The project is designed to create a comprehensive data pool on government-related activities in the world's developed, free-market democracies. In addition, it uses international comparisons to provide evidence-based input for reform-related public discourse taking place in these countries. Using qualitative and quantitative data, the SGI measures the current need for political, economic and social reform in the OECD member states for sustainable development.[xi]

The indicators also aim at examining to which extent governments have the institutional capacity to contribute actively to international efforts or to which extent the governments' actions and policies are in alignment with international strategies. For instance, the indicators contribute to exploring the extent to which governments actively and coherently engage in international efforts to promote equal socio-economic opportunities in developing countries.

Following discussions initiated at the most recent meeting of national focal points for PCD in November 2012, the OECD has collaborated with the Bertelsmann Foundation to make the 2014 edition of their SGI more "PCD sensitive." As a result, the following assessment questions have been integrated into the 2014 Codebook (i.e. the analytical framework for the Foundation's country experts to carry out the SGI assessment):

- **Tackling Global Social Inequalities:** To what extent does the government demonstrate an active and coherent commitment to promoting equal socio-economic opportunities in developing countries?
- **Adaptability:** To what extent is the government able to collaborate effectively in international efforts to foster global public goods?
- **Global Economic Framework:** To what extent does the government actively contribute to the effective regulation and supervision of the international financial architecture?
- **Adaptability:** To what extent does the government respond to international and supranational developments by adapting domestic government structures?
- **Global Environmental Protection Regimes:** To what extent does the government actively contribute to the design and advancement of global environmental protection regimes?

The new indicators might offer interesting cross-national comparisons and assessments of OECD members' policy reforms and coherence, as well as their capacity for learning, adaptability and implementation. Currently, assessments based on the 2014 Codebook are ongoing, with results to be published next year.

MUTUAL REVIEWS OF GOVERNMENT COMMITMENTS

Reviewing commitments to development is critical. It allows identifying policy gaps and future priority actions in order to ensure that development policies are more effective and coherent. Since the end of the Cold War, the international community has displayed a growing willingness to commit to development. After the adoption of the Agenda 21 and the Rio Principles in 1992, a major step was taken in 2000 with the eight Millennium Development Goals. The G8 and G20 have also made a number of new commitments on different topics related to development, including on aid and development effectiveness, food security, job creation, investment and debt cancellation.

Over time, these international commitments have been associated with new engagements at the regional and national levels, in both developed and developing countries. In Africa, for instance, several commitments have been made under the AU/NEPAD umbrella, with precise targets related to support to agriculture, infrastructure development, trade integration, health policies or political governance. A similar effort was also observed among African governments and their development partners towards a more accountable approach to their development policy.

These broad and essential commitments form a framework of action for development policies. They provide a basis for measuring governments' accountability and fostering coherence among development policies. As recalled by the Busan Partnership for Effective Development Co-operation, the international community is now united "by a new partnership that is broader and more inclusive than ever before, founded on shared principles, common goals and differential commitments for effective international development."

Reviewing the actions taken to deliver on these commitments and the results obtained is a difficult exercise but is essential to fostering policy coherence. Matters are further complicated as a result of the multiplicity of new commitments, political sensitivity related to development policies and the complexity of the institutional processes involved.

Therefore, commitment reviews should be made on a regular basis to allow comparison over time. They have to rely on solid methodologies that clearly define what a commitment is and that distinguish actions taken from results obtained. This distinction is sometimes arduous, as it is tempting to consider the deployment of key development policies as a result in itself, while results on the ground are difficult to observe.

Furthermore, a review of commitments should be the expression of the multiple perspectives on what development means. It has to reflect the views of those who can objectively assess development policies from both the donor and recipient sides. A review should also involve the most representative communities of practitioners, as development is a multifaceted process relying on a wide range of expertise.

The joint UN/OECD Mutual Review of Development Effectiveness in Africa

The United Nations Economic Commission for Africa and the OECD have been working for several years to develop a mutual process of commitment review in Africa, which is presumably one of the most advanced attempts to monitor governments' actions taken to deliver on their commitments. Since 2007, the Mutual Review of Development Effectiveness (MRDE) in Africa has been published on a yearly basis, offering a broad panorama on new commitments taken, related public actions and results observed on the ground. This exhaustive exercise, which involves public institutions, researchers and policy makers from Africa and its development partners, is a "best practice" that could be replicated to foster policy coherence through mutual accountability.

Among the **key lessons** learned throughout this co-operation, several could feed into the PCD agenda and overall development strategy:

- Mutual reviews are essential to agree collectively on the identification of key commitments; the way to assess the effectiveness of actions taken by governments and international organisations to deliver on these commitments; and the ways to measure results in the perspective of these commitments.
- As a result, they foster policy coherence by facilitating the adoption of a common perspective and the development of an inter-governmental consensus on future priority actions.

In terms of methodology, the MRDE experience has also identified several **recommendations** to strengthen these commitment reviews:

- Reviews should be based on mutual accountability, involving representative institutions from developing and developed regions. They rely on a strong inter-institutional learning-by-doing process and the continuous development of specific methodologies related to the analysis and measure of international commitments.

Box 5

Commitment to Development Index

The Commitment to Development Index (CDI) ranks 27 of the world's richest countries on their dedication to policies that benefit the 5.5 billion people living in poorer nations. Moving beyond standard comparisons of foreign aid volumes, the CDI quantifies seven policies in advanced economies that affect poor people in developing countries: (i) quantity and quality of foreign aid; (ii) openness to exports; (iii) policies that encourage investment; (iv) migration policies; (v) environmental policies; (vi) security policies; and (vii) support for technology creation and dissemination.

The index averages the seven areas for an overall score and a country's final score is the average of those for each component. Throughout, the CDI adjusts for size in order to compare how well countries are living up to their potential to help.

The Commitment to Development Index has been compiled each year since 2003 by the Centre for Global Development (CGD), an independent think tank that works to reduce global poverty and inequality through rigorous research and active engagement with the policy community.

Source: www.cgdev.org.

- They involve a certain level of technicality and require an academic perspective, with the participation of researchers and experts in civil society. This participation can take different forms and should encompass an important peer review process in the last stage of the review.
- These reviews imply important internal resources, as well as a global and independent evaluation of national policies. Consequently, only a limited number of regional and international organisations are able to produce them.
- Mutual reviews should remain relatively concise in order to be fully operational and effective for policy makers.
- They require sound statistical skills and a wide network of resource people in different international organisations to ensure that they integrate the most up-to-date sets of data available.

Concluding Remarks and Future Actions

The *OECD Strategy on Development* seeks to adapt OECD approaches to a changing global context. Three elements are considered essential to address development challenges in the current context: *(i)* more effective collective action that involves key actors and stakeholders, through inclusive policy dialogue, knowledge sharing, and mutual learning, as well as stronger partnerships; *(ii)* more comprehensive approaches to address the multidimensionality of development and growth; and *(iii)* greater emphasis on policy coherence for development at national, regional and global levels. In line with this comprehensive approach to development, key actions to respond effectively in a new context and make progress on PCD could include:

(i) Apply multidimensional and cross-sectoral approaches to PCD.

Globalisation and the ongoing structural transformation in the global economy are bringing new dimensions that cut across policy fields. For example, in a more complex context where multiplying regional and global value chains (GVCs) are changing the patterns of international trade and which have effects on a wide range of policy domains, such as competitiveness, skills, access to markets and the role of capital, among others, there may be a need to rethink PCD assumptions about key issues, cause and effect chains and shared responsibilities. Discussions in the recent meeting of OECD National Focal Points for PCD have underlined the need to reinforce the development dimension of the work on GVCs, with a view to identify, from a PCD lens, opportunities and challenges for developing countries to move up the value chain.

(ii) Link PCD with global agendas.

The effective attainment of global development goals entails dealing with systemic and structural conditions that constrain development and inclusive sustainable growth, such as barriers to trade, markets, knowledge and technology; capital and brain drain; climate instability, etc. It also entails engaging in and influencing international processes, such as the G20. Adopting a broader perspective and influencing key processes can contribute to the design of more coherent policies that create enabling factors and framework conditions for countries to develop and grow at the global, regional and national levels.[xii] From this perspective, PCD can contribute to build common ground and collective action to provide global public goods and prevent global public "bads." PCD has been included from this perspective as a key element of the OECD contributions to the post-2015 development agenda and framework.

(iii) Consider the role of the Centre of Government (CoG) for improving PCD.

The main challenge for policy coherence for development lies at the national level—with national policy making and implementation. The Centre of Government, which carries the primary responsibility for overseeing the policy making process and ensuring policy consistency, plays an increasingly important role in mobilising commitment to support policy reforms and contribute to international agendas, such as the G20 and the post-2015 development agenda (Box 6). As part of the follow up to the PCD Focal Points meeting and in the context of the Strategy, ongoing work is looking at the potential role of CoG for taking the PCD agenda forward at the highest level of government. In addition, the OECD has been collaborating with partner institutions to adapt existing indicators, such as the Bertelsmann Foundation's Sustainable Governance Indicators

Box 6

OECD Network of Centres of Governments

The Centres of Government (CoGs) provide direct support and advice to the Head of Government and the Council of Ministers. They consist of Heads of Prime Ministers' Offices, Cabinet Secretaries, or Secretaries-General of the Government, depending on the state structure. CoGs act as a co-ordinator to ensure horizontal consistency among policies. They also contribute to promoting new and innovative approaches to policy development and delivery across public services.

The OECD Network of Senior Officials from Centres of Government convenes meetings with these decision makers on an annual basis, providing a forum for informal discussion on topics of high relevance, including growth, modern challenges, or Political Economy of Reform. The OECD Network of Senior Officials from Centres of Government is one of the OECD's highest-level policy networks.

Reaching out to the Centres of Governments could be potentially important for the promotion of PCD. It could represent a practical follow up to the 2008 Ministerial Declaration on PCD and the 2010 Council Recommendations on Good Institutional Practices in PCD.

For more information: http://www.oecd.org/governance/networkofseniorofficialsfromcentresofgovernmentcog.htm.

Box 7

The OECD International Platform for Knowledge Sharing on PCD

The "PCD Platform" was launched in November 2011 in response to a demand for an online "one-stop-shop" on PCD resources. It is open to all stakeholders—OECD members, partner countries, CSOs, the private sector and other organisations. Initially serving primarily as a document repository, the Platform has recently undergone a transformation to become a more interactive, shared workspace. It aims to facilitate collective advocacy on PCD and knowledge sharing, to disseminate good practices and lessons learned, and to undertake joint online initiatives. It also supports the OECD Network of National Focal Points for PCD in its efforts to identify effective policy solutions and tools to improve policy coherence in member countries and beyond.

Visit the PCD Platform at: https://community.oecd.org/community/pcd.

(SGI), to provide information on actual governance capacities, performance and policy impacts. This can be seen as a practical follow up to the 2010 OECD Council Recommendations on Good Institutional Practices for PCD and can provide an additional outside assessment of progress.

***(iv)* Build a stronger evidence base, with active involvement of developing countries.**

A more robust evidence base on the costs of incoherence and the benefits of coherence is crucial to inform policy and convince decision makers to act. A constructive dialogue with developing countries on policy impacts will help to better understand the effects of policies, as well as local political economy considerations. Without feedback, country-specific impacts are difficult to determine, discuss and address. Current efforts at the OECD envisage country studies and consultations on how donors pursue food security, agricultural development, innovation, and nutrition objectives coherently. Methodologies could also be developed in collaboration with partner institutions for identifying and assessing the impacts of policies on specific development outcomes, such as achieving food security, in individual developing countries.

***(v)* Develop tools to measure progress.**

PCD has not been sufficiently well defined and delineated as an objective to make progress. Setting more concrete objectives, such as looking more specifically at coherence for achieving food security or reducing illicit financial flows, would facilitate the assessment of progress. A key challenge is to identify indicators that can capture the impact of policies when causes and effects are not always identifiable. Key questions to consider are: What are the concrete PCD objectives? What to measure: commitments? Changes in policies or policy efforts? Or the effects or impacts of our policies on development in developing countries? Current work in the context of the OECD Strategy on Development to advance the measurement agenda has identified existing monitoring and measurement tools of policies, processes and impacts.

***(vi)* Consider the relevance of PCD issues for developing countries.**

PCD has a domestic dimension. Developing countries themselves can maximise the growth and poverty reduction impact of their own policies by assessing and effectively tackling their possible incoherencies. Combining adapted technologies with improved farm management practices and policies to manage land and water resources sustainably, for example, could help to raise agricultural productivity and help enhance food security outcomes. In another example, OECD simulations show that if developing countries reduce tariffs on "South-South trade" to the levels applied between advanced economies, they could secure a welfare gain of up to USD 59 billion.[xiii]

***(vii)* Reinforce the PCD aspects in peer reviews.**

Experience with DAC peer reviews on institutional practices and mechanisms for promoting PCD has shown that the three "building blocks for PCD" are necessary to raise awareness and build efficient decision making, but are not sufficient to produce more coherent policies in practice. Discussions among the OECD PCD National Focal Points have highlighted that it is important to mainstream PCD, and also look at macroeconomic policies from a PCD perspective, such as the international spillover effects in other policy areas. Ultimately, PCD could be integrated in other country review processes.

***(viii)* Communicate more effectively on PCD.**

There is a need to consider whether our PCD approach should focus only on the effects or negative impacts of donors' non-aid policies on the development prospects of developing countries or whether a more proactive PCD narrative is possible around the idea of shared interests and responsibilities to create enabling environments conducive for development. By moving beyond a "do no harm" approach and emphasising synergies and win-win scenarios among different actors and stakeholders, political commitment to PCD might be further enhanced. The OECD's online International Platform for Knowledge Sharing on PCD provides a tool to communicate PCD to a wider audience (Box 7).

How Are OECD Countries Promoting PCD?

Since the early 1990s, the OECD has played a pivotal role in promoting policy coherence for development (PCD) and whole-of-government approaches to development. On the one hand, OECD research has helped to explain the important contribution PCD can make to enhanced development effectiveness, and to provide analysis of the development dimension across a number of policy areas. On the other hand, the Organisation's use of "soft law" and high-level policy statements has raised public and political awareness around PCD (Box 8).

The OECD is not alone in promoting PCD. On the contrary, making progress on PCD requires the involvement of a wide range of stakeholders. Governments in the OECD and partner countries, international and regional organisations and civil society and non-governmental actors work both independently and together to advance progress on PCD. This chapter provides an overview of recent or ongoing efforts to this end. It is based upon responses to the following four questions, which were addressed to National Focal Points for PCD in all OECD countries:

- In your country, what is the main function of the national focal point for PCD? In what government department is the focal point located and is he/she supported by a dedicated team or unit?
- Does your government have specific policy priorities for promoting PCD?
- Inform about a policy initiative of choice that demonstrates good practice and win-win outcomes.
- Provide a brief self-assessment of recent progress made to promote PCD along the lines of the three building blocks: *(i)* political commitment and policy statement; *(ii)* policy co-ordination mechanisms; and *(iii)* monitoring, analysis and reporting systems (Figure 14).

The last decade has seen a growing awareness of and support for PCD in OECD countries. It is encouraging that most DAC members today have a **political or legal commitment** to PCD. Many OECD countries have created formal or informal **co-ordination mechanisms**, either as inter-ministerial committees or working groups. This provides important opportunities to discuss proposed policies upstream, to clarify and resolve potential conflicts, and to ensure that there are no unintended consequences on development prospects across the world. Such discussions help to raise awareness of development and to promote efficiency and effectiveness of policies. Yet it is difficult to know to what extent policies end up being more coherent or not as a result of internal co-ordination. **Monitoring, analysis and reporting systems** need to be strengthened in most countries.

Overall, there is a lack of robust methodologies and indicators to measure progress, as well as specific evidence-based impact analysis adapted to country contexts. To this end, and in line with the OECD Strategy on Development, the OECD will scale up its work on PCD to:

- Support more effectively its members, by fostering collaboration with other partner institutions to develop PCD indicators, monitor progress and assess the impact of diverse policies on development in a more systematic manner.
- Ensure that the OECD's policy advice is coherent and consistent with development, by mainstreaming the development dimension throughout directorates and committees, re-focusing ana-

lytical work to take into account the impact of specific policies on development outcomes, identifying particular areas of policy incoherence, as well as synergies, and reinforcing the existing institutional mechanisms for PCD within the Organisation.

- Strengthen the mechanisms to promote greater opportunities for dialogue and knowledge sharing with developing countries and key stakeholders on the effects of policies on development and to share experiences and good practices on PCD; and build strong evidence on the cost of incoherent policies as well as on the benefits of more coherent policies.
- Apply a PCD perspective to global public goods and "bads" as well as key global issues which need to be addressed in a comprehensive manner, such as global food security, illicit financial flows and green growth.

NATIONAL EXPERIENCES

>> *Fifteen countries and the European Commission agreed to contribute to this report. The inputs offer insightful examples of national and institutional "success stories" that have led to real change and illustrate good practices across the policy spectrum. They were provided by the National Focal Points for PCD on an informal and voluntary basis (Box 9). As such, the opinions expressed and arguments employed herein are those of the authors.*

AUSTRALIA

Across the agency, rather than through a specific branch, AusAID provides advice on government policies and issues that may affect developing countries. This is done through a range of consultative mechanisms and interdepartmental committees (IDCs). Existing whole-of-government processes, networks and on-going collaboration across the entire agency enable AusAID to identify any issues as they arise and, where necessary, provide advice to other government agencies to ensure that the development perspective is taken into account. For the time being, Australia does not have a designated PCD focal point.

In its whole-of-government aid policy, "An Effective Aid Program for Australia: Making a real difference - Delivering real results" (AusAID, 2011), the Australian government recognises the importance of global economic policies in terms of their potential impact on poverty reduction and specifically identifies trade, agriculture, investment and remittances as priorities for PCD.

Box 8

Non-binding OECD instruments to promote PCD

OECD Strategy on Development (2012)

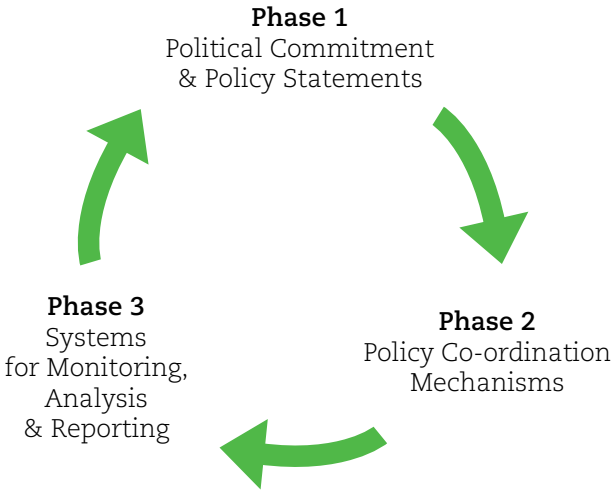
Framework for an OECD Strategy on Development (2011)

OECD Council Recommendation on Good Institutional Practices in Promoting PCD (2010)

OECD Ministerial Declaration on Policy Coherence for Development (2008)

OECD Action for a Shared Development Agenda (2002)

Figure 14. The policy coherence cycle



Source: Building Blocks for Policy Coherence for Development (OECD, 2009).

Box 9

An Informal Network of National Focal Points for PCD

The OECD Informal Network of National Focal Points for Policy Coherence for Development ('the PCD Network') was created jointly by the Development Co-operation Directorate and the Development Centre in 2007 to establish better communications between the OECD and officials in capitals on policy coherence for development. Today the Network is hosted by the PCD Unit in the Office of the Secretary-General. It convenes once or twice a year.

Policy initiatives to promote PCD

Australia has led the charge with Italy to secure G20 commitment to work towards reducing the global average cost of transferring remittances to 5% by 2014, with the aim of releasing around USD 15 billion per year to the hands of poor people in developing countries. An example of the work that Australia has been undertaking to achieve this goal is an Internet resource called *Send Money Pacific*, which is co-funded by the Australian and New Zealand governments and developed in close consultation with Pacific Islander communities in both countries (*www.sendmoneypacific.org*). The objectives of the project are to reduce the total transaction cost of remittances to below 5% by encouraging competition via promoting transparency in disclosing fees and by building financial awareness. Any reduction in remittance transfer costs results in more money remaining in the pockets of Pacific peoples, and has a significant effect on the income levels of Pacific families. The website includes information on conducting money transfers to Fiji, Kiribati, Papua New Guinea, Solomon Islands, Samoa, Tonga, Tuvalu and Vanuatu.

The *Regional Assistance Mission to Solomon Islands* (RAMSI) provides another example of Australian government agencies working at the strategic and operational levels to co-ordinate development co-operation. The Department of Foreign Affairs and Trade, through the RAMSI Special Co-ordinator, provides policy oversight and guidance for the entire mission. The Australian Federal Police leads a regional Participating Police Force focused on building the skills of, and trust in, the local police force. AusAID manages the three development pillars of RAMSI—machinery of government, economic governance and law and justice—and draws on contributions from different Australian government agencies for programme design and implementation. The Australian Treasury, the Department of Finance and Deregulation, the Attorney-General's Department, the Australian Electoral Commission, the Australian Customs Service, the Australian Office for Financial Management and the Public Service Commission have been engaged to assist in economic management, strengthening law and order, public institutions and building local capacity. RAMSI has enabled agencies to work across their areas of specialisation and provide an integrated government response with a coherence that can otherwise lack in responses to fragile states.

AusAID regularly engages with the Australian Department of Foreign Affairs and Trade (DFAT) and other agencies on a range of issues including: negotiations on all preferential trade agreements that include developing countries; WTO commitments that impact on developing countries; and aid for trade.

Australia is active in WTO committees to address non-tariff barriers to trade in non-agricultural goods. Australia's duty-free and quota-free market access arrangement for least developed countries (LDCs) applies to all imported goods. This includes textiles exported to Australia by LDCs. Beyond this arrangement for LDCs, Australia's tariffs on textiles are very low—the vast majority of textile products only attract the general tariff rate of 5%, with only certain apparel and made-up textile items attracting a rate of 10%. Australia will be further reducing tariffs on apparel products in 2015, by which stage no textiles and apparel will attract a tariff rate of more than 5%.

Self-assessment of institutional mechanisms to promote PCD

In terms of **political commitment and policy statement**, the Australian government explicitly recognised the wider development context and the importance of coherent policies in its whole-of-government aid policy. It stated that Australia's future development policy must be fully integrated, mindful not only of the role played by ODA but equally of incorporating global economic policies that impact on poverty reduction.

AusAID provides advice across the agency on government policies and issues that may affect developing countries through a range of consultative mechanisms and IDCs. A good example of **policy co-ordination** was AusAID's involvement in the cross-agency Australia in the Asian Century Reference Group. The agency helped ensure that the resulting White Paper (released in October 2012) integrated development assistance as an important contributor to regional security and Asia's economic development. AusAID is a member of multiple IDCs on various policy issues such as the G20, Afghanistan, climate change, sustainability, trade and security.

AusAID's Whole-of-Government Branch strengthens engagement between AusAID and other government agencies to better plan and deliver effective aid. The Branch promotes a cohesive and co-ordinated approach to whole-of-government development assistance, helping to build strong relationships across national government agencies, including through 13 formal

Strategic Partnership Agreements with those agencies.[xiv] These agreements ensure effective co-ordination of joint initiatives and outline the strategic principles of engagement between agencies, setting out how AusAID and the partner agency will co-operate to achieve development goals.

The Whole-of-Government Branch also manages the Development Effectiveness Steering Committee (DESC), chaired by AusAID's Director General and with membership of Deputy Secretaries from several key government agencies. The role of the DESC has recently been strengthened to further enhance engagement with other government agencies. While the DESC is focused on whole-of-government co-ordination and coherence of Australian aid, it can also serve to raise awareness of development impacts of broader government policies among senior policy makers.

At the working level, AusAID has a number of seconded staff in other government agencies, which enables more direct influence of development considerations on broader government policies. For example, AusAID has recently seconded a staff member to the newly created UN Security Council Taskforce within DFAT.

AusAID has also strengthened its in-country engagement with other government agencies, including through the devolution of responsibilities to Post and the elevation of representation in Jakarta, Port Moresby, Washington and New York.

AusAID uses internal reference groups to engage multiple areas of the agency for advice and input into whole-of-government policies. For example, the AusAID G20 and post-2015 development agenda reference groups each engage key internal stakeholders to determine priorities and provide advice on whole-of-government issues, such as trade, financial inclusion, infrastructure, environment, health and education. Through our membership—and in the case of post-2015, our role as chair—in the IDCs, AusAID influences broader government policies, bringing development perspectives to bear.

AusAID has strengthened its thematic and sectoral expertise and capabilities, including through the creation of a dedicated Policy and Sector Division, the growth in the number of Principal Sector Specialists and the formal establishment of career streams for key sectors, through the Workforce Plan and Learning and Development Strategy. These measures have enhanced AusAID's ability to engage effectively and influentially with other government agencies on policy matters related to, among other things, education, economics, health, rural development, environment and trade.

There is also a broad range of in-country whole-of-government co-ordination mechanisms with intra-embassy co-ordination meetings at various intervals, from weekly to six-monthly. The purpose of these meetings varies from forum to forum, including identifying strategic and tactical synergies and ensuring a unified, coherent and co-ordinated approach to a particular issue or set of issues (see the RAMSI example above). These mechanisms ensure a whole-of-government contribution to the development of country strategies and country situation analyses.

In addition to co-ordination meetings and whole-of-government input, there are ministerial level mechanisms such as the Philippines Australia Ministerial Meeting (PAMM) to guide the bilateral relationship. Preparation for the most recent PAMM (June 2011) involved co-operation between AusAID, the Department of Foreign Affairs and Trade, and a range of other government agencies. Development co-operation was a key topic in both the PAMM and the preceding PAMM Senior Officials Meeting.

Monitoring and reporting of PCD generally takes place through the various issues-based interdepartmental committees (IDCs). There is no single forum or report that collectively captures and reports on PCD. The level of intensity around monitoring and analysis varies depending on the issue (e.g. with issues such as security—RAMSI and our engagement in Afghanistan—receiving higher attention).

AUSTRIA

In Austria, the national focal point for PCD is the Director for the Co-ordination of Development Co-operation and Co-operation with Eastern Europe, located in the Federal Ministry for European and International Affairs. The primary task of the focal point, who is supported by one person only, lies in the initiation and co-ordination of an inter-ministerial dialogue and the facilitation of civil society engagement in the formulation and implementation of strategies, as well as in maintaining relations with international PCD networks.

The promotion of PCD is not limited to certain issues, but Austria's three-year strategy for development co-operation, the Dreijahresprogramm der Österreichischen Entwicklungspolitik 2013–2015, outlines a set of policy priorities for Austria's engagement in development co-operation. These are: water; energy; climate protection and agriculture; rule of law; security and human rights; and economic development.

Policy initiatives to promote PCD

Austria is the world's leading country regarding **organic agriculture**, which has also been acknowledged in the OECD-DAC's latest peer review. It was therefore logical for Austria to exploit the vast potential which lies in the field of organic agriculture and development. In order to do so, involved state agencies, universities and research facilities, as well as other civil society organisations,

were brought together to frame an overarching strategy on this issue, entitled "Organic agriculture: An approach for reducing poverty and safeguarding the environment - Thematic paper of the Austrian Development Co-operation". The strategy provides clear guidelines for the implementation of organic agriculture interventions. The potential for such interventions in Austria's partner countries has been evaluated and the first programs have already been launched, notably in Central America and Western Africa.

Self-assessment of institutional mechanisms to promote PCD

In terms of **political commitment**, the new three-year strategy for Austria's engagement in development co-operation explicitly emphasises the importance of PCD as an overarching guideline for development co-operation.

Policy co-ordination mechanisms for PCD include an inter-ministerial working group for coherence; ad-hoc meetings on issues that warrant coherence; regular dialogue between ministries, official agencies and the parliament and informal contacts between civil servants and NGOs. Additionally, an advisory board for development issues has been put in place which consists of experts in the field of development co-operation that represent academia, public administration and civil society.

All ODA is regularly subject to **monitoring and evaluation** by the Austrian Development Agency, the Ministry for European and International Affairs and the Austrian Court of Audit. It is also subject to OECD peer reviews. The implementation of the actual three-year strategy and the formulation of its follow up are discussed at the Entwicklungspolitischer Jour Fixe, a six-monthly event that provides a forum for discussion among interested state and non-state actors.

DENMARK

PCD has been identified as a focal area within a new strategic framework for Denmark's participation in the EU's development co-operation, currently being finalised. The Head of the EU Development Policy Team in the Department of Development Policy and Global Co-operation at the Ministry of Foreign Affairs is the national focal point for PCD in Denmark. The focal point is responsible for maintaining internal and external institutional relations on PCD matters, such as with the EU, the OECD, and others. Dialogue on substance, including on PCD-aspects within specific policy areas, are managed directly by responsible units and line-ministries involved.

Policy priorities are currently being identified and developed in connection with the work on a Danish action plan on PCD, which will be launched in the last quarter of 2013.

Policy initiatives to promote PCD

PCD needs to go beyond the conventional emphasis on elimination of existing incoherencies of policies that affect developing countries negatively and look at the need for increasing coherence between instruments, modalities and policy areas that may traditionally be isolated and unco-ordinated, in a manner that produces development results for the world's poorest. Recognising the need for **a whole-of-government approach to stabilisation**, and with the aim to streamline and strengthen Denmark's efforts in fragile states, the Centre for Global Politics and Security in the Ministry of Foreign Affairs was created in 2012.

The Centre consists of the regional departments for Africa, Asia, Latin America and the Middle East, and the Department for Stabilisation and Security Policy. The establishment of the joint Department for Stabilisation and Security Policy has been undertaken to ensure better synergy and co-ordination with horizontal Danish policies and efforts. The department is responsible for the Civilian Peace and Stabilisation Response and supports the Development Minister's co-chairmanship of the International Dialogue. Efforts are closely co-ordinated with the Centre for Global Development and Co-operation (responsible for, inter alia, development policy and humanitarian assistance).

The Department for Stabilisation and Security Policy also hosts the Whole-of-Government Stabilisation Secretariat consisting of staff from the Ministry of Foreign Affairs and the Ministry of Defence. The Stabilisation Secretariat supports the Whole-of-Government Stabilisation Board. The Board is presided alternately by the Ministry of Foreign Affairs and the Ministry of Defence and consists of representatives from the Ministry of Foreign Affairs, the Ministry of Defence, the Ministry of Justice and the Prime Minister's office at the level of Under-Secretary of State. The board meets monthly to ensure an active, flexible and co-ordinated Danish approach to engaging in conflict and post-conflict settings. The Whole-of-Government Stabilisation Board is a strategic and co-ordinating forum and decides on the use of the Danish Peace and Stabilisation Fund, which is made up of both ODA and non-ODA funds. The Peace and Stabilisation Fund is focused on two regional programmes in the Afghanistan-Pakistan region and the Horn of Africa and a new strategic stabilisation initiative in the Sahel in addition to country engagements in, for example, the Balkans, Libya and Syria. The aim of the interventions is to stabilise fragile situations, build local capacity and pave the way for long-term peace and development.

In addition, Denmark is focusing on strengthening Danish civilian capacities in areas of relevance for stabilisation and fragile states. This includes a reform and more strategic use of the Civilian Peace and Stabilisation Response, which consists of 450 deployable civilian experts for multilateral stabilisation and reconstruction efforts in fragile states, in particular, priority countries where Denmark already has an active engagement in development and/or stabilisa-

tion. As the civilian experts are drawn from all parts of the Danish government and non-government institutions, this work is naturally also co-ordinated closely between the various ministries.

The structured co-ordination in the Whole-of-Government Stabilisation Board and Whole-of-Government Stabilisation Secretariat has proven very useful, not only in the immediate areas of responsibilities as mentioned above, but also in other instances where close and often urgent co-ordination between development policy issues and security policy issues have arisen. Below are two recent examples that demonstrate the nature and effectiveness of the whole-of-government stabilisation efforts.

The first is **the aftermath of the military intervention in Libya**. Co-ordinated in the aforementioned steering group to ensure coherence and utilisation of synergies between different instruments, Denmark provided and still provides support in a range of areas, including support to *(i)* the development of free media and human rights; *(ii)* security and justice sector reform; *(iii)* identification of victims in mass graves as a tool in the reconciliation process; *(iv)* international election monitoring; and *(v)* mine and ammunition clearance. This example stresses how funds and instruments from several different ministries and pools may work in a comprehensive and coherent fashion if co-ordinated properly.

The second example is that of **anti-piracy in the Horn of Africa**. By recognising that piracy has its root causes in poverty, that young Somali men too often are unable to see alternatives to piracy in terms of livelihood, and that military interventions are insufficient to address the issues fully, Denmark has adopted a comprehensive and holistic approach. As such, the overriding objective of the work in the Horn of Africa and in dealing with piracy is not only to protect Danish interests in a short-sighted modus, but rather to build up the Somali society by improving livelihoods and creating better institutions to secure the necessary state structures that allow individuals to claim their rights.

A comprehensive approach to stabilisation is often conceptually misunderstood as equal to civil-military co-operation (CIMIC). Whereas the last concept is a way to support military operations with civil efforts such as the building of schools, bridges or wells (and thus a blending of instruments), the comprehensive approach will most frequently have non-military conditions guiding the efforts. As such, stabilisation can easily occur without the existence of a military element, and this national success story highlights such progress in which development aims have become guiding.

Self-assessment of institutional mechanisms to promote PCD

The principle of PCD enjoys wide political support in Denmark and its importance has been reiterated several times over the last years, most recently in connection to the Danish position on the post-2015 framework for development. In terms of **political commitments**, Denmark has initiated the most progressive changes in Danish development policy in several decades and has adopted a convincing "three-stage rocket" to strengthen the efforts on PCD over the last two years. In addition to the so-called Government Platform established in 2011, it consists of the new Danish law for international development co-operation and the Danish strategy for development co-operation, which were both adopted in 2012:

- **Government Platform:** The Danish government that was formed in autumn 2011 gave a strong political commitment to PCD by including the idea of coherence in external policies into the government platform. By focusing the PCD efforts on the EU, the platform adduces "how the government will work to increase coherence between EU policies within the many sectors that influence developing countries." The government platform subsequently takes the commitment to coherence one step further. It puts forward specific policy commitments in at least two areas—capital flight and tax havens, and fishery policies—by advancing "how Denmark shall lead the efforts on closing taxation gaps, addressing illegal capital transfers and promote a fair taxation of natural resources in the world's poorest countries," and to ensure that the reform of the EU's fishery policy ensures that the world's fish-resources are utilised sustainably to the benefit of the local communities who are dependent on the fishery.
- **New Danish Act on international development co-operation:** Denmark's act on international development co-operation that came into force in 1971 was updated in 2012, with a view to reflect the conditions and challenges of contemporary development co-operation in the Danish legal framework. With the update, a strong formulation referring to the impact of non-aid policies on developing countries was included. As such, §1, subsection 2, now reads that it "recognises that developing countries are not only affected by development policies but also by other policy areas." The new law came into force on 1 January 2013.
- **New Danish strategy for development co-operation:** In 2012, Denmark adopted a new strategy for development co-operation, "The right to a better life." It forms the basis for effective Danish development co-operation, supporting the world's poor in their struggle to claim their right to a better life. The new strategy is a strong starting point for Denmark's efforts on PCD. It recognises how development co-operation is only one element in efforts to bring about development in the world's poorest countries and regions and "that political measures in other areas such as trade, energy, climate, security, migration, taxation, agriculture and fisheries often play a far more important role than development co-operation." As part of the implementation of the policy priorities of the strategy, Denmark will develop an action plan on PCD.

To enhance **policy co-ordination**, the Danish Ministry of Foreign Affairs is working on PCD issues in close collaboration with other ministries (inter alia, within the policy areas of security, migra-

tion, environment, trade, and climate), utilising existing committees, such as EU decision-making mechanisms and working procedures. The special committee for development policy issues, created as a part of the Danish EU decision-making process, is one such co-ordinating mechanism set in place to ensure coherence across ministries. It handles development dossiers that are relevant to be deliberated across the government.

A new national action plan will formulate and determine how Denmark can strengthen its efforts in promoting PCD in practice, including how Denmark will specifically prioritise, co-ordinate and institutionalise the work on PCD. The concrete preparation of the action plan will be initiated in the second quarter of 2013 and the action plan will be presented by the end of the year. While the contours of the action plan are yet to be drawn up, some initial thoughts on its shape and scope can be outlined.

The action plan is expected to include deliberations covering several elements, including working procedures internally in the Ministry of Foreign Affairs with regard to preparation and co-ordination of dossiers in the EU decision-making processes; inter-ministerial handling and dialogue, building upon existing structures; dialogue with relevant committees in the Danish Parliament; and a strengthened evidence-based approach to PCD, including co-operation, knowledge and experience-sharing with international organisations such as the OECD and the EU, civil society, research institutions and think tanks.

Denmark's efforts will be concentrated on ensuring coherence between EU policies. It is in the EU—rather than in Denmark—where decisions on policies that have the most significant impacts on developing countries are made. Specific Danish priorities will be identified within the EU's five focal areas, potentially taking as its starting point the Commission's work programme. The priority areas will be co-ordinated and decided upon in close collaboration with relevant line ministries to ensure strong ownership.

As part of a new transparency package, **Danida Feedback** and formalised public consultations contribute to efforts to monitor, analyse and report on PCD. The transparency package, which was launched by the Danish Minister for Development Co-operation on 1 January 2013, promotes several new initiatives to increase transparency and openness in Danish development co-operation. These include an anti-corruption hotline, a feedback mechanism, and access to documents as part of Danida's granting process, as well as all individual programmes, projects and partners through the Danida project database.

Central for PCD is the introduction of formalised public consultations, which allow stakeholders to feed into the ministerial process of formulating or updating strategies, policies and programmes. This provides an opportunity to report or draw attention to incoherencies or conflicting issues in Danish development co-operation, which may then be addressed appropriately. Danida Feedback,[xv] in turn, is a mechanism intended to facilitate dialogue between Danida and the beneficiaries of Danish development co-operation concerning activities and decisions in which Danida is involved. Danida welcomes all feedback, but especially the ability of affected beneficiaries to report on incoherencies in Danish development co-operation is of importance, and is a step towards fulfilling the third step of the OECD's building blocks for PCD on **reporting and analysis**. All of the provided feedback and complaints are individually handled, but also published in a joint annual report.

EUROPEAN UNION

The European Commission Directorate-General for Development and Co-operation – Europe Aid, Unit DEVCO A1, Policy and Coherence, acts as a focal point for the follow-up to the EU PCD commitments, co-ordination and the mobilisation of sectorial expertise across the European Commission on PCD. The Directorate-General also ensures the Commission's participation in the wider policy debate on PCD with EU Member States, international organisations (e.g. the OECD) and other stakeholders, including civil society organisations and academia.

Within the Commission, the Directorate-General for Development and Co-operation – Europe Aid, also plays a catalysing, advisory and coaching role for PCD. It leads the preparation and monitoring of the PCD Work Programme and the biennial PCD reports and delivers the PCD training.

Thematic priorities for PCD at the EU level are defined in two main documents:

- In its Conclusions of May 2005, the Council agreed to track progress on PCD in the following twelve policy areas: trade; environment; climate change; security; agriculture; fisheries; social dimension of globalisation, including employment and decent work; migration; research and innovation; information society; transport; and energy.
- In its Conclusions of November 2009, the Council agreed to the proposed selection of five global development challenges for PCD: *(i)* trade and finance; *(ii)* addressing climate change; *(iii)* ensuring global food security; *(iv)* making migration work for development; and *(v)* strengthening the links and synergies between security and development in the context of a global peace-building agenda.

The challenges at the heart of the new approach to PCD are closely linked to the progress towards the Millennium Development Goals (MDGs). Food security and trade are part of the MDG agenda and the fight against hunger and poverty. The policies on migration and security, as well as the fight against climate change, all have clear implications for progress towards the MDGs.

The policy areas identified by the Council in 2005 remain, in parallel, relevant to PCD. Each of them can effectively complement the others in addressing the five global challenges. For example, policy areas relevant to food security include fisheries, agriculture, trade, research, responsible investment, biodiversity and more. Those relevant to climate change similarly include transport, energy and trade, but also biofuels production, thus linking the challenge to the area of agriculture.

Policy initiatives to promote PCD

Through initiatives of the European Commission, the European Parliament and civil society, important efforts were made in 2010 and 2011 towards introducing EU legislation on **a country-by-country reporting requirement for extractive and forestry companies** (COM(2011) 683 and COM(2011) 684). This would be conducive towards strengthening transparency, domestic accountability and tackling the issue of corruption in developing countries, as well as for promoting an ambitious global transparency standard in international forums. The proposed modification of the EU directive is an important issue leading to a more general debate on this matter at the international level.

Self-assessment of institutional mechanisms to promote PCD

With regard to **political commitment and policy statement**, the Council, following the publication of the third biennial EU Report on Policy Coherence for Development (EU PCD Report published on 15 December 2011), adopted the Council Conclusions on Policy Coherence for Development at the Foreign Affairs Council on 15 May 2012, with the aim of sending a strong signal that the EU maintains its high-level political commitment and support for PCD.

The European Parliament has also adopted its own initiative report on PCD on the basis of the report published by the Commission. The resolution was adopted in plenary in the European Parliament in October 2012. It covers both institutional and thematic aspects of PCD (trade and finance; CAP reform and food security; climate change; external and security policy; and migration) and calls on the European Commission to improve PCD in a number of areas, highlighting mainly trade, agricultural policy and fisheries.

At the EU level, there are two **co-ordination mechanisms** for PCD purposes:

- **The PCD Inter-service group (ISG):** Composed of participants from the Directorates-General (DGs) and responsible for the various policy areas related to the PCD challenges, the ISG is a forum/network for exchange of views and experiences on PCD issues. The European External Action Service (EEAS) is also invited to participate in the ISG meetings.
- **The Informal Network of PCD contact points from Member States:** This informal network, organised by the European Commission, allows its members to share information on the national processes and PCD priorities. It also serves to alert Member States to important events and issues relevant for PCD at the EU level. Sharing experiences among Member States and the European Commission also helps to identify and disseminate good practices. Norway and Switzerland and the OECD PCD unit have also participated in this information exchange since 2011.

Among the main tools used for monitoring and promoting PCD are the European Commission (ex-ante) Impact Assessments. The Commission has one of the most demanding regulatory impact assessments frameworks in the EU. Some progress has been noted as the impact on developing countries has been included as an area to cover in the guidelines for impact assessments in 2009. The European Commission is working actively to improve implementation and to further strengthen PCD-related requirements, especially in view of the expected revision of the European Commission Impact Assessment guidelines in 2014.

The European Commission is also working with the EEAS to highlight the role of EU Delegations in the country-based dialogues on PCD, and to provide appropriate PCD training and specific instructions to EU Delegations.

The **reporting** on PCD in the EU takes place every two years. The next report will be published in the second half of 2013.

FINLAND

The 2011 Government Programme and the 2012 Government Development Policy Programme commit Finland to strengthen PCD. Both programmes specifically call for influencing greater coherence of EU policies. Finland's priority themes for PCD are food security, trade, taxation, migration and security.

Finland's national focal point for PCD is located in the Unit for General Development Policy and Planning in the Department for Development Policy, Ministry of Foreign Affairs. While 1.5 persons are assigned to work specifically on PCD, the PCD function is very much supported by all of the unit's 25 staff members and the whole department. PCD is one of the key priorities of the Minister for International Development (political leadership) and the Under-Secretary of State (civil servant leadership).

The tasks vary from large operative tasks, such as the ongoing food security pilot which tests the OECD's Policy Framework for PCD, to demanding briefing functions to the Minister for International Development and participation in the formulation of national positions in different policy areas, as well as research

in the PCD priority areas of food security, trade, security, migration and taxation.

Policy initiatives to promote PCD

Finland's *Food Security Pilot Study* represents a new way of forging co-operation in order to foster PCD. It also contributes to increased monitoring, analysis and reporting on PCD.

The OECD DAC Peer Review of 2012 urged Finland to strengthen strategic management and enhance co-operation between and within ministries, and to use the national EU co-ordination system more efficiently to strengthen the development perspective of Finland's stands towards EU policies, as well as to better utilise the research institutions and embassies' feedback on PCD. These issues are currently being addressed.

As mandated by the 2012 Development Policy Programme, Finland is analysing Finnish and EU policies which impact food security and the right to food in developing countries. This is innovating broad-based co-ordination, with the objective of strengthening policies that enhance global food security.

The focus of the analysis is on: *(i)* national institutional mechanisms to promote PCD; *(ii)* EU policies in the areas of agriculture, fisheries, environment and trade from the development perspective; and *(iii)* creating a new kind of broad-based co-operation to help strengthen Finland's voice in various international fora discussing global food security.

In order to do so, Finland is piloting the *OECD's Policy Framework for PCD*, a self-assessment tool, in the area of food security. The food security pilot represents a novel, thematic co-ordination and monitoring mechanism for governmental institutions and other key actors related to food security. In addition, Finland tests the relevance, usefulness and practicality of the institutional and sectoral guidance of the tool and will provide feedback to the OECD so that it can be further developed.

The purpose of the pilot is to ensure that issues related to food security are taken into account in a coherent way throughout the state administration, in national policies and particularly in influencing the relevant EU policies.

Under the leadership of the Ministry for Foreign Affairs, the food security pilot was launched in June 2012 by the inter-ministerial high-level working group on PCD. By invitation of the Under-Secretary of State for Development Policy, a steering group for the pilot was established in August 2012. The steering group held its first meeting in September and is due to finalise its work in autumn 2013. The composition of the steering group is as follows:

- **Government:** Ministry for Foreign Affairs (MFA, development and trade departments), Ministry of Agriculture and Forestry (MAF), Ministry of the Environment (MOE), Ministry of Social Affairs and Health (SAH), Ministry of Economy and Employment (MEE).
- **Research institutions:** Finnish Environment Institute, Finnish Meteorological Institute, Helsinki University/development and agriculture studies, Pellervo Economic Research, Statistics Finland and Agrifood Research Finland.
- **NGOs:** Central Union of Agricultural Producers and Forest Owners, Kehys—The Finnish NGDO Platform to the EU and Finnchurchaid.

The pilot is executed in six phases, as outlined in the PCD Framework: *(i)* institutions; *(ii)* agriculture; *(iii)* fisheries; *(iv)* environment (with trade and development as cross-cutting for 1-4); *(v)* methodology; and *(vi)* conclusions and recommendations.

While the MFA co-ordinates the pilot and convenes the steering group, the lead responsibility for each section is divided to reflect the most accurate expertise of members of the steering group. MFA is in charge of the first section; MAF of the second and third sections; MOE has the lead in section four; Kehys in section five; and MFA of the last section with conclusions and recommendations. The lead responsibility means preparing the first draft, preferably by a small multisectoral drafting group, for a response in each section, which is then discussed by the whole steering group in a meeting. Written comments after the meetings are included in the final version of the section. All responses are treated as drafts until the concluding session.

Expected deliverables of the pilot:

- An overview and assessment of Finland's approach to ensuring global food security, especially on national policies and EU co-ordination. This will also contribute to preparing the government report for the parliament on development results and PCD, scheduled for 2014.
- A set of recommendations for ourselves to help enhance the coherence between policies that impact food security and development policy.
- A compilation of comments and suggestions to improve the PCD guidance of the OECD.

Lessons learned by the mid-term of the pilot:

At the end of March 2013, the first three sections of the pilot were completed, namely institutions, agriculture, and fisheries. So far, the pilot has been a challenging yet extremely fruitful exercise. While it is too early to state what the final implications of the pilot will be, it has clearly proven to be successful in bringing together a wide variety of actors, all interested in the same topic. The broad-based and active participation has brought about new and interesting angles on food security and PCD. The participants have learned a lot from each other.

The process and the lively debates in the steering group are already results as such. Virtually all the steering group member institutions have participated in the meetings.

The pilot has already provided some recommendations on how Finland could improve PCD for food security. These recommendations will be synthesised during the final phase of the pilot. The responses also provide an overview of the state of PCD in different policy areas, drafted by some of the best experts in their respective fields—something that has not been done in Finland before.

If and when the pilot proves to be successful, similar approaches can be used in analysing other policies relevant for policy coherence for development.

Self-assessment of institutional mechanisms to promote PCD

In Finland, PCD as such has not been incorporated into the national legislation. However, the Lisbon Treaty obligation is reflected in **political commitments** and documents. The current Government Programme states, inter alia, that in development policy "the Government emphasises coherence as well as quality and effectiveness of aid," and furthermore that "the Government supports greater coherence and effectiveness in the EU's development policy." PCD is identified as one of the guiding principles in the 2012 Development Policy Programme.

PCD commitments are implemented partly through the EU **policy co-ordination processes**, and partly through the inter-ministerial PCD network and bilateral contacts between the MFA Department for Development Policy and other authorities. The scope and volume of PCD-related activities in the context of the EU policy co-ordination is gradually expanding. The inter-ministerial network serves as a forum for discussion on PCD within EU policies in general. The network serves as a mechanism for information, awareness-raising, and feedback within the government. Most ministries also have a designated PCD contact point for networking.

Finnish efforts to enhance **monitoring, analysis and reporting** on PCD are illustrated by the ongoing Food Security Pilot Study outlined above.

GERMANY

In Germany, the national focal point for PCD is the Head of Division 213 ("Coherence; co-operation within the German Government"), which is located within the Directorate-General 2 ("Policy issues and political governance of bilateral development co-operation; sectoral affairs") in the Federal Ministry for Economic Co-operation and Development (BMZ). In addition to this unit, the focal point is supported by sectoral divisions and Division P3 ("Sectoral/thematic, bilateral and multilateral planning") within the Directorate-General 1 ("Planning and communication").

The focal point is responsible for following discussions on PCD internationally (especially the OECD and the EU) and informs other ministries about current trends and issues in order to intensify the dialogue on PCD issues within non-aid policies. He/she is also involved and informed by sectoral divisions about PCD discussions in specific areas, such as food security.

Germany has thus far focussed on the topics of fragile states, climate change, food security, biodiversity and migration, but is also following discussions on PCD from a more general perspective, for example, what it means, what it implies for non-aid policies and monitoring issues.

Policy initiatives to promote PCD

The Federal Foreign Office, the Federal Ministry of Defence and the Federal Ministry for Economic Co-operation and Development (BMZ) have jointly issued the guidelines "For a coherent German Government policy towards **fragile states**" in 2012. Members of the German Bundestag and academics were also involved in the consultations. When crises escalate in certain countries, the participating Federal Ministries intend to establish task forces dedicated to countries or regions in order to allow for quick, co-ordinated action. Past examples for such inter-ministerial pooling of expertise are the task forces for the Sudan, Syria and the Sahel zone.

Another example relates to the need for new approaches to address the interconnections within the water, energy and food security nexus. To this end, the German Government (the Federal Environment Ministry/BMU and the BMZ) organized the international conference *The Water Energy and Food Security Nexus – Solutions for the Green Economy* in November 2011. The conference was a specific German contribution to the UN Conference on Sustainable Development, Rio 2012, and can be seen as a successful step towards developing a policy-spanning approach to tackle challenges in these fields. The wide interest for the Nexus initiative highlights the relevance of this perspective for sustainable development and demonstrates the increasing awareness that more systemic thinking is needed.

Self-assessment of institutional mechanisms to promote PCD

Germany has made progress in further clarifying goals and responsibilities as recommended by the OECD-DAC peer review in 2010, in particular through progress in the **co-ordination** of the different ministries' ODA activities. Along with the

approval of the reform strategy of the agencies implementing technical co-operation, resulting in the creation of the Deutsche Gesellschaft für Internationale Zusammenarbeit (GIZ), the Cabinet decided to establish a high-level inter-ministerial committee for technical co-operation and transparency on ODA chaired by the BMZ ("Ressortkreis Technische Zusammenarbeit und ODA-Transparenz"). The State Secretaries of all ministries meet twice a year to promote co-ordination of technical co-operation and advance transparency between the ministries' ODA activities.

In addition, since 2010, the Federal Ministry of Economics and Technology (BMWi), the Federal Foreign Office and the BMZ have met regularly at the level of the respective State Secretaries. The meetings serve the co-ordination and promotion of coherence of the respective ministries' policy fields. Besides general co-ordination, the ministries discuss and decide upon concrete co-operation projects of the three policy fields (foreign policy, economic policy and development policy). Preparation and follow-up meetings are held at the Directors' level.

An agreement between the Federal Foreign Office and the BMZ (2011) specifies responsibilities in areas such as humanitarian aid, thus avoiding duplicating and overlapping tasks. The embassies serve as focal points for contact with partner countries, liaise with donors and other actors in the country and strive towards coherent policies and their implementation at field level. In order to fulfil this mandate at field level, the German government has significantly increased the number of development staff seconded to Germany's diplomatic missions abroad. Within bilateral co-operation, Germany contributes to more coherent aid programming through participating in international donor co-ordination, programme-based approaches (PBA) and multi-stakeholder platforms. Where relevant, PCD issues are a regular part of political and sectoral dialogue with all partner countries.

In 2012, the BMZ was restructured and in the course a new division for "Coherence; co-operation within the German Government" was established. This division is entrusted with following up discussions on international PCD issues (mainly at the OECD, the UN and the EU level) and ODA co-ordinating activities. With this structure BMZ aims to strengthen internal coherence and promote inter-divisional co-operation and co-ordination within the BMZ and to strengthen inter-ministerial co-operation.

Finally, in September 2011, Germany and the Dutch Ministry of Foreign Affairs jointly commissioned two studies under the heading "Modernising the comparability of donor contributions post-2015." The first study aimed at associating non-ODA development-related financial contributions to ODA reporting. The second study was conducted on the feasibility and potential design of a "development-friendliness" index to evaluate and compare countries' non-aid policies affecting developing countries (King, M. et al., 2012[xvi]). The study underlines that a coherence index can only be successfully realised if there is sufficient political will and a genuine interest among countries to be compared. A shared agreement on the objectives and purpose of a coherence index is also needed, together with a long-term co-operation and an internationally recognised and institutionalised approach. The findings presented suggest what is essentially a twin-track approach, consisting of *(i)* continuing current efforts in the OECD to develop overall strategies as well as specific progress in thematic areas, and *(ii)* pushing for more attention to and acceptance of PCD objectives and targets in the debate on the post-2015 framework for global development.

IRELAND

Ireland's national focal point for PCD is located in the Department of Foreign Affairs. The main function of the focal point is to support the development and advancement of policy positions on PCD and other related issues, to provide secretariat support to the Inter-Departmental Committee on Development, to inform other government departments of PCD developments and issues, and to co-ordinate PCD reporting and Ireland's input into PCD programming at the EU level.

As well as commitments to PCD in EU[xvii] and international agreements,[xviii] Ireland made an explicit commitment in the 2006 White Paper on Irish Aid and more recently in the 2012 policy framework for sustainable development, Our Sustainable Future: A Framework for Sustainable Development for Ireland.

In 2011, the government published an Africa Strategy, Ireland and Africa: Our Partnership With a Changing Continent, which brings more coherence to the different elements of Ireland's engagement with African countries including development co-operation, political engagement and trade and investment.

The government undertook a review of the White Paper in 2012 and is currently in the process of approving a new policy on international development which should further elaborate its commitment to policy coherence and a whole-of-government approach to development.

Ireland has actively promoted PCD in the areas of trade and finance, climate change, food and nutrition security, and health workforce issues.

Policy initiatives to promote PCD

Health and HIV issues are prioritised within Irish development co-operation. Given the constraints posed by the chronic shortage of qualified health workers in many countries, Human Resources

for Health (HRH), including the retention of qualified medical personnel in developing countries, is one specific focus area. Irish Aid invests time and resources in HRH work in countries where it is engaged in the health and/or HIV sectors and takes a leading or active role in HRH technical working groups. Together with other donors, Ireland has successfully ensured the acceptance of health systems strengthening and HRH costs in proposals to the Global Fund for AIDS, TB and Malaria and the GAVI Alliance. A key challenge is the chronic shortage of health workers.

The Development Co-operation Division of the Department of Foreign Affairs (Irish Aid) and the Irish Health Service Executive (HSE) collaborate on a number of international health issues including on global health workforce issues. Both are active participants in the Global Health Workforce Alliance which has been instrumental in getting the Code of Conduct for International Recruitment of Health Workers passed by the World Health Assembly. The Code aims to establish and promote voluntary principles and practices for the ethical international recruitment of health personnel and to facilitate the strengthening of health systems. Currently, Irish Aid and the HSE are putting in place arrangements to monitor Ireland's compliance with the Code.

The Irish Aid and the HSE are also active members of the Irish Forum for Global Health which organised a conference in 2012 on the theme of the Global Health Workforce, recognising that the critical shortage of skilled health personnel is one of the greatest global health challenges today. Irish Aid and the HSE are also on the organising committee for the third global conference on the Global Health Workforce Crisis, to be held in Brazil in November 2013.

Self-assessment of institutional mechanisms to promote PCD

In 2007, an Inter-Departmental Committee on Development (IDCD) was established to improve **policy co-ordination** and to provide a forum for dialogue on the government's approach to development. It also explores how to make the best use of expertise and skills available across public services to benefit Ireland's development aid programme. The IDCD is chaired by the Minister of State for Development and Trade and meets two to three times per year. It is supported by a secretariat based in Irish Aid. The secretariat liaises with all interested parties and stakeholders, including civil society organisations and academics, and it also participates in the informal EU PCD Network and in OECD PCD focal point meetings.

Coherence within the development assistance programme is assured through regular Programme Coherence Meetings. PCD is also advanced through formal and semi-formal co-ordination mechanisms between government departments and further facilitated by the compact nature of the government and the short lines of communication both within and between its departments. In particular, there is strong collaboration between the Department of Foreign Affairs and Trade and the Department of Environment, Community and Local Government on climate change policy and sustainable development; the Department of Jobs, Enterprise and Innovation on trade policy; and the Department of Finance on Ireland's engagement with international financing institutions and on tax policy.

Hunger, food and nutrition security are priority issues for Ireland's development co-operation and a Hunger Task Team, with membership drawn from divisions across the Department of Foreign Affairs and Trade and from the Department of Finance and the Department of Agriculture, Food and the Marine, oversees the implementation of the 2008 Hunger Task Force report.

To enhance **monitoring and analysis**, Irish Aid financed three PCD research projects under a four-year research framework agreement with the Institute for International Integration Studies in Trinity College, Dublin: *(i)* a scoping report on PCD in Ireland; *(ii)* a watching brief on evolving policy in terms of the reform of the Common Agricultural Policy (CAP) and Economic Partnership Agreements; and *(iii)* the identification of PCD indicators. The scoping study, "Policy Coherence for Development: The State of Play in Ireland," was published in 2010 and identifies areas and issues where there may be incoherence between domestic Irish policies and Irish development objectives and makes recommendations on actions that might be taken. The follow-up report on indicators, "Policy Coherence for Development: Indicators for Ireland," was completed in 2012 following comprehensive consultations with government departments, through the IDCD, and with civil society.

Irish Aid provides approximately 25 to 30 million euros annually on research. This includes contributions to global public goods as well as more focused learning for development initiatives. A research strategy is currently being finalised which seeks to advance the utility of development research around three interconnected outcome areas: *(i)* development research is better able to demonstrate the impact on poor people; *(ii)* development policies are better informed by new and existing evidence; and *(iii)* partner countries are better able to conduct and use research.

A Programme of Strategic Co-operation between Irish Aid and Higher Education and Research Institutes was launched in 2006 to develop collaborative partnerships between higher education institutions in Ireland and in developing countries. The Programme is managed by the Irish Higher Education Authority (HEA) and the aim is to promote innovative research across a range of subject areas in support of Irish Aid's priorities and to develop the capacity of the higher education sector in Ireland and abroad for developmental research.

In terms of **reporting**, Ireland's progress on PCD and the work of the IDCD is disseminated through the Irish Aid website. Updates are also provided through briefings to the Oireachtas Joint Committee on Foreign Affairs and in responses to parliamentary questions (PQs) and representations. There is also on-going interaction with civil society organisations on PCD in general, as well as on specific coherence issues such as trade and taxation.

The Irish government undertook an extensive consultation process in 2012 as part of the Review of the White Paper on Irish Aid. The process included specific consultations with stakeholder groups, including parliamentarians, diaspora groups, academics and development human rights NGOs, as well as consultations with government and civil society partners in Irish Aid programme countries. PCD featured prominently in the public consultations and in submissions from Irish civil society.

ITALY

The national focal point for PCD is located in the Ministry of Foreign Affairs (General Directorate for Development Co-operation). It is not supported by a dedicated team or unit but refers directly to other government departments on a case-by-case basis and works in close co-operation with the office of the Minister for International Co-operation and Integration (MICI) on all cross-cutting issues. In April 2012, the Prime Minister issued a directive entrusting the MICI to ensure policy coherence among all relevant ministries, yet due to the end of the legislature the main focus of PCD-related activity was on co-ordination rather than on analytical work.

In promoting PCD, Italy is committed to follow the indications provided by the OECD and by the EU, particularly in the thematic areas identified by the EU Council in November 2009 (trade and finance; food security; climate change; security; and migration). However, a methodology to assess incoherencies and an operational framework has not been developed yet. Also, in connection with the above mentioned Prime Minister Directive of April 2012, migration, particularly remittances, gained relevance among the thematic areas.

Policy initiatives to promote PCD

Italy pays particular attention to the role of **remittances for development**. In 2010, remittances were estimated by the World Bank to amount to about USD 325 billion, an increase of 6% compared to 2009 and reached USD 370 billion in 2011. For 2012, the estimates are about USD 400 billion, essentially returning to pre-crisis levels. Remittances in Italy in 2011 were approximately EUR 7 billion (Bank of Italy data, processing Leone Moressa Foundation).

Italy launched in 2009, the year of the Italian Presidency of the G8 and in agreement with the World Bank, the Global Remittances Working Group (GRWG), whose Secretariat is based at the World Bank. At the G8 Summit in L'Aquila (8–10 July 2009), the Heads of State and Government adopted the Italian initiative, establishing for the first time at the international level a significant and quantified commitment: the reduction in the average cost of global transferring remittances from 10% to 5% in five years (goal of "5x5") that, if achieved, would increase annual net income of migrants and their families by about USD 15 billion.

The G20 summit in Cannes (3–4 November 2011), with Italy as co-facilitator for G20 remittances, adopted the goal of "5x5" L'Aquila. To facilitate the implementation of the objective, we proposed a "toolkit" of measures capable of reducing this cost which effectively updates the "Rome Road Map for Remittances" in 2009. The G20 entrusted the monitoring of the initiative to the World Bank.

The overall average cost of transferring remittances has decreased slightly and reached 9.3% (first quarter 2012), while it was estimated by the World Bank at 8.9% in the third quarter of 2012. Italy remained the G8 country with the best downward trend, with 7.4% (third quarter 2012) according to World Bank estimates. Within the G20, Italy, along with Australia, has offered to step up its ongoing efforts. In this respect, Italy promoted the adoption at the 25th UPU Congress in Doha (September–October 2012) of a resolution that calls on the UPU membership, States and operators, to contribute to the 5x5 objective. Italy has also ensured:

- the organisation of an International Conference on Remittances (November 2009, Foreign Ministry) as well as participation in and organisation of side events (including the IV United Nations Conference on the Least Developed Countries – Istanbul, 2011);
- co-financing and development of the Italian website on remittance costs (*www.mandasoldiacasa.it*), managed by the NGO CeSPI and in collaboration with IOM—the first to be certified according to the standards of the World Bank;
- co-ordination of the national group on remittances and 5x5 (which meets the MFA in size operators with the participation of MTOs, banks and the Italian Post Office);
- advocacy, outreach, awareness and proposals for pilot projects in the private sector, civil society, governments, non-G8 countries, the G20 and international organisations; and internal implementation of related regulations applicable also in the area of remittances within the EU "Payment Systems Directive/PSD Directive."

The provision of 14 September 2011 to introduce a stamp duty of 2% on cash transfers (therefore adversely affecting remittances), through a parliamentary amendment, was repealed on 24 April 2012 through the co-ordinated action of several branches of the government (the Ministry of Foreign Affairs, the Minis-

try of International Co-operation and Integration, the Ministry of the Economy and Finance, the Office of the President of the Council of Ministers and other stakeholders).

Also noteworthy is a project called *European Union Police Training Services* (EUPTS), led by the Carabinieri in collaboration with the Gendarmerie Forces of Spain, France, the Netherlands, and Romania, for training activities aimed—inter alia—at some African Union countries' police forces was approved by the EC at the end of 2010. Its objective, referring to the African Region, is to ensure that security requirements for the effectiveness of the development programmes are met. Preparations are in place in order to implement one training session of the project in Kenya in September 2013. The Minister of Interior Affairs is implementing a border police training for Niger, training officers in Italy, to support the state-building process and curb human trafficking.

According to the EC Directive 28/2009, Italy is implementing **a sustainability certification system for biomass feedstock** to be used in biofuel production. The scheme upon which the certification system is based follows the principle of accuracy to both assure food security and protect the environment in developing countries from the over-expansion of cultivations for energy purposes. Although the sustainability certification allows the environmental and economic sustainability of agricultural production for energy purposes in Italian farms as well as in the whole EU, it is not yet possible to apply the same control system to goods imported from developing countries.

Self-assessment of institutional mechanisms to promote PCD

Considerable progress was achieved in 2012, as far as PCD **commitments** are concerned, particularly as regards the legal basis within the administrative framework of the Italian Government, as well as the strengthening of existing mechanisms and fora.

On 6 April 2012, the President of the Council of Ministers issued a Directive which empowers the Minister for International Co-operation and Integration with the functions of directing, promoting and co-ordinating the activities of those ministries which have a competence on development aid, as well as those activities which are carried out with other public or private actors, aiming at ensuring unity, coherence and effectiveness to the general policies of the government in the sector, consistently with the indications of the OECD-DAC and of the EU on coherence in development policies. The Directive also gives the Minister for International Co-operation and Development the power to convene co-ordination meetings among all stakeholders to ensure that the planning of development policies is consistent with the resources assigned, with the law's goals, with the directions of Parliament and with the international legal and political framework.

Also in 2012, the Cross-Institutional Table for Development Co-operation ("Tavolo interistituzionale per la cooperazione allo sviluppo") which had been launched in June 2010 at a technical level by the Ministries of Foreign Affairs and by the Ministry of Economy and Finance, was elevated to a political level and the Presidency of the Table was taken by the Minister for International Co-operation and Integration. The Table has been instrumental in promoting **co-ordination** and the sharing of choices and strategic lines of activity, as well as the measures adopted in accordance with international standards on aid effectiveness. The sixth meeting of the Table, held in Rome on 14 December 2012, launched the creation of three thematic tables, respectively on the issues of the Post-2015 Development Framework, on private-public co-operation and, specifically, on the issue of policy coherence for development. At the heart of this innovative exercise is the search for complementarities and synergies, especially related to forms of public–private collaboration, as well as the opportunity to exchange views and information between all the Public Administrations dealing with development co-operation. The office of the MICI and the Directorate General for Development Co-operation are organising an inter-ministerial workshop to be held on 10 May to train officers in several related ministries on the EU and OECD debate on PCD. An EU official will be invited and specific case studies will be presented.

One of the most significant achievements of the Cross-Institutional Table for Development Co-operation was the organisation in Milan in October 2012 of a Forum on International Co-operation, which was organised by the Minister for International Co-operation and Integration. The Forum was attended by over 1,600 delegates, by the heads of all concerned authorities and served as an important occasion of knowledge sharing, even on best practices in development co-operation activities. In particular, as outlined in the Chair Summary, the Forum recognised the urgent need of pursuing policy coherence for development as foreseen by the Lisbon Treaty (article 208), calling, to this end, for new institutional mechanisms, starting with a high-level figure responsible for flagging policy coherence issues at the inter-ministerial level. As a result, the need to include a specific mandate and body to deal with PCD in the future national framework for development aid has gained strength in the parliamentary debate, and specific provisions to this respect have been included in the draft of the bill to reform the current law on development co-operation (Act no.49 of 1987).

JAPAN

Japan's national focal point for PCD is located in the Development Assistance Policy Planning Division of the International Co-operation Bureau, in the Ministry of Foreign Affairs of Japan (MOFA). The PCD focal point works with an international co-operation team.

In Japan, there are thirteen government ministries and agencies involved in development co-operation, with MOFA playing the central role for policy planning and co-ordination, and implementing agencies closely collaborate with each other. Japan's fundamental aid policy documents, i.e. Japan's Official Development Assistance Charter (revised in 2003) and Japan's Medium Term Policy on Official Development Assistance (2005), stressed the importance of policy coherence. All policy priorities described in Japan's Medium Term Policy on Official Development Assistance (2005), such as poverty reduction, sustainable growth, addressing global issues, and peace building, are addressed with ensuring overall policy coherence.

Self-assessment of institutional mechanisms to promote PCD

Japan recognises the need to plan and implement policies with integrity and coherence. It implements overall ODA projects with government ministries and agencies according to that manner, and it organises various meetings for the exchange of views and information sharing among the different ministries and agencies to ensure coherence. Japan is also strengthening broad-based collaboration and **policy co-ordination**, actively exchanging personnel among related government ministries and agencies.

The DAC Peer Review in 2010 recommended Japan to strengthen capacity within the government for **monitoring, analysing and reporting** coherence issues and make more use of independent analytical capacity (research institutions, universities) to explore the development impact of Japanese policies. Taking due consideration of this recommendation, the government is now exploring ways to strengthen its capacity for monitoring, analysing and reporting, while taking into account the ongoing engagement for Policy Coherence for Development by the OECD.

NEW ZEALAND

New Zealand does not have an identified national focal point for PCD. The International Development Group of the Ministry of Foreign Affairs and Trade (formerly NZAID) manages PCD initiatives on a needs basis, co-ordinating across relevant government ministries, departments and agencies which have a stake in particular issues. Leadership of each initiative is devolved based on the appropriate programme or policy area.

Policy initiatives to promote PCD

The *Recognised Seasonal Employer* (RSE) policy, now in its sixth season, is the New Zealand government's response to the seasonal labour needs of New Zealand's horticulture and viticulture industries. Implementation of the RSE policy benefits developing countries (primarily in the Pacific and Asia) by providing an opportunity for people who may not qualify to live or work overseas under other immigration categories to earn an income, learn new skills and be exposed to new experiences in New Zealand.

While the RSE policy maintains a New Zealander first focus, the policy allows overseas workers, particularly from the Pacific, to plant, maintain, harvest, and pack crops in the New Zealand horticulture and viticulture industries. Between June 2008 and July 2012, more than 27,000 workers have come to New Zealand under the RSE policy.

The New Zealand Department of Labour (now incorporated under the Ministry of Business, Innovation & Employment) was responsible for the early development and implementation of the RSE policy. However, a high degree of support and collaboration has also been needed from other stakeholders, including: the Ministry of Foreign Affairs and Trade; the New Zealand Council of Trade Unions; New Zealand employers and industry groups; Pacific governments; labour hire companies; and Pacific community groups.

From a Pacific perspective, the economic and social impacts for families and local communities from RSE work are significant. Formal employment rates in the Pacific, particularly in rural areas, are low and opportunities are limited. The RSE policy provides an opportunity for people to earn an income, learn new skills and be exposed to new experiences.

The RSE policy is also a sustainable approach for New Zealand as part of its wider economic development assistance to Pacific governments. Formal employment generates sizeable remittances and is a valuable source of foreign exchange for the Pacific countries involved, thereby helping to reduce poverty and encouraging economic development, regional integration and stability.

To help maximise the development benefits from the RSE policy, the New Zealand Aid Programme funds the RSE Worker Training Programme, locally known as Vakameasina. The aim of Vakameasina is to increase the skills and future opportunities of Pacific RSE workers by providing them with access to English language, numeracy, computer and financial literacy training while they are in New Zealand.

In 2011, the New Zealand Department of Labour was a joint winner of the Institute of Public Administration New Zealand award for Working Together for Better Services. The award recognised the RSE policy as an innovative example of cross-agency collaboration around challenging and sometimes conflicting objectives. The award also recognises that it took considerable patience and brokerage skills and required effective interaction with industry partners.

Self-assessment of institutional mechanisms to promote PCD

New Zealand follows a pragmatic approach to PCD, identifying particular areas in which PCD can be strengthened and assigning responsibility to follow up on this. The Development Assistance Committee would like to see New Zealand set an agenda to tackle policy areas which could be more coherent with development. Consultation across the New Zealand government and with other stakeholders on the post-2015 development agenda by the Development Strategy and Effectiveness Division of the Ministry's International Development Group provides a good opportunity to identify such policy areas and to plan a programme of work to address these.

NORWAY

The main function of Norway's national focal point for PCD is to provide politicians and civil servants in ministries with relevant information on PCD, and to shed light on the potential and real effects of policies on developing countries' ability to develop. In addition, priority is given to dialogue with civil society and the provision of information to the general public on PCD. The main vehicle for this information is the annual report on PCD from the government to the Norwegian Parliament, the Storting, which is prepared by the focal point in co-operation with all relevant ministries. The focal point is located in the Section for International Development Policy of the Ministry of Foreign Affairs. There is no supporting team.

Policy initiatives to promote PCD

Norway's latest PCD report to the Storting, "Energy and Development – Report on Policy Coherence for Development 2012," highlights **the Norwegian energy sector's investments in developing countries** and shows how these investments contribute to increasing developing countries' revenues as well as social development, through an engagement in local communities and good Corporate Social Responsibilities (CSR) practices.

In the report, Norway outlines how the government promotes economic and social development in poor countries through the regulation of and guidelines for Norwegian multinational companies. It also deals with the interlinkages between political decisions, legislation, and the institutional framework, and the operating environment for companies in the energy sector and their business goals, by introducing rules and regulations which contribute to coherence between both Norway's business and development policies. In particular, expectations of good conduct in fields pertaining to corporate social responsibility like decent working conditions, human rights and pollution are made explicit for wholly and partly state-owned companies. The government enables Norwegian companies to play a role in supporting developing countries to extract and use their oil and gas resources and build up their energy production capacity in ways that also promote environmentally sound economic and social development. This creates important synergies in the form of partnerships, access to electricity, and the development of local structure, thereby contributing to sustainable development. The report also discusses the use of tax havens and the lack of transparency which often surrounds host states' use of tax revenues from the activities of Norwegian and other international corporate actors, which makes a case for more openness and explicit reporting.

Self-assessment of institutional mechanisms to promote PCD

In Norway, the Storting has requested the government to submit an annual PCD report. The government has submitted such reports since 2010 based on consensus between relevant ministries.

With regard to **policy co-ordination** mechanisms, there is no standing governmental mechanism for the management of PCD in the Norwegian system. Various sections in the MFA co-ordinate with their counterparts in other ministries within their fields of responsibility. On a general level the government itself is the co-ordinating body.

While Norway does not have a permanent **monitoring and analysis** system for PCD, **reporting** is undertaken through the said annual PCD report.

POLAND

Poland's national focal point for PCD is located in the Department of Development Co-operation in the Ministry of Foreign Affairs. The support to the national focal point is ensured by an intra-governmental Network of PCD Focal Points that was created in September 2012. The network is composed of experts representing different ministries (economy, finance, agriculture, internal affairs, defence, education, environment and regional development).

The national focal point for PCD is responsible for ensuring coherence and promoting development objectives in those public policies that can have an impact on development co-operation. The focal point also participates in EU and OECD work to promote PCD.

Poland has not defined PCD priority issues. Rather, the Ministry of Foreign Affairs co-operates with line ministries on timely issues as they arise, one of them being migration.

Self-assessment of institutional mechanisms to promote PCD

One of the milestones that signify **political commitment** and that has had a significant impact on the Polish development co-operation system, including its effectiveness and coherence, is the Development Co-operation Act, which came into effect on 1 January 2012. According to this law, the minister responsible for foreign affairs shall co-ordinate development co-operation by, inter alia, "providing opinions on government programmes and strategies with regard to their cohesion vis-à-vis development co-operation" (art. 13, p. 2.2).

Ensuring coherence of government programmes and strategies with development co-operation priorities has also been incorporated into the Multiannual Development Co-operation Programme 2012–2015 and Annual Plans.

Under the above-mentioned law, the Development Co-operation Programme Board, composed of representatives of different ministries, parliamentarians, NGOs, employers' organisations and academia representatives, has been established. The Board's main responsibility is to define development co-operation priorities but also to review draft government documents relating to development co-operation.

In order to put new legal provisions into practice, an intra-governmental network of focal points for PCD at expert level has been established. Its composition should reflect that of the Programme Board. Members of this network are tasked with monitoring of PCD issues in their respective ministries and with identifying incoherencies. This contributes to **policy co-ordination** mechanisms.

With regard to **monitoring, analysis and reporting systems**, there are no formal systems in place in Poland. However, if and as necessary, PCD issues can be analysed in co-operation within the national PCD Focal Points network.

PORTUGAL

Portugal's national focal point for PCD is integrated in the Board of Directors' Cabinet of the Portuguese Agency for Development Co-operation (Camões–Instituto da Cooperação e da Língua) in the Ministry for Foreign Affairs.

The main function of the focal point is to facilitate the implementation of the national legislation on PCD (Council of Ministers Resolution) by line ministries, and to provide a bridge between line ministries and PCD discussions, recommendations and commitments that arise in international forums such as the OECD, the EU and the UN.

Portugal's PCD priority policy areas are aligned with those of the EU: trade and finance, climate change, food security, migration and security.

Policy initiatives to promote PCD

Portugal highlights three areas in which the country has been particularly successful in promoting PCD: migration; climate change and development education; and long-term and sustainable development impacts.

With regard to **migration**, the High Commission for Migration and Intercultural Dialogue (ACIDI) and the High Commission for Gender Equality (CIG) are both responsible for proposing policies and implementing programs on migration, gender and family issues. They follow a human-rights based approach and aim at providing universal access to health and education. This contributes to the social and human capital of migrants living in Portugal, which can be leveraged for the benefit of origin countries. These goals are pursued through the adoption of a variety of laws and legal frameworks on issues such as circular migration, migrant integration, gender-specific issues and family reunification.

Portugal has also designed action plans on migration. These include the II National Plan for the Integration of Immigrants (2010–2013) (a cross-sector programme) and three plans on gender equality: the II National Plan against Trafficking in Human Beings (2010–2013); the IV National Plan Against Domestic Violence (2010–2013); and the IV National Plan for Equality—Gender, Citizenship and non-Discrimination (2010–2013). Each of these plans involves the participation of several institutions, including the parliament and civil society organisations. They cover wide policy areas such as justice, foreign affairs, internal affairs, health, and education.

The impact of ACIDI good practices has been commended by international organisations and has received several prizes, including the UN Universal Periodic Review of Human Rights practices (UPR) and the Merit prize by the Chinese League in Portugal, both in 2012.

ACIDI partners with the Portuguese Development Agency (Camões–Institute for Co-operation and Language) for projects fostering the migration-development nexus. These programs, such as CAMPO and DIAS in Cape Verde, intend to make full use of the potential of Portuguese and partners countries' laws on legal migration (circular and return migration), and aim at building capacity on migration management, skills transfer, entrepreneurship promotion, education and jobs opportunities and diaspora investment.

In terms of **climate change**, Portugal's focus was set on mainstreaming climate change into development co-operation. This was undertaken hand in hand with the implementation of the National Strategy on Climate Change Adaptation. The Portuguese

Fast Start Initiative is particularly interesting in this regard; it was established according to climate change negotiations aiming to finance both adaptation and mitigation activities. To operationalise this initiative, a joint working group was established involving the Portuguese Environment Agency (APA) and the Portuguese Development Co-operation Agency (Camões). This working group will appraise, approve and assess projects and programs, as well as—if necessary—integrate other relevant institutions according to specific sectoral projects in areas such as energy or agriculture and forestry. For instance, on water projects, the APA worked together with the national water authority to provide specific advisory.

The priorities for project financing in terms of countries are the Portuguese-speaking African countries and Timor Leste. The framework for the initiative's implementation is provided by the Memorandum of Understanding for the Fast Start Finance signed with each partner country for the period 2010–2012. Currently, two projects are being implemented in Mozambique and five have been approved that involve Mozambique, Angola, Cape Verde and São Tomé and Principe.

The Climate Change Fast Start Initiative is financed by the Portuguese Carbon Fund established in 2006, with the objective to assist Portugal's government with its achievement of the Kyoto Protocol target. This Fund provides the opportunity to develop innovative financing for projects, including through scaling up public and private financing, and to foster knowledge sharing and low-carbon technology transfer with developing partner countries.

Finally, PCD has been promoted and important synergies for PCD have been observed in the area of **development education**. This area is supported by the National Strategy for Development Education (ENED), which was formulated and adopted in an inclusive and participative process that involved 20 institutional partners (from sectors ranging from education, environment, and migration), as well as NGOs. These same institutions and civil society organisations are in charge of joint programming and are responsible for implementing, monitoring and evaluating the ENED Action Plan.

The ENED's overall objective is the promotion of global citizenship through capacity building and institutional dialogue. It aims at supporting formal education, non-formal education, awareness-raising and political influence to foster social behaviour change, participative citizenship and a broad-based and inclusive debate and participation on policy formulation and policy choice on development-related issues. Under the scope of ENED, co-ordination, complementarity and coherence remain a crucial feature. In the long run, this will contribute to an inherently coherent pro-development society, with long-term and sustainable impact on development.

Self-assessment of institutional mechanisms to promote PCD

In terms of **political commitment**, Portugal is expressing its continuous PCD advocacy at three levels: *(i)* the national level; through a partnership with an NGO (IMVF – Instituto Marquês de Vale Flôr) that led to the establishment of a digital platform (*www.coerencia.pt*); *(ii)* the international level (the OECD, EU, UN, Global Forum on Migration and Development, etc.) on the five priority areas highlighted above; and *(iii)* the regional level, particularly through policy co-ordination and the usage of policy co-ordination mechanisms at the Community of Portuguese Speaking Countries. On the regional level, priority areas are mainly health, food security and nutrition.

Monitoring, analysis and reporting systems still need to be implemented. Portugal established a legal basis for PCD in November 2010, encompassing the OECD's building blocks, including co-ordination and reporting mechanisms. Implementation, however, has been behind schedule due to institutional changes.

SPAIN

The Spanish national focal point's unit is located in the Ministry of Foreign Affairs and Co-operation, State Secretariat of International Co-operation and Latin America General Secretariat of International Co-operation for Development.

The focal point's Unit consists of a small team dedicated to Aid Effectiveness and Policy Coherence. It deals with the co-ordination of the different activities arising from international fora and domestic issues regarding policy coherence.

A new master plan for co-operation was issued at the beginning of 2013, setting the priorities for Spanish co-operation during the period 2013–2016. The plan underlines the following PCD priorities:

- Support the five sectors identified by the EU: trade and finance, climate change, food security, migration and security. In this sense, Spain's first challenge is to deepen the economic sector (trade, foreign direct investment and external debt and tax evasion).
- Public-private coherence: Promoting effective Foreign Direct Investments in countries with which Spain collaborates.
- Increase political efforts and co-ordination mechanisms.
- Enhance analysis, monitoring and communication of results.
- Improve co-ordination mechanisms between stakeholders in central services and the regional level, as well as between them and third parties (universities, research, NGOs, etc.).

Policy initiatives to promote PCD

Spain highlights several initiatives that have been undertaken to promote PCD. For example, the country established the International Trade Negotiation Consultative Commission between the Ministry of Economy and Competitiveness (MINECO) and the Ministry of Foreign Affairs and Co-operation (MAEC) to prepare common positions on **international trade**.

The Inter-ministerial Council for Corporate Social Responsibility inspired Spain to work on a national plan of **corporate social responsibility** that will take into account all internationally agreed principles, such us the Global Compact, OECD guidelines, UN principles, ISO 26.000 and ILO principles about multinational companies. The National Plan is to be passed in 2013 and is the consequence of the Communication on CSR of the Commission, approved in October 2011, that encouraged Member States to develop or update their own national plans.

As far as legislation is concerned, the Sustainable Economy Act was passed in March 2011. Its article 39.1 encourages enterprises, organisations and public or private institutions to incorporate or develop social responsibility policies to promote social responsibility, spread knowledge and best practices and encourage study and analysis of the impact on competitiveness of corporate social responsibility policies. The government now has to provide access to a set of characteristics and indicators of social responsibility and reporting models or references, which enables them to self-evaluate and be in accordance with international standards. The State Council/State Board of CSR (CERSE) has a working group in charge of both defining and developing the indicators system.

Another example is the Committee on Food Security (CFS)—the most inclusive and participative platform at the UN System, which discusses **food security and nutrition**. The Committee agreed to launch a two-year consultation process to develop principles for responsible investment in agriculture (RAI Principles). The RAI Principles will address all types of investment in agricultural value chains and food systems, and will include the concerns of host countries and investors. Due to the importance of the theme and the need to achieve policy coherence, a group has been created in Spain at the ministerial level in order to make public policies in Spain coherent with international development policies. This Group is comprised of several departments of the Ministry of Agriculture, Food and Environment, the Ministry for Foreign Affairs and the Ministry of Economic and Competitiveness. The aim of this group is to bring in all the different perspectives from the different departments and foster a transparent and inclusive debate. It is expected that civil society and the private sector will also be included in the process.

Spain also created and signed the *Strategic Country Partnership Frameworks* (CPFs) with every country with which it co-operates with. The CPFs include views from all stakeholders (inter-ministerial, inter-territorial, etc.). The Ministry of Foreign Affairs closely co-ordinates with the Ministry of Economy and Competitiveness and the Ministry of Industry, Trade and Energy in the CPFs elaboration process. As such, Spain has a joint action plan regarding debt conversion and other instruments co-ordinated by the Secretary of State of Foreign Commerce.

The **Spanish 2011 PCD report**, in which a new PCD methodology was designed, approved and followed in order to report of the PCD activities in every sector, also demonstrates good PCD practice. Spain is planning a new release of the report in 2013.

Another example refers to a Domestic Assets Mobilisation Group, which was created in 2010. A common position was adopted regarding **taxation and development** (consensus was reached with the Government of Economy and Competitiveness, the Bank of Spain and, in general, with all the public institutions involved in this matter). At that time Spain held the Presidency of the Council of the European Union and the most important result was a set of Council conclusions to take this issue forward, not only at the Spanish level but also at the European level.

With regard to **foreign direct investment**, a study was accomplished (together with Instituto Elcano) to identify what specific mechanisms are set that make some inputs generate positive results "in country." Also, it was expected to create a compendium of Good Practices for Direct Investments so that they are responsible and sustainable in the medium to long run.

There has also been an improvement in the co-ordination among stakeholders that work on gender issues over the past years. Gender issues are prioritised in Spanish co-operation and the MoFAC have collaborated with other institutions through policy setting and co-ordination. Co-operation guidelines have been incorporated in the Law for the Equality of Genders; the National Plan for the Equality of Genders; the National Plan Against Sexual Exploitation; and the Plan for Media and ICT. Joint work is being carried out in order to monitor the implementation of the plans in the working groups. Also, the Spanish Co-operation Agency has been working together with the Institute of Women in projects that bring together Women and Development, Education for Development and Gender Issues (in co-operation with the Universidad Complutense de Madrid) and other training activities.

Finally, Spain has designed a common position on **water policy**.

Self-assessment of institutional mechanisms to promote PCD

Spain has various mechanisms and legal frameworks to promote PCD. In terms of **political commitment and policy statement**, they

include: IV Master Plan of the Spanish Co-operation 2013–2016 (approved by the Council of Ministers); Law 36/2010 for the creation of FONPRODE (Development Funds); Law 11/2010 for the creation of FIEM; Creation of the Co-operation Council (mandate to report every two years on PCD issues); and Decentralised Co-operation (Portugalete Agenda with regional and local institutions).

Policy co-ordination mechanisms include: Co-operation Council with different working groups (evaluation, gender, corporate social responsibility, policy coherence, education for development, planning); Co-operation Delegate Commission; Co-operation Inter-ministerial Commission; Focal Points Network; and RSE (CERSE) Council.

Monitoring, analysis and reporting systems include: Strategic Country Partnership Frameworks (CPF); national PCD report to be issued in 2013; and the launch of Info@OD to look up and manage information regarding co-operation. All the stakeholders will feed into this tool.

SWEDEN

The government bill "Sweden's Policy for Global Development" from 2003 places the whole-of-government as responsible for achieving the goal of equitable and sustainable development. Thereby, every ministry is responsible for PCD actions to fulfil the goal. However, the Ministry for Foreign Affairs (MFA) and the Minister for International Development Co-operation are responsible for the co-ordination and reporting of the policy.

MFA is consequently the location for the national focal point for PCD. The focal point is placed in the Department for Aid Management.

The main task for the focal point is to co-ordinate PCD issues within the government offices, with a focus on the bi-annual report to Parliament on PCD. The focal point also co-ordinates the intergovernmental working group on PCD issues that meet at least once per semester. This group consists of the PCD focal points that are appointed at each ministry. The focal point for PCD is supported by the Department for Aid Management, and other departments or ministries, depending on the issue at hand.

Since 2008, the Swedish Government has focused its work on PCD on six global challenges (Government Communication 2007/08:89): *(i)* oppression; *(ii)* economic exclusion; *(iii)* climate change and environmental impact; (iv) migration flows; *(v)* communicable diseases and other health threats; and *(vi)* conflicts and fragile situations.

Sweden's Policy for Global Development commits the government to regularly report on progress to Parliament. Since 2004, the government has reported on PCD progress to Parliament (first annually and later bi-annually). In the latest report on PCD to Parliament (Government Communication 2011/12:167),[xix] the government chose to focus on the global challenge of "economic exclusion." By choosing one challenge, a number of examples and conflicts of objectives and interests could be illustrated in more detail. Among other issues, the government highlighted its work with financial markets connected to development and emphasised the issue of capital flight and tax evasion as an obstacle to development. It highlighted issues of food security, bioenergy production, and business and development, including Swedish export promotion and state ownership.

The government has during 2012–2013 been working with following up on and deepening of issues within the global challenge economic exclusion. The focus has been on "difficult issues" in global development, and three particular issues were lifted: business sector and human rights; global food security; and capital flight and tax evasion. A conference was arranged on these themes by the Swedish Government on 20 March 2013. Actors from different parts of Swedish society, along with international experts, were invited to discuss and debate these issues. Transparency and openness on difficult issues related to development, as well as new input to policy development, were important elements of this activity.

Policy initiatives to promote PCD

A good example of implementation of Swedish PCD that has been highlighted concerns **trade and development**. Several important factors contribute to coherent work, such as different stakeholders sharing the same objectives, strong public interest and scrutiny, and investment of significant human resources (recruitment of experienced people with a mandate for improving coherence). Other important factors were drawing on the analytical capacity of relevant authorities to inform international engagement, informal co-ordination mechanisms, and involvement at an early stage of key stakeholders in policy processes.

A later example of PCD work that has highlighted and deepened work on difficult issues is the focus on one global challenge (economic exclusion) in the latest report to Parliament (Government Communication 2011/12:167), and the follow-up work to this report, including an outreach activity.

Self-assessment of institutional mechanisms to promote PCD

The Swedish Government has self-assessed its work on PCD since 2010. The assessment is based on the government's work with the six global challenges and the three focal areas under each global challenge. The assessment is categorised on a three-

point scale, where the progress has been either "good" or "relatively good" or that "there are certain deficiencies". The assessment model is based on the three components identified by the OECD as important for the implementation of PCD: policy formulation and implementation; co-ordination and co-operation; and knowledge and analysis.

In a comparison between the assessments made in 2010 (Government Communication 2009/10:129[xx]) and 2012 (Government Communication 2011/12:167[xxi]), a general conclusion is that the implementation of PCD has come the furthest with regards to **policy formulation and implementation**. With regards to **co-ordination and co-operation**, the government assesses that there is scope for improvement. When it comes to **knowledge and analysis**, the government assesses that the implementation has been relatively good.

The government assessment can be said to be confirmed by the Commitment to Development Index (CDI) that the organisation Center for Global Development produces annually. Of the 22 OECD countries that are assessed with regard to their overall influence on developing countries within different policy areas, Sweden was ranked number one in 2011 and number three in 2012. However, Sweden receives relatively low scores with regards to security issues, where primarily its munitions exports of military equipment are assessed as a weakness. Sweden has the highest arms export penalty of any of the measured countries because exports are weighted by GDP. Sweden's limited export therefore generates a higher penalty than that awarded to major arms exporters because of their much larger absolute GDP. When it comes to the Swedish munitions exports of military equipment, the government has decided to appoint a Parliamentary Committee with the task of investigating future Swedish munitions exports of military equipment and the framework of rules governing such exports around it. Among several issues, the Committee will investigate how Sweden's Global Development Policy has been practically implemented when it comes to Swedish munitions exports of military equipment.

For co-ordination and co-operation the government assessment can be said to be confirmed by the OECD-DAC Peer Review 2009 that states that PCD implementation lacks a strong mechanism for co-ordination and that the MFA has limited tools and capacity to co-ordinate and mediate between different parts of the Government Offices. Also, evaluations from the Swedish Agency for Public Management show that work on so-called "inter-sectoral issues" are linked to difficulty, especially if no individual policy area is able to forcefully instruct others.

The Swedish Government has consequently decided to conduct an external evaluation of PCD, focusing on work procedures and steering mechanisms for PCD within the Government Offices.

SWITZERLAND

In Switzerland, two federal departments are co-responsible for the Swiss international co-operation: The FDFA with the Swiss Agency for Development and Co-operation (SDC) and the EAER with the State Secretary for Economic Affairs (SECO).

The SDC has a co-ordination function regarding policy coherence for development and therefore leads the Interdepartmental Committee for International Development and Co-operation. In this context, the national focal point for PCD is a part-time task of one officer located in SDC who works in co-ordination with SECO/economic co-operation and development.

The main function of the national focal point for PCD includes: *(i)* dissemination of information arriving from the DAC; *(ii)* mobilising Swiss experiences and information to be shared with the PCD network; and *(iii)* the elaboration of consolidated inputs.

Switzerland's system and mechanism to ensure PCD gradually evolved over time. Commitment for PCD has been further strengthened, as the new Development Strategy 2013-2016 states that domestic sector policies have an impact on developing countries and identifies specific policy fields where incoherencies may occur. The Swiss Government recognises that PCD is a key element for reaching development effectiveness.

To make progress in fostering PCD within Switzerland's domestic policies, the Development Strategy 2013–16 identifies some policy fields—not an exhaustive list, but issues of high priority—and broadly outlines potential incoherencies between those policies and development: agriculture, environment, health, the financial sector (including taxation), security, education/research and migration.

Policy initiatives to promote PCD

A success story for PCD in Switzerland is the policy area of **migration**. The Federal Council acknowledges a holistic view on migration that takes into account diverse aspects of migration, such as regular and irregular migration, return and reintegration, smuggling and trafficking, protection of refugees and IDPs and international governance, as well as the development potential of migration both for Switzerland and for the countries of origin. Generally, the overall policy focus opened up from return and asylum to policy coherence, between migration and development.

The Swiss **migration policy coherence platform,** called IMZ (Internationale Migrationszusammenarbeit), is considered a best practice nationally and internationally. After its establishment in 2004, the interdepartmental structure was redefined and streamlined in early 2011. Since then, various federal offices (HSD, SDC, FOM,

SECO, FedPol, etc.) regularly participate in the "IMZ-Ausschuss" which is the mid-level of the structure. The top level (Directors, State Secretaries) discuss the strategic orientation twice a year. In order to support these two levels, thematic or regional working groups can be mandated to prepare and implement decisions as well as swiftly respond to shifting priorities or emerging crises. Additionally, the position of a special ambassador for international migration was created in 2009; he is the key person to lead the political multi- and bilateral dialogue on international migration.

The main achievements of the IMZ since 2011 are:

- The establishment of several so called migration partnerships (MPs). Such partnerships pursue a holistic understanding of migration and are based on mutual dialogue. MPs could be established with the following countries: Nigeria, Serbia, Bosnia and Herzegovina, Kosovo and, most recently, Tunisia. They are established through a co-ordinated effort of all federal—sometimes cantonal—offices involved and have opened doors for enhanced and constructive co-operation with these countries.
- A more coherent participation in international dialogue, such as the Global Forum on Migration and Development or the upcoming UN high-level dialogue on migration and development. It fosters the ownership and coherence of Swiss positions as they are jointly elaborated upon by all actors.

Overall, the improved co-operation on migration and development is also reflected in the Development Strategy on international co-operation 2013–2016, which considers migration as one of the six global challenges which require a concerted response. Under this framework, SDC and SECO each implement a so called "global programme" on migration. The two offices will co-ordinate their efforts closely, including in the framework of MPs.

Self-assessment of institutional mechanisms to promote PCD

The Swiss Federal Government has an effective and sophisticated mechanism of inter-ministerial co-ordination at both the technical and the political level. This mechanism plays a key role in ensuring policy coherence for development and has been further strengthened since 2009.

Provided that dissenting views are raised at the political level (Cabinet level and Advisory Committee on International Development Co-operation), the political system and its institutional set-up provide mechanisms which offer extended opportunities to raise, discuss, and clarify issues of PCD, which also positively affect **political commitment and policy statement**. In recent years, development policy considerations have been specifically taken into account in other policy fields, for example, in the establishment of migration partnerships or the inclusion of sustainable development chapters in free-trade agreements.

Consensus is the rule for decision making in the Swiss Government, and **policy co-ordination mechanisms** are not lacking. However, policy coherence for development is certainly not perfect in Switzerland, as everywhere. Policy fields where interests can differ have been identified in the dispatch 2013–2016. In order to balance between the different interests, the mechanisms in place need to be used in an effective way.

With regard to **monitoring, analysis and reporting systems** on policy coherence for development to the parliament, no formal mechanism exists. While the Federal Council reports on an annual basis on its foreign policy, the document does not routinely address issues related to PCD. However, the Advisory Committee on International Development Co-operation—due to its broad composition—discusses on a regular basis thematic issues particularly relevant to PCD, such as extractive industries and commodities trade, illicit financial flows, migration and development, etc. It thus contributes to transparent, broad-based decision making within the government, the parliament and the broader public.

The Role of Civil Society in Promoting PCD

The OECD has been working with civil society since it was founded. Since then, the size, scope, and capacity of civil society has increased dramatically. The OECD's engagement with civil society has expanded too, and both parties to this dialogue benefit: the public's interest in globalisation is taken into account in the OECD's work, and OECD analysis is stronger when they include the perspectives of civil society organisations (CSOs).

Civil society representatives are regularly invited to participate in meetings of the OECD Network of National Focal Points. They are also encouraged to engage in dialogue on the web-based PCD Platform and to contribute to the report Better Policies for Development. This year, the report showcases the efforts of three individual CSOs to promote PCD, and each has valuable lessons to share. The contributions have been submitted on an informal and voluntary basis, and the opinions expressed and arguments employed herein are solely those of the authors.

CAN CIVIL SOCIETY MAKE EUROPE ADAPT ITS POLICIES?[xxii]

>> **CONCORD** *is the European confederation of Relief and Development NGOs consisting of 27 national associations, 18 international networks and 2 associate members that represent over 1,800 NGOs, supported by millions of citizens across Europe. Policy Coherence for Development (PCD) is a key pillar in CONCORD's advocacy work. CONCORD publishes its flagship report in this area, "Spotlight on EU PCD" every second year, with the next one arriving in autumn 2013.*

For CONCORD, Policy Coherence for Development is essentially about ensuring accountability in global governance. The international system still lacks the basic capacity to redress unfair national or regional policies, which undermine the sustainable development paths of other nations or groups of people elsewhere on the planet. As civil society we address this critical "accountability gap" by bringing the cases of injustice we witness through our field work in developing countries to European decisions makers. After years of hard work our efforts may be paying off.

Recent developments in EU legislative processes leave hope that European decision makers are ready to adapt some policies on the basis of their impacts beyond the borders of the EU. This article offers two examples of where persistent and co-ordinated pressure from civil society may result in policy change to protect the rights of the world's poorest people.[xxiii]

With the Lisbon Treaty, the EU has a legal obligation to respect the PCD principle in all policies affecting developing countries. To date, the EU has not demonstrated the political will to translate this commitment into practice. For instance the European Commission refers to the role played by impact assessments in ensuring PCD. However, a study by CONCORD Denmark in 2011 showed that out of 77 impact assessments with potential relevance to developing countries, only 7 actually analysed the potential impact on and contradiction with development objectives (CONCORD, 2011[xxiv]).

Now things may be about to change in the EU's energy and accounting policy.

Righting the wrongs of EU biofuels policy

The first example relates to biofuels policy, which is all the more interesting because the proposed changes are working their way through the EU institutions now, just as the OECD Better Policies report is being published.

In 2009, the EU adopted the Renewable Energy Directive, setting down a 10% target for renewable energy use in transport by 2020. While an overall focus on renewable energy is welcome, the reality is that the target is to be met almost entirely in the form of first generation biofuels (88% according to EU Member States' plans). It is simple economic fact that removing food from the food consumption market and diverting it into energy markets affects food prices. At a time of rising hunger, this is not tenable. Furthermore, Europe does not have enough land to meet the targets and this is driving European companies to grab huge tracts of land in countries where it can be cheaply and easily obtained.

Land grabs and food price volatility are two clear-cut impacts of biofuels policy that are impacting the poorest and most marginalised people in the world and holding back their potential to develop. Against this background, CONCORD members have been mobilising their supporters to create public pressure, which has finally paid off.

In October 2012, the European Commission proposed to cap at 5% biofuels from food crop sources that count towards the EU Directive. Speaking on the decision, Commissioner Hedegaard of Climate Action said that "limiting biofuels is important; we cannot interfere with global food systems". Beyond the 5% food-to-fuel cap, the EC has put in place a proposal to phase out financial support to first generation biofuels from 2020, thereby sending a clear signal to the market that first generation is not a sustainable option and therefore cannot be supported. While the Commission's proposal is welcomed, CONCORD members are calling for the EC to end the problem, not to half it. This means an initial cap followed by a phase out (i.e. a 0% cap for fuel that comes from crops).

But this story is far from over. It now falls on the members of the European Parliament and the governments of the EU Member States to decide whether they are prepared to say "No food for fuel" and put PCD into practice. CONCORD members such as ActionAid, Oxfam and Cidse will be working towards that end in 2013.

Stopping Europe's contribution to tax dodging

According to Global Financial Integrity, approximately 850 to 1,000 billion US dollars (Global Financial Integrity, 2008[xxv]) escape developing countries as illicit financial flows every year, with a large proportion ending up in tax havens or rich countries. Evidently, this loss poses tremendous problems for developing countries' possibilities to mobilise domestic resources to finance their own development. If these funds were taxed instead of escaping developing countries, estimates show that they would give the countries an income 1.5 times greater than the total global official development assistance (ODA) (Global Financial Integrity, 2010[xxvi]).

Currently, companies have no legal obligation to publicly disclose information about the payments, such as taxes, they make to public authorities in countries in which they operate. Such flawed regulation allows illicit financial flows to escape developing countries.

After pressure from a global coalition of development CSOs, including several CONCORD members, the EU is now entering the final phase of negotiating a revision of its transparency and accounting directives, which will introduce country-by-country and project-by-project reporting on tax payments for multinational extractive companies, both EU listed companies and companies with headquarters in the EU. If implemented, the improved transparency brought by country-by-country reporting would give power firmly back to people and governments to have oversight over their own taxes and their own development finances, a duty they are currently denied. With more information available about companies' tax payments to governments, citizens will be able to put pressure on politicians to see it is spent well. Companies too will come under more scrutiny, and be forced to explain their tax planning practices to tax authorities and citizens.

The Irish presidency plans to finalise the negotiation of the transparency and accounting directives within the next couple of months. If the final directives end up being similar to the newly adopted US legislation in the area, the Dodd-Frank Act, it would be a massive step towards transparency and a huge success for development CSOs who have pushed for better legislation in the area for the benefit of developing countries.

However, requirement of additional financial information to tax payments such as sales, profits and a total value for intragroup transactions are not part of the revision of the directives. This information is recommended by CSOs and the European Parliament since it is crucial in order to curtail tax avoidance due to the fact that it will disclose not only the tax payments made by companies to governments but also why the level of tax payments are low. Disclosure of these kinds of financial information will hopefully be part of the next revision of the EU directives.

Beyond the EU: PCD in the Post-2015 Framework

Beyond the internal European processes mentioned here, the EU also has a major role to play internationally in the UN-led process on the Post-2015 Framework which will be absolutely essential in advancing PCD at a global scale. CONCORD is actively engaged in the global civil society campaign Beyond 2015, pushing for a

strong and legitimate successor framework to the Millennium Development Goals (MDGs). Beyond 2015 currently brings together more than 600 CSOs from over 95 countries across the world.

The European Task Force of Beyond 2015 believes that PCD must be a fundamental building block in a new universal framework for sustainable development—a demand that was echoed in the European Commissions' consultation on the Post-2015 Framework carried out in the summer 2013. The consultation report states that "An immense majority of respondents made it clear that Policy Coherence for Development (PCD) is fundamental for the success of development outcomes, and should therefore be placed at the very heart of the post-2015 development agenda" (European Commission, 2012[xxvii]). Now it is up to the EU's political leaders to translate this strong call from the European public into practice in the negotiations on the Post-2015 Framework. CONCORD and Beyond 2015 will be monitoring closely if they deliver.

ECDPM AND POLICY COHERENCE FOR DEVELOPMENT

>> *The European Centre for Development Policy Management (ECDPM) is a "think and do tank." Its main goal is to broker effective partnerships between the European Union and the Global South, especially Africa. ECDPM promotes inclusive forms of development and co-operates with public and private sector organisations to better manage international relations. It also supports the reform of policies and institutions in both Europe and the developing world. To do so, the Centre uses a combination of research, facilitation and partnership-building to link policies and practices. ECDPM organises and facilitates policy dialogues, provides tailored analysis and advice, disseminates information, participates in South-North partnerships and carries out policy-oriented research with partners from the South.*

ECDPM has throughout its history as an independent foundation taken a strong interest in the topic of policy coherence for development. This interest stems from the recognition that not only development assistance but also non-development policies of the EU (e.g. agriculture, trade, investment, science, foreign and security policy and migration) have an impact on developing countries. The Centre engages with a broad range of actors on this topic, including the OECD. Different dimensions of the Centre's work on policy coherence include *(i)* institutional mechanisms to promote PCD; *(ii)* analysis of development dimensions of specific policy areas; and *(iii)* issues related to measuring PCD.

Institutional mechanisms to promote PCD

In 1992, the Member States of the European Union introduced a legal requirement to take account of the EU's development objectives in policies that are likely to affect developing countries. Some 15 years later, the ECDPM led a joint evaluation of mechanisms that had been put in place by European Member States and Institutions to promote Policy Coherence for Development, and on the basis of the findings proposed the main ingredients for a successful and systemic approach to promoting PCD (ECDPM/ICEI, 2006[xxviii]; ECDPM, ICEI & PARTICIP, 2007[xxix]). The following categorization of PCD mechanisms, introduced in the study, is still being widely used today, particularly given their recognition at the OECD level as being the core building blocks of PCD (OECD, 2009):

- mechanisms connected with general or specific policy commitments or decisions;
- institutional and administrative mechanisms; and
- mechanisms connected with information, analysis and counselling capacity.

ECDPM analysed in more detail an innovative PCD mechanism of the Netherlands. ECDPM conducted an external evaluation of the Policy Coherence Unit of the Ministry of Foreign Affairs in 2009 (Engel, P. et al., 2009[xxx]). It identified the main features of the unit's engagement to promote PCD and assessed what results had been achieved, to provide recommendations for the way forward. Building on these and other engagements, the ECDPM has fed into ongoing studies and discussions on PCD mechanisms in other OECD Member States, including Belgium, Denmark and Switzerland.

Concrete support of the ECDPM to the OECD in this area comprises regular inputs to the OECD Network of National PCD Focal Points, as well as to an informal network of EU Member States experts on PCD that is facilitated by the European Commission's Directorate General for Development and Co-operation – EuropeAid (DEVCO).

Analysis of specific policy areas

The PCD mechanisms as described above serve to ensure that development objectives are taken into account in a broad range of policy areas. ECDPM contributed to the analysis of development dimensions of specific policy areas to inform policy making.

A policy area studied extensively by the Centre that arguably has significant influence on food security in the world is the EU's Common Agricultural Policy (Klavert, H. et al., 2011[xxxi]). Other policy areas covered by ECDPM include trade (e.g. the reform of the EU's Generalised System of Preferences; Bilal, S. et al., 2011[xxxii]), Economic Partnership Agreements, the EU Common Fisheries Policy (Keijzer, N., 2011[xxxiii]), tax policy, migration and the EU's policy on extractive resources (Ramdoo, I., 2011[xxxiv]).

ECDPM led the consortium with ODI (UK) and DIE (GE) for the elaboration of the 2013 European Report on Development, Global Action for an Inclusive and Sustainable Future, which provides elements for constructing the post-2015 development framework.

The report puts forward PCD as a key element of success for an effective post-2015 framework.

Measuring policy coherence for development

There is general consensus that measuring progress in PCD should be part and parcel of PCD efforts and that discussions are hampered by a lack of concrete evidence of both the process of promoting PCD and the concrete effects of OECD policies in developing countries.

In this context ECDPM has published discussion papers and has given presentations on the political and technical feasibility of a "development-friendliness" index to evaluate and compare donor policies beyond their Official Development Assistance contributions (King, M. et al., 2012[xxxv]). The Centre has also reviewed methodological approaches for evaluating coherence in different policy fields and, on that basis, has put forward recommendations on how to improve PCD measurement (Keijzer, N. et al., 2012[xxxvi]).

As regards impact assessments at developing-country level specifically, the Centre contributed to the EU PCD Report published in 2009, which included field studies to assess the impact of EU policies in Six Least Developed Countries on the achievement of the Millennium Development Goals related to food (MDG 1) and combating HIV/AIDS, malaria and other diseases (MDG 6) (Mackie, J. et al., 2009[xxxvii]). ECDPM also supported the Netherlands government in their efforts to conduct PCD country assessments in Bangladesh and Ghana. Currently, the Centre works with the OECD Secretariat to develop a methodology for identifying and assessing the impacts of OECD policies on food security in individual developing countries. ECDPM will continue to engage with the OECD and other partners to inform coherent policy formulation and coordination processes in support of development objectives.

FAIR POLICIES FOR BETTER LIVES IN DEVELOPING COUNTRIES

>> ***The Evert Vermeer Foundation*** *(EVF) is a Dutch political foundation striving for international solidarity. Through its advocacy campaign "Fair Politics," the EVF has been advocating for Policy Coherence for Development since 2002. The objective of the Fair Politics campaign is to make politicians and policy makers aware of unfair policies and how they impact developing countries, and encourage revision of these policies. More information can be found at www.fairpolitics.eu. Coming June 2013, the Evert Vermeer Foundation will become the Foundation Max van der Stoel. The Fair Politics campaign will continue under the same name.*

Without fair policy in areas such as trade, agriculture and migration, development cannot take place. Policy Coherence for Development is a rather technocratic concept, which does not immediately reflect the urgency of the matter at hand. We as the Evert Vermeer Foundation use the term ***Fair Politics*** for our campaign. This emphasises the need for political will to change policies and humanises the concept. More fair policies enable developing countries to make development work.

Awareness raising on the need for more Fair Policies

Fair Politics puts forward many examples of incoherent policies ("cases" as we call them) and brings these cases to the attention of policy makers, especially those who are not primarily concerned with development. We monitor the efforts of parliamentarians (both the Dutch parliamentarians and all of the members of the European Parliament) in calling attention to unfair policies. When they do, we grant them with points on our monitor. Our monitor ranks the different political parties for their "fairness" and this is displayed on our website. At the end of each parliamentary year we award the title of ***Fair Politician of the Year*** to the parliamentarian who won the most points. With this method of "naming and faming" we try to encourage politicians to put unfair policies higher on the political agenda. Fortunately, we have noticed that more and more politicians and policy makers have become aware of the need for more policy coherence.

Fair Policies for whom, why and how?

To move beyond awareness and to actually change policy, more in-depth analyses of policy impacts are needed to fuel the policy discussions. Therefore, the EVF decided in 2010 that it was time to conduct our own impact studies on how EU policies affect poverty eradication and the lives of people in developing countries. What and who are we talking about if we discuss policies on food security, trade and migration? Who are the people affected by these policies, how do they perceive the policies, how exactly are they affected by these policies and what could be possible solutions? With these questions in mind the EVF travelled to Ghana (trade, migration and illegal logging), Rwanda (raw materials) and Tanzania (biofuels) to conduct PCD impact studies.

Fair Politics: Listening to the voices of the South

The main objective of our impact studies is to give a voice to the people subject to impacts of EU policy. We want policy makers and politicians to read about their experiences to encourage them to take these into account during the policy-making processes. When it comes to conducting impact studies it is often difficult to retrieve facts and figures, as data is not easily at hand in many developing countries. Ideally, we would of course like to present hard evidence which clearly shows there is a causal relationship between an EU policy and the particular situation in terms of, for example, food security in developing country A. In reality, however, you have to rely on interviews

with local people, involved policy makers, civil society, but also interviews with the local populations who are affected. As there are so many factors that influence a particular situation on the ground, you can never fully "blame" the EU. But in all of the impact studies we have conducted so far, we are confident to state that EU policy is of clear influence and that with the presented policy recommendations, solutions are at hand.

Another challenge we were faced with while conducting our impact studies concerned explaining what it is we talk about when we use the term *Policy Coherence for Development*. Even though PCD has become a quite well-known term among European policy makers, in developing countries themselves few are familiar with it, not even those working for international institutions such as the EU Delegation. It is often confused with aid effectiveness and donor co-ordination. PCD is enshrined in the Treaty of Lisbon, and therefore one would expect dialogue to take place between, for instance, the EU delegation and local civil society on matters such as biofuels. Our impact studies therefore not only intend to contribute to fuelling the policy debates in Europe but also to raise awareness among local civil society, local authorities and local staff of intergovernmental organisations and embassies.

Back in Europe: Advocating for more fair policies

When we finalise and publish the impact study, we launch it with a discussion in both Brussels and The Hague. During the launch we present the report, and a key interviewee is invited to come over to Europe to present his or her views to politicians, policy makers and civil society. However, this is only the first step, after which many more steps need to be taken: how, where and when to advocate for policy change!

Overcoming the challenges towards more Fair Policies

In order to overcome the challenges presented thus far and to move towards a stronger methodology for measuring policy impact, we think international fora such as the OECD can play a major role. Broader discussions can be launched among all relevant stakeholders on how to take PCD a step further, how to put it on the international political agenda, how to develop more common understanding and how to improve our methodologies and approaches.

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Endnotes

[i] International commitments to greater PCD have been included in the Millennium Declaration (2000); the Monterrey Consensus (2002); the European Consensus on Development (2005); the Paris Declaration (2005) and Accra Agenda for Action (2008); the EU's Lisbon Treaty; the outcome document of the 2010 MDG Summit; and the outcome document of the Fourth High Level Forum on Aid Effectiveness (2011).

[ii] The 2010 Council Recommendations identify lessons learned, drawing on DAC peer reviews and on work by the OECD Public Governance Committee, to foster "whole-of-government" approaches to policy making and help to better integrate consideration of development issues in designing and implementing national policies.

[iii] Based on the findings of the 2003–2007 cycle of the DAC peer reviews, the Organisation has developed a framework for assessing members' progress towards PCD. This is conceptualised as a three-phase cycle, with each phase supported by a "building block": *(i)* political commitment and policy statements; *(ii)* policy co-ordination mechanisms; and *(iii)* systems for monitoring, analysis and reporting.

[iv] Paragraph 9 of the outcome document of the 4th High Level Forum on Aid Effectiveness, Busan, 2011: "Busan Partnership for Effective Development Co-operation."

[v] In closed economies the price effect is direct; in open economies the price effect comes via the cumulative impact of all countries' policies on international markets.

[vi] The three areas of global food security, illicit financial flows and green growth have been identified as areas in which the OECD has core competencies and can provide added value to the work of other stakeholders. Discussions on PCD indicators in each of the respective areas were initiated at a Meeting of National Focal Points for PCD, held in November 2012. This section draws upon the outcomes of those discussions.

[vii] Attribution refers to the ascription of a causal link between observed (or expected to be observed) changes and a specific intervention.

[viii] The Financial Action Task Force (FATF) is an inter-governmental body established in 1989 by the Ministers of its member jurisdictions. The objectives of the FATF are to set standards and promote effective implementation of legal, regulatory and operational measures for combating money laundering, terrorist financing and other related threats to the integrity of the international financial system. See: *http://www.fatf-gafi.org/*.

[ix] There are a few methodological caveats that must be made when interpreting this data. First, there are considerable time lags between peer reviews of individual countries, which means comparing scores from as far back as 2005 with others from 2011. The comparability of the ratings may also be subject to some reservations—and there may be variations within the same ratings, and over time. Also, some of the data is based on follow-up reports rather than full peer reviews. The follow-up reports involve a lighter process, relying mainly on self-reporting rather than on-site visits.

[x] All FATF and FSRB reports are published on the FATF website, including the detailed country assessment reports and ratings tables. All data for this chapter have been taken directly from these public sources. None of the analysis that was derived from this publicly available data has been scrutinised or endorsed by the FATF or any FSRB, and any analysis, calculations and interpretation of this data are solely the responsibility of the OECD.

[xi] The individual country reports as well as all quantitative data are freely accessible online at *www.sgi-network.org*.

[xii] As highlighted by the report Realizing the Future We Want For All prepared by the UN System Task Team on the Post-2015 UN Development Agenda, an effective implementation of the post-2015 development framework will require a high degree of policy coherence at multiple levels (global, regional, national and sub-national). A core set of "development enablers," such as fair and stable global trading systems, stable financial systems, sustainable food and nutrition security, sustainable use of natural resources, and coherent global governance mechanisms, among others, could be identified as a guide for such policy coherence.

[xiii] OECD (2010), Perspectives on Global Development 2010. Shifting Wealth. OECD Publishing, Paris.

[xiv] Attorney General's Department; Australian Broadcasting Corporation; Australian Electoral Commission; Australian Federal Police; Australian National Audit Office; Australian Public Service Commission; CSIRO; Department of Climate Change and Energy Efficiency; Department of Defence; Department for Sustainability, Environment, Water, Population and Communities; Department of Finance and Deregulation; Department of Health and Ageing; and The Treasury.

[xv] For more information, see http://um.dk/en/danida-en/about-danida/danida-transparency/feedback-to-danida/about-feedback/.

[xvi] King, Michael, Niels Keijzer, Eunike Spierings and Alan Matthews (2012), Measuring Policy Coherence for Development: Final Report. ECDPM, Maastricht and Institute for International Integration Studies, Trinity College, Dublin. Study commissioned by the Netherlands Ministry of Foreign Affairs and the German Federal Ministry for Economic Co-operation and Development, May 2012.

[xvii] See Lisbon Treaty, EU Consensus on Development, Council Conclusions on PCD.

[xviii] See OECD Ministerial Declaration on PCD, UN Millennium Declaration.

[xix] See *http://www.regeringen.se/sb/d/15903/a/196569*).

[xx] See *http://www.government.se/sb/d/5358/a/152791*.

[xxi] See *http://www.regeringen.se/sb/d/15903/a/196569*.

[xxii] This article is written by Laust Leth Gregersen, Chair of CONCORD Europe's PCD Working Structure.

[xxiii] The two cases in this article are examples of a broader trend that also includes discussions on Common Fisheries Policy, Regulation of Food Speculation as part of the revision of the so-called MiFID directive, where development concerns may be part of the reasons for EU policy changes. But also, very disappointing results are coming out of the EU as for the reform of the Common Agricultural Policy, where the global impacts are totally ignored by both Members States and the European Parliament.

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Content: This report draws on inputs from the OECD Secretariat, Member States and CSOs
Co-ordination: Carina Lindberg, PCD Unit, Office of the Secretary-General
Design & layout: AdNova www.ad-nova.com
Photos: OECD, Getty Images, iStock Photo

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