better policies for better lives
Foreword

The world has changed profoundly since the OECD pioneered the identification and analysis of policy coherence for development (PCD) in the early 1990s. Then, the development agenda was driven primarily by aid agencies from developed economies and the aid community was the main advocate for PCD. Today, the scope of the policy coherence agenda has expanded and concerns all countries regardless of their level of income. The sources of economic growth, finance, and innovation have also changed, with non-OECD countries playing an ever increasing role in the global economy.

Likewise, as we are in the process of negotiating a successor framework to the Millennium Development Goals (MDGs), global challenges are more complex and interconnected than ever before: growing inequalities; changing consumption patterns and population dynamics; increasing natural resource scarcity; and climate change require greater policy coherence and the involvement of all key actors and stakeholders. Poverty eradication, which will be a central objective in the new agenda, can also only be achieved if the social, economic, and environmental dimensions of sustainable development are addressed in an integrated and balanced manner.

Better Policies for Development 2014 furthers the analysis on how policy coherence for development provides a tool to better understand these challenges and their inter-linkages, and how it can help steer a transformational shift towards inclusive and sustainable development. The publication highlights that PCD can foster ‘enablers’ for development, such as a fair trading system, food and nutrition security, sustainable use of natural resources, innovation and technology, and a transparent financial system. It also underlines how PCD can help to identify ways to manage potential ‘disablers’ or conditions which might hinder countries’ capacity to achieve their development objectives, such as barriers to trade, markets and knowledge and transnational corruption, amongst others.

This year’s edition focuses in particular on illicit financial flows and their detrimental effects on development and growth. Every year, huge sums of money far exceeding inflows from ODA and FDI are transferred out of developing countries illegally. These flows strip resources from developing countries that could be used to finance much-needed public services, such as health care and education. Illicit flows are often a symptom of deeper governance failures faced by many countries, including weak institutions and high levels of corruption.

Part I of the report shows that coherent policies in OECD countries in areas such as tax evasion, anti-bribery and money laundering can contribute to reducing illicit financial flows from developing countries. It also provides an update on OECD efforts to develop a monitoring matrix for PCD, based upon existing OECD indicators of ‘policy effort’. Part II is comprised of contributions from member states. Most illustrate national processes to deal with policy coherence for development beyond 2015. Ultimately, Better Policies for Development 2014 concludes that the fight against illicit flows from the developing world must focus on building accountability and effective institutions which deliver services to their population. It also underscores the key message that, while the initiative and energy to combat corruption and stem illicit flows must come from developing countries themselves, OECD countries must also do their part to address this important challenge.

Through this work, the OECD reafﬁrms its commitment to continue working together with our members and partners to explore approaches and indicators for measuring PCD, which can attract and maintain public attention and motivate governments and stakeholders to take action. This is absolutely crucial for evidence-based policy making and for holding governments and other actors accountable for their policy choices.

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OECD Secretary-General
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Executive Summary

This publication outlines a broader approach to policy coherence for development (PCD), as called for by the OECD Strategy on Development. The world has changed dramatically since the early 1990s, when the concept of PCD first emerged in discussions among donors. At that time, OECD countries were the drivers of the world economy and their policies impacted strongly on the prospects for developing and lower-income countries. Today, the global economic centre has shifted towards the south and the east, with non-OECD members being the main sources of economic growth. This, in turn, has moved the policy coherence debate away from an emphasis on the negative impacts of non-aid policies (“do no harm”) towards more proactive, synergistic approaches.

Today’s policy coherence challenges are shaped by a number of megatrends. These include accelerated globalisation, increasing interconnectedness of countries and people through mobile communications; multi-country value chains; growing middle classes in developing countries; greater inequality within countries; urbanisation; and natural resource scarcity. These trends generate a new set of challenges and opportunities for development with implications for all. At the same time, the nexus of macroeconomic, financial and monetary policies and associated spillovers generates a complex environment for investment and competitiveness, regionally and globally. Centres of governments will be required to play a key role as providers of the leadership, vision and co-ordinated action needed to develop an integrated and coherent global development agenda.

With the deadline for the MDGs fast approaching, the international community is considering the new global development framework that will replace them in 2015. Poverty eradication will be a central objective in the new agenda and can only be achieved if the social, economic and environmental dimensions of sustainable development are addressed in an integrated and balanced manner. Hence, the post-2015 agenda will consist of a single framework and set of goals universal in nature and applicable to all countries, while taking account of differing national circumstances and respecting national policies and priorities. This entails not only the conceptual integration of these three dimensions – and others, such as governance – in policy making, but also enhanced coherence between policies across sectors and improved co-ordination among institutions to avoid working in silos. At the international level, this calls for convergence between major policy agendas and processes, such as the Millennium Development Goals (MDGs) and the post-2015 agenda, the Rio+20 Sustainable Development Goals, the Global Partnership for Effective Development Co-operation, the G20 and the G8.

Effective implementation of the post-2015 framework will require dealing with systemic and structural conditions that constrain development and inclusive and sustainable growth. To this end, UN-led discussions have called on the international community to identify a set of development enablers which can help to define goals and means of implementation. Such “enablers” include a rules-based trading system; sustainable use of resources; access to innovation and technology; and stable and more transparent financial systems. A transformational change towards more sustainable development will also require dealing with conditions that constrain development, i.e. “disablers”. These include, for example barriers to trade, markets and knowledge, as well as transnational corruption.

This report applies a PCD-lens to the issue of illicit financial flows (IFFs) and shows that coherent policies in OECD countries can contribute to reducing IFFs from developing countries. Every year, huge sums of money that could be used to finance health and education services, formal job creation and productive investment are transferred out of developing countries, weakening their financial systems and economic potential, as well as delegitimising the state in the eyes of their population. Governments worldwide are working together to combat money laundering, tax evasion and international bribery, which make up the bulk of IFFs. The OECD is contributing to these efforts.
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The OECD’s analysis shows that illicit financial flows relate to a range of social, political and economic phenomena, which can only be effectively dealt with through actions taken in a co-ordinated and coherent manner at the domestic and international levels, as well as across different sectors. Hence, any efforts to curb IFFs by OECD countries will be most effective when matched with decisive action against corruption and other financial crimes in developing countries.

Our ability to measure and monitor the existence of coherent or incoherent policies, including the associated benefits and costs, is important for promoting action and sustained change. The OECD Strategy on Development provides the Organisation with a mandate to develop robust PCD indicators to monitor progress and assess the impact of diverse policies on development. Responding to this mandate, the OECD is exploring the feasibility of developing a monitoring matrix for PCD. This work involves identifying existing OECD indicators that can be used to illustrate countries’ efforts to implement policies that are conducive to development. This monitoring matrix can potentially feed into a “scorecard” for countries to self-assess enabling environments for development. This represents a more long-term exercise and will be subject to further discussions by the OECD-PCD Focal Points and relevant OECD bodies.

Finally, this report provides an opportunity for member states to share with others how they are preparing for the post-2015 agenda. They, together with partner countries, play an important role in ensuring that international commitments to development are met to support the implementation of the post-2015 agenda. Policy coherence for development will be instrumental for their success.
Chapter 1

Why focus on policy coherence for development in the post-2015 agenda?

The post-2015 development agenda entails working towards a single framework and set of goals that are universal in nature and applicable to all countries. The new framework will need to integrate the economic, social and environmental dimensions of sustainable development in a coherent and balanced manner. Setting and implementing the post-2015 framework will require co-ordination and convergence between the major agendas, such as the Millennium Development Goals, the Rio+20 Sustainable Development Goals, the post-2015 agenda, the Global Partnership for Effective Development Co-operation, the G20 and the G8. This chapter suggests that policy coherence for development should be an integral part of the new framework and identifies five different levels at which PCD could contribute to the post-2015 development agenda.
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KEY LESSONS FROM THE MDG8 AND THE EXPERIENCE AT THE OECD

The Eighth Millennium Development Goal (MDG8) was designed “to create an environment – at the national and global levels alike – conducive to development and to the elimination of poverty.” It defined areas that countries and other stakeholders should focus on in order to create an external environment favourable to helping developing countries reach their development aspirations. These areas included aid, trade, debt relief and increased access to medicines and new technologies. The MDG8 is the only MDG goal that focuses on the means to achieve development goals. It aims at promoting coherence of development efforts within the international cooperation framework (UN System Task Team on the Post-2015 UN Development Agenda, 2013).

Progress in achieving the MDG8 has been limited. It has been unable to foster a true global partnership and has not moved away from the traditional “donor-recipient paradigm”. According to the High Level Panel of Eminent Persons on the Post-2015 Agenda (HLP), many countries have reduced tariffs, but the Doha Development Round is not concluded. Debt burdens have been reduced, but many countries are still financially exposed. Substantial progress has been made in improving the affordability of medicines, yet many people still lack access to affordable essential drugs (HLP, 2013). Efforts to achieve the MDG8 have taken place within an international development cooperation architecture where the donor community had the primary responsibility, rather than a collective effort by both donors and recipient countries.

The MDG8 downplayed the importance of domestic policies and domestic resource mobilisation in financing the MDGs and fostering development. According to the UN System Task Team on the Post-2015 UN Development Agenda, the MDG8 has often been misinterpreted as focusing solely on aid commitments which would help address the financing gaps for achieving the goals. At the same time the MDG8 omitted other key actors, such as the so-called “non-traditional donors”, as well as innovative sources of development financing.
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The OECD has played a pivotal role in promoting PCD as a means for contributing to the achievement of the MDGs. Despite the political will expressed in the 2008 Ministerial Declaration and 2010 Council Recommendations on PCD, as well as the efforts made by most DAC members to put in place the necessary institutional mechanisms, limited progress has been made in delivering better policy coherence for development. Experience of almost a decade of assessing “beyond aid” issues in the DAC peer reviews has shown that the three building blocks for PCD (policy statement; intra-ministerial coordination mechanisms; monitoring and reporting) are necessary to raise awareness and build efficient decision-making, but are not sufficient to translate into greater policy coherence for development. Complementary actions are needed to ensure progress.

Progress has been limited by a narrow “do no harm” approach to PCD. Discussions on PCD have mainly taken place among donors, having focused on coherence between aid and non-aid policies and on a sector-by-sector basis. This has meant focusing on issues with important cross-border dimensions, such as trade, agriculture, investment, health and migration, amongst others, but without giving attention to the multi-dimensionality of development challenges. At the same time, an approach to “naming and shaming” has succeeded only in highlighting the failures and negative effects of non-aid policies. This has been counterproductive for engaging other policy communities and key actors beyond those in development.

While PCD has traditionally been seen as the main responsibility of donor countries, achieving sustainable development in a post-2015 era calls for a broader and more proactive approach. To have impact, governments and other key stakeholders will need to enhance their capacities to exploit synergies across economic, social and environmental policy areas to create enabling environments conducive to sustainable development.

EMERGING TRENDS SHAPING POLICY COHERENCE CHALLENGES IN A POST-2015 WORLD

PCD operates in a multi-polar global economy in which all countries are playing a role in driving global growth and enabling sustainable development. New poles of growth have emerged over the last two decades, moving the global centre of gravity of global economic activity eastwards and southwards. Since 2003, more than half of the world’s growth has occurred in these areas at rates that surpass the OECD average. The so-called “emerging economies” are playing an increasingly important role in international finance, investment, trade, innovation and development co-operation. “South-South” trade has multiplied more than ten times over the last two decades, changing patterns in global value chains. By 2030, according to some estimates, developing countries will account for more than 60 cents of every dollar invested and 62 cents of every dollar saved (World Bank, 2013).

A rapidly changing global economic landscape means every country is facing more complex and interlinked economic, social and environmental challenges. The emerging policy coherence challenges are shaped by a number of major global trends, such as shifting wealth, new population dynamics and growing inequalities; growing middle classes in developing countries; changes in food consumption patterns; urbanisation; natural resource scarcity; climate change; and technological change. The emergence of a new global middle class, projected to exceed more than 3 billion in 2030, generates a new set of opportunities and challenges. Opportunities include the potential for new sources of growth, since a stable middle class could act as a nationwide engine for consumption and demand. Challenges include the need to meet rising expectations, such as new demands for quality services and political accountability. Rising incomes increase demand for food, energy and water, adding pressure to sustainability.

A better understanding of the linkages of the emerging global trends and their implications is critical for countries as they craft strategies for sustainable development. Growing populations, for example, increase consumption of natural resources and land use, while changes in wealth and age structure also affect consumption habits and diet. All of these developments can have consequences for the environment. In 2050, a world economy four
times larger than today’s is projected to use about 80% more energy, predominantly from fossil fuels, thereby increasing greenhouse gas emissions and exacerbating climate change (OECD, 2012).

**W**HY SHOULD POLICY COHERENCE FOR DEVELOPMENT BE A CORE ELEMENT OF THE POST-2015 AGENDA?

With a fast-approaching deadline for the MDGs, the international community is preparing for the new global development framework. The UN processes – for post-MDG and the Sustainable Development Goals emerging from the Rio+20 Conference – have laid the foundations for the conceptualisation of the new agenda. Equity and sustainability are considered as two fundamental principles that should inform the future goals. The priority areas to be covered by the post-2015 framework, the scope of the goals, targets and indicators, and the means for implementation are yet to be determined. Policy coherence for development which has evolved in the OECD over the last two decades is a relevant policy tool for creating the enabling environments and policy processes required by the post-2015 framework. As explained below, PCD can contribute to the post-2015 agenda at different complementary levels (Figure 1.1).

Coherence will be fundamental for a single and truly international framework of policies and set of goals that are universal in nature and applicable to all countries, while taking account of differing national circumstances and respecting national policies and priorities. In addition to addressing current challenges, the new framework needs to anticipate future threats. There is a general consensus that poverty eradication will be a central objective in the new agenda. Moreover, its eradication can only be achieved if the social, economic and environmental dimensions of sustainable development are addressed in an integrated and balanced manner. This entails not only the conceptual integration of these three dimensions – and others, such as governance – in policy making, but also enhanced coherence and synergies between policies across sectors and at different levels to ensure economic and social transformation.

A more proactive approach to PCD will be a key policy tool for economic and social transformation. The new agenda should contribute to transformational changes in how we all live, consume and do business. The international nature of sustainable development challenges will require actions and transformations in all countries regardless of their level of development. The enabling conditions to support this will include a rules-based trading system; sustainable use of natural resources; access to innovation and technology; and stable and more transparent financial systems, amongst others. A transformational change towards a more sustainable development path will also require dealing with systemic conditions that constrain development, such as barriers to trade, markets and knowledge, and transnational corruption, amongst others.

Creating national and global enabling environments will be critical for transformation towards sustainable development. The effective implementation of universal goals in the future post-2015 framework will require greater coherence and synergies at the global, regional, national and sub-national levels. PCD can play an important role as a tool to guide coherent and collective action. It can help to identify “development enablers”, such as predictable financing for development and access to clean water and energy. It can also contribute to generating evidence to identify ways to manage potential “disablers” that might hinder countries’ capacities to achieve their sustainable development objectives, such as protectionism and conflict (Box 1.1).

Implementing the Post-2015 Development Agenda will require greater coherence between policy communities involved in development co-operation, sustainable development and climate change. Improving co-ordination and ensuring complementarities and synergies among existing processes, such as between the MDGs, the Sustainable Development Goals, the climate change agenda, the G20 and the Global Partnership for effective development co-operation, will be critical for success. This calls for a greater involvement of the Centres of Government
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Figure 1.1 Policy coherence for development: a concept in evolution

At the 2013 G20 Summit in St. Petersburg, leaders committed to participate actively in the elaboration of the post-2015 development agenda and “ensure that G20 activities beyond 2015 are coherent with the new development framework.” In the same vein, the recently established UN High Level Political Forum on Sustainable Development is providing political leadership, guidance and recommendations for ensuring coherence among the dimensions of sustainable development. This high-level forum is anticipated to be the body responsible for reviewing progress on the implementation of sustainable development commitments.

Coherence can contribute to generating domestic and international policy environments for an effective mobilisation of resources from a variety of sources to finance sustainable development in the post-2015 framework. The Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF) launched by the Rio+20 Conference is working to develop options on an effective financing strategy considering financing needs, effectiveness, consistency and synergies of existing instruments and frameworks. There is a general consensus that finance needs are large and that all types of flows will be necessary, including public, private, international and domestic. Fostering a fair multilateral trading system, external debt sustainability, and macroeconomic and financial market stability will also be critical to development financing.

Moving towards a sustainable development path will require coherent and collective action by multiple actors and key stakeholders. As recognised by the HLP report, the private sector and civil society organisations (CSOs) have a key role to play in the post-2015 agenda (HLP, 2013). CSOs make a valuable contribution to public policy-making processes and in making sure that government at all levels and businesses act responsibly. The private sector has a central role in advancing innovation, creating wealth and mobilising jobs, as recognised in the outcome document of the High Level Forum on Aid Effectiveness in Busan (OECD, 2011). Involving all these...

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Box 1.1 Creating enabling environments for development through a more proactive approach to policy coherence for development: global food security

In a time 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 is one of the greatest incoherencies of our times. Ending hunger and malnutrition – the chief manifestation of food security – is among the greatest challenges humanity faces.

The OECD is analysing the challenge of global food security through a broader PCD lens. The 2013 OECD publication Better Policies for Development emphasises that building global food security requires a broader and more proactive approach to policy coherence for development. It advocates for going beyond the “do no harm” approach in PCD and adopting positive measures that can create synergies across key sectors, such as agriculture, trade, investment, environment and development co-operation, and that foster favourable conditions or enablers for achieving food security.

The publication explores ways in which more coherent policies in advanced, emerging and developing economies alike, as well as globally, can contribute to improved global food security, thereby accelerating progress on MDG 1 and whatever hunger targets are established for the post-2015 development agenda. It offers recommendations in four areas:

1. Specific policy reforms, in terms of avoiding policies that create negative spillovers, such as trade distortions and biofuel mandates. This includes adopting beneficial policies, such as sharing knowledge that can contribute to developing countries’ efforts – for example, in research and development, or in the design of risk management tools.

2. Coherence in developing countries tailored to country-specific circumstances. It recognises that the policy mix is likely to vary according to a country’s level of economic development and its structural circumstances, including its comparative advantage in agricultural activities.

3. Recommendations on how development co-operation policies can be more coherent with national food and nutrition security priorities and strategies.

4. Priorities for global action, highlighting areas where OECD analysis can inform more specific recommendations.


A more proactive approach to policy coherence for development in the post-2015 framework will entail the following analytical shifts (OECD, 2013b):

• From an emphasis only on the donor’s role to engaging key actors and stakeholders. This is essential to generating the sound evidence-base needed to inform and influence policy and decision-making and to tackling emerging issues. OECD analysis on food security has shown how in a context of high food prices new issues have emerged with potential implications for food security, including export restrictions and the use of biofuel mandates. On these issues policies in emerging economies are increasingly important. Their further engagement in PCD discussions would be valuable.

• From an emphasis exclusively on the negative impacts of non-aid policies (“do no harm”) towards more...
Greater emphasis on synergies between policies is needed to create win-win scenarios and engage other policy actors beyond those involved in development. According to OECD work, improving global food security, for example, entails not just eliminating policies that distort trade, but also positive actions in multiple sectors by advanced economies, and emerging and developing countries for improving food availability. This includes raising agricultural productivity, using resources sustainably and eliminating waste. A win-win approach to communicating PCD will facilitate collective problem-solving in capitals as well.

**From sectoral to cross-sectoral approaches.** This is fundamental to understanding the diverse dimensions of development challenges. The OECD’s work on combating illicit financial flows has highlighted the need for understanding the many dimensions of the issue and focusing on key inter-related policy areas, such as: money laundering; tax evasion; international bribery; trade mispricing and stolen asset recovery. A cross-sectoral approach will also be needed to prepare for and facilitate the Post-2015 single, universally applicable agenda for sustainable development.
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Figure 1.3  What does policy coherence for development (PCD) mean in the post-2015 era?

**PCD** is an approach and policy tool for integrating the economic, social, environmental and governance dimensions of sustainable development at all stages of domestic and international policy making.

- **Address the negative spillovers of domestic policies on long-term development prospects**
- **Increase governments’ capacities to identify trade-offs and reconcile domestic policy objectives with internationally agreed objectives**
- **Foster synergies across economic, social and environmental policy areas to support sustainable development**

In the post-2015 framework, PCD entails:

- Identifying and addressing the interactions among various policies in the economic, social, environmental, legal and political domains to support pathways towards inclusive sustainable growth;
- Putting in place institutional mechanisms, processes and tools to produce effective, efficient, sustainable and coherent policies in key sectors and situations of on-going crisis;
- Developing evidence-based analysis, sound data and reliable indicators to inform decision-making and help translate political commitments into practice; and
- Fostering multi-stakeholder policy dialogue to identify the barriers to, and the catalysts for, economic and social transformation.

- *From unclear objectives to an “issues-based” focus on common challenges*, such as improving framework conditions for achieving food security or combating illicit financial flows. PCD is not an objective in itself. Setting concrete objectives and targets is a precondition for guiding coherent and collective action.

*The OECD through its Strategy on Development is working to update the concept of PCD.* It envisages that PCD in the post-2015 context would involve (Figure 1.3):

- Collective action, common but differentiated responsibilities and mutual benefits.
- Multiple levels of coherence (global, regional, national – including advanced, emerging and developing countries).
- Multi-stakeholder involvement and inclusive policy dialogue: the involvement of civil society organisations as well as the private sector is critical.
- A greater focus on fostering positive synergies among policies and across sectors.
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ADDRESSING GOVERNANCE CHALLENGES TO PROMOTE PCD

The DAC has been working on policy coherence for development for a long time, aware of the fact that “neglecting the international spillovers of domestic policies can undermine development objectives as well as the effectiveness of international development cooperation policies.” Indeed, the need to go beyond ODA and to address PCD has been a growing concern since the 1990s. It became an element of the DAC peer reviews in 2002 and it was included in the Paris Declaration on Aid Effectiveness in 2005. In 2007, the OECD decided to move its PCD function into the Office of the Secretary-General. A Ministerial Declaration on PCD was endorsed in 2008 by OECD Ministers, followed by a Council Recommendation on Good Institutional Practices in Promoting PCD in 2010. And most recently, the OECD Strategy on Development was endorsed by Ministers in 2012, giving a higher profile for PCD and Knowledge Sharing.

During this time, PCD was mainly perceived as a donor responsibility with a traditional north/south division. But the main challenge raised by the PCD agenda has been a governance challenge. Indeed, PCD is not a core mission of the minister in charge of development co-operation policy: it is a core mission of the overall government, and therefore a core mission for prime ministers or heads of state. Another prerequisite for an effective implementation of PCD is to establish that the development co-operation objectives are top priorities of the government agenda.

The challenge is no longer only to reconcile domestic policies of donor countries with the development objectives of Low Income Countries (LICs), but also to reconcile domestic policies with the global agenda, with some global objectives for which all countries share responsibilities according to their capabilities. Hence, in a global economy, PCD is a global challenge that needs to be addressed at the global level.

Another dramatic change is that emerging and developing countries are rapidly becoming the main drivers of global growth, making PCD a growing challenge for these economies as well. For all countries, the challenge is now to address PCD at national, regional and global levels. In this regard, the principle endorsed at the Rio Earth Summit in 1992 seems appropriate: common but differentiated responsibilities.

How to address this governance challenge to promote PCD more effectively in a global economy?

A first priority is to design a single universal agenda. The High Level Panel of Eminent Persons on the Post-2015 Development Agenda highlighted in its report to the United Nations Secretary-General (UNSG) the need for “a truly international framework of policies to achieve sustainable development with a single set of universal goals which apply to all countries.” This is the right approach. We have to reconcile the development agenda with the environment agenda, but also with other global challenges such as trade and development, development and peace and security, and fiscal policies and financing for development. We need a single agenda to create the right incentives and to design the right policies. It will also be important to integrate PCD into the post-2015 agenda as a core enabler to deliver the SDGs, with a monitoring process to assess the progress achieved in this regard.

A second priority is to develop governance processes to promote PCD at the global level. A current paradox with the international system is that we have a very large multilateral system, with so many institutions, but without effective mechanisms to promote cross-sectoral coherence and trade-offs. The multilateral system is indeed very fragmented, mainly composed of specialised agencies in charge of promoting standards or policies for one sector or a sub-sector (e.g. the WHO for health policies; the ILO for social policies; the IMF for financial stability; the WTO for international trade; and the World Bank and regional development banks, plus bilateral agencies, to deal with the development agenda). We are living in a global village without global regulations and governance, without a chief in the village and without a central authority with the capacity to ensure coherence and trade-offs among the agencies, standards and sectorial policies.
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With regard to PCD and the development agenda, three main fora could play a pivotal role going forward:

1) The United Nations High Level Political Forum on Sustainable Development, created at the Rio+20 Conference in June 2012. This forum should have a high legitimacy since it is composed of heads of state and governments and placed under the auspices of the UNGA. In charge of providing political leadership and review progress on the implementation of the recommendations to promote sustainable development, it could play a pivotal role in promoting policy coherence between the three dimensions of sustainable development, i.e. economic, social and environmental.

2) The Group of 20 (G20). As the main economic forum, with member countries representing 80% of global GNP and trade and two-thirds of the global population, the G20 has a key role to play in promoting policy coherence and structural transformations globally.

In particular, the G20 could promote coherence for development at two levels:

- **Coherence for global policies.** Beyond its traditional role to improve the co-ordination of macro-economic policies among its members, the G20 could play a role in improving coherence between global sectoral policies. For instance, within the French presidency of the G20, several channels were opened at ministerial level to address agriculture and food security issues, labour and social policies, trade issues and development challenges. In the context of the global economy and the structural crisis, there was a need for better co-ordination of macroeconomic and sectoral policies. Discussions at the time related to the promotion of horizontal work and cross-sectoral solutions. For instance, one issue concerned how to better integrate labour and environmental standards into WTO regulations. However, it was impossible to achieve results because some countries were reluctant to address within the framework of the G20 the challenge of coherence between trade and environmental policies or between trade regulations and food security. While an agreement was reached at the level of the heads of states to ban export restrictions on food products for the World Food Programme (WFP), this agreement has not been confirmed in WTO negotiations.

During the Mexican presidency of the G20, in turn, the green growth debate provided another fundamental coherence challenge. The aim was to reconcile the G20 objective of boosting global economic growth with the environmental sustainability challenge. In the same vein, the Russian presidency hosted a joint meeting of finance and labour ministers in an attempt to better integrate employment and social policies on one side, and financial stability and economic growth policies on the other side. Although the results are very limited, these efforts are important because they illustrate the role of the G20 as a unique economic forum to address the challenge of structural economic transformations, which should not be solved with an exclusive focus on the co-ordination of macroeconomic policies.

- **Coherence for development.** Since the beginning, development objectives and policies within the G20 have been promoted without designing a new development agenda. Indeed, the G20 does not have the legitimacy to design a development agenda, considering the fact that the LICs are not represented in the G20 process. Yet the G20 could play a pivotal role in improving coherence for development: the main added value of the Seoul Action Plan was its focus on economic growth and infrastructure financing as key areas in achieving the MDGs. Elsewhere, the G20 helped to reconcile the poverty eradication agenda on the one hand, with the economic growth perspective on the other hand.

Similarly, the 2013 St. Petersburg Leaders’ Declaration tried to identify key areas of work where the G20 could help in creating an enabling environment for development. While the G20 launched a new initiative, it could still pay more attention to its impact on developing countries or, alternatively, try to extend its benefits to the LICs. For example, the Leaders’ decision to ask the G20 Development Working Group (DWG) to prepare a report on how to extend the Base Erosion and Profit Shifting (BEPS) Action Plan, endorsed in St. Petersburg, is a good example
of what could be done at the level of the G20 to promote policy coherence and more inclusive global economic growth. Potentially, the G20 DWG could go even further and be responsible for assessing the possible impacts of G20 policies on post-2015 development objectives.

3) The Global Partnership on Development Effectiveness (GPDE). The GPDE could be another powerful vehicle to promote policy coherence beyond a donor perspective. The GPDE could be an effective forum to address policy coherence challenges such as domestic resource mobilisation and the fight against illicit flows, which need a stronger cooperation between donors and developing countries, but also the support of the business community and civil society, which are members of the global partnership. Perhaps the GPDE could also be a forum to address the question of PCD from a south-south co-operation perspective. For instance, why should we not open a discussion on export restrictions on food products in a time of food crisis and the hampering effects they have on food security for vulnerable populations?

Another area of work could be to develop a self-assessment PCD toolkit to help members assess the coherence of their domestic policies with development objectives. The GPDE could also develop a monitoring framework to monitor the progress achieved regarding PCD objectives in the framework of the post-2015 agenda, including through the establishment of a set of PCD performance indicators. OECD efforts underway in these areas are illustrated in chapter 3 of this report.

Much could be done, through the G20 or the GPDE, to support PCD. At the end of the day, however, it will depend on the political willingness of the member states of these different fora. As the DAC Chair used to say, we need a “coalition of willingness” to achieve progress, far beyond the traditional donors. This is the new global economy.
Chapter 1 Why focus on policy coherence for development in the post-2015 agenda?

Notes

i The Open Working Group on Sustainable Development Goals (OWG) has identified an initial list of 19 focus areas that will be the basis for discussion in the post-2015 sustainable development agenda. These include: Poverty eradication; Food security and nutrition; Health and population dynamics; Education; Gender equality and women’s empowerment; Water and sanitation; Energy; Economic growth; Industrialization; Infrastructure; Employment and decent work for all; Promoting equality; Sustainable cities and human settlements; Sustainable consumption and production; Climate; Marine resources, oceans and seas; Ecosystems and biodiversity; Means of implementation; and Peaceful and non-violent societies and capable institutions.

ii The first outcome document of the 68th UN General Assembly Special Event to Follow-Up Efforts towards Achieving the MDGs and the Post-2015 Agenda.

iii The Centres of Government (CoGs) 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 promote 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 every year, providing a forum for informal discussion on topics of high relevance.

iv Paragraphs 86 and 87 of the G20 Leaders’ Declaration.

v The forum was created at the Rio+20 Conference in June 2012. It is to: provide political leadership and recommendations for sustainable development, follow-up and review progress in implementing sustainable development commitments; enhance the integration of economic, social and environmental dimensions of sustainable development; have a focused, dynamic and action-oriented agenda, and consider new and emerging sustainable development challenges.

vi The signatories of the outcome document of the Fourth High Level Forum on Aid Effectiveness in Busan in 2011, based on a new focus on the inclusion of the private sector in development, committed “to engage with representative business associations, trade unions and others to improve the legal, regulatory and administrative environment for the development of private investment; and also to ensure a sound policy and regulatory environment for private sector development, increased foreign direct investment, public-private partnerships, the strengthening of value chains in an equitable manner and giving particular consideration to national and regional dimensions, and the scaling up of efforts in support of development goals.”

vii This section is based upon a statement by Serge Tomasi, Deputy Director, OECD Development Co-operation Directorate, at the Seventh Meeting of National Focal Points for PCD, held in Paris on 4-5 March, 2014.

References


Illicit financial flows from developing countries often reach OECD countries. This chapter analyses the performance of OECD countries against the main international standards for countering illicit financial flows. It focuses on five policy areas: money laundering; tax evasion; foreign bribery; asset recovery; and the role of development co-operation. For each area, it explores ways to tackle illicit flows and provides options for government actions both in OECD countries and in the countries where the illicit money originates. The chapter is based on an OECD report which brings together, for the first time, a synthesis of country performance across these related policy areas. It also incorporates findings from related OECD work, e.g. on illicit trade and illegal, unreported and unregulated fishing – activities that generate illicit funds.
Every year, huge sums of money that could be used to finance health and education services, formal job creation and productive investment are transferred out of developing countries, weakening their financial systems and economic potential, as well as delegitimising the state in the eyes of their population.

This puts the issue of illicit financial flows (IFFs) at the forefront of the international agenda, including in fora such as the G8 and the G20. Governments worldwide are working together to combat money laundering, tax evasion and international bribery, which make up the bulk of IFFs. The OECD is contributing to these efforts, naming illicit financial flows one of three priority areas in its Strategy on Development (2012). OECD analysis shows that countries are making progress in the fight against IFFs, but also that they need to continue to rally international support to tackle existing performance gaps and shortfalls. Without action, OECD countries are at risk of becoming safe havens for illicit assets from developing countries.

There are various definitions of illicit financial flows, but essentially these funds result from money laundering, bribery and tax evasion. They may be generated through illegal activities such as smuggling drugs, selling counterfeit medicine or embezzling public money. In other cases, the funds may result from legitimate activities such as a company selling legal goods in a given country – however, the funds become illegal when transferred out of the country in an attempt to avoid taxes and other financial regulations. Alternatively, they may be intended to finance illegal activities elsewhere.

Against this background, it is clear that illicit financial flows relate to a range of social, political and economic phenomena, which can only be effectively dealt with through actions taken in a co-ordinated manner at the domestic and international levels and across different sectors. Attempts to reduce money laundering, for example, require action from the authorities in the country of origin of the funds, as well as in the recipient country. It also requires concerted action among the banking sector, real estate industry, money transfers providers, customs authorities and police, amongst others. The challenges are complex and require coherence not only between countries, but also between the private and public domains in different sectors.
Practices that may lead to illicit financial flows occur in all countries and are damaging everywhere. But the social and economic impact on developing countries is much more severe given their smaller resource base and markets. Estimates of IFFs vary greatly and are heavily debated, but there is consensus that illicit financial flows likely exceed aid flows and investment in volume.

This chapter looks at how OECD countries have responded to their share of responsibilities to:

(i) make illegal money transfer more difficult through strengthened anti-money laundering controls;

(ii) increase the use of automatic exchange of information in the area of tax to reduce evasion;

(iii) fight bribery paid by companies and individuals from OECD countries operating abroad; and

(iv) identify and return illegally transferred funds to their destination through effective mutual legal assistance and other forms of co-operation on recovering illegal assets.

This chapter is based on the OECD publication *Measuring OECD responses to illicit financial flows from developing countries*, published in April 2014. The analysis here does not imply a reduction in the importance of policies and actions that need to take place at the developing country level. Rather, the focus of the chapter is to measure the efforts OECD countries have made in their own jurisdictions to prevent illicit financial flows from entering their systems.

**IN WHAT WAYS DO ILLICIT FINANCIAL FLOWS HAMPER DEVELOPMENT AND ECONOMIC GROWTH?**

The most immediate impact of IFFs on the country of origin is a reduction in resources impacting domestic expenditure and investment, both public and private. This means fewer hospitals and schools, fewer police officers and fewer roads and bridges. It is impossible to estimate exactly the number of services citizens could have received had these funds stayed in their countries of origin and had they been put to development use. A mere portion of these funds would have significant positive impact: every $100 million recovered could fund full immunisations for 4 million children or provide water connections for some 250 000 households in a developing country (World Bank and UNODC, 2007).

IFFs also mean fewer jobs. If these funds ever return to their country of source, after having been laundered elsewhere to hide criminal origins, they are mostly used to finance lavish lifestyles. In the countries where funds are hidden, they may finance jobs in the sectors where they are invested (real estate, banking sector, consumption of luxury goods, etc.). But the social impact of one euro spent on buying a yacht or importing champagne will be very different from that of one euro spent on primary education, for example.

Criminal activity also thrives on the availability of illicit resources. The existence of illicit unregulated money contributes to the spread of other criminal activities, such as illegal weapons, smuggling, terrorism and infiltration of criminal interests in the public sector (UNODC, 2011). Even when not connected to hard crime, illicit resources foster the development of an underground economy, which involves further avoidance of regulations and taxes, low-quality jobs and insecure business relationships. Informality is indeed one of the big obstacles to development in many regions of the world.
On another front, money laundering is harmful to the financial sector. A functioning financial sector depends on a general reputation of integrity, which money laundering undermines. Moreover, a sound financial sector is important for general economic activity and growth: a country that is perceived as harbouring an illicit financial sector scares investors away, harming the entire economy.

As the above suggests, the phenomena of IFFs concern several policy areas. From crime control to regulations in the financial sector, and tax regimes, its implications require cross-sectoral and cross-national responses. It is, therefore, an area that falls squarely into the concept of policy coherence for development. OECD ministers have long recognised the need to ensure that the policies and practices of their countries are consistent with their development objectives and do not damage developing countries. In 2010, the OECD Council approved a Recommendation on Good Institutional Practices in Promoting Policy Coherence for Development (OECD, 2010), calling on OECD member countries to ensure their political commitment to bring about this necessary co-ordination and to ensure that such efforts are closely monitored.

Illicit flows are often a symptom of deeper governance failures and are just one element of a wider set of governance challenges faced by many countries. High levels of corruption combined with weak institutions are drivers for such outflows. Ultimately, the fight against illicit flows from the developing world must focus on building accountability and effective institutions which deliver services to their population. This will encourage citizens and companies to engage in legal activities, report their earnings and pay their taxes in accordance with national laws. Seen in this wider perspective, any efforts to curb IFFs by OECD countries will be most effective when matched with decisive action against corruption and other financial crimes in developing countries.

**HOW DO OECD COUNTRIES PERFORM IN TERMS OF THEIR EFFORTS TO HAMPER ILLICIT FINANCIAL FLOWS?**

**Fighting money laundering**

Wealth of an illicit nature often seeks places where it can be kept far from the scrutiny of authorities. This is the reason criminals, corrupt individuals and those who want to escape tax rules try to take their funds outside the country of origin. Any process that tries to hide the illicit or illegal origin of funds to make them appear legitimate is considered money laundering. For this purpose, involved individuals are likely to choose countries with stable and predictable financial systems, as well as a low risk of detection. In many cases, OECD countries fit these criteria.

Fighting money laundering has been high on the international agenda for decades. Several conventions and agreements have been signed to deal with the issue, including:

- the 1988 United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances;
- the 1999 UN International Convention for the Suppression of the Financing of Terrorism;

The FATF Recommendations consist of 40 specific recommendations (Table 2.1) which countries agree to put in place to prevent, detect, prosecute and sanction money laundering crimes, as well as to promote better international co-operation when these crimes cross borders.

OECD countries’ record on implementing these recommendations varies. Figure 2.1 shows an average of OECD countries’ performance in each of the 40 recommendations. These results are based on an analysis of the reviews
conducted by the FATF and the regional bodies that follow up on the countries’ implementation of the recommendations. These reviews are public documents measuring countries’ compliance with the 2003 FATF Recommendations. It should be noted that the FATF updated the Recommendations in 2012, but since assessments on the implementation of the 2012 standards have started in 2014, this chapter relies on assessments focusing on the 2003 Recommendations(ii).

The lowest scores can be observed on Recommendation 6: Politically exposed persons. Over one-third of the OECD countries in this study had insufficient compliance with this recommendation, which requests that financial institutions perform additional due diligence measures when dealing with politically exposed persons (PEPs). Politically exposed persons are individuals who incur extra risks of corruption due to the nature of their position, for example, individuals who are responsible for managing large budgets in the public sector or have significant discretionary power on policy making. This does not suggest that all PEPs are involved in corrupt practices; it merely indicates that there is a higher risk for financial institutions in dealing with such individuals (Box 2.1). Additional due diligence (or enhanced due diligence, as it is often referred to) implies that the financial institution should obtain senior-level approval to engage in business with that individual. Also, the financial institution should be more careful in establishing the source of funds this individual brings to the business relationship.

Two other important recommendations in which OECD countries obtained one of the lowest scores on average in the FATF assessments are Recommendations 33: Legal persons – beneficial owners and 34: Legal arrangements – beneficial owners. These two recommendations request that businesses entering into transactions to open companies...
Figure 2.1 Average OECD compliance (inner number) on each of the 40 FATF Recommendations

Notes: DNFBP: designated non-financial businesses and professions; FIU: financial intelligence unit; ML: money laundering; MLA: mutual legal assistance

Successful customer due diligence on politically exposed persons

Dr. Aguinaldo Jaime, a senior Angolan government official, was head of Banco Nacional de Angola (BNA), the Angolan central bank. On two occasions in 2002, he attempted to transfer USD 50 million in government funds to a private account in the United States, only to have the transfers reversed by the US financial institutions involved. Dr. Jaime invoked his authority as BNA Governor to wire transfer the funds to a private bank account in California during the first attempt and, during the second attempt, to purchase USD 50 million in US Treasury bills for transfer to a private securities account in California. Both transfers were initially allowed, but then were reversed by bank or security firm personnel who became suspicious. Partly as a result of those transfers and the corruption concerns they raised, in 2003 Citibank closed not only the accounts it had maintained for BNA, but all other Citibank accounts for Angolan government entities. Citibank also closed its office in Angola.

Source: United States Senate Subcommittee on Investigations (2010), Keeping Foreign Corruption Out of the United States: Four Case Histories, United States Senate Subcommittee on Investigations, Washington, DC.

or trusts need to establish the actual owners (or beneficiaries) of these legal persons. This is important because criminals wishing to hide their funds may set up companies or trusts to hide illicit money behind façade companies (Box 2.2). Identifying the ultimate beneficial owner of a company is not always a straightforward task, given that many of such arrangements have multiple layers of owners, sometimes spanning multiple countries. Recommendations 33 and 34 require countries to make sure such information is collected by financial institutions and that this information is available to the competent public authorities.

Another problematic area relates to OECD countries’ performance in regulating how designated non-financial businesses and professions (DNFBPs) ensure that they are not used as a channel to launder funds. DNFBP is the terminology used to identify other types of businesses beyond the financial industry that may also be conduits to launder money, for example, real estate agents may purchase property on behalf of criminals in order to give a legitimate façade to illegal funds. Also, lawyers and notaries may provide services such as acting as directors for companies set up to launder money. FATF Recommendations 12: DNFPB – R.5, 6, 8-11; 16: DNFB – R.13:15 & 21 and 24; DNFPB – regulation, supervision and monitoring require that these types of businesses are regulated and monitored by the authorities. Forty-four percent of OECD countries do not comply. Twenty-seven out of 34 OECD countries store or require insufficient beneficial ownership information for legal persons.

OECD countries do perform well in some other areas. One example is Recommendation 14: Protection and no tipping-off, which requires that financial institutions’ staff is protected from criminal and civil liability for disclosing information if they are reporting suspicion of money laundering in good faith. Most OECD countries also score well on international cooperation (Recommendations 35-40): 65% comply with Recommendation 36: Mutual legal assistance and 20% comply fully. Not a single country is non-compliant. This recommendation requests countries to have clear processes to support other countries investigating money laundering and states that no country should refuse to execute such assistance based on financial secrecy grounds.

Fighting tax evasion

Developing countries face many constraints to building more effective domestic tax systems and ensuring compliance (Box 2.3). Developing countries are currently not fulfilling their tax potential; for example, Sub-Saharan African countries still mobilise less than 17% of their gross domestic product (GDP) in tax revenues, below the
In 2010, fisheries and aquaculture provided livelihoods for an estimated 54.8 million people engaged in the primary sector of fish production. While fish production generally contributes 0.5-2.5 percent of GDP globally, the sector contributes more than 10% of GDP in some major fish-producing countries such as Mauritania and Viet Nam. But estimates suggest a minimum of 20% of seafood worldwide is caught illegally. Unfortunately, distant-water fleets originating from developed countries are a major contributor to this problem. Fishery policies, and particularly efforts to curb illegal, unregulated and unreported (IUU) fishing, are important from the perspective of meeting development objectives.

International efforts to combat IUU fishing can only be successful if policy makers understand that the driving force behind fish piracy is basic economics. Illegal fishing operators make more money from fishing illegally than they could if they obeyed the rules. IUU fishers typically must commit financial crimes to hide the gains from their activities.

There are a number of features of this sector that make it vulnerable to financial crimes, including in particular the use of offshore companies and flags of convenience to hide the beneficial ownership of fishing vessels, and a frequent lack of effective co-operation between agencies responsible for regulating fisheries policy, administering taxes and law enforcement. The fisheries sector is of strategic importance to many countries, but it remains vulnerable to a wide range of tax crimes and other crimes, including money laundering, corruption, drugs and arms smuggling, and human trafficking and smuggling.

The complexity of payments adds to difficulties in carrying out audits and investigations in this area. In the case of Norway, the customs agency in co-operation with other Norwegian authorities has carried out a series of studies to help identify suspicious transactions for tax risk assessment. This involved the comparison of data on the export of fish with data on currency transactions into Norway. This exercise identified a number of cases where fish were exported to one country but the payment was received from a different one. Further enquiries revealed evidence of suspicious payments described as “commission fees” being made to entities located in offshore jurisdictions. Authorities in Norway have subsequently estimated that, over a six-year period, payments totalling several hundred million euros were paid by Norwegian shipping companies to entities in offshore jurisdictions, most of which cannot be traced.

Beyond working to strengthen financial systems, OECD countries are actively trying to reduce illegal activities in the area of fishing in OECD and non-OECD waters. Measures to control boats at points of landing have been agreed to in 2009, through the FAO Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing. The Agreement’s main purpose is to prevent, deter and eliminate IUU fishing through the implementation of robust port state measures. There are also Vessel Monitoring Systems (VMS), electronic log books, observers and other control measures which help countries control domestic fisheries.

OECD countries are also using development assistance to help countries improve systems of fisheries governance. There is also room for OECD countries to more stringently control their own flagged vessels returning from distant-water fishing operations. In this area, fisheries access agreements are a mechanism to provide opportunities for distant-water fleets (fishing vessels that fish outside their own countries’ waters) and to ensure important revenue to developing coastal livelihoods. Often, these agreements also comprise a large part of the host country’s budget, making reform difficult, and can lead to corruption when the funds are diverted.

Box 2.3

Specific challenges for developing countries

- Weak tax administrations. A well-functioning tax administration is key to mobilising domestic resources in developing countries; the design of the tax system should be influenced by the ability of tax administrations to administer it. Many administrations continue to be staffed with poorly trained and low-paid officials, have structures which do not encourage an integrated approach to different taxes and are marked by imbalanced service and enforcement functions.

- Low taxpayer morale, corruption and poor governance are often deeply entrenched. High levels of corruption are strongly associated with low tax revenue (indeed, corruption functions like a tax itself and is likely to be a particularly regressive and inefficient form of taxation), as are other indicators of poor governance, such as weak rule of law and political instability. Causation can run both ways, but tax collection is central to the exercise of state power, making the need to address governance issues in tax collection of wider importance.

- “Hard to tax” sectors, including small businesses, small farms and professionals. This is particularly important where both administrative capacity and the incentives to comply are weak. Developing countries have extensive informal sectors – perhaps 40% of GDP on average, up to 60% in many – but arguably this is not in itself the problem. Micro traders may be informal, for instance, but their income and sales are also likely to be well below any reasonable tax threshold; much of the most egregious evasion is by qualified professionals. The issue is perhaps better framed as one of non-compliance. Estimates of non-compliance are scarce, but VAT “gaps” have been put at 50-60% in some developing countries, compared with 7-13% in developed countries.


minimum level of 20% considered necessary by the UN to achieve the Millennium Development Goals (MDGs) (IMF et al., 2011; UNDP, 2010).

In addition, as capital becomes more mobile, developing countries are dealing with new international challenges, such as taxing multinational enterprises effectively, building effective transfer pricing regimes, establishing and using information-sharing arrangements to obtain tax information about their taxpayers from other countries and managing tax incentives to attract international investors. How all countries interact on tax matters is of increasing significance, including how the efforts of OECD countries support or impact the developing world.

a) Exchange of information to curb tax evasion

In order to combat international tax evasion, tax authorities must be able to access and exchange relevant information about activities, assets or incomes of individuals, companies and legal entities and arrangements in foreign jurisdictions. The Global Forum on Transparency and Exchange of Information for Tax Purposes has been the driving force behind the universal acceptance of international standards for tax transparency and the exchange of tax information and is charged with ensuring their implementation. The Global Forum now has 120 jurisdictions and the European Union as members, including 50 developing countries and territories. The transparency and exchange of information standard is set down in the Terms of Reference, agreed by the Global Forum in 2010.

The Terms of Reference are comprised of the ten essential elements of the Global Forum standard of exchange of information on request and are grouped into three broad components: availability of information, access to information and exchange of information (Box 2.4). The Global Forum ensures that high standards are met through a
comprehensive, rigorous and robust peer review process conducted by expert assessors from its member countries and overseen by a 29-member Peer Review Group. This peer review group is tasked with conducting two phases of peer reviews of all member jurisdictions, as well as relevant non-member jurisdictions. Phase 1 reviews each jurisdiction’s legal and regulatory framework, while Phase 2 assesses its practical implementation of the standards. All members have committed to using the results of these peer reviews to guide changes and improvements in their tax transparency and information exchange processes. Peer reviewed countries are required to provide updates on progress towards addressing the recommendations made in the published reports within a fixed time period.

In general, OECD countries are compliant with the Global Forum standard and are able to collect and share information with partners. The weakest area of compliance concerns the availability of information on ownership and identity for entities and arrangements (e.g. companies, partnerships, trusts). This particular issue has emerged as a key element of the financial crime and illicit flows agenda, given the tendency of criminals to hide behind various corporate or legal structures in order to launder money.

One of the key elements of effective exchange of information is a robust network of agreements for exchange of information with relevant partners. At the bilateral level, all OECD member countries have signed some informa-
Policy coherence and illicit financial flows  Chapter 2

Information exchange agreements with developing countries. Since the launch of the Global Forum in 2000, OECD member countries have continued signing information exchange agreements with developing countries at a steady rate, as shown in Figure 2.2. As of September 2013, a total of almost 1,300 such agreements had been signed with developing countries and more are on the way. The top countries have signed more than 50 information exchange agreements with developing countries, while seven have signed fewer than 20.

In 2005, the international standard was significantly strengthened to make it harder for countries to refuse requests for information. The OECD Model Tax Convention (a primary source of the international standard) was updated with the addition of two paragraphs to ensure that countries do not refuse to provide information on the grounds that they themselves do not need it for their own domestic purposes or that the information is held by banks, other financial institutions, nominees or agents. Many countries, however, have already exchanged and continue to exchange such information even in the absence of the two new paragraphs from their agreements. Older agreements that do not explicitly include this standard may thus meet it in practice. The Global Forum incorporated this strengthened OECD standard into the international standard agreed upon in its restructuring in 2009. Of the 458 agreements signed between 2005 and 2013, 360 (or 78%) include the standard language of the updated OECD Model Tax Convention. There was further improvement after the adoption of this standard by the Global Forum in 2009, with 96% (258 out of 268) of agreements between OECD countries and developing countries signed since that date meeting the standard.

Relatively little information exists on how well OECD countries exchange tax information with developing countries, as this will be covered in the Phase 2 reviews being carried out by the Global Forum which are still underway. Thus far, 24 stand-alone Phase 2 peer reviews have been completed (there have also been 26 combined Phase 1 and Phase 2 reviews).

b) Multilateral mechanisms

An increasing number of developing countries have joined the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. About a third of the 56 signatory countries are developing countries. They stand to benefit from a growing global network of information exchange agreements with other adherents to the Convention. This followed amendments in 2010 which brought the Convention in line with current international standards on exchange of information for tax purposes and opened it up to countries outside the OECD and the Council of Europe. The Convention provides for a range of information exchange methods, including the option of automatic information exchange among parties as well as for information exchange to be on request or spontaneous.

Recognition that some countries lack the resources to effectively negotiate bilateral exchange of information treaties has led to attempts to co-ordinate the treaty negotiation processes, such as through a multilateral negotiation process. In 2009, the Global Forum assisted a number of developing countries in a multilateral negotiation process with several offshore centres, which resulted in several new agreements being signed between these centres and developing countries.

c) Automatic exchange of information: A solution for developing countries?

Exchange of information can take several forms: information exchange upon request, automatic exchange of information (AEOI) and spontaneous exchange of information.

There is currently a strong trend to move towards AEOI among OECD countries, and both the G8 and the G20 in 2013 endorsed the OECD’s work to set a new single global standard for this form of exchange of information. In January 2014, the OECD approved the Common Reporting Standard for automatic exchange of information. The standard was endorsed by the G20 Ministers of Finance in February 2014. With the recent encouragement of both the G20 and the G8 this will also extend over time to developing countries. AEOI generally involves the systematic and periodic transmission of “bulk” taxpayer information by the source country to the residence country. The
The potential benefits of AEOI are many. AEOI can provide information on non compliance even in cases where there is no previous indication of non-compliance. AEOI also has important deterrent effects which increase voluntary compliance, encouraging taxpayers to report all relevant information. However, for AEOI to be successful, countries must be in a position to apply the relevant technical standards and safeguards to transmit, receive and protect confidential information. This is not currently the case for many developing countries, and there are unmet technical assistance needs.

Figure 2.2 Total number of bilateral agreements signed between OECD countries and developing countries up to 2013

Notes: DTC: Double Tax Convention; TIEA: Tax Information Exchange Agreement. The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

The G20 countries have signaled their intent to ensure that developing countries are able to reap the benefits of AEOI. For this purpose, it has given a mandate to the Global Forum on Transparency and Exchange of Information, whose membership comprises many developing countries, to help developing countries identify needs for technical assistance and capacity building, working together with the OECD Task Force on Tax and Development, the World Bank Group and others. Related to this mandate is the call by the G20 to its Development Working Group to deliver a roadmap by September 2014 showing how developing countries can overcome obstacles to participation in the automatic exchange standard and to assist them in meeting the standard. Work is currently underway on this roadmap.

d) Cross-border assistance in the collection of taxes

Tax authorities usually cannot go beyond their borders to collect taxes due (OECD, 2007). This limitation can be overcome by establishing an appropriate bilateral or multilateral legal framework whereby foreign tax authori-
ties can assist in the collection of taxes of other countries. As it has become easier for taxpayers to move assets abroad, countries are increasingly willing to enter into such arrangements, provided certain conditions are met (see below). In addition to the recovery of claims, the ability to collect taxes across borders has an important deterrent effect, which in some countries may be even higher than the benefit of the actual tax debts recovered.

Until recently, assistance in tax collection has mostly involved neighbouring countries with strong economic and political ties and which are bound by bilateral or multilateral agreements, such as the 1952 Benelux Mutual Assistance Treaty or the 1972 Nordic Convention on Mutual Assistance in Tax Matters.

Assistance with tax collection on the basis of bilateral tax conventions was rather limited and the OECD Model Convention did not include an article on assistance in the collection of taxes (assistance provision) until 2003. The 1976 EU Directive on mutual assistance for the recovery of claims only covered certain levies, duties and taxes but not VAT or direct taxes.

In 2003, the OECD Council approved the inclusion of a new article on assistance in tax collection in its update of the OECD Model Tax Convention. This article (Article 27) is optional and may be included in a bilateral convention where each country concludes that it can agree to help in the collection of taxes levied by the other country. The decision will be based on a number of factors, including the importance of their cross-border investment, reciprocity, the ability of their respective administrations to provide such assistance and the similarity of the level of their legal standards, particularly the protection of the legal rights of taxpayers. Some countries’ laws may not allow this type of assistance.

Of the 222 treaties signed between OECD countries and developing countries between 2007 and 2012, 20 included a provision for assistance in tax collection (between 11 developing countries and 13 OECD countries). These OECD countries have the legal basis for collecting taxes on behalf of their developing country treaty partners if requested to do so. This is a potentially significant option for developing countries wishing to enhance their ability to combat international tax evasion and ensure payment of taxes legally due by their citizens or companies. It also offers a very practical way for OECD countries to provide meaningful assistance to developing countries in mobilising domestic resources.

**Fighting bribery paid abroad**

An estimated USD 1 trillion is paid each year in bribes. Bribes paid by companies to foreign public officials to secure contracts or obtain other advantages can have social, political, environmental and economic costs, especially in developing countries. Serious consequences result particularly when public officials take bribes when awarding contracts to foreign businesses for public services such as roads, water, electricity or defense. A USD 1 million dollar bribe can quickly amount to a USD 100 million loss to a poor country through derailed projects and inappropriate investment decisions which undermine development.

Some acts of bribery involving developing country officials may not involve financial transfers in or out of countries. However, illicit gains obtained through the bribery will, at least partially, translate into outflows. The commitment of OECD countries to fight foreign bribery and their performance on their commitments under the OECD Anti-Bribery Convention is therefore highly relevant in the fight to reduce illicit financial flows.

The OECD Anti-Bribery Convention came into force in February 1999. It focuses on the bribe payers as opposed to public officials who demand or accept bribes. The Convention requires signatory parties to: (i) make bribery a criminal offence; (ii) prosecute individuals and companies who offer, promise or give bribes to foreign public officials; and (iii) subject offenders to effective and proportionate penalties, including fines or imprisonment. The Convention has 40 signatory countries, including those responsible for the largest flows of foreign direct investment,
Figure 2.3 How OECD member countries score on Transparency International’s Bribe Payers Index, 2011

Note: Missing data for Austria, Chile, Czech Republic, Denmark, Estonia, Finland, Greece, Hungary, Iceland, Ireland, Israel, Luxembourg, New Zealand, Norway, Poland, Portugal, Slovak Republic, Slovenia and Sweden and the non-OECD member parties to the Convention.

Policy coherence and illicit financial flows

Box 2.6

Engaging with countries beyond the signatory Parties to the OECD Anti-Bribery Convention

The Working Group on Bribery’s (WGB) work to monitor the enforcement of the Convention is not only exercised by the Parties to the Convention among themselves and for themselves, it also contributes to demonstrating the continuing relevance of the Convention to the key economic players that have not yet joined the Convention. In parallel to this monitoring work, the WGB is also working to develop or strengthen ties with countries not Party to the Convention.

One channel through which these ties are being developed is the ongoing collaboration between the WGB and the G20 Anti-Corruption Working Group. Launched in 2011, this co-operation led the G20 leaders to agree, at their summit in St. Petersburg in September 2013, to “encourage engagement with the OECD Working Group on Bribery with a view to explore possible adherence to the OECD Anti-Bribery Convention as appropriate.” The WGB’s work with the G20 is playing a critical role in helping to make the Convention a truly global instrument.

Ties with countries not Party to the Convention are also developed through four regional programmes: the Anti-Corruption Network for Eastern Europe and Central Asia; the ADB/OECD Anti-Corruption Initiative for Asia and the Pacific; the OECD-Latin America Anti-Corruption Programme; and the OECD/ADB Initiative to Support Business Integrity and Anti-Bribery Efforts in Africa. These programmes reach out to over 80 countries not Party to the Convention, supporting the efforts of other international organisations and of Governments to promote business integrity and combat bribery of public officials at the domestic level. Moreover, a number of countries in these regions are seeing rapid growth in their exports and, as a result, are no longer solely recipients of bribes but are also generating bribes to foreign public officials, at least in neighbouring countries.

One of the core objectives of these initiatives is to raise awareness of the Convention with a view to facilitate judicial international co-operation between the countries. This co-operation is instrumental to the prosecution, sanction and deterrence of such illegal acts. The regional programmes also aim at promoting corporate integrity and accountability on the basis of existing national and international standards. The programmes provide a platform for sharing experience and best practices in this area by bringing together national governments, international organisations, the private sector and civil society.

Finally, by providing a platform for dialogue between Parties to various international conventions (OECD Convention, UN Convention against Corruption, African Union Convention on Preventing and Combating Corruption, Inter-American Convention against Corruption), the regional programmes help to reinforce the complementarities between these instruments. In this respect, the Parties to the OECD Anti-Bribery Convention who also participate in the regional programmes (Argentina, Australia, Bulgaria, Brazil, Chile, Colombia, Estonia, Japan, Korea, Latvia, Mexico, Poland, the Russian Federation, Slovenia and South Africa) provide a critical bridge between the OECD and developing countries.

headquartering companies which are the most exposed to corrupt officials abroad. The 34 OECD member countries are Parties to this Convention, in addition to Argentina, Brazil, Bulgaria, Colombia, the Russian Federation and South Africa. Implementation is overseen by the Working Group on Bribery (WGB), which is made up of the Parties to the Convention (Box 2.6).

Figures from the OECD Working Group on Bribery, made up of representatives from the Parties to the Convention, show that 216 individuals and 90 legal entities (companies, trusts, non-governmental organisations, etc.) were sanctioned through criminal proceedings for foreign bribery in 13 OECD countries from 1999 to the end of 2012.
Judicial activity alone must be used with caution as an indicator – over time an effective enforcement system could lead to high compliance levels and therefore fewer prosecutions. Also, a country’s enforcement activity must be weighed against the size of its economy and exposure to international business, companies doing business and signing contracts in other countries, etc. This means that cross-country comparisons must also be done cautiously. For example, it is to be expected that with an annual GDP of around USD 15 trillion, the United States would have significantly more activity than, for example, Iceland with an annual GDP of USD 311 billion (a factor of 30). Nevertheless, it is difficult to imagine that countries with any significant economic activity and foreign business exposure would not have uncovered any cases of foreign bribery if they have an effective anti-bribery regime in place.

The OECD Working Group on Bribery in International Business Transactions is responsible for monitoring the implementation and enforcement of the OECD Anti-Bribery Convention. It does so through a peer review monitoring system which has covered, over more than 10 years, enactment of legislation to comply with the Convention, effectiveness of implementation and, more recently, enforcement of sanctions. When the signatory countries reviewed receive recommendations on improvements, they are required to provide written follow-up reports to the WGB on steps taken to implement these recommendations. Although not mandated to formally punish non-compliant countries, systematic monitoring of the full implementation and enforcement of the Convention (Article 12) allows all Parties to the Convention to exercise strong peer pressure on each other. This has led countries Party to the Convention to improve their anti-bribery legislation and step up their efforts to more effectively detect, report and sanction bribes paid by companies and/or individuals to foreign public officials. This monitoring mechanism was evaluated as the gold standard by Transparency International.

Increasing assets recovered and repatriated

As this chapter has shown, the systems in place to prevent illicit financial flows from the developing world from entering OECD countries are not yet watertight. One way to counter this is to recover and repatriate stolen assets to their jurisdiction of origin. In developed countries, this is a policy that contributes to consistency with the country’s commitments to development when anti-money laundering and anti-tax evasion regimes fail: repatriation returns resources to developing countries and signals that there are consequences for corruption and complicity (e.g. for the banks and other actors in developed countries that channel such funds).
Box 2.8

Illicit trade as a driver of illicit financial flows: What is the OECD doing?

Illicit trade in illegal drugs, arms, counterfeits, trafficking of persons and environmentally sensitive goods produces revenues that beneficiaries most often try to hide. The business vehicles and financial institutions that facilitate illicit financial flows are therefore key in efforts to reduce illicit trade. Monitoring transactions for any suspicious activity helps to identify criminal activity leading to arrests, but also acts as a deterrent by making illicit revenues more expensive to hide. Likewise, the reduction of illicit trade should be a corollary objective to governments concerned about money siphoned from developing countries, since the proceeds of criminal activity contribute to a significant portion of illicit financial flows that fund corruption.

The OECD Task Force on Charting Illicit Trade (TF-CIT), established in 2013 and operating under the High Level Risk Forum, was set up in recognition that illicit trade is a growing threat to OECD and non-OECD economies. The proceeds, which finance corruption in national and local governments, constitute a formidable source of unfair competition to legitimate businesses and put citizens’ lives at risk with sub-standard commercial products, including counterfeit medicines. Not only do these activities distort markets, the proceeds are used to fuel corruption, which discourages foreign investment and hampers economic growth. Illicit trade is a concern with severe implications for public safety and health, democratic institutions and economic stability.

The aim of the TF-CIT is to recommend a more effective set of policies to counter this global economic threat through the establishment of international co-operation and public/private partnerships. By improving knowledge about the volume of illicit trade and mapping its flows, the Task Force will analyse how the combination of governance challenges, geography and economic development leads to certain locations being exploited as trafficking hubs. The Task Force will attempt to assess the relative market values of different sectors of illicit trade and their main trafficking hubs to discern whether, on balance, regulatory approaches contribute to or hinder them. These activities will provide a better understanding of the distribution of illicit trade across sectors and regions.

The TF-CIT has begun two research initiatives related to illicit financial flows. The first addresses the problem of estimating the volume and value of illicit financial flows, which are difficult due to the underground nature of these practices. The TF-CIT has compiled and described different existing methods to assess the size of the problem to lay the foundation for an informed discussion on the most appropriate methodology to measure illicit financial flows.

In addition, the TF-CIT recognises the ability of criminal networks to adapt quickly and to find alternate means of channelling illicit financial flows. To illustrate this phenomenon, the Task Force is looking at the role of new technologies such as crypto-currencies to facilitate money laundering on a massive scale. This forward-looking research is scoping the use of decentralised, virtual currency such as the bitcoin in particular. Although bitcoin exchanges began in 2009, it was only after the currency’s volatility became apparent that its potential to commit tax evasion and money laundering garnered broad attention. In short, the proceeds of illicit trade can be used to purchase bitcoins, which can in turn be resold for clean money. Although initial wire transactions used to purchase bitcoins can be traced back to an individual buyer, using a fake identity or pooling multiple transactions render investigations difficult. A suspect could always claim that he came into possession of bitcoins through a donation or mining, rather than purchasing them with illicit revenues. As the volume of different virtual currencies expands and the aggregate market value increases, the potential to commit large-scale money laundering will become a reality that jurisdictions in OECD countries and beyond need to contend with.

The OECD and the Stolen Asset Recovery (StAR) initiative surveyed OECD countries to take stock of their performance in asset recovery. The survey measured the amount of funds frozen and repatriated to any foreign jurisdiction between 2006 and 2009. It found that during this time, only four countries (Australia, Switzerland, the United Kingdom and the United States) had returned stolen assets, totalling USD 276 million, to a foreign jurisdiction. These countries, plus France and Luxembourg, had also frozen a total of USD 1.225 billion at the time of the survey.

In 2012, the OECD and StAR launched a second survey measuring assets frozen and returned between 2010 and June 2012. In this time period, a total of approximately USD 1.4 billion of corruption-related assets had been frozen. In terms of returned assets, a total of USD 147 million were returned to a foreign jurisdiction in the 2010-June 2012 period. This is a slight decrease from the USD 276 million recorded from the last survey round. Also, during 2010-June 2012, the majority of returned assets and 86% of total assets frozen went to non-OECD countries, while in the 2006-09 period asset recovery mainly benefited OECD countries.

During the latter period (2010-June 2012), Switzerland accounted for the largest volume of frozen assets (56%), followed by the United Kingdom (32%) and the United States (8%). In terms of assets actually repatriated in the same period, only three OECD countries had assets returned to their countries of origin: the United Kingdom (45% of total assets returned), followed by the United States (41%) and Switzerland (14%).

The amounts of assets frozen and returned are influenced by several factors, such as the attractiveness of the country to illicit funds. Higher amounts of illicit funds from a particular developing country may end up in the country’s former colonial master because of historic links, or in countries known for their large financial industry. Consequently, these countries are more likely to identify, freeze and confiscate higher amounts of illicit assets. However, low levels of assets frozen and repatriated may not be simply a signal that the country is the destination of smaller amounts of illicit funds. It may also mean that the country lacks effective policies to proceed with the necessary litigation that leads to repatriation or resources to focus on investigating the cases.

Effective asset recovery requires sufficient investment, both financially and in staff. The needs vary by country but generally include training for law enforcement officers, dedicated staff with sufficient expertise and funding to carry out investigations. The actual investment made in asset recovery efforts is a clear reflection of political will. According to the 2010-June 2012 OECD/StAR survey, most OECD member countries have invested in training, staffing and funding. Two examples of the type of support this area receives come from Japan and the UK. In Japan, a platform was established to foster information-sharing on foreign bribery. On the side of the UK, British embassies provide training on anti-corruption for UK companies operating abroad and embassy staff. The UK Department for International Development (DFID) has also come up with innovative ways of financing asset recovery: a police unit within the UK police force has received funds from the DFID to focus on investigation of illicit assets coming from developing countries into London’s financial and real estate sectors.

The question of policy coherence is complex when it comes to asset recovery because it requires functioning procedures and effective collaboration across jurisdictions. For example, an investigation of illicit assets originated in a developing country and hidden in an OECD country will need evidence collected by the authorities in the country of origin of funds. This means that the developing country which owns the funds will need to co-operate and investigate the crime which was committed in its territory and generated the illicit funds. It needs to gather evidence to prove that the funds abroad are actually the result of a crime. That is necessary for due process in court, so that funds can be frozen and repatriated. Therefore, it is important to stress that it is not a one-way street.
Chapter 2  Policy coherence and illicit financial flows

Box 2.10  Tackling illicit financial flows: A priority for the G20 and the G8

The G20 Leaders in Los Cabos in June 2012 stated, “we welcome the efforts to enhance interagency cooperation to tackle illicit flows including the outcomes of the Rome meeting of the Oslo Dialogue”.

In St. Petersburg, the G20 Leaders followed up on their Los Cabos commitments by encouraging all countries to tackle the risks raised by the opacity of legal persons and legal arrangements, and committed to taking measures to ensure that G20 countries meet the FATF standards regarding beneficial owners. This commitment is being implementing through the G20 work on tax, within the Finance Track of the group. Responding to the G20 call, the OECD Global Forum on Tax is indeed continuing its work to promote the transparency of beneficial ownership by encouraging the implementation of its standards on transparency and exchange of information for tax purposes. It is also examining how these standards can be aligned with the relevant FATF standards. More recently, the G20 Anti-Corruption Working Group has also picked up on this issue which features in the 2013-2014 Anti-Corruption Action Plan.

The strongest push has been provided by the G8 under the UK presidency: members of the Group of 8 have made a strong commitment to combat illicit financial flows by addressing the need to prevent the misuse and to ensure the transparency of legal entities and arrangements. Following the adoption of a G8 action plan in Lough Erne, all G8 countries published national action plans setting out how they will ensure that companies know who owns and controls them, and to prevent their misuse.

BENEFITS ACCRUED TO BOTH DEVELOPING AND DEVELOPED COUNTRIES

Given the investments OECD countries’ taxpayers make through official development assistance, their governments could do more to prevent aid funds (and other resources to finance development) from returning in the form of illicit funds to be hidden in advanced economies.

As this chapter has shown, this can sometimes be a question of enforcing certain policies more strictly. For example, stricter enforcement of the FATF Recommendations in OECD countries to ensure that financial institutions, providers of services such as those establishing trusts and other businesses document thoroughly the identity of their clients – and that businesses are sanctioned when they ignore their responsibilities. The benefits are accrued to both developing and developed countries: for developing countries, stricter Anti-Money Laundering (AML) standards reduce the number of channels that tax evaders and corrupt individuals have to hide their illicit funds. For developed countries, stricter AML enforcement reduces the possibility that their banking system will be used for illegal transactions, making criminal activity riskier.

On the side of tax, OECD countries can support developing countries more actively in recovering unpaid taxes through exchange of information. Therefore, OECD countries should strive to expand their network of tax information exchange agreements with developing countries and consider automatic exchange of information, as well as increase their capacity building in this area in developing countries. One of the positive development impacts of these actions includes the broadening of the tax base of these countries, working in favour of efforts to strengthen domestic resource mobilisation. Increasing the resource base of developing countries is also in the interest of advanced economies, to the extent that aid flows can be redirected to other regions, countries or topics given that countries become more self-sufficient in financing their own needs.
Box 2.9

The Oslo Dialogue

The Oslo Dialogue was launched by the OECD at the first Forum on Tax and Crime in March 2011, as a global dialogue on a whole of government approach to fighting tax evasion and other financial crimes. It provides an important institutional platform for the fight against financial crime, including tax crime, money laundering, corruption and organised crime. The Oslo Dialogue supports developed and developing countries in combating tax crime and other forms of financial crime through a collaborative and holistic approach at both domestic and international levels. The Oslo Dialogue has the support of the G20.

Work under the Oslo Dialogue is grouped around three main pillars:

- **Effective inter-agency co-operation between government authorities, including tax, customs, anti-money laundering, anti-corruption, law enforcement and public prosecutors, is vital.** The second edition of the OECD report “Effective Inter-Agency Co-operation in Fighting Tax Crime and Other Crimes” describes mechanisms for inter-agency co-operation in 48 countries, including developed and developing countries, identifies successful practices and makes recommendations for how inter-agency co-operation can be improved by all countries.

- **Addressing financial crime in a globalised world requires international co-operation, including efficient and effective sharing of information between countries.** In 2012, the OECD launched a detailed catalogue of the main instruments for international co-operation in fighting financial crimes, including tax evasion, money laundering and corruption. Further work to map current practices for the exchange of information in fighting tax offences, to identify key legal and operational barriers to effective exchange of information and to determine ways in which these barriers can be removed or their impact reduced, will be presented at the Fourth Forum on Tax and Crime in 2015.

- **Ensuring tax crime investigators and other officials are skilled in assessing risks, trends and techniques in the fight against financial crime.** Tax officials routinely examine the financial affairs, transactions and records of millions of individuals, companies and other taxpayers and this places them in a strong position to be the first government authority to identify possible indicators of tax crime and also serious non-tax financial crime, including corruption and money laundering. Launched in April 2013, the OECD Capacity Building Programme for Tax Crime Investigators improves the ability of tax crime investigators and related law enforcement officials to tackle illicit financial flows by developing their skills through intensive training courses, and helps countries in combating financial crimes and recovering the proceeds of those crimes. The pilot course for this programme was attended by participants from over 20 developing countries and was supported by Austria, Canada, Germany, Italy, the Netherlands, Norway and the United States. Intermediate and specialty courses are now being developed for delivery in December 2014 and 2015.

Prohibiting bribery payments by multinationals – and properly sanctioning them when they occur – has tangible and intangible impacts for development purposes: it fosters in developing countries the establishment of a more stable business environment attractive to investment, foreign or local (which will benefit from tax regimes adequately built to pay taxes that can be used to finance public services to the population). On the intangible side, cleaner governments in these countries are needed to regain legitimacy and rebuild trust amongst the population – which is one enabling factor for increasing the willingness of citizens to pay taxes. Increasing efforts to repatriate illicit assets to their rightful owners – and ensuring that these funds are well spent, which is a responsibility of the receiving country – is another element in the effort of rebuilding trust.
Chapter 2  Policy coherence and illicit financial flows

What is the role of developing countries and developed countries’ cooperation agencies?

If a share of responsibility lies with OECD countries, developing countries are also responsible for improving their own prospects of curbing illicit flows. No degree of effort conducted by OECD countries can be solely responsible for success in this area. In this regard, developing countries need to strengthen their own AML mechanisms and institutions: they are responsible for improving their own compliance with anti-money laundering, tax evasion and mechanisms to make bribery payments more difficult and risky. It is worth noting that even the best AML regime would not be able to address money laundering where corrupt individuals at the highest political levels control the very institutions which are supposed to exert control over them, or when these individuals abuse official channels such as state banks. Developing countries which wish to see funds frozen and repatriated from developed countries need to request and engage in the legal process that leads to repatriation (this means, in practice, collecting evidence and, more importantly, bringing to justice those found guilty of corruption and theft of public resources). This links policies on fighting illicit financial flows to those building institutions and improving governance in developing countries.

Developing countries could also work to expand their network of tax agreements with relevant countries and jurisdictions, and should seek to join the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. Developing countries need to proactively strengthen their institutions and systems to prevent tax evasion, and to investigate and prosecute offenders regardless of their status in the country. It is clear that the complexity of this agenda makes it a challenge, particularly for the poorest countries to fully deliver on their share of responsibility. But when the institutional capacity is lacking doing any of the above, developing countries can and should seek support.

Supporting developing countries’ efforts

OECD countries can play an important role as providers of expertise to build capacity in developing countries to curb illicit financial flows, and for driving forward the debate in their home countries. This should be seen as complementing the efforts mentioned above, which in most cases requires engagement of public sector institutions which do not have development as their mandate (i.e. banking systems and tax authorities in advanced economies).

BOX 2.11

High Level Panel on illicit financial flows from Africa

Recognising the detrimental effects of IFFs for Africa, the 4th Joint Annual Meeting of the African Union/Economic Commission for Africa Conference of Ministers of Finance, Planning and Economic Development adopted Resolution L8, mandating the establishment of a High Level Panel (HLP) on illicit financial flows. The objectives of the panel are to:

- determine the nature and patterns of illicit financial outflows;
- establish the level of illicit financial outflows from Africa;
- assess the complex and long-term implications of illicit financial flows on development;
- sensitise African governments, citizens and international development partners on the scale and effects of financial outflows on development; and
- propose policies and mobilise support for practices that would reverse these illicit flows.

Source: www.uneca.org
IFFs add a new angle on co-operation activities in the area of governance, turning attention to action required on the part of both developed and developing countries. DAC statistics can illustrate how donors spend funds on programmes that may impact IFFs (Figure 2.4). For example, in 2011, USD 188 million were spent on anti-corruption and USD 3.2 billion were spent on support to the judicial sector.

In practice, there are plenty of examples of how development co-operation agencies have started to engage on this issue. The US, for example, places American prosecutors in prosecuting authorities in developing countries, while the UK finances British police to fight money laundering from developing countries entering the UK markets. In the area of reducing tax evasion, for example, Norwegian development assistance has, among other things, financed the audits of three mining companies operating in Zambia to determine whether their transfer pricing practices are in line with international standards. According to the Zambian authorities, each of the audits has led to adjustments in taxable income by the companies. Norway has also helped set up a financial intelligence unit in that country.

Another channel for bilateral development agencies to support this agenda at the international or at the domestic level is to finance research and advocacy through international NGOs and the media. Finally, donors pool their support through transparency initiatives such as the Extractive Industries Transparency Initiatives (EITI) and the programs of multilateral agencies. For example, USD 15,000 of support for capacity building in the area of transfer pricing by the OECD Tax and Development Programme to Colombia led to an increase in revenues from USD 3.3 million in 2011 to USD 5.83 million in 2012 (a 76% increase). The Kenya Revenue Authority (KRA) successfully negotiated a transfer pricing adjustment resulting in additional tax revenue of USD 12.9 million.
Notes

i Most existing estimates of the scale of illicit financial flows come from non-governmental organisations (NGOs). There has been minimal academic research on the topic, but there is agreement that most estimates reflect a partial view of the phenomenon and could contain errors existing in international trade and finance statistics.

ii A list of FATF and regional bodies’ members can be found here: http://www.fatf-gafi.org/countries/.

iii The Convention allows for a number of other things, such as simultaneous tax examinations, tax examinations abroad, assistance in recovery and measures of conservancy and the service of documents. It can also facilitate joint audits.

iv According to the Anti-Bribery Convention, bribing a foreign public official is defined as “intentionally to offer, promise or give any undue pecuniary or other advantage, whether directly or through intermediaries, to a foreign public official, for that official or for a third party, in order that the official act or refrain from acting in relation to the performance of official duties, in order to obtain or retain business or other improper advantage in the conduct of international business” (Article 1 of the Anti-Bribery Convention: OECD, 2011a).

v All reviews conducted by the Working Group on Bribery are public: www.oecd.org/investment/anti-bribery/anti-briberyconvention/countryreports.htm.

vi StAR is a partnership between the World Bank Group and the United Nations Office on Drugs and Crime (UNODC) that supports international efforts to end safe havens for corrupt funds. StAR works with developing countries and financial centers to prevent the laundering of the proceeds of corruption and to facilitate the return of stolen assets (http://star.worldbank.org/star/).

vii EITI promotes governance in resource-rich countries through the full publication and verification of company payments and government revenues from oil, gas and mining.

viii Transfer pricing is the method through which multinational companies price the products they buy and sell across the company’s subsidiaries in different countries. When abused, this system may be used to shift profits abroad for the purpose of evading taxes.

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Chapter 3

Monitoring policy coherence for development

Policy coherence for development presents particular challenges for assessing impacts and identifying results chains. Policy coherence for development often concerns an unspecified number of policy areas 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. This chapter suggests an alternative way to assess policy coherence for development. It considers the factors that may contribute to or hinder a certain development outcome, as opposed to the impacts that can be attributed to a particular policy or policy change. The post-2015 deliberations refer to these factors as “enablers” or “disablers” for development.
IDENTIFYING ENABLING ENVIRONMENTS FOR GLOBAL FOOD SECURITY, CAPITAL FLOWS AND GREEN GROWTH

With the 2012 OECD Strategy on Development, ministers have called on the Organisation 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. They have also called for the development of robust indicators to monitor progress and assess the impact of diverse policies on development. Responding to this mandate, the OECD is exploring the feasibility of developing a monitoring matrix for PCD. This work involves identifying existing OECD indicators that can be used to illustrate countries’ efforts to implement policies that are conducive to development (Box 3.1).

Concurrently, the UN is leading the process to develop a successor framework to the Millennium Development Goals (MDGs) after 2015. This will comprise a single framework and set of goals that are universal in nature and applicable to all countries. It will also need to integrate the economic, social and environmental dimensions of sustainable development in a coherent and balanced manner. Effective implementation of a post-2015 framework will require dealing with systemic and structural conditions that constrain development and inclusive and sustainable growth. This is why the UN sees the need for identifying a set of “development enablers” which can also help to define goals and means for implementing a post-MDG framework (Figure 3.1).

Against this background, the OECD suggests that PCD in the post-2015 context be framed as a global policy tool for collective action on complex, multi-actor development problems. It can help all countries, regardless of their level of income, to:

1. address the systemic elements – national, regional and global – that require treatment to resolve problems or create opportunities; and
2. capitalise on the potential synergies between economic, social and environmental policy areas to foster enabling environments and across-government policy action for inclusive and sustainable development.

The OECD also suggests that the analysis of PCD issues is moved from a sectoral approach to a cross-sectoral one, and from identifying competing objectives to identifying common challenges. This chapter identifies “development
enablers” for the three priority areas in the OECD Strategy on Development, i.e. global food security, illicit financial flows, and green growth. It provides some illustrative examples of existing OECD indicators that can possibly be used to assess such enabling environments for development. Annex 1 to this chapter provides an overview of these sample indicators. They can potentially feed into a “scorecard” for countries to self-assess enabling environments for development. The choice of indicators and any possible extension to additional indicators will be subject to further discussions by the OECD-PCD Focal Points and relevant OECD bodies.

**Global food security**

**What is the challenge? How can PCD contribute?**

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 time. 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.

Traditionally, PCD in the area of food security called for an enhanced understanding of the impacts of, amongst others, domestic trade and agricultural policies on developing countries. But there have been important changes to agricultural policies in many OECD countries over the past decade, with reforms in the past five years facilitated by high international food prices. Support levels have declined and become less trade distorting. The share of most distorting support to agricultural producers is now less than 10% of gross farm receipts compared with over 20% in the mid-1990s (Figure 3.2). This is good for development.
Recent OECD analysis suggests that today the main challenge of ensuring global food security is raising 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 that food can be moved from surplus to deficit areas.

Hence, building global food security presents multiple challenges that require a cross-cutting policy approach. This entails collective and coherent action at all levels of government (national, regional, global) across a wide range of policy areas, such as agriculture, trade, investment, environment and development co-operation – policy coherence for development.
What are the enablers?

Agricultural and rural development

In many developing countries, the agricultural sector has an important role to play, both as an overall engine of growth and – because many of the poor work in agriculture or are dependent on agriculture – as a mechanism for pro-poor growth. Globally, about two-thirds of the world’s dollar-a-day poor live in rural areas (IFAD, 2010). This makes raising rural incomes in general, and agricultural incomes in particular, essential for poverty reduction.

Historically, however, there has been a bias against agriculture by developing country policy makers. Reasons include low rates of perceived success compared with investments in other areas, and the combination of declining real agricultural prices and, in successfully developing countries, a falling share of agriculture in gross domestic product (GDP) and employment. But prices are now relatively high and growth in demand is strong; hence, agriculture offers important development opportunities in many countries.

Donors also turned away from agriculture in the 1980s and 1990s. In recent years, however, aid to agriculture has increased again. Part of this is due to the increase in total Official Development Assistance (ODA) since 2002, but it also responds to increased food security concerns and to a renewed interest in agricultural technology for the poor (Figure 3.3).

In terms of many of the core fundamentals, there is no need to choose between agricultural and non-agricultural development, because many of the policies required to foster agricultural development are not sector-specific. The core pre-requisites include the overall investment climate, which depends on factors such as peace and political stability, sound macroeconomic management, developed institutions, property rights and governance. A range of other factors, such as improvements in education and primary health care, are also important and not sector-specific.
But rural provision often lags, and greater equality between urban and rural areas would help agricultural development and promote more balanced rural development. Complementary sector-specific investments could be made in areas such as agricultural research, technology transfer and farm extension and advisor services.

**Favourable investment climate**

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 budgetary resources, and their agricultural sectors have suffered from decades of under-investment. The Food and Agriculture Organization (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.

Foreign direct investment (FDI) flows to developing-country agriculture have increased in recent years, but they are still relatively low compared to other economic sectors. Within the broad agricultural sector, FDI is concentrated mainly on the downstream activities (processing, manufacturing, trade and retail), leaving primary agriculture to demise in public sector funding. FDI flows to agriculture tend to increase during periods of both extreme high and low commodity prices (FAO, 2013).

There is a specific need for improving agriculture’s enabling environment, by investing in roads, ports, power, storage and irrigation systems, as well as in non-agricultural areas, such as education (particularly of women) and health care. Public-Private Partnerships can be an effective vehicle for fostering private investment, while development aid can be a catalyst, complementing the primary role of private sector investment.

The OECD 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 develop-
monitorment (Figure 3.4). 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.

**Sustainable fisheries and aquaculture**

Fish and fishery products represent an important source of protein and essential micronutrients for balanced nutrition and good health. In developing countries the relative contribution of fish to animal protein supply is usually higher than for developed countries, making fish a relatively important source of macro- and micronutrients. Moreover, the harvest, processing and sale of fish contribute indirectly to food security by increasing purchasing power at the individual or household level, as well as regionally and nationally (OECD, 2013b).

However, many fisheries today are faring poorly and are in need of rebuilding (Figure 3.5). Overexploitation causes negative ecological, social and economic consequences and reduces fish production. Effective management plans are needed to increase the contribution of marine fisheries to food security, economies and the well-being of coastal communities.

Policies to reduce or control fishing capacity are generally motivated by the desire to manage the stock at maximum sustainable yield (MSY) or maximum economic yield (MEY) and maintain profitability – neither of which are truly capacity issues. A well-designed management system should be able to maintain the stock at the desired level irrespective of the number of fishers.

An overview of marine protected areas (MPAs), as well as the number of fisheries with Marine Stewardship Council (MSC) certification, can provide some insights into ongoing efforts to reduce overfishing (Box 3.2).
Over the last 50 years, aquaculture has expanded from being almost negligible to on par with capture fisheries in terms of feeding people in the world. Aquaculture is projected to surpass capture fisheries as the main source for human consumption by 2015.

Aquaculture, however, may suffer from externalities induced by other sectors. Since water is of utmost importance for aquaculture activities, other activities that deteriorate water quality or decrease water availability may produce negative externalities on aquaculture operations. In fact, there are increasing impacts from land-based activities, such as agricultural run-offs, municipal sewage and industrial waste, which deteriorate water quality and that can have potentially negative impacts on aquaculture, both in inland and marine-based farming. Agricultural run-offs are generally the greatest contributor to eutrophication in many countries (Díaz, 2010).

Since multiple externalities and economic activities are involved, it is not possible to correct these by addressing aquaculture alone. Rather, co-ordinated regulation of externalities among different sectors is required to ensure that the highest possible value is produced.

**Open trading system**

Food security is dependent upon food being available in national and local markets, whether that food is produced domestically or in other countries. Trade therefore plays a vital role in balancing the deficits of net food importers with net food exporters. The relative importance of agricultural trade to domestic food availability remains small, even if at the margin it is hugely important for those countries that rely on it. In most countries, domestic production is the main source for domestic consumption.

While a number of developing countries are agricultural exporters, they are at the same time net food importers. There has been a steady increase in the number of developing countries which have turned from being net food exporters to net food importers. In the early 1980s, less than 60% of developing countries were net food importers; by the late 2000s, this proportion had increased to nearly 80%. Whether or not greater dependence on food imports implies a greater risk of food insecurity depends on whether the change reflects a shift of resources from food production to more remunerative activities or is a result of fundamental development failure. In either case, this should be reflected in income levels and the availability of foreign exchange. For all countries that depend on food imports, the reliability of the world market as a source of supplies is essential for food security.

The net trade status of countries may also be an outcome of distortional or discriminatory policies, with countries that protect their agricultural sectors producing more and importing less (possibly exporting) than would otherwise
be the case if resources were allocated in line with their comparative advantage. This has tended to be the case in the majority of OECD countries, although the degree of protection and other forms of trade-distorting support has decreased significantly over the past 25 years. Global food security would be enhanced if restrictions to trade, on both the import and export side, were lowered and products and services could move more freely from where they are produced most efficiently to where they are needed.

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**Box 3.2**

**Recognising and rewarding sustainable fishing practices**

The Marine Stewardship Council offers a comprehensive certification and eco-labelling programme for sustainable wild-capture fisheries, consistent with the following international norms: the Code of Conduct for Responsible Fishing (UN FAO); Guidelines for the Eco-labelling of Fish and Fishery Products from Marine Capture Fisheries (UN FAO); the Code of Good Practice for Setting Social and Environmental Standards (ISEAL); and the World Trade Organization Technical Barriers to Trade Agreement.

Source: [www.msc.org](http://www.msc.org) (NB. This graph shows that the quantity of wild-capture fish certified has increased; it is not a measure of improvement in the fisheries themselves.)

**Box 3.3**

**Improving policy information globally**

The OECD is working with other international organisations to develop common indicators of agricultural policies across countries, building on the well-established PSE-CSE-GSSE methodology while also adapting to data limitations and capacity constraints in some developing countries. This would allow comparisons of agricultural policies across a wider range of developed and developing countries and facilitate outreach at the regional level. The FAO’s MAFAP project computes policy indicators for several African countries, while the Inter-American Development Bank and the Asian Productivity Organisation have applied an adapted version of the OECD’s PSE methodology to a number of Latin American and Asian countries, respectively. The Asian Development Bank, the World Bank Group and the International Food Policy Research Institute are also actively committing to further collaborative efforts in policy measurement and analysis at the global level.
Illicit financial flows

What is the challenge? How can PCD contribute?

Illicit financial flows (IFFs) from developing countries make up a significant part of the larger problem of capital flight, reducing the resources available for investment, growth and poverty reduction and resulting in significant losses in government revenue. IFFs have been estimated to far exceed inflows from ODA and FDI.

Illicit financial flows comprise the movement of funds whose origin, transfer or use is contradictory to national and/or international laws, including the following (OECD, 2011):

- the movement of money that has been illegally earned, including the proceeds of criminal activities and corruption, and illicit trade. Such transactions are often intended to disguise the illegal origin of funds to make it appear that they have been generated from a legal source (money laundering);
- the illegal transfer of funds (whether earned legally or illegally) for the purpose of evading taxes or other legally required payment; and
- the transfer of funds (whether earned legally or illegally) for an illegal use.

The challenges posed by IFFs are complex and expand across different domains in the public and private spheres, as well as beyond the borders of single countries. Therefore, actions by governments at the national level need to be complemented with co-ordinated international efforts to combat financial crimes and illicit financial flows.

What are the enablers?

Transparent tax system

Fighting international tax evasion is important because it is a major source of illicit financial flows from developing countries. Sub-Saharan African countries still mobilise less than 17% of their GDP in tax revenues. To combat tax crimes, effective exchange of information among countries is essential.

Since 2000, the number of agreements on exchange of information between OECD countries and developing countries has steadily increased. Although most of the agreements signed since 2005 comply with standards of the Global Forum on Transparency and Exchange of Information for Tax Purposes, there is room for improvement (Figure 3.6). Automatic exchange of information can be a powerful tool in this respect, deterring tax evaders and increasing the amount of taxes paid voluntarily. While automatic exchange of information is becoming more widely recognised for its effectiveness, it remains an exception. Developing countries often lack the capacity to engage effectively in exchange of information. The OECD thus recommends strengthening institutions and systems to prevent tax evasion.

Clean business environment

Illicit financial flows often leave developing countries via the commercial financial system. Through this system, funds are laundered to disguise their origin. Anti-money laundering and counter-terrorist financing (AML/CTF) regimes are effective tools to prevent illicit funds from being held, received, transferred and managed by major banks and financial centres.

Anti-money laundering and counter-terrorist financing efforts are governed by the Recommendations of the Financial Action Task Force (FATF). OECD countries’ anti-money laundering regimes have improved since the first set of Recommendations was established in 2003, but not evenly across the board. On average, OECD countries’ compliance with central FATF Recommendations is low. Countries should strengthen their regulatory and supervision regimes and fully implement the new 2012 Financial Action Task Force Recommendations (Figure 3.7).
Reducing corruption and bribery is another way of reducing the opportunities for illicit gains and hence illicit financial flows. Today, an estimated USD 1 trillion is paid each year in bribes and bribery in the developing world, which may amount to the equivalent of 15-30% of all official development assistance. Bribes paid by OECD member country-headquartered companies to foreign public officials to secure contracts or obtain other advantages have damaging effects, especially in developing countries. Corruption in awarding business contracts has social, political, environmental and economic costs which no country can afford.

The 1997 OECD Anti-Bribery Convention tackles the supply side of corruption: the bribe payers. The criminalisation of bribe payers outside of developing countries, as well as their effective prosecution, is central for drying up this source of illicit financial flows.

Figures from the OECD Working Group on Bribery, made up of representatives from the Parties to the Convention, show that 216 individuals and 90 legal entities (companies, trusts, non-governmental organisations, etc.) were sanctioned through criminal proceedings for foreign bribery in 13 OECD countries from 1999 to the end of 2012 (Figure 3.8). At least 83 of the sanctioned individuals were given prison terms for foreign bribery. Another 44 individuals and 95 legal entities in three signatory countries have been sanctioned in criminal, administrative and civil cases for other offences related to foreign bribery, such as money laundering or false accounting. There were 67 agreed sanctions for individuals and 48 deferred prosecution agreements or non-prosecution arrangements with legal persons. Approximately 320 investigations are still ongoing in 24 countries, and criminal charges have been filed against 166 individuals and entities in 15 countries.
### Figure 3.7. OECD average compliance by FATF sub-category

<table>
<thead>
<tr>
<th>Sub-Category</th>
<th>Compliance Score</th>
</tr>
</thead>
<tbody>
<tr>
<td>I Scope of the criminal offense of money laundering</td>
<td>1.96</td>
</tr>
<tr>
<td>II Provisional measures and confiscation</td>
<td>1.88</td>
</tr>
<tr>
<td>III Financial secrecy laws</td>
<td>2.68</td>
</tr>
<tr>
<td>IV Customer due diligence and record keeping</td>
<td>1.22</td>
</tr>
<tr>
<td>V Reporting of suspicious transactions and compliance</td>
<td>1.58</td>
</tr>
<tr>
<td>VI Other measures to deter ML/TF</td>
<td>2.11</td>
</tr>
<tr>
<td>VII Measures taken towards high-risk jurisdictions</td>
<td>1.29</td>
</tr>
<tr>
<td>VIII Regulation and supervision</td>
<td>1.16</td>
</tr>
<tr>
<td>IX Competent authorities, powers and resources</td>
<td>1.95</td>
</tr>
<tr>
<td>X Transparency of legal persons and arrangements</td>
<td>1.01</td>
</tr>
<tr>
<td>XI Conventions</td>
<td>1.62</td>
</tr>
<tr>
<td>XII Mutual legal assistance and extradition</td>
<td>2.22</td>
</tr>
<tr>
<td>XIII Other forms of co-operation</td>
<td>2.35</td>
</tr>
</tbody>
</table>

Figure 3.8. Total number of individuals and legal persons sanctioned or acquitted related to foreign bribery, 1992-2012

Current systems to prevent illicit financial flows from leaving developing countries are not watertight. Repatriation of stolen assets to their country of origin can provide developing countries with additional resources, offering a powerful deterrent as well as justice for the societies whose funds are repatriated.

OECD countries have committed themselves to repatriate stolen assets to their jurisdiction of origin. All but four OECD countries have ratified the United Nations Convention Against Corruption (UNCAC). In addition, many OECD countries have reaffirmed their commitment to asset recovery through other major fora and political processes, such as the G8 and the G20. OECD countries have also highlighted asset recovery as a core development issue in
aid effectiveness. Progress in repatriation has been modest, however, as proving that assets are linked to criminal activities can be a complex process (Figure 3.9).

Green growth

What is the challenge? How can PCD contribute?

Green growth is about fostering economic growth and development while ensuring that natural assets continue to provide the resources and environmental services on which well-being relies (OECD, 2011a). Greening countries’ growth paths is crucial. Long-term projections suggest that risks to development and to future growth are rising as current growth paths continue to erode natural capital. If left unchecked, this would mean increased water scarcity, worsening resource bottlenecks, greater pollution, climate change and biodiversity loss.

The transition towards greener growth will require policy action on many fronts: green technologies; energy and resource efficiency; sustainable transport; water management; green buildings; and green industrial processes. The policies needed to promote green growth are therefore broad. To be successful, green growth policies must also be coherent. They have to build on a high degree of co-ordination among ministries and government levels, and stakeholders outside the government; systematically integrate economic, development and environmental objectives; address all relevant sectors; effectively address any effects on poverty and inequality; and use a comprehensive and consistent mix of policy instruments that ensures appropriate signals are sent to private sector participants to drive investment and innovation to support the transition. The challenges are both global and long term. No government entity has all the technological, scientific, financial and other resources needed to implement green growth alone. This makes policy coherence particularly critical in the green growth context.

Government efforts to implement green growth policies are accelerating, but further effort is needed to enhance policy coherence. For example, developing and emerging economies currently spend an estimated USD 544 billion on fossil fuel consumption subsidies annually. Such subsidies undermine the effectiveness of green growth policies by effectively encouraging carbon emissions (IEA, 2013). A further example is the impact of measures such as local content requirements on green value chains – the activities that firms engage in, from conception to final use, to bring a product to market. Trade and investment restrictions appear to have increased since 2008 as part of financial crisis response measures. Such measures fail to recognise the increasingly global nature of green value chains, which means that barriers to international trade and investment can dampen green investment (OECD, 2014 – forthcoming).

While not specific to green growth policies, the OECD FDI Regulatory Restrictiveness Index (FDI Index) provides an example of a tool that can assess a country’s enabling environment for foreign direct investment. It measures statutory restrictions on foreign direct investment in 58 countries, including all OECD and G20 countries, and covers 22 sectors. The FDI Index gauges the restrictiveness of a country’s FDI rules by looking at the four main types of restrictions on FDI: (i) foreign equity limitations; (ii) screening or approval mechanisms; (iii) restrictions on the employment of foreigners as key personnel; and (iv) operational restrictions, e.g. restrictions on branching and on capital repatriation or land ownership (www.oecd.org/investment/fdiindex.htm).

What are the enablers?

Green growth is critical for development, due to developing countries’ reliance on natural resources for economic growth, and exposure and vulnerability to environmental risks such as air, water and soil pollution, as well as climate change. In addition to enabling sustainable economic growth, safeguarding the environment and conserving resources, green growth strategies are a more cost-effective way to foster development over the long term. If investment decisions made today do not take into account environmental constraints, they will lock in an unsustainable future that will prove unnecessarily costly to unwind later on.
Box 3.4
Mainstreaming green growth

Integrating green growth objectives into broader economic policy making and development planning is a critical starting point to promote policy coherence, guide policy making in relevant sectors, exploit co-benefits of policies and ensure that all relevant environmental and policy issues are addressed.

The OECD is therefore mainstreaming green growth into its national and multilateral country policy surveillance exercises, including its Economic Surveys. This will enable the OECD to provide more targeted policy advice to governments on implementing green growth frameworks. It is hoped that the OECD’s mainstreaming efforts will also help afford greater weight and prominence to green growth policies from the perspective of central agencies such as finance and economy ministries.

There are multiple benefits to green growth from a developing country perspective. These include (OECD, 2013c):

• sustainably managed natural assets, which can form the backbone for growth and human well-being;
• new economic growth and employment opportunities, through, for example, new markets for green goods and services, technological innovation, etc.;
• resilient infrastructure that avoids locking in fossil fuel and resource-intensive assets; and
• reduced poverty, depending on policy design and whether policies are tailored to address the interests of the poor.

The transition to green growth will require a coherent approach on the part of governments. Key policy actions include:

• **Pricing carbon on a genuinely global basis, across all countries and sectors.** Carbon pricing – whether through an emissions trading system or a carbon tax – is the cornerstone of green growth strategy making. The absence of robust, coherent carbon pricing mechanisms in most regions today and political uncertainty over the future development or stringency of such prices hampers long-term, strategic investments required for the green transition.

• **Eliminating market distortions and “mixed messaging”.** In particular, governments must take a hard look at policy measures that subsidise or encourage the exploration, production and consumption of fossil fuels, which send signals that conflict with carbon pricing. Such measures can significantly undermine the effectiveness of green growth policies.

• **Implementing adequate, sustained and targeted policies for new green technologies and infrastructure.** Such policies are necessary to address market and information barriers, and complement pricing, and include measures such as support for basic R&D to harness green innovation, information campaigns to help consumers make greener choices and support for demonstration and early-stage deployment.

Indicators are essential to facilitate monitoring and assessment of the transition towards greener growth. The OECD Green Growth Strategy, delivered at the 2011 Ministerial Council Meeting, provides a conceptual measurement framework for green growth, including a set of about 25 green growth indicators (GGIs) (OECD, 2011). An updated report was released in the second quarter of 2014 (OECD, 2014b). The OECD’s green growth measurement framework describes interactions between the economy, the natural asset base and policy actions. The aim is to help support analysis of the sources of green growth; policy integration and coherence; measurement of progress; and identification of opportunities and risks. The indicators were selected based on their policy...
relevance, analytical soundness and measurability. They are organised around four interrelated dimensions of
green growth (with so-called “headline” indicators – developed to facilitate communication with policy makers,
the media and citizens – shown in italics):

1. The environmental and resource productivity of the economy (carbon productivity, material productivity,
multifactor productivity).
2. The natural asset base (natural resource index; land use and land cover changes).
3. The environmental dimension of quality of life (air pollution).
4. Policy responses and economic opportunities.iii

The indicators are underpinned by information on the socioeconomic context and characteristics of growth that
tracks the effects of policies on growth and can be used to link GGIs to social goals, such as poverty reduction,
social equity and inclusion. The list of indicators is not necessarily final; as knowledge advances and new data
become available, the OECD will continue its work to advance the methodologies and measurement of green
growth indicators. The OECD is also working with the Global Green Growth Institute, UNEP and the World Bank,
within the framework of the Green Growth Knowledge Platform, to promote common approaches for monitoring
progress towards green growth at the global level.iv

Sample green growth indicators can be used for the purpose of illustration. Figure 3.10 shows the evolution and
composition of environmentally related taxes in OECD countries as a share of GDP and total tax revenue, and by
tax base. Figure 3.11, in turn, shows trends and changes in structure in OECD countries’ support for fossil fuels.

A number of governments are adopting and adapting the OECD green growth indicator framework at the national
level to develop indicators appropriate for their national circumstances and assess the state of their economy
from a green growth perspective. Examples of these OECD member countries include Chile, the Czech Republic,
Denmark, Germany, Korea, Mexico, the Netherlands, the Slovak Republic, and Slovenia.v Developing countries are
also active:
In Latin America and the Caribbean (LAC), Colombia, Costa Rica, Ecuador, Guatemala, Paraguay and Peru are developing green growth indicator reports based on the OECD framework. The initiative is supported by the United Nations Industrial Development Organization (UNIDO) in co-operation with the OECD, the Latin American Development Bank (CAF), the Latin American and Caribbean Economic System (SELA) and UNEP. A considerable wealth of information has been compiled to date, and is being disseminated and published. Particular attention is being given to the living standards of people and opportunities from a green growth perspective. Examples of additional country-specific indicators that are being incorporated include malnutrition, acute respiratory infections and reforestation.

Similar efforts are underway in a few countries in the Eastern Europe, Caucasus and Central Asia (EECCA) region. The work is being carried out under the Environmental Action Programme (EAP) Task Force, a body for which the OECD serves as secretariat and which supports the implementation of green growth policies in this region. The work aims to contribute to the establishment of a Shared Environmental Information System in the pan-European region. Emphasis is being put on the long-term prospects for a commercially viable exploitation of natural assets.iii

In Southeast Asia, eight emerging and developing ASEAN countries (Malaysia, Thailand, Indonesia, the Philippines, Viet Nam, Lao PDR, Cambodia and Myanmar) are participating in a project on the promotion of green growth in the ASEAN region. The project is being led by the OECD and reflects the region’s development objectives. Particular attention is being given to business opportunities for SMEs and to productivity issues.vii

Feedback from country-level experiences is being used to refine the OECD’s indicator set, and to share experiences and good practices. The feedback received so far indicates that green growth indicators require tailoring to take into account specificities of developing countries. Developing countries face many challenges that are less prevalent or acute in developed countries, such as a substantial dependence on natural assets, persistent and high levels of poverty, a large informal economy and, often, weak institutions. Beyond ensuring a balanced coverage of the two dimensions of green growth – “green” and “growth” – achieving green growth in developing countries also means increasing the economic and environmental resilience of society and ensuring that growth is inclusive. Box 3.5 outlines key lessons emerging from the work undertaken in the LAC region.
Box 3.5
Lessons learnt from applying the OECD green growth measurement framework in Latin American and Caribbean countries

The study to apply the OECD green growth measurement framework and indicators in the LAC region has revealed a number of implementation challenges that are common to many countries, and proposed ways to address them.

### Challenges related to indicator applications

<table>
<thead>
<tr>
<th>Challenges</th>
<th>Ways to address the challenges</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Indicator selection</strong></td>
<td></td>
</tr>
<tr>
<td>• Reflecting adequately national circumstances and policy issues.</td>
<td>• Adapt the indicators to the national context by developing new indicators on aspects of particular importance to the country.</td>
</tr>
<tr>
<td>• Reflecting adequately the linkages between economic growth and environmental issues.</td>
<td>• Ensure that the indicator set encompasses both indicators that are internationally comparable and indicators that are country specific.</td>
</tr>
<tr>
<td>• Assessing each indicator with respect to its relevance, soundness, and measurability.</td>
<td></td>
</tr>
<tr>
<td><strong>Data compilation and measurement</strong></td>
<td></td>
</tr>
<tr>
<td>• Identifying data sources across different institutions and government levels, and remaining gaps.</td>
<td>• Document the data using harmonised formats.</td>
</tr>
<tr>
<td>• Compiling the data and organising data flows.</td>
<td>• Ensure compliance with statistical standards.</td>
</tr>
<tr>
<td>• Harmonising the data across national sources and addressing data quality issues, including discontinuity over time.</td>
<td>• Organise data flows in a way that enables regular updates.</td>
</tr>
<tr>
<td><strong>Interpretation and communication</strong></td>
<td></td>
</tr>
<tr>
<td>• Interpreting the results in view of underlying economic, social and political factors.</td>
<td>• Combine graphics and tables with diagrams and explanatory text to compensate for missing data.</td>
</tr>
<tr>
<td>• Providing background information on specific national circumstances.</td>
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<tr>
<td>• Be clear about the limitations of the indicators and their interpretation.</td>
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<tr>
<td>• Release the indicators through user-friendly reports and public websites.</td>
<td></td>
</tr>
<tr>
<td>• Adapt the ways of reporting to the various audiences.</td>
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<tr>
<td>• Use standardised reporting templates for all indicators.</td>
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<tr>
<td><strong>Institutional co-ordination and capacity building</strong></td>
<td></td>
</tr>
<tr>
<td>• Coping with limited (human, financial) resources;</td>
<td>• Establish a network of data providers and indicator users.</td>
</tr>
<tr>
<td>• Coordinating between national institutions at different levels.</td>
<td>• Maximise the use of existing data.</td>
</tr>
<tr>
<td>• Providing appropriate training and capacity building.</td>
<td>• Exchange knowledge and learn from peers on:</td>
</tr>
<tr>
<td></td>
<td>- indicator selection and calculation methods.</td>
</tr>
<tr>
<td></td>
<td>- data management and quality assurance.</td>
</tr>
<tr>
<td></td>
<td>- interpretation of indicators and ways to use and communicate them.</td>
</tr>
</tbody>
</table>

Several lessons emerge from this experience:

- **Clear communication is important and can be achieved in many different ways.** Countries have opted for different solutions: producing user-friendly and visually appealing reports (e.g. Paraguay), adopting more concise, standardised reporting (e.g. Colombia, Mexico, Paraguay), complementing the indicator-based report with a summary for policy makers (e.g. Costa Rica), and highlighting concrete policy steps and their inter-linkages to facilitate application of the indicators in national policy agendas (e.g. Ecuador).
- **Indicators need to be adapted to national context.** For example, some countries (e.g. Mexico, Colombia and Paraguay) have added more indicators on a particular natural resource because of its national importance.
- **Application of the OECD framework, which cuts across different themes and policy issues, contributes to a better cooperation among government institutions and helps improve the countries’ environmental information systems and their connection with economic information systems.**
- **Exchange of experience and good practices between the participants helps them address data challenges and measurability issues.**

Source: Based on CAF-OECD-UNIDO (forthcoming), Monitoring Green Growth in the LAC Region: Progress and Challenges.
FACILITATING TRADE FOR DEVELOPMENT

As goods cross borders many times, first as inputs and then as final products, fast and efficient customs and port procedures are essential. To help governments improve their border systems, reduce trade costs, boost trade flows and reap greater benefits from international trade, the OECD has developed trade facilitation indicators that identify areas for action and enable the potential impact of reforms to be assessed (OECD, 2013e; OECD, 2013f).

Estimates based on the OECD trade facilitation indicators provide a basis for governments to prioritise trade facilitation actions and mobilise technical assistance and capacity-building efforts for developing countries in a more targeted way. The indicators cover the full spectrum of border procedures, from advance rulings to transit guarantees, for 133 countries across income levels, geographical regions and development stages:

- Advance Rulings: Prior statements by the administration to requesting traders concerning the classification, origin, valuation method, etc., applied to specific goods at the time of importation; the rules and process applied to such statements.
- Appeal Procedures: The possibility and modalities to appeal administrative decisions by border agencies.
- Co-operation – External: Co-operation with neighbouring and third countries.
- Co-operation – Internal: Co-operation between various border agencies of the country; control delegation to customs authorities.
- Fees and Charges: Disciplines on the fees and charges imposed on imports and exports.
- Formalities – Automation: Electronic exchange of data; automated border procedures; use of risk management.
- Formalities – Documents: Simplification of trade documents; harmonisation in accordance with international standards; acceptance of copies.
- Formalities – Procedures: Streamlining of border controls; single submission points for all required documentation (single windows); post-clearance audits; authorised economic operators.
- Governance and Impartiality: Customs structures and functions; accountability; ethics policy.
- Information Availability: Publication of trade information, including on the Internet; enquiry points.
- Involvement of the Trade Community: Consultations with traders.

OECD analysis shows that trade facilitation measures can benefit all countries in their role as exporters as well as importers, allowing better access to inputs for production and greater participation in the global value chains that characterise international trade today. For low-income countries, the trade facilitation area that leads to the most significant increases in trade flows is the harmonisation and simplification of documents. For lower-middle and upper-middle income countries, the strongest impact comes from procedures (Figure 3.12).

Concrete examples include:

- In Ethiopia, customs reforms increased imports and exports by 200% and tax revenues by over 51%.
- In Tunisia, a reduction in cargo delays from ten days in 2003-04 to 3.3 days in 2010 helped generate 50 000 full-time and 50 000 part-time jobs for the firms involved.
- In Costa Rica, the introduction of a new single submission point (“single window”) for all required documentation helped reduce clearance time for dairy products from 10 to 1.5 hours, and for agrochemicals from 27.5 to 2.2 hours.
The third edition of the Bertelsmann Foundation’s “Sustainable Governance Indicators” (SGI), a cross-national comparison of all OECD and EU countries (www.sgi-network.org), will be published in the second quarter of 2014. Based on a broad range of quantitative and qualitative data, the SGI addresses the following key questions:

- How successful are the 41 OECD and EU countries in achieving sustainable policy outcomes?
- How well developed are the governance capacities of these countries in terms of long-term-oriented political steering capacities?
- What is the quality of their democratic order?

The 140 individual indicators used in the study allowed the OECD to draw a detailed picture of every country’s strengths and weaknesses in terms of sustainable governance. Here, the SGI 2014 goes even further than in previous SGI surveys, as it now also captures the contribution of individual countries in promoting sustainable development at the international level.

At least four qualitative indicators (expert assessments) and several quantitative indicators of the survey are directly linked to policy coherence for development and to some of its respective sub-areas. The indicators in question cover the following PCD-relevant aspects: (i) tackling global social inequalities; (ii) fostering stable international financial markets; (iii) promoting global environmental protection regimes; and (iv) creating international co-ordination capacities to foster global public goods.

**Global social equality**

One specific question of the SGI survey explores the extent to which OECD/EU governments actively and coherently engage in international efforts to promote equal socioeconomic opportunities in developing countries by demonstrating initiative and assuming responsibility or acting as an agenda-setter within international frameworks. The question raised is: to what extent do governments – both formally and in practice – shape and advance social inclusion beyond their borders as expressed in global frameworks such as the United Nation’s MDGs and the post-2015 development agenda?
Moreover, the question examines the extent to which the governments’ actions and policies are in alignment with international strategies. This means, among other things, that governments should promote a fair global trading system in order to guarantee developing countries free access to global markets. Combining the expert assessments on those issues with two further quantitative indicators on international economic fairness, New Zealand, Estonia, Norway, Denmark, Australia, Ireland and Luxembourg achieved the best ratings on the aspect of “tackling global social inequalities”. The SGI report on top-ranked New Zealand, for instance, states that the country “is highly committed to tackling global socioeconomic inequalities. Its development programme is managed by the Ministry of Foreign Affairs and Trade. It is coherent and efficient in prioritising economic development, despite being criticized by some NGOs. Free access to global markets for developing countries is high on its agenda. The government openly argues for its development programme to be used for diplomatic and trade outcomes, not solely development outcomes. (...)”

**Stable international financial markets**

A second aspect is likewise measured by using a qualitative expert assessment and two quantitative indicators, which reflect the soundness of each country’s own financial sector. Sustainable development obviously requires a stable financial system. Therefore, the country experts explored whether governments actively engaged in identifying and implementing new policies targeting a stable, legitimate financial system by restructuring the international financial architecture. Such restructuring should aim to ensure the effective regulation and supervision of financial markets and the monitoring of cross-border financial flows. Regulations should aim to (i) prevent/combat high-risk or criminal financial activities that pose systemic risks; (ii) ensure fair cost- and risk-sharing among financial market actors in the event of an international financial market failure; and (iii) enhance information transparency in international financial markets and strengthen consumer protection. According to the new SGI 2014 data, Finland, Canada, Estonia, Switzerland, Sweden and Germany have shown the strongest commitment of all 41 countries surveyed (period of investigation: May 2011 - May 2013) to achieve the above aims through targeted action.

**Global environmental protection regimes**

The third aspect is based on the presumption that protecting the climate and preserving natural resources worldwide also depends heavily on effective collective action carried out on a global level. For this reason the OECD incorporated a new question into the SGI survey, asking to what extent governments actively contributed to the design and advancement of global environmental protection regimes. Examples of active contributions include demonstrating initiative and responsibility, acting as an agenda-setter within international frameworks and/or achieving an alignment of purpose among conflicting interests in international negotiations. Again, the expert assessments were backed and complemented by several quantitative indicators on global environmental achievements. The four leading countries of this particular environmental ranking were Sweden, Switzerland, Norway and Germany, whereas Israel, Canada, the US and Turkey found themselves at the bottom of the list.

**International co-ordination capacities to foster global public goods**

Fostering global public goods is, of course, not only a question of political goodwill, it also requires sound governmental structures and processes for international co-ordination and co-operation. This fourth aspect is, amongst others, addressed in the SGI’s governance index, which looked at a government’s steering capacities and its interaction with societal actors. To what extent is the government able to collaborate effectively in international efforts to foster global public goods? This is certainly one of the key questions for the whole policy coherence debate.

Such a governmental capacity would be manifested in collective action and co-operation aimed at complex global challenges, such as climate change and inclusive economic and social development. At one level, this requires institutional capacities to help shape and implement strategic global frameworks for such international efforts. An indication of such capacity might be the existence of appropriate inter-ministerial co-ordination groups with leadership from centres of governments. At another level, it involves ensuring that the impact of national policies
on these global challenges is systematically assessed and then incorporated into the formulation, co-ordination and monitoring of policies across government. The SGI 2014 results for this question show Australia, Denmark, Norway and Sweden at the top of the league table. In these four cases, the country experts came to the conclusion that the respective governments were able to collaborate effectively to strengthen global public goods and to ensure coherence in national policies affecting progress.

**EUROPEAN CENTRE FOR DEVELOPMENT POLICY MANAGEMENT: ASSESSING COUNTRY-LEVEL IMPACTS ON FOOD SECURITY**

The European Centre for Development Policy Management (ECDPM) and the OECD have developed a methodology for identifying and assessing the impacts of OECD countries’ policies on food security in individual developing countries.

This methodology fits the OECD Strategy on Development approved in 2012 that calls 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. The Strategy also promotes efforts to apply a “PCD lens” to the analysis of key issues, with food security, illicit financial flows and green growth as initial priority areas. Moreover, and in line with the Strategy, the methodology is a tool to enhance dialogue with developing countries and key stakeholders on PCD issues.

In this context, the assessments will provide evidence for policy change domestically and for clarifying trade-offs between domestic goals and both positive and negative externalities in developing countries. The assessments can furthermore inform OECD countries’ development co-operation frameworks and programmes at the partner country level, which can then proactively address the impact of incoherent OECD policies. Finally, the assessments can enable partner governments and civil society to engage in a dialogue with OECD countries for improved PCD and to design response strategies to address the impact of policy incoherencies.

The methodology is intended as a flexible tool that can be used by government officials of OECD member countries and their partner government counterparts, researchers, civil society and other interested stakeholders. It has three distinctive features: (i) it establishes a framework for analysing international policy linkages and domestic food security contexts; (ii) it proposes a sequence of research modules drawing on a range of data sets, international indicators and analytical material that can be tailored to the specific objectives of the assessment, capacity and resources available in developing countries where it is implemented; and (iii) it integrates local consultation processes and stakeholder views throughout the implementation process.

The methodology was developed in 2013 on the basis of a literature review and an expert workshop. It will be tested in 2014 and refined through a number of pilot case studies, which will include Tanzania and possibly Benin. These exercises will be undertaken in close collaboration with OECD member countries. Finland was the first one to strongly engage in this initiative and will support and be closely involved in the Tanzania case study.

**GERMAN DEVELOPMENT INSTITUTE: A LOGFRAME APPROACH TO POLICY COHERENCE FOR DEVELOPMENT**

Enhancing PCD (the “PCD project”) has attracted much political and academic interest and has produced a number of approaches at quite different levels, which are not always clearly distinguished. For clarification, a short look at PCD from a logframe perspective might be helpful.
A logframe perspective looks at the inputs, outputs, outcomes and impacts of a project. A project is successful when it achieves its goals (outcomes) and has a positive impact. Inputs and outputs are necessary, but not sufficient, conditions for the success of a project. The litmus test for distinguishing inputs and outputs from outcomes is the question: are they ends in themselves? Outcomes are ends in themselves while inputs and outputs are not. According to the DAC definition, outcomes are the likely or achieved short-term and medium-term effects of a project’s output, while impacts are the positive and negative, primary and secondary, intended and unintended long-term effects of a project.

Outcomes usually refer to goals at different levels, i.e. to direct goals which, for their part, contribute to higher-order goals. This goal hierarchy can be defined in a more or less restrictive way depending on what one considers an end in itself. Regarding PCD, there are basically two options (Table 3.1):

<table>
<thead>
<tr>
<th>Goal hierarchy</th>
<th>Option 1: restrictive definition of the goal hierarchy of PCD</th>
<th>Option 2: less restrictive definition of the goal hierarchy of PCD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Higher-order goal of PCD (3)</td>
<td>Overall development progress</td>
<td>Overall development progress</td>
</tr>
<tr>
<td>Higher-order goal of PCD (2)</td>
<td>Overall development progress</td>
<td>Contribution to poverty eradication</td>
</tr>
<tr>
<td>Higher-order goal of PCD (1)</td>
<td>Contribution to poverty eradication</td>
<td>Development progress in a certain area, e.g. enhanced food security through policies that support food security</td>
</tr>
<tr>
<td>Outcome of PCD efforts: Direct goal of PCD</td>
<td>Development progress in a certain area, e.g. enhanced food security through policies that support food security</td>
<td>Change of policies in such a way that they can be expected to contribute to development progress (e.g. improved food security)</td>
</tr>
<tr>
<td>Output of PCD efforts</td>
<td>Change of policies in such a way that they can be expected to contribute to development progress (e.g. improved food security)</td>
<td></td>
</tr>
</tbody>
</table>

Note that in Option 2, the content of each field of the matrix moves up by one step compared to Option 1.

Option 1 (the restrictive definition) is based on the assumption that changing policies in a development-friendly way (in the present case with a view to supporting food security) is fine and a necessary condition for development progress. Still, it is not an end in itself since ultimately the beneficiaries have to be better off (e.g. food security has to improve). The argument, carried to its extremes, is: beneficiaries cannot eat development-friendly policies.

Option 2 (the less restrictive definition) considers the development-oriented change of policies as an end in itself because of the assumption that development-friendly policies will contribute to development progress. One does not know, however, whether and to what extent this will actually happen. For instance, improving the access of developing countries to the markets of industrialised countries through trade liberalisation is certainly a step towards enhanced PCD, but lowering trade barriers such as tariffs says nothing about the real impact this will have (Will it be big or small? Who will benefit? Who will be at a disadvantage?).
The following logframe matrix of PCD takes Option 2 as its frame of reference for two reasons (Table 3.2). Firstly, the aforementioned assumption appears to be plausible. Second, the goal of PCD is to make policies more development-friendly, so the conceptual framework should have this goal as its focus. This does not mean that the ultimately crucial question of whether enhanced PCD actually promotes development (i.e. improves the living conditions of the beneficiaries) is overlooked. In the matrix, it is referred to as the impact level.

<table>
<thead>
<tr>
<th>Level</th>
<th>How to analyse PCD</th>
<th>How to improve PCD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Input</td>
<td>1. Clarify the basic understanding of PCD (conceptual stage)</td>
<td>6. Declare the commitment to enhance PCD at the highest political level (political statement)</td>
</tr>
<tr>
<td>Output</td>
<td>2. Analyse the institutional mechanisms and procedures that support or hinder PCD (institutional analysis)</td>
<td>7. Establish institutional structures, mechanisms and procedures conducive to enhancing PCD (institutional reform)</td>
</tr>
<tr>
<td></td>
<td>3. Identify the properties of specific policies (or set of policies) that make them (in)coherent with development goals (theoretical-conceptual analysis)</td>
<td>8. Identify changes in specific policies (or set of policies) needed to overcome incoherencies found on the basis of Steps 3, 4 and 5 (recommendations for a PCD-conducive design of policies)</td>
</tr>
<tr>
<td>Outcome</td>
<td>4. Measure the extent of (in)coherencies of policies based on Step 3 either at a given point in time or, even better, over time to see whether there has been progress or not (statistical analysis)</td>
<td>9. Change incoherent policies in line with Step 8 (political process of awareness-raising, bargaining, coalition-building and decision-making), hoping that the policy reform will have a positive development impact</td>
</tr>
<tr>
<td>Impact</td>
<td>5. Assess the development impact of incoherent policies (evaluation)</td>
<td>10. Assess the development impact of the reformed policies (evaluation)</td>
</tr>
</tbody>
</table>

This matrix may help to better understand the different steps of PCD-related analysis and policy reform and show us where exactly we are when working at a specific stage. While each step is relevant and most steps are really challenging, it is important to distinguish necessary from sufficient steps for making the “PCD project” successful. The matrix can be applied to the “Main objectives of PCD” suggested by the OECD’s PCD Unit in its recent proposal for a definition of “Policy Coherence for Development in a Post-2015 Era” (Table 3.3).
Chapter 3  Monitoring policy coherence for development

Table 3.3. Main objectives of policy coherence for development

<table>
<thead>
<tr>
<th>Main objectives of PCD</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Exploit positive synergies across policies to support sustainable development</td>
<td>Outcome level (end in itself, contributing to a higher-order goal, in this case to sustainable development)</td>
</tr>
<tr>
<td>Increase governments’ capacities to reconcile domestic policy objectives with broader international objectives</td>
<td>Output level (important, but no end in itself; many governments have this capacity or can easily create it by mobilising expertise but lack the political will, support or majority to change their policies accordingly)</td>
</tr>
<tr>
<td>Avoid or minimize the negative side effects of policies for long-term development prospects</td>
<td>Impact level (ultimate end in itself)</td>
</tr>
</tbody>
</table>

THE NETHERLANDS: CONDUCTING IMPACT ASSESSMENTS IN GHANA AND BANGLADESH*

In today’s world, the impact of a country’s policies is often felt far beyond its borders. Regularly, poor countries suffer disproportionally from the consequences of the policies of developed countries and emerging economies, without having the capacity and means to devise effective counter-mechanisms. In past years, international institutions have gained a greater understanding of the importance of non-aid policies on development in low-income countries.

An increased engagement to enhance policy coherence for development can be witnessed in the EU, its member states and in the OECD. Nevertheless, it remains an uphill battle that needs political leadership. EU and OECD countries should seize that leadership, actively addressing PCD in bilateral and multilateral negotiations with other global, regional and national development partners.

In order to achieve progress on PCD, a results-based approach has to be taken, expanding research on methodology and monitoring tools, and independently assessing and evaluating non-aid policies of the EU, its member states and other OECD countries. More evidence is needed both on quantifying the costs of incoherencies and demonstrating its benefits. In an effort to further contribute to the development of the PCD knowledge base, the Netherlands carried out two pilot studies in 2013 on PCD in Ghana and Bangladesh to determine whether the impact of EU/Dutch policies could be analysed and if possible quantified (Figure 3.13). This exercise is the first of its kind and a new step in contributing to the overall objective of developing the knowledge base of PCD.

The study showed that several EU/Dutch policies had a concrete impact in Ghana and Bangladesh, both positive (as a result, for example, of duty-free market access, aid for trade and direct investments) and negative (such as distortion of competition through internal EU support for competing agricultural products and lower exports of developing countries owing to strict EU technical and phytosanitary product standards). The nature of the lack of coherence is usually clear, but it is often difficult to quantify. The study focused on four EU/Dutch PCD priorities: (i) trade and financial flows; (ii) food security; (iii) climate and energy; and (iv) migration.

The study presented the development impact of specific Dutch/EU policies on Bangladesh and Ghana by means of linear “left-to-right” results chains following a theory-based “intervention logic” (i.e. a virtuous PCD cycle combining the effects of donor policies and the “mirror” policies of the partner country, resulting in possible impacts on development). The results chains were elaborated horizontally for various policy instruments, starting from explicit objectives and indicators if present (Box 3.6; Table 3.7).
The study provided descriptions of the interplay between the partner countries’ policies; the areas in the bilateral relationships that lack coherence; and 21 policy actions for PCD priorities aimed at reducing or resolving these inconsistencies, such as:

- promoting completely duty-free and quota-free access for all least developed countries (LDCs) to all OECD countries and other countries in a position to grant such access;
- helping tax authorities in partner countries that are currently unable to stand up to multinationals and carry out effective audits, by means of advice and training;
- embedding the recent reduction in export support to zero in EU legislation such that support cannot be reintroduced even if food prices fall;
- including climate change in the programming of international cooperation so that aid and climate change measures (adaptation and mitigation) reinforce each other;
- promoting remittances and increasing their relevance to development, without compromising the private nature of the funds, and reducing the high cost of transferring remittances by enhancing transparency and competition among money transfer services.

These, as well as the other recommendations in this study, are valid for all OECD countries and institutions, such as the EU. The presented policy actions are by no means all-encompassing and inclusive, but they can provide important in-roads for concrete planning, implementation and monitoring. The pilot study underlines that further work is needed to move towards a more focused and operational approach to PCD. The Netherlands invites all partners to contribute to this goal and to consider PCD as a guiding principle in policy making.
Box 3.6
Non-agricultural market access (NAMA) result chain and theory of change

PCD Objective: More market access of NAMA in NL/EU and assumptions of the PCD result chain

- Development of a strong manufacturing sector can be an important step in the structural transformation of the economy of developing countries. It increases their export earnings and incomes in the export sector; leads to higher value-added products; creates forward and backward linkages in the economy; and reduces vulnerability due to the dependency on a few agricultural export commodities.

- Imports can foster growth through their pro-competitive impact; reallocation of resources towards more efficient uses; improvements in domestic manufacturing by lowering the cost of inputs; and of capital goods and access to foreign technologies embedded in inputs. But they can also hamper the prospects of weaker domestic producers, especially when imports are subsidised.

- Increased openness to developing country exports stimulates the export of manufactured goods, but tariff escalation in export markets and restrictive (preferential) rules of origin may discourage adding more value locally in-country, as well as regional integration.

- The preferential trade status determines the relative competitive position in the medium term versus other exporters to the EU market, but it can create a preference trap in the long term.

- Even with low (preferential tariffs), non-tariff barriers in the form of TBT and SPS, measures may prevent access to NL/EU markets when the local capacity to adapt to these norms is low, the costs prohibitive or access to appropriate financing is lacking.

- Trade integration should also focus on promoting more effective regional integration among developing countries because regional opportunities for trade growth and diversification remain unexploited.

PCD Objective: Effective aid for trade and assumptions of the PCD result chain

- Aid for trade should target both the binding constraints that prevent partner countries to turn trade opportunities into trade flows and those that choke the impact of trade flows on economic growth.

- Aid for trade can assist in mainstreaming trade in development strategies, establishing fair and transparent import and export regimes and trade facilitation, and building the trade capacity of the private sector.

- Increased aid for trade facilitation as part of the new WTO Agreement on Trade Facilitation can promote more frictionless borders that would enhance the productive capacity for domestic and export markets and attract FDI, thereby allowing countries to make more use of existing and new market opportunities.
### Figure 3.14. NAMA PCD result chain for Ghana

<table>
<thead>
<tr>
<th>Policy Instrument EU/NL</th>
<th>Indicators</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>Integration into Global Value Chains (GVCs) of export oriented multinationals investing in Ghana</td>
<td>Ghana - EU Bilateral Trade Balance in 2000-2011</td>
<td></td>
</tr>
</tbody>
</table>

#### Preferential trade status of Ghana
- Trade preferences compared to MFN or GSP tariff levels in NL/EU
- Share of duty-free imports of NAMA goods from Ghana
- Share of administrative costs to comply with EU regimes
- Status of interim EPA negotiations and access under Market Access Regulation 1528/2007

#### Reduce non-tariff barriers
- Overall Trade Restrictiveness Index (applied tariffs + NTMs) for NAMA goods from Ghana.
- Specific technical (TBT) and health (SPS) constraints for important export products of Ghana.

#### Aid for Trade focused on manufactures exports
- Aid for Trade and capacity building efforts of EU/NL to assist Ghana to comply with TBT and SPS Rules, etc.;

---

### Policy Instrument EU/NL

- **Enlarge total imports of manufactures in NL/EU**
  - Import promotion through CBI Netherlands through export coaching and matching.
  - Integration into Global Value Chains (GVCs) of export oriented multinationals investing in Ghana.

### Indicators

- Trends in NAMA imports and growth rates of EU and NL from Ghana.

### Source

- CBI ([www.CBI.nl](http://www.CBI.nl)) Initiative to promote sustainable trade ([www.idhsustainabletrade.com](http://www.idhsustainabletrade.com))

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### NAMA Trade Preferences Utilization by Ghana

<table>
<thead>
<tr>
<th>Preferential exports (EU-only)</th>
<th>92.08</th>
</tr>
</thead>
<tbody>
<tr>
<td>EU-preferences value (% beneficiary exports)</td>
<td>4.24</td>
</tr>
</tbody>
</table>

---

### Figure 3.14.

- Y-axis: Agriculture, Non-Agriculture, Other Products

---

### Notes

- Figures and data are sourced from various official and reputable organizations to ensure accuracy and reliability.
- The focus is on policy coherence and the utilization of trade preferences in the context of NAMA (Non-Agricultural Market Access) goods from Ghana to EU and NL.

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### Chapter 3 Monitoring policy coherence for development

<table>
<thead>
<tr>
<th>Policy of Ghana</th>
<th>Indicators</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Reform strategy to create regional markets and involving private sector.</td>
<td>• Ratio of NAMA in total exports and in GDP.</td>
<td>World Bank/WTO country sheet Aid for Trade. <a href="http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0/_jcr_content/websiteleftnav/menuitem.57827b93-6aa6-4231-ad6f-0d4b0c8b0b08.xmlshell/primaryLanguage=fr/0_default.htm">WT/TPR/S/194/Rev.1</a></td>
</tr>
<tr>
<td></td>
<td>Trade Integration Indicators, % of GNP</td>
<td><a href="http://elibrary-data.imf.org">IMF, World Economic Outlook,</a></td>
</tr>
<tr>
<td></td>
<td>2000-04</td>
<td>2005-08</td>
</tr>
<tr>
<td>Agricultural exports</td>
<td>17.00</td>
<td>12.12</td>
</tr>
<tr>
<td>Food exports</td>
<td>14.85</td>
<td>10.93</td>
</tr>
<tr>
<td>Non-agricultural exports</td>
<td>17.54</td>
<td>14.96</td>
</tr>
<tr>
<td>Manufacture exports</td>
<td>3.48</td>
<td>4.46</td>
</tr>
<tr>
<td>Fuel exports</td>
<td>1.35</td>
<td>0.32</td>
</tr>
<tr>
<td>Ores and metals exports</td>
<td>2.46</td>
<td>0.78</td>
</tr>
<tr>
<td>• Export diversification policy</td>
<td>• Export duties on relevant export products and revenues</td>
<td>World Bank; <a href="http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0/_jcr_content/websiteleftnav/menuitem.57827b93-6aa6-4231-ad6f-0d4b0c8b0b08.xmlshell/primaryLanguage=fr/0_default.htm">http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0/_jcr_content/websiteleftnav/menuitem.57827b93-6aa6-4231-ad6f-0d4b0c8b0b08.xmlshell/primaryLanguage=fr/0_default.htm</a></td>
</tr>
<tr>
<td>• Trade restrictive tariff measures</td>
<td>• Product diversification in exports and markets</td>
<td><a href="http://elibrary-data.imf.org">IMF, World Economic Outlook,</a></td>
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<tr>
<td>Trade Restrictiveness and Market Access</td>
<td>Trade Restrictiveness Indices %</td>
<td><a href="http://databank.worldbank.org">Eurostat Data Website,</a></td>
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<tr>
<td></td>
<td>2005-08</td>
<td>2006-09</td>
</tr>
<tr>
<td>MFN applied tariffs+NTMs</td>
<td>9.88</td>
<td>8.53</td>
</tr>
<tr>
<td>Applied tariff, incl. prefs+NTMs</td>
<td>9.83</td>
<td>8.46</td>
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<tr>
<td>Simple average import duties</td>
<td>Bound</td>
<td>Applied</td>
</tr>
<tr>
<td>All goods</td>
<td>92.5</td>
<td>94.6</td>
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<tr>
<td>Agricultural goods</td>
<td>97.2</td>
<td>17.5</td>
</tr>
<tr>
<td>Non agricultural goods</td>
<td>38.2</td>
<td>12.3</td>
</tr>
<tr>
<td>Import duties collected (% 2009-2011)</td>
<td>% of total tax revenue: 23.6 % of total imports collected: 7.4</td>
<td><a href="http://elibrary-data.imf.org">IMF Direction of Trade Statistics,</a></td>
</tr>
<tr>
<td>Compliance with preferential rules: administrative cost and restrictive rules of origin</td>
<td>Utilisation rate of EU trade preferences by Ghana</td>
<td><a href="http://databank.worldbank.org">Eurostat Data Website,</a></td>
</tr>
<tr>
<td>• Trends in regional trade</td>
<td>Regional Export Partners Millions €</td>
<td><a href="http://databank.worldbank.org">Eurostat Data Website,</a></td>
</tr>
<tr>
<td></td>
<td>Rank</td>
<td>Country</td>
</tr>
<tr>
<td>6 Africa</td>
<td>552.1</td>
<td>6.5</td>
</tr>
<tr>
<td>7 SSA Africa</td>
<td>513.2</td>
<td>6</td>
</tr>
<tr>
<td>Enhancing national enabling environment in Ghana</td>
<td>Trade facilitation (ease of doing business) and trade costs</td>
<td><a href="http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0/_jcr_content/websiteleftnav/menuitem.57827b93-6aa6-4231-ad6f-0d4b0c8b0b08.xmlshell/primaryLanguage=fr/0_default.htm">WT/TPR/S/194/Rev.1</a></td>
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<tr>
<td></td>
<td>Ease of doing Business</td>
<td>2013 Rank</td>
</tr>
<tr>
<td>Overall</td>
<td></td>
<td>64</td>
</tr>
<tr>
<td>Topic Rankings</td>
<td>Starting a Business</td>
<td>112</td>
</tr>
<tr>
<td>Construction Permits</td>
<td>162</td>
<td>160</td>
</tr>
<tr>
<td>Getting Electricity</td>
<td>63</td>
<td>66</td>
</tr>
<tr>
<td>Registering Property</td>
<td>45</td>
<td>37</td>
</tr>
<tr>
<td>Getting Credit</td>
<td>23</td>
<td>38</td>
</tr>
<tr>
<td>Protecting Investors</td>
<td>49</td>
<td>46</td>
</tr>
<tr>
<td>Paying Taxes</td>
<td>89</td>
<td>80</td>
</tr>
<tr>
<td>Trading Across Borders</td>
<td>99</td>
<td>98</td>
</tr>
<tr>
<td>Enforcing Contracts</td>
<td>48</td>
<td>47</td>
</tr>
<tr>
<td>Resolving Insolvency</td>
<td>114</td>
<td>115</td>
</tr>
</tbody>
</table>
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Major markets for NAMA products in 2001

<table>
<thead>
<tr>
<th>Major markets for NAMA products in 2001</th>
<th>Bilateral Imports</th>
<th>Duty-free imports</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>In million US$</td>
<td>Tariff Lines in %</td>
</tr>
<tr>
<td>1. EU</td>
<td>2.692</td>
<td>100</td>
</tr>
<tr>
<td>2. USA</td>
<td>491</td>
<td>82.2</td>
</tr>
<tr>
<td>3. Nigeria</td>
<td>431</td>
<td>15.1</td>
</tr>
<tr>
<td>4. China</td>
<td>287</td>
<td>26.4</td>
</tr>
<tr>
<td>5. Ukraine</td>
<td>207</td>
<td>62.5</td>
</tr>
</tbody>
</table>

Exports by main destination % in 2012

1. South Africa                         24.2
2. European Union (27)                  23.5
3. India                                10.0
4. United Arab Emirates                 8.7
5. Viet Nam                             7.2

Applied tariffs and NTMs for NAMA Goods from Ghana in other main export markets

<table>
<thead>
<tr>
<th>Major markets for NAMA products in 2011</th>
<th>MFN AV/G of Tariff Lines</th>
<th>Pref. margin</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Simple</td>
<td>Weighted</td>
</tr>
<tr>
<td>1. EU</td>
<td>4.1</td>
<td>1.5</td>
</tr>
<tr>
<td>2. USA</td>
<td>5.2</td>
<td>0.2</td>
</tr>
<tr>
<td>3. Nigeria</td>
<td>13.2</td>
<td>17.4</td>
</tr>
<tr>
<td>4. China</td>
<td>6.6</td>
<td>0.1</td>
</tr>
<tr>
<td>5. Ukraine</td>
<td>3.0</td>
<td>2.0</td>
</tr>
</tbody>
</table>

Trade preferences of other trading partners.

NAMA Trade Preferences for Ghana %

<table>
<thead>
<tr>
<th>Rest-of-World (ROW) Applied Tariffs (incl. preferences) for NAMA in 2006-09</th>
</tr>
</thead>
<tbody>
<tr>
<td>ROW Applied Tariff Simple Average %</td>
</tr>
<tr>
<td>9.20</td>
</tr>
<tr>
<td>ROW Applied Tariff Weighted Average %</td>
</tr>
<tr>
<td>0.37</td>
</tr>
<tr>
<td>MFN-NAMA Expert %</td>
</tr>
<tr>
<td>33.36</td>
</tr>
<tr>
<td>Preferential exports (US-only) take-up rate</td>
</tr>
<tr>
<td>65.87</td>
</tr>
<tr>
<td>US-preferences value (% of beneficiary country exports to US)</td>
</tr>
<tr>
<td>1.00</td>
</tr>
</tbody>
</table>

Impact measures of EU/NL, national policy third countries in Ghana

Vulnerability Ghana depends on success of a few export products (cocoa and minerals (gold and oil)) and access to preferential export markets. Since 2012 the EU is no longer main export partner for Ghana but South Africa.

Ghana Exports in 2010

Composition by Extent of Processing

| Raw materials           | 20.4 |
| Intermediate products   | 74.8 |
| Consumer products       | 3.4  |
| Capital goods           | 1.4  |

Import and export duties still form considerable share of total government revenues of Ghana and reduction due to trade liberalisation will have an impact on finance for development.

Ghana has enjoyed 100% duty free market access to the EU under Market Access Regulation 1528/2007. Ghana will fall back to GSP treatment per 1-10-2014 if it does not ratify the 2007 interim EPA before that date. This will have serious consequences for the tariff treatment of major processed agricultural products such as cocoa butter, prepared fish and fruit products and the export of these products.

The political uncertainty about extension of preferential treatment by the US under AGOA has had a negative impact. AGAO, however, does provide attractive rules of origin for textiles and clothing.

Product and Export Market Diversification 2006-2009

| No. of products exported | 228 |
| Share top 5 exports products | 75.2% |
| Share top 5 export markets  | 40.0% |

The TTIP between the US and the EU may have negative effects for Ghana due to preference erosion and possible stricter standards for NAMA products.

Non-EU country policies and multilateral frameworks

- Openness to NAMA imports from Ghana in main trading partners and within region (Ghana export shares by main destinations).
- Multilateral rules and tariff negotiations in Doha round, FTAs and regional FTAs (EPA).
- Trade preferences of other trading partners.
- Regional trade opportunities.
### Annex

An illustration of sample indicators ("scorecard") to identify and assess enabling environments for development

<table>
<thead>
<tr>
<th>Key issue</th>
<th>Indicator of policy effort</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Food security</strong></td>
<td>Most distorting support as measured in the PSE</td>
</tr>
<tr>
<td></td>
<td>Import and export restrictions</td>
</tr>
<tr>
<td></td>
<td>Aid to agricultural and rural development</td>
</tr>
<tr>
<td></td>
<td>Aid for food and nutrition security</td>
</tr>
<tr>
<td></td>
<td>Fish stocks reported overexploited*</td>
</tr>
<tr>
<td></td>
<td>Marine protected areas*</td>
</tr>
<tr>
<td></td>
<td>MSC certified tonnage of wild-capture fish*</td>
</tr>
<tr>
<td></td>
<td>[Etc.]</td>
</tr>
<tr>
<td><strong>Illicit Financial Flows</strong></td>
<td>Compliance by FATF subcategory*</td>
</tr>
<tr>
<td></td>
<td>Exchange of Information Agreements signed with developing countries</td>
</tr>
<tr>
<td></td>
<td>Individuals and legal persons sanctioned or acquitted</td>
</tr>
<tr>
<td></td>
<td>Assets frozen and returned</td>
</tr>
<tr>
<td></td>
<td>DAC support to leading transparency initiatives</td>
</tr>
<tr>
<td></td>
<td>[Etc.]</td>
</tr>
<tr>
<td><strong>Green Growth</strong></td>
<td>Environmentally related taxation revenues, as % of GDP</td>
</tr>
<tr>
<td></td>
<td>Total support estimates for fossil fuels</td>
</tr>
<tr>
<td></td>
<td>Patent applications under the Patent Cooperation Treaty of importance to green growth</td>
</tr>
<tr>
<td></td>
<td>[Etc.]</td>
</tr>
<tr>
<td><strong>Trade facilitation</strong></td>
<td>Advance rulings</td>
</tr>
<tr>
<td></td>
<td>Appeal procedures</td>
</tr>
<tr>
<td></td>
<td>Co-operation – external</td>
</tr>
<tr>
<td></td>
<td>Co-operation – internal</td>
</tr>
<tr>
<td></td>
<td>Fees and charges</td>
</tr>
<tr>
<td></td>
<td>Formalities – automation</td>
</tr>
<tr>
<td></td>
<td>Formalities – documents</td>
</tr>
<tr>
<td></td>
<td>Formalities – procedures</td>
</tr>
<tr>
<td></td>
<td>Governance and impartiality</td>
</tr>
<tr>
<td></td>
<td>Information availability</td>
</tr>
<tr>
<td></td>
<td>Involvement of the trade community</td>
</tr>
<tr>
<td><strong>Sustainable Governance</strong></td>
<td>Global social equality*</td>
</tr>
<tr>
<td></td>
<td>Stable international financial markets*</td>
</tr>
<tr>
<td></td>
<td>Global environmental protection regimes*</td>
</tr>
<tr>
<td></td>
<td>International Coordination capacities to foster global public goods*</td>
</tr>
</tbody>
</table>

* External (non-OECD) sources.
Notes

i  Eutrophication can be defined as an increase in the rate of supply of organic matter in an ecosystem.

ii  A deferred prosecution agreement is an agreement reached between a prosecutor and a defendant in which the defendant is granted amnesty in exchange for certain requirements, like payments of fines.

iii  Isolating headline indicators relevant to economic opportunities and policy responses – related to, for example, technology development, innovation or environmental goods and services – is a more complex and country-dependent process, and has been left open at the current time.

iv  See, for example, GGKP (2013), Moving towards a common approach on green growth indicators: Green Growth Knowledge Platform scoping paper, GGKP, Geneva.


viii  This section was drafted and provided by the Bertelsmann Foundation. As such, the opinions expressed and arguments employed herein are those of the authors.

ix  This section was drafted and provided by the European Centre for Development Policy Management. As such, the opinions expressed and arguments employed herein are those of the authors.

x  This section was drafted and provided by the Netherlands Ministry of Foreign Affairs, Foreign Trade and Development Cooperation. As such, the opinions expressed and arguments employed herein are those of the authors.

xi  This section was drafted and provided by Guido Ashoff, the German Development Institute (DEI). As such, the opinions expressed and arguments employed herein are those of the author.

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FAO (2013), Trends and impacts of foreign investment in developing country agriculture, Rome.


OECD (2013e), Trade Facilitation Indicators; The potential impact of trade facilitation on developing countries’ trade, OECD Trade Policy Papers No. 144, OECD, Paris.


UN System Task Team on the Post-2015 UN Development Agenda (2012), Realizing the future we want for all: Report to the Secretary-General, UN, New York.
Chapter 4

How are OECD countries promoting policy coherence for development?

Fourteen member countries and the European Commission agreed to contribute to this report. Their input offers useful insights on how OECD countries are preparing for the post-2015 development agenda, and in particular on how they are working to integrate policy coherence into this process. Some provides concrete examples of good national practices in promoting policy coherence for development more generally.
How are OECD countries promoting policy coherence for development?

Chapter 4

How are OECD countries promoting policy coherence for development?

AUSTRALIA: POLICY COHERENCE IN PACIFIC FISHERIES

Australia’s support to Pacific Island Countries (PICs) to help promote sustainable tuna fisheries illustrates the benefits of effective and long-standing regional co-operation. It reflects Australia’s policy coherence domestically, regionally and internationally, whilst also highlighting a clear need for more coherent international policy engagement by external participants in the fishery.

Over 68 per cent of the world’s tuna comes from the Western and Central Pacific Ocean (WCPO), with over half of this catch caught within the waters of the PICs. Sustainable use of the region’s tuna stocks represents one of the few available drivers of long-term economic growth for many of these Small Island Developing States (SIDS). The long-term sustainability and profitability of this fishery is being undermined by overcapacity and overfishing, including from illegal, unreported and unregulated (IUU) fishing activities – often conducted by vessels originating outside of the WCPO. This is despite the concerted efforts of the PICs to address this serious issue. Globally, the tuna industry is rapidly transforming to diversify production and secure supplies of raw materials. Fishing fleets from around the globe increasingly target the WCPO’s relatively healthy tuna stocks. Some fleets are disproportionately supported by government subsidies and lack transparency in respect of their operations and management arrangements. Some tuna species in the WCPO are already considered to be in an overfished state as a result of increased fishing activity. In December 2013, members of the Western and Central Pacific Fisheries Commission (WCPFC) failed to adopt new management measures for tuna fisheries that would reduce fishing mortality to sustainable levels for all stocks.

Effective PIC participation in fishery is also constrained by limited available capital and the impact of subsidised and/or highly efficient distant water fleets, which serve to undermine the profitability of local vessels. With complex stock dynamics and many vested and diverse fishery interests, addressing the issues of catch limits, allocations and burden sharing is a challenging but urgent international problem requiring attention.

Policy coherence for development is a central principle of Australia’s long-standing engagement and support for
Pacific fisheries. Australia’s interests include promoting a secure and prosperous region; reducing poverty; and promoting the attainment of the Millennium Development Goals (MDGs) by the PICs. Australia adopts and advocates policies which underpin sustainable fisheries both within and external to its Exclusive Economic Zones (EEZs). In practice, these have been complementary development and domestic policy domains.

For over 30 years, Australia has fostered extensive whole-of-government engagement in Pacific fisheries. The Departments of Agriculture, Foreign Affairs and Trade, Environment, Defence, the Attorney General, the Australian Customs Service, the Australian Fisheries Management Authority, Geoscience Australia, the Australian Centre for International Agricultural Research and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) are engaged to work across areas of specialisation and provide a complementary government response. Australia is an active member of the Forum Fisheries Agency (FFA), the Secretariat of the Pacific Community (SPC). Specific goals include to support collective action and policy coherence within and between PICs; support co-operation in regional security and fisheries surveillance; promote collective research and analysis; and support international laws and obligations for sustainability.

Domestically, Australia implemented the Commonwealth Fisheries Harvest Policy in 2007. Australia implements quotas and total allowable commercial catches for most Commonwealth fisheries based on scientific advice and precautionary principles. This Policy applies to the Eastern Tuna and Billfish Fishery (ETBF) – Australia’s third most valuable fishery – which extends from our EEZs to the high seas of the WCPO. Three of the key species are albacore tuna, yellowfin tuna and bigeye tuna. Due to the low level of catch by the Australian fishing industry compared to the catch of other nations in the Coral Sea region, the total allowable catch limits for the key ETBF species are based on stock status advice provided by the Tropical Tuna Resource Assessment Group, rather than using recommended biological limits to set total allowable commercial catches. The ETBF harvest strategy is used to set total allowable commercial catches for Broadbill Swordfish and Striped Marlin.

Within the WCPOC meetings, Australia’s engagement is guided by an Australian Government Strategy updated annually. The views of relevant government agencies, stakeholders (including industry), non-government conservation organisations, and relevant state governments are sought and taken into account in the development of the Strategy. The FFA promotes the common interests of its members within the WCPOC meetings, strengthening the negotiating position of individual members and ensuring that the special requirements of the SIDS are recognised in measures adopted by the Commission. Australia has sought to strengthen the transparency of Member compliance with Commission measures. In 2012, Australia led the work of the Commission towards the development of a comprehensive Compliance Monitoring Scheme, and continues to promote its permanent adoption in the Commission. Australia has strongly supported key PIC objectives within the WCPOC.

For Australia, regional organisations are important vehicles for policy dialogue on key regional issues and for advancing our national interests across the region in a coherent and transparent manner. Australia is the largest donor to the FFA and other Pacific regional agencies and has been an active supporter of regional initiatives, such as the Pacific Plan for regional co-operation and integration, the Vava’u Declaration on Pacific Fisheries Resources (2007) and the Pacific Oceanscape Framework (2010). Australia’s regional fisheries development assistance directly supports the scientific analysis of stocks, the provision of scientific and socio-economic advice, the development of fisheries management, compliance and enforcement measures, the setting of maritime boundaries, national capacity building and promotion of national fisheries industries and fishery legislation. For PIC members, regional organisations and emerging subregional organisations such as the Parties to the Nauru Agreement (PNA) provide dynamic opportunities for collective action and offer an efficient means of coordination and information sharing, and access to specialised services otherwise beyond the reach of individual members.

Australia works with donors and members of regional organisations to help strengthen their governance and to measure performance. Australia is also working with the region’s Marine Sector Working Group based at the
Pacific Islands Forum Secretariat in Suva to identify emerging priorities and coordinate efforts under the Ocean-scape Framework. Illegal fishing is also a key theme of Forum Regional Security Committee meetings in which Australia actively participates. Bilaterally, Australia’s national fisheries assistance with PICs seeks to foster whole-of-government policy coherence and strengthen national fisheries administrations. Australia has supported multi-year fisheries institutional strengthening programs in Nauru, Samoa and Tonga and has recently assisted Kiribati in developing their National Fisheries Policy, launched in November 2013.

Australia actively promotes co-operation in regional security and fisheries surveillance in the WCPO. Most recently Australia supported the development of the Agreement on Strengthening the Implementation of the Niue Treaty on Co-operation in Fisheries Surveillance and Law Enforcement in the South Pacific Region, also known as the Niue Treaty Subsidiary Agreement (NTSA). The NTSA will provide a robust legal framework for more integrated, cost-effective and efficient maritime surveillance in the region, through the enhanced exchange of fisheries law enforcement data, cross-vesting of enforcement powers and the use of fisheries data for other law enforcement activities. This is a significant achievement that sets a new global bar for regional fisheries monitoring, control and surveillance and will greatly contribute to further reduction of IUU fishing in the region.

Australia has also entered into the Pacific Maritime Surveillance Partnership (PMSP) together with New Zealand, France and the United States to strengthen maritime surveillance activities in the region. Australia is committed to the Pacific Maritime Security Program as a follow-on to the current Pacific Patrol Boat Program (PPBP). For over thirty years, the Australian-funded PPBP has delivered a practical and credible capability to the PICs that has permitted effective management of fisheries resources through enforcement of national laws and regional requirements. The PPBP and the successor PMSP will continue to promote practical co-operation between FFA members and broaden and strengthen the region’s capability to respond to maritime security, fisheries protection and transnational crime. Overall, the problem of illegal fishing is an increasing operational, policy and diplomatic concern for Australia and its Pacific regional partners.

Internationally, Australia is committed to continuing its global leadership in oceans conservation and management. Australia was active in seeking outcomes in Rio+20 negotiations on oceans, including on fishing subsidies, marine-protected areas and agreed approaches to managing the marine environment. Australia welcomed the agreement by States at Rio+20 to decide, by the end of the United Nations General Assembly in September 2015, whether to develop an international instrument to address the conservation and sustainable use of marine biodiversity and marine genetic resources in areas beyond national jurisdiction. Australia is currently considering its policy position on whether the development of an international instrument is the most appropriate means to address the conservation and sustainable use of marine biodiversity and genetic resources in areas beyond national jurisdiction and has been actively engaged in the United Nations process. Australia has also sought to raise PICs’ awareness of the issue and the developments with the United Nations negotiations process.

Food security looms as an increasingly critical issue in the Pacific region. Policy coherence between the management of vulnerable inshore fisheries resources on the one hand and the contribution of the offshore tuna industry on the other will become more pressing over the coming decade. As inshore resources come under greater pressure, the offshore sector will need to promote greater opportunity for effective PIC participation in the sector, whilst also ensuring that some proportion of its harvest is available to meet the food security needs of all Pacific island communities.
AUSTRIA: A SINGLE, UNIVERSAL POST-2015 FRAMEWORK WITH GOALS APPLICABLE TO ALL COUNTRIES

The President of the General Assembly’s Special Event towards achieving the Millennium Development Goals on 25 September 2013 not only took stock of the current MDGs and discussed their implementation until their expiry in 2015, it also laid out the basic features of the so-called Post-2015 Development Agenda, including the elaboration of “a single framework and set of goals, universal in nature and applicable to all countries, while taking account of differing national circumstances and respecting national policies and priorities,” as stated in the outcome document.

However, the question on how to make the new framework universally applicable still remains to be solved. Some argue that certain goals, whilst in theory universally applicable, should de facto only apply to those countries that face certain challenges. Others argue that goals addressing common challenges should be dealt with through a national bottom-up process, whereas those related to global challenges should be dealt with through a top-down one. Yet others propose a common set of goals with multiple targets and indicators from which countries themselves could choose.

In Austria’s view the new framework will necessarily require a high degree of coherence, both between the donors themselves, and between donors and recipients, to make it universally applicable. In order to achieve such coherence we must work on a single, universal framework, with all of its goals applying to all countries alike. No country should be able to single out particular goals and discard them just because they do not apply to their specific national situation. In other words, countries must be bound even by those goals that address phenomena which do not exist within their national contexts (e.g. eradication of extreme poverty in developed countries) in order to avoid the possibility of cherry-picking when it comes to the implementation of the future development framework.

Making the goals fit to individual national circumstances will require a flexible set of targets and indicators, some of which can be contained in the post-2015 framework and some of which countries should be able to determine themselves in order to make them fit to their specific national needs. Such an approach, as proposed by Austria, would allow developed and developing countries alike to determine their individual ways of contributing to the implementation of the future development framework and of measuring the specific national contributions according to national needs and possibilities, whilst being bound by the same goals (e.g. developing countries would set up specific national policies for the eradication of extreme poverty and developed countries would contribute to the same goal through their ODA, amongst other means of implementation).

Letting countries partly choose individual targets and indicators will, in Austria’s point of view, require strong accountability mechanisms in order to allow for the assessment of each country’s contribution to the post-2015 framework and to achieve the greatest possible coherence in its worldwide implementation. In this context, the newly established High Level Political Forum will play a crucial role, which Austria fully supports. Once having incorporated the Annual Ministerial Review, which is presently undertaken by ECOSOC, it will assess both the overall implementation of the agenda as well as the contributions of individual countries, thus becoming the primary institution to assure the coherent implementation of the future development framework.

However, strong accountability mechanisms will not suffice for the implementation of the post-2015 framework. In addition, a strong sense of ownership will be needed from developed and developing countries alike, both on global and national levels, in order to assure coherence. In this sense, the concept of joint programming, which the EU is already implementing in several pilot countries, must play a crucial role. This concept, of which Austria is a staunch supporter, foresees the elaboration of a single country strategy together with the host country, the implementation of which is then divided among the participating donor countries, in order to avoid overlaps and duplications and thus contributing to a coherent implementation of development activities on the country level.
In order to preserve policy coherence and ownership, Austria – at the national level – involves different ministries and stakeholders when it comes to positions on the post-2015 development agenda. The Federal Ministry of European and International Affairs regularly consults the Federal Ministry of Agriculture, Forestry, Environment and Water Management and other relevant state actors on the elaboration of specific positions that are to be fed into the negotiating process both within the EU and the United Nations. In addition, the two ministries have launched regular, institutionalised consultation processes with civil society in which NGOs can voice their views. The views expressed are taken into account when formulating the Austrian position on the post-2015 development agenda. This tight co-operation between all national actors is necessary since the post-2015 agenda is being dealt with in several working groups within the European Union. Only coherent national positions for the various working groups will in the end lead to a coherent EU position and thus lend the Union a strong voice in the international negotiations.

Assuring a coherent development framework as well as its coherent implementation will be one of the crucial factors of success for the Post-2015 Development Agenda. It can be feasible if every actor is prepared to at least partly sacrifice individual interests for a bigger, common good.

**BELGIUM: ADOPTING A NEW SYSTEM TO ENSURE POLICY COHERENCE FOR DEVELOPMENT**

A couple of days before Christmas 2013, the Belgian Council of Ministers adopted a number of measures to put in place a new system to ensure policy coherence for development. The new system is based on the recommendations that were formulated by OECD-DAC in 2010 and responds to the findings and recommendations of several peer reviews of Belgian Aid conducted in recent years.

The governmental agreement elaborated by the current cabinet in December 2011 contains a key provision related to policy coherence, as it foresees the establishment of an Interministerial Conference on Policy Coherence for Development. Policy coherence for development is also prominently present in the new legislation related to the Belgian Development Cooperation, adopted on 19 March 2013. The new law contains three articles related to PCD: as an objective; as requiring systemic assessments; and as requiring monitoring and annual reporting.

The Belgian Development Cooperation devoted the full agenda of its Annual Stakeholder Meeting in May 2012 to the subject of policy coherence for development. Following the stakeholder meeting, a mixed working group was set up composed of representatives of the Belgian administration for development co-operation and representatives of the NGO community. They elaborated proposals on which the new system is building.

The new PCD system is composed of four elements. The first component is the Interministerial Conference, which sets the political context for policy coherence for development. It is composed of political decision-makers at the federal, regional and community level. The second element is an Interdepartmental Committee where representatives of 20 relevant federal ministries and agencies have a seat. The regional and community governments are also invited to designate a representative to represent them on the committee. The third component of the Belgian system is an Advisory Council on PCD composed of representatives of the NGO community and universities. It will have eight representatives in total, both from the Dutch and French speaking parts of the country. The fourth and last component is a PCD Platform that will function within the NGO umbrella organisations and receive voluntary contributions from the government, enabling them to recruit three full-time staff members who will work on both PCD and gender issues.

Furthermore, a system of impact assessments for federal policymaking is in place in Belgium. That system covers both the impact on administrative burdens and the impact on sustainable development issues. Several new requests for additional screening and impact assessments have been formulated in the course of recent years: for gender
issues; for small and medium-sized enterprises; and for policy coherence for development. Confronted with these new requests, the government decided to overhaul the existing system, thereby simplifying and harmonising all different concerns in one single integrated approach.

As of 1 January 2014, all new federal legislation must apply the new integrated impact assessments procedure. This implies that new legislation or decision-making must be accompanied by a simplified and integrated impact assessment form that contains key information on the new legislation and references to preparatory studies and impact assessments. The form also outlines 21 subjects for which the authors of the new legislation have to report in terms of potential impact. These 21 subjects replace the more numerous subject headings of the old sustainable development format. Their selection was based on the long-term sustainable development vision for 2050 adopted in 2013.

The majority of the 21 subjects is very concise and simple. Four subject matters (gender, administrative burdens, impact on SMEs and impact on PCD) are slightly more elaborated, but still very limited in scope. The whole system is designed to be used online, with support and information tools available as one proceeds with each of the subject matters, in a user-friendly manner. A help-desk is available to provide advice and support for each of the four more detailed subject matters. The new system is managed by the Agency for Administrative Simplification, which has become a service of better regulation under the supervision of the Prime Minister. An Impact Assessment Committee has been designated to monitor the compliance and quality of impact assessment submissions. The Committee reports annually to the Council of Ministers on the execution of the new procedure for impact assessment.

DENMARK: A GLOBAL POST-2015 AGENDA THAT DRIVES ACTION IN ALL COUNTRIES

The challenges we need to address in the post-2015 agenda are multifaceted and complex. They require solutions that take this complexity into account. The new goal framework should aim at eradicating poverty and promoting sustainable development. The agenda will be global and should drive action in all countries. Solutions must involve a broad range of actors and instruments, which are mutually supportive of the same aims. It is important that we recognise the interlinked nature of the problems we address. We need to think and act across sectors and break down the silos locally, nationally and globally. Although important, development cannot be achieved by ODA alone. Policies other than development policies have great implications on developing countries. This is the reason why policy coherence for development plays a crucial role as a means to creating enabling environments for development.

When it comes to specific areas such as sustainable use of water or energy resources, for example, formal strategies are not enough. Water and energy have multiple uses and effects – be they social, economic or environmental – and involve a broad range of actors. We need to address and change attitudes, behaviours and practices that result in unsustainable management. We also need to include all relevant actors, who use water or energy, or are affected by the use of others, and who can contribute to its sustainable use. These actors need the power and resources to engage in the solutions. This is the case in any African country, in Denmark and in all other parts of the world.

Hence, the post-2015 agenda is indeed about policy coherence for development. For the same reason, the Danish Government has endorsed the national position regarding the post-2015 agenda at the highest governmental level in the Government’s central coordination committee. Furthermore, a cross-ministerial group composed of all key ministries including, among others, the Ministries for Equality, Environment, Climate and Energy, and for Employment, has been established. The group shares information and coordinates national positions in order to ensure a coherent Danish approach to the post-2015 agenda in both the UN and in the EU. This inclusive approach also raises awareness of the post-2015 process and commitment to implement the upcoming sustainable development goals in a national context.
But action by the Government is not enough. Meeting the goals of a future agenda will require contributions from a variety of actors outside the Government. Hence, Denmark has an ongoing dialogue with civil society, the private sector and other non-state actors regarding post-2015. Denmark has established different broad groups of stakeholders who have an interest in the post-2015 agenda with whom information is reciprocally shared and input provided. This allows for a fruitful exchange of views and not least the possibility to draw on non-state actors’ ideas and contributions to solutions.

**EUROPEAN COMMISSION: A DECENT LIFE FOR ALL—ENDING POVERTY AND GIVING THE WORLD A SUSTAINABLE FUTURE**

Within the European Union, there has been a growing debate on a new post-2015 global development framework to replace the Millennium Development Goals. To lay the ground for an EU position on a future framework, the Commission presented in 2013 the Communication *A decent life for all: Ending poverty and giving the world a sustainable future*. It proposes a common approach for the EU’s involvement in ongoing and forthcoming international processes relating to the MDG review and the follow-up to the Rio+20 Conference held in June 2012.

The Communication proposes five elements which are essential to ensuring a “decent life for all” by 2030 and which should underlie a future set of goals:

- Basic living standards (based on the unfinished MDG business);
- Drivers for inclusive and sustainable growth;
- Sustainable management of natural resources;
- Equality, equity and justice, including human rights, democracy and other aspects of good governance;
- Peace and security.

This overall approach was endorsed by the Council in June 2013 as the basis for the EU’s engagement and position in various UN processes, including the work of the UN Open Working Group on Sustainable Development Goals. The EU position highlights the importance of a single overarching framework and a single set of goals for a post-2015 agenda that brings together the Rio+20 follow-up and MDG review processes. It also points to the need for a truly global and universal framework, with responsibilities for all countries – developing, emerging and developed.

In July 2013, the Commission presented the Communication *Beyond 2015: Towards a comprehensive and integrated approach to financing poverty eradication and sustainable development*, which suggests possible elements of a common EU approach to financing post-2015. The Communication advocates consolidating and rationalising ongoing international financing processes (e.g. development, climate, biodiversity) and puts forward universally applicable principles that could guide international discussions.

The importance of policy coherence for development has been highlighted by the Council on different occasions. In its Conclusions from December 2013, the Council noted that continued efforts and political will are needed to anchor PCD more strongly in areas beyond external action and in ongoing debates on global issues and challenges, including the discussions on a post-2015 framework.

The importance of PCD is also stressed in the 2013 European Report on Development *Post-2015: Global action for an inclusive and sustainable future*, which provides analysis to support the EU’s post-2015 policy approach.
According to the Government Programme 2011, Finland emphasises the importance of stronger links, from a development perspective, between foreign and security, development, trade and environmental policies, in order to promote the commitment of the EU Lisbon Treaty to Policy Coherence for Development. At the EU decision-making level, Finland has stressed the necessity to assess external impacts of relevant internal EU policies on developing countries.

Within the national EU coordination system, the potential is being tapped to enhance PCD in decision-making. The inter-ministerial, high-level PCD network convened regularly in 2013, chaired by the Under-Secretary of State for Development Policy, discussing initiatives and actions to strengthen coherence and to exploit the EU coordination more effectively (e.g. the high-level PCD network discussed the PCD guidelines for the EU Sub-Committees, prepared by the MFA).

The EU Council Conclusions on PCD were approved in December 2013. Initiated by Finland, together with seven other Member States, the Conclusions highlight the need for regular Council debate on thematic PCD priority areas – trade and finance, climate change, migration, security and food security – in the Foreign Affairs’ Council and other relevant council compositions. It was also emphasised that there should be closer collaboration between the Commission, the European External Affairs Service and the Member States in order to strengthen PCD in EU external action.

In November 2013, Finland completed the PCD pilot on food security, where the OECD PCD tool was applied. The Food Security Pilot was implemented through close collaboration of relevant ministries, research institutions and NGOs. The final report contains in-depth analysis of the policies impacting food security, as well as policy objectives with concrete recommendations for strengthening food security in developing countries. The experiences and model of the pilot proved very useful; the positive experiences and the results could be applied to other PCD priorities such as taxation, trade, migration and security. The Executive Summary of the Food Security Pilot was published internationally at a joint Finland-OECD-Concorde-Tanzania event during the European Development Days in Brussels in November 2013, and is available at both MFA Finland and OECD websites.

In Finland, the Ministry for Foreign Affairs (MFA) is responsible for the overall coordination of post-2015 preparations. While Finland is not a member of the UN’s Open Working Group on Sustainable Development Goals, the meetings are attended by representatives of the MFA or the Permanent Mission to the United Nations and, depending on the agenda, also of other ministries. Finland’s inputs to the common EU statements for the OWG meetings are coordinated by the MFA and cover all other ministries.

At the EU level, post-2015 issues are discussed in joint meetings of CONUN/CODEV/WPIEI (i.e. EU working groups for the UN, development policy, and international environment issues). These meetings are attended by representatives of the Permanent Representation in Brussels, the Ministry for Foreign Affairs and the Ministry of Environment. Before each meeting, a coordination meeting is convened by the MFA with the Ministry of Environment. EU expert meetings on the post-2015 development agenda are attended by a representative of the MFA and a representative of the Ministry of Environment.

Since spring 2013, the MFA has been organising so-called “stock-taking events” to discuss the future development agenda. All ministries and different stakeholders are invited to these events, which are chaired by the Under-Secretary of State for Development Cooperation and Development Policy. There are both general and thematic meetings and the plan is to continue these meetings throughout the preparatory process. The MFA also organises meetings only for representatives of other ministries to discuss either some specific issues or the new development agenda in general.
Based on existing policies and strategies, such as Finland’s Development Policy Programme, the UN Strategy of the Ministry for Foreign Affairs and the Finnish position in Rio+20 (and the discussions held so far in the above-mentioned meetings with ministries and stakeholders), some preliminary priorities have been identified. These priorities are included in a draft text on Finland’s views on the post-2015 agenda, elaborated by the MFA. After internal consultations in the ministry, the draft will be shared with other ministries as well as with other stakeholders for their contributions. The draft will also be published on the MFA website. Moreover, a coordination group will be established to further elaborate Finnish priorities and positions. The intention is that this group will consist of representatives from all ministries, civil society and other relevant stakeholders. The exact composition and mandate of the group is still under discussion.

With regard to the principles involved in the post-2015 preparations, Finland has – in high-level contexts – underlined the importance of PCD in tackling the multifaceted, complex problems that the new global goals aim to solve. The effectiveness of the future implementation of any new set of goals will not be a question of money only, but also a question of well-informed policy decisions. One important element in fostering development is a more solid domestic financing basis in developing countries. To this end, Finland advocates for domestic resource mobilisation (DRM) as one of the key enablers in the post-2015 era. The In Focus feature of this report – illicit financial flows – has everything to do with the thematics of DRM.

GERMANY: THE POST-2015 AGENDA FOR SUSTAINABLE DEVELOPMENT—
COMMON GLOBAL CHALLENGES, INTERESTS AND TARGETS

It is the German position that the world is facing numerous interrelated global challenges of such magnitude and complexity that they demand global political commitment and coordinated action by all countries across different policy areas. To create environments conducive to sustainable development, exploit synergies across sectors and minimise negative side-effects, the post-2015 Agenda for Sustainable Development should promote policy coherence and coordination at all levels, tackling poverty eradication and sustainable development in its social, economic, ecologic, as well as peace and security dimensions, together through an integrated and holistic approach. As agreed at the EU level, Germany reaffirms that future goals must be consistent with other international commitments, for example, in the areas of climate change, biodiversity, disaster risk reduction and social protection.

As proposed by the High Level Panel of Eminent Persons, it will be of utmost importance to create a new global partnership for sustainable development that is based on mutual respect and mutual benefit, as well as accountability, transparency, strong collective actions and clear commitments.

The new agenda should be universal in nature and applicable to all countries, while being based on national ownership and taking into account different national contexts, capacities and levels of development, as well as respecting national policies and priorities.

Against this background, policy coherence within the German Federal Government is ensured through the active involvement of all relevant ministries, as well as the chancellery under the joint leadership and coordinating role of the Federal Ministry for Economic Cooperation and Development (BMZ) and the Ministry of Environment (BMU) through regular exchange and close coordination mechanisms. These are, for example, inter-ministerial working groups and the inter-ministerial Committee for Technical Cooperation and ODA-Transparency at the State Secretary level, where the post-2015 framework was discussed in June 2013. The chancellery’s advisory body on sustainable development, the German Council for Sustainable Development, is also actively involved in all processes relating to the development of the new agenda. In August 2013, the German Cabinet released its report “The post-2015 agenda for sustainable development: common global challenges, interests and targets”. 
The agenda will only achieve its full transformative potential and acceptance if it involves a wide range of stakeholders and relevant actors like the private sector, civil society, media and the academic and research community to bring it to the heart of society and make it a transversal issue. There are therefore also regular consultations and dialogue fora with representatives from the above-mentioned groups to inform the German position. Some of the conferences carried out to this end so far were (i) “Advancing the Post-2015 Sustainable Development Agenda” (Bonn, March 2013; the Federal Ministry for Cooperation and Development provided financial support for the conference that was organised by international civil society organisations); (ii) “The global agenda for sustainable development after 2015: Challenges and opportunities for German companies” (June 2013, Berlin); (iii) “Shaping our future together: The post-2015 agenda – Dialogue with Civil Society” (Berlin, August 2013); and (iv) “Dialogue forum post-2015 agenda for sustainable development” (November 2013, Berlin).

JAPAN: FOSTERING PCD THROUGH INTER-MINISTERIAL COORDINATION

The national government, under the control and jurisdiction of the Cabinet, consists of the Cabinet Office, eleven ministries, agencies and committees. There are established ministerial meetings, chaired either by the Prime Minister or the Chief Cabinet Secretary, where concerned ministers exchange their views on important policy issues. Using this consultation process, with other relevant processes at various levels among ministries, the Japanese government pursues policy coherence.

Japan’s fundamental ODA policy, i.e. Japan’s Official Development Assistance Charter (revised in 2003) and Japan’s Medium Term Policy on Official Development Assistance (2005), stresses the importance of policy coherence. To ensure PCD, the ODA charter stresses the importance of: (i) Coherent formulation of ODA policy; (ii) Collaboration among related government ministries and agencies; (iii) Collaboration between government and implementing agencies; (iv) Strengthening of policy consultation; (v) Strengthening of the functions of field missions in the policy-making process and in implementation; and (vi) Collaboration with aid-related entities. Further, to respond to the partner countries’ need for assistance, various methods of assistance such as financial co-operation in the form of loans and grants and technical co-operation are linked together effectively to take full advantage of each method. The establishment of the new Japan International Cooperation Agency (JICA), which unifies the implementation of the three schemes, has also contributed to promoting PCD.

In Japan, there are thirteen government ministries and agencies involved in ODA. The Ministry of Foreign Affairs (MOFA) plays the central role of policy planning and coordination. Implementing agencies closely collaborate with each other.

The Ministerial Meeting on Strategy relating to Infrastructure Export and Economic Cooperation was established in March 2013, under the leadership of the Prime Minister and his Cabinet, to promote active discussion on important aspects of economic co-operation across the ministries. Important policy issues, such as assistance to Myanmar, have also been discussed.

To ensure policy coherence for the ODA projects conducted by the various ministries, opinions are exchanged, as the need arises, among related government ministries and agencies at various levels. Japan is also strengthening broad-based collaboration, actively exchanging personnel among related government ministries and agencies, for example, by exchanging Director-level personnel between the International Cooperation Bureau of the MOFA and the International Bureau of the Ministry of Finance (MOF).

To provide appropriate assistance for each partner county, the MOFA formulates “The Country Assistance Policy” by considering each country’s specific political and socio-economic situation and development strategy. All relevant ministries are involved in policy formulation and implementation to enhance policy coherence and efficiency.
Chapter 4 How are OECD countries promoting policy coherence for development?

The MOFA designs and announces its Priority Policy Issues for International Cooperation every fiscal year to define the priorities, in the area of international co-operation, to better reflect the most updated development co-operation initiatives and newly emerging policy challenges in Japan’s foreign policy. In order to implement ODA projects in line with the Priority Policy, meetings between the MOFA and JICA, at various levels, are held on a regular basis. One example of Japan’s effort that goes beyond ODA policies and contributes to partner countries’ development is the introduction of the Generalized System of Preferences (GSP) in 1971. Under GSP schemes, selected agricultural and industrial products, originating in partner countries, are granted reduced tariff rates. In addition, since 1980, Japan has been offering special preferential treatment to Least Development Countries (LDCs). Currently, 48 LDCs are granted zero tariff rates on about 2,450 items.

THE NETHERLANDS: FROM PCD TOWARDS PCSD

In the Netherlands, PCD is part of a whole-of-government approach and the Ministry of Foreign Affairs (MFA) is responsible for its coordination. Since October 2012, the Dutch Cabinet has included the new position of a Minister for Foreign Trade and Development Cooperation. Prior, foreign trade was the responsibility of the Ministry of Economic Affairs, and Development Cooperation was the responsibility of the MFA. The Dutch Minister for Foreign Trade and Development Cooperation presented her policy on foreign trade and development cooperation in April 2013. PCD is an important element of this policy and a priority of the Minister.

PCD is integrated in the Office for International Cooperation within the Dutch MFA, which is small in size but effective in incorporating PCD in the broader foreign policy agenda aimed at addressing globalisation, global public goods and development. The process to ensure PCD consists of interventions at three levels.

At the first level of intervention, EU/Dutch policy proposals are monitored systematically for possible impact on development in LDCs, with the aim to avoid negative effects and stimulate synergy where possible (i.e. screening). MFA PCD-experts participate in or liaise with various interdepartmental groups/task forces that develop specific policies or standpoints. These inter-ministerial bodies prepare the Dutch positions towards EU policy proposals. There are three main bodies: the technical screening of Commission Proposals (BNC), the Strategic Coordination Committee for International Affairs (CORIA) and the Coordinating Committee on European Integration and Association (CoCo).

At the second level, PCD-intervention is carried out through a "project team approach" in order to pursue concrete results in a limited number of coherence-related areas more proactively. Projects are set up in a variety of areas, including tax and development; non-trade concerns; access to affordable medicines; sustainable biomass and biofuels; migration and development; and intellectual property.

At the third level, the Netherlands aims to contribute to the international debate and effective co-operation on PCD by actively participating in relevant fora such as the EU/FAC, OECD/DAC and the informal EU PCD working group.

The new policy on international trade and development co-operation also pays attention to the crucial role of Global Public Goods (GPGs). The Minister has chosen to focus on those GPGs which have a relation with development cooperation and with the PCD priorities: trade, climate, food security, water, security and migration. This way, the PCD priorities mirror the GPG agenda.

The Netherlands focuses on the same PCD priorities as the EU. The Netherlands is of the opinion that PCD should also reinforce the effects of development co-operation. However, the main practice is that PCD is aimed at preventing or minimising the negative effects of policy on development. Currently, PCD is limited to the approach of “doing no harm” instead of realising synergies between non-aid policies and development aid. If we want PCD to be more effective, we need a more proactive integration of PCD in all relevant international and EU policies.
PCD is a formidable enabler for development and the post-2015 framework offers a historic opportunity to place PCD firmly on the international agenda. The post-2015 framework would need to realise policy coherence for sustainable development (PCSD), tackling poverty eradication, inequalities and environmental challenges. The Netherlands sees ample opportunities in a new post-2015 agenda to achieve progress on PCSD. General (non-aid) policies and instruments in all domains should not hamper the implementation of newly formulated goals, but rather reinforce the achievement of stated objectives. Concrete attention to PCSD is a prerequisite for a global development agenda that encompasses dimensions that supersede the domain of aid. For example, the target of “Getting to Zero” is not possible without implementing global and regional policies in a coherent way and looking at sustainability challenges. The Netherlands welcomes efforts by the OECD to promote a more evidence-based approach and to improve the methodology on measuring PCD, charting associated costs and benefits.

Below are a few practical examples of Dutch policy initiatives to promote PCD:

At the request of the House of Parliament, the MFA carried out a pilot study in Ghana and Bangladesh to determine whether the impact of EU/Dutch policies in partner countries with regard to PCD could be analysed and if possible quantified. The development impact of specific Dutch/EU policies on Bangladesh and Ghana is presented by means of result chains. A description is also given of the interplay with the partner countries’ policies, areas in the bilateral relationships that lack coherence and a number of measures that could directly or indirectly help reduce or resolve these inconsistencies. This pilot study is merely a first step towards improving the monitoring of EU and Dutch policies in terms of PCD and to measure their impact in the countries concerned more systematically. The results of this pilot will be shared with the EU, member states, OECD, civil society and knowledge institutions to contribute to the development of the methodology and monitoring of PCD.

Furthermore, in 2014 the Netherlands will finalise a study on modelling PCD at the country level. The policy and operations evaluations department (IOB) will, in line with the pilot mentioned above, address country level implications of (EU) policies that may have an impact on agriculture and food security in Ghana. For this purpose IOB is developing an instrument for assessing policy (in)coherence through the construction of counterfactual scenarios. The main objective of the pilot is to develop a generic framework that can be used for the appraisal of the impact of aid and non-aid interventions on development outcomes in partner countries. The results of this study will be shared as soon as possible.

The Netherlands supports the ambition of the EU to promote research aimed at collecting evidence on costs and benefits of (in)coherencies. The Netherlands has contributed to this goal by financing together with the German Federal Ministry for Economic Cooperation and Development a study conducted by ECDPM on measuring PCD. The purpose of this report was to find ways to monitor and benchmark non-aid policies affecting developing countries within the framework of the modernisation of development co-operation.

The Netherlands announced in 2012 that it is ready to provide bilateral technical assistance in the field of taxation and customs to Tax and Customs administrations in, primarily, its 15 partner countries. It is a joint effort of the MFA and the Dutch Ministry of Finance/Dutch Tax and Customs Administration. The program is demand-driven and the Netherlands will work closely with other partners in this field. The Netherlands also announced at the OECD meeting on the proposed Tax Inspectors Without Borders initiative that it is willing to pilot the program through participation in “live audits” in developing countries.

Together with the Minister of Finance, the Minister for Foreign Trade and Development Cooperation has decided to assess tax treaties concluded by the Netherlands with a number of developing countries to find out if these treaties have unintended effects. Should that be the case, the Netherlands is prepared to enter into dialogue with these countries to explore how this could be repaired. The Netherlands is actively supporting an OECD action plan to combat tax avoidance and the erosion of tax bases.
During the EPA negotiations with all regions, The Netherlands pleaded for a flexible and constructive approach of the EU within the margins of WTO-rules, carrying out its responsibility as an honest broker.

In 2012, the Dutch Government provided a grant to the Knowledge and Network Center CSR Netherlands for a new program (2013-2016) to enable SME leaders in six economic sectors to realise CSR in the trade and investment chain in developing countries.

The Minister for Foreign Trade and Development Cooperation is committed to improving labour conditions in the Bangladeshi textile industry through the launch of a joint-action plan that engages the national textile industry, governments and civil society as well as through the training of new labour inspectors in Bangladesh.

The Netherlands fully supports the growing number of international initiatives (EU, OECD) to promote transparency on companies’ payments to governments through country-by-country reporting. These initiatives are very relevant for fighting corruption as well as raising sufficient tax payments by multinational companies in developing countries.

NEW ZEALAND: PCD FOR INCLUSIVE AND SUSTAINABLE DEVELOPMENT IN A POST-2015 FRAMEWORK

The task of preparing New Zealand’s policy positions for the post-2015 framework has provided an excellent opportunity to reinforce the importance of policy coherence for development.

The Ministry of Foreign Affairs and Trade has established a process of consulting with government agencies and other interested parties on New Zealand’s policy positions led by the Development Strategy and Effectiveness Division of the Ministry’s International Development Group (which houses the PCD Focal Point for the OECD). Representatives of civil society have been briefed on the importance of the post-2015 framework and have been invited to provide consolidated input on sustainable development priorities. The Ministry has also engaged with interested stakeholders from the private sector.

In considering national priorities for development beyond 2015, given that the post-2015 sustainable development framework is expected to be applicable to all member states of the United Nations, New Zealand is drawing on the range of existing national strategies which relate to sustainable development.

New Zealand has not established a new, formal coordination mechanism for this process. Rather, we have drawn on existing inter-ministerial coordination mechanisms. Subject matter expert leads within the Ministry of Foreign Affairs and Trade are coordinating with colleagues across government agencies through existing inter-ministerial working groups (e.g. on Oceans and Climate Change) or through establishing an informal working arrangement.

To strengthen PCD further, New Zealand’s Ministry of Foreign Affairs and Trade has recently commissioned research into opportunities for further work on policy coherence for development.

In 2008, New Zealand joined other OECD Ministers in issuing a Ministerial Declaration on policy coherence for development, which encourages continuing best practices and guidance on PCD promotion, as well as improved methods for assessing its results.

New Zealand already has a good record on PCD, as evidenced by the fact that we score very highly on the Centre for Global Development’s Commitment to Development Index, due to our open trading system, significant contributions to internationally-sanctioned peacekeeping and humanitarian interventions and our acceptance of a large number of immigrants. Notable existing initiatives include our Recognised Seasonal Employer (RSE) scheme, our work on in-
international fisheries management, recent work on effective climate financing and the recently announced changes to pension portability for citizens of Cook Islands, Niue and Tokelau.

The goal of the research is to identify and describe specific substantive opportunities to improve the New Zealand Government’s policy coherence for development. It will focus in particular on opportunities that could be implemented over the next 12 to 24 months.

For the purposes of this research we are using quite a narrow definition of policy coherence for development, focusing on: (i) New Zealand’s domestic policy settings which impact development outcomes in developing countries; and (ii) actions which New Zealand takes in international processes and fora which impact development outcomes in developing countries.

We are also interested to know whether, in developing policy or engaging in international processes and fora, staff of New Zealand government agencies thinks about the implications that these policies or negotiating positions might have for developing countries. If so, to what extent does this impact on their final recommendations and positions? If not, is this something which they might be willing to consider in the future?

The research is due to be completed in March 2014 and will form the basis of a PCD action plan that will guide and support the Ministry’s work in this area over the coming years.

**NORWAY: ACCELERATE EFFORTS TO ACHIEVE THE MDGs AND FOLLOW UP ON RIO+20 DECISIONS**

The Norwegian approach to the Post-2015 agenda includes the acceleration of efforts to achieve the MDGs and to follow up on the Rio+20 decisions. This is underlined by the fact that Prime Minister Solberg has accepted the role as co-chair of the SG’s MDG Advocacy Group. The priorities for Norway’s engagement are:

- To intensify efforts to close MDG gaps, including on universal access to primary education, maternal and reproductive health, gender equality, child mortality and nutrition, and carry on unfinished goals in the post-2015 agenda.
- To develop a universal and global post-2015 agenda that integrates the three dimensions of sustainable development; is people-centered, planet-sensitive and rights-based; and contributes to tackling the global challenges of poverty, climate change and inequality.
- To create a set of universal, communicable and measureable post-2015 sustainable development goals and targets supporting the realization of all human rights, for good governance, universal education, global health, sustainable energy for all and gender equality and women’s rights.
- To fully integrate good governance, rule of law, transparency, accountability and stability for business investments. This is fundamental to creating inclusive economic growth and decent jobs and building a robust private sector.
- To also support a post-2015 framework that addresses food and nutrition security, sustainable natural resource management and the resilience of vulnerable groups, including persons with disabilities.
- To promote and pursue private-public partnerships in all relevant areas of the post-2015 agenda, including with the business sector and civil society. Such collaborations have been crucial to progress on the MDGs and are fundamental to successful implementation and financing strategies.

Building on the MDGs, the Rio+20 and other UN Conferences, Norway will work for a successful UN Summit in 2015 by engaging with all relevant partners at national, regional and global levels.
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Norway will work for follow-up and review mechanisms to ensure meaningful monitoring and implementation of the post-2015 development framework, in the high-level political forum on sustainable development, drawing on experiences from existing models in the UN and other international, regional and national mechanisms involving civil society, parliaments, the private sector and relevant stakeholders.

Norway attaches great importance to the role of the UN, with its universal membership and unique legitimacy, as the primary body for global governance and development of the post-2015 agenda; and the role of the Secretary General in supporting member states through the process.

Financing for sustainable development, including national resource mobilisation, is core to the success of the post-2015 agenda. Norway remains committed to provide at least 0.7% of GNI in ODA, which remains important. All partners are urged to intensify efforts to mobilise resources for development purposes – including by using public funds and market policies as catalysts for private investments and trade – as a key component of the global partnership which will underpin the post-2015 framework.

A crucial point regarding PCD in the Norwegian approach lies in the appreciation of the need for the new set of development goals to be universal. In terms of process, the PCD aspect of the post-2015 work is ensured by engaging all relevant ministries in regular meetings where crucial post-2015 issues pertaining to their policy domains are discussed. Civil society has been involved in various ways as well. The different post-2015 work streams have been managed within this context partly through debate in the forums mentioned and partly by a working group in the Ministry of Foreign Affairs. A close relationship has also been maintained with the Nordic countries and other countries, among them a wide range of developing countries.

**POLAND: COHERENT POLICIES FOR MIGRATION, SECURITY AND FINANCE**

In line with the EU’s Global Approach to Migration and Mobility (GAMM), in 2011 to 2013 Poland facilitated access to the Polish labour market for citizens of several countries. Thanks to this, citizens of neighbouring countries (Belarus, Russia and Ukraine) and Georgia, Moldova and Armenia may be legally employed for a period of 6 months within each 12-month period of time relying on a simplified scheme.

In November 2011, the International Organization for Migration (IOM) Country Office in Warsaw started the implementation of a three-year project entitled “Rights of migrants in practice” in co-operation with the Ministry of the Interior and the Chief Labour Inspectorate. The purpose of the project is to enhance the integration of third country nationals by expanding their awareness of the rights and obligations in Poland, as well as preventing migrant discrimination and abuse on the labour market. The project also allows for the provision of support to foreigners – citizens of Armenia, Belarus and Ukraine, i.e. the national groups most frequently receiving permits for at least a 12-month-long stay to work in Poland. Thus, they are the largest group of migrants at risk of discrimination in the labour market, including trafficking in human beings and the breaching of employee rights – actions related to the crime of trafficking in human beings for forced labour. The project aims to help foreigners staying in Poland and those still in their country of origin but planning to come to Poland to work.

Moreover, the project is intended to assist practitioners dealing with trafficking in human beings for forced labour and the breaching of employee rights, such as officers of the Border Guard, Police, labour inspectors, trade union advisors, representatives of employees and trade unions and organisations supporting migrants. It does this by organising trainings and a national conference.

Under the project “Polish-Ukrainian co-operation in the area of combating and preventing human trafficking”, co-financed by the Polish development co-operation programme of the Ministry of Foreign Affairs, trainings on traf-
ficking in human beings are being organised for Ukrainian militia officers and Polish police officers. It serves to exchange information on good practices for combating trafficking in human beings.

In the coming years, Poland plans to exchange views and best practices on supporting the implementation of readmission agreements, including with Armenia, Azerbaijan, Georgia, Moldova, Ukraine and the Russian Federation.

Bearing in mind Poland’s transition experience, it should be underlined that coherence between security and development is of great importance. Poland recognises well the need for greater coherence in treating both agendas complementarily.

Poland’s objectives in this area include the strengthening of the stability and effectiveness of institutions guaranteeing democracy and the rule of law in developing countries, as well as institutions responsible for public security issues, and with a strong emphasis on human rights and the fight against corruption as a condition for development in partner countries.

The Polish Police is engaged in EU external assistance programmes and international training projects addressed to third countries in Europe, as well as in North Africa and Near East Asia.

These initiatives are in line with the EU’s policy on support for institutional capacity building, democracy and sector reforms. They are also in line with country documents on development co-operation (i.e. country annual development co-operation plan and country multiannual programme). Priority partners for the Polish Police are pre-accession countries and Eastern Partnership countries.

Polish experts are involved in projects financed by European funds (e.g. TAIEX, twinnings), as well as by the Polish Aid programme. Polish assistance focuses on spreading good experience on the fight against corruption and organised crime, underlining the negative impact on developing countries from such activities.

The Ministry of the Interior is involved in projects for Moldova, Ukraine and Afghanistan as part of the Multiannual Development Cooperation Programme for 2012-2015.

In addition, Poland actively participates in Mobility Partnerships which are considered an effective tool for fostering legal labour migration and promoting circular migration.

Another example relates to finance. The National Bank of Poland (NBP), together with other European Central Banks, provides technical assistance to Central Banks of non-EU transition countries. The Technical Cooperation for Transition Initiative (TCT), launched in 2005, creates an opportunity for the beneficiaries to exchange their professional experience and expand the skills they already possess.

The NBP technical cooperation program is carried out in the form of seminars and workshops devoted to key issues of central banking. Consultations on site are offered through shorter visits and longer internships (from one week to a month) of Central Bank representatives to beneficiary banks. Thus far, the NBP has organised seminars, workshops and study visits for over 1,600 participants from 37 countries.

The topics covered by the TCT programme include, inter alia, monetary policy and its instruments; foreign exchange reserves management; payment systems; financial stability; balance of payments statistics; economic education; Central Bank security systems; internal audit, legal aspects of central banking; public contracts in Central Banks; business continuity management in the Central Bank; the fight against money laundering; and the financing of terrorism.
In September 2012, the Management Board of the National Bank of Poland accepted the Banks’ technical cooperation plan for 2013-2015, which sets the goals for the coming years. According to the Programme, the NBP’s technical assistance in 2013-2015 should first of all target Central Banks of the following groups and countries: (i) Eastern Partnership countries: Azerbaijan, Armenia, Belarus, Georgia, Moldova and Ukraine; (ii) members of the Constituency in the IMF and World Bank Group (chaired by Switzerland): Azerbaijan, Kazakhstan, Kyrgyz Republic, Serbia, Tajikistan, Turkmenistan, and Uzbekistan; and (iii) EU candidate countries: Montenegro, Macedonia and Turkey.

Assistance is also offered on a more limited scale to countries in Asia, Africa and Latin America.

**SLOVENIA: OUR EXPERIENCE AND PRACTICE ON POLICY COHERENCE FOR DEVELOPMENT**

The principles of policy coherence for development are contained in the Resolution on Legislative Regulation adopted by the Slovenian National Assembly in 2009. The Resolution also explains the purpose of elaborating and examining the effects of regulations, i.e. the examination of the alignment of regulations and policies governing a certain field and the effects of individual solutions on other fields.

In its capacity as the national coordinator for international development coordination, the Ministry of Foreign Affairs of the Republic of Slovenia harmonises the objectives of international development co-operation with other line ministries and within the interagency working body for international development co-operation. The harmonisation of the programmes helps to define a clear direction, which the line ministries take into account when planning and implementing their projects and when defending Slovenian positions at international conferences addressing development co-operation topics.

Slovenian embassies in the Western Balkans play an important role in the context of PCD, especially because the Western Balkans region is the first geographical priority area for Slovenia’s development co-operation. Through these embassies, Slovenia has established regular dialogue and coordination with partner countries.

While channelling development assistance, Slovenia places special emphasis on sector-specific priorities of the recipient countries reflected in their national development strategies. As an institutional form of dialogue with recipient countries, we have established joint committees that implement development co-operation and policy coherence for development and monitor it.

As a next step, we would like to implement a system that would effectively prevent possible incoherent policies. First, PCD will be on the agenda of the next meeting of the interagency working body, taking place at the end of this year. This body is tasked with planning, coordinating and monitoring the implementation and evaluating International Development Cooperation. Recently, a working group was established to revise the International Development Cooperation Act, adopted in 2006, and the process to draft a new Resolution has begun which will be coherent with the post-2015 agenda. Consultations with civil society and academic fora will be organised in the beginning of next year. The PCD concept will most certainly be on the agenda. There is a strong push from certain countries that the EU policymakers at their meetings jointly and strategically discuss and share views on non-development policies and processes from the PCD perspective. Slovenia supports such initiatives.

One of the panels of the Slovenian Development Days, held on 16 and 17 October 2013, was dedicated to Policy Coherence for Development (PCD). The panelists included Helena Milinkovic, Television Slovenia journalist, Ebba Dohlman, OECD Policy Coherence for Development coordinator, Professor Mojmir Mrak of the Faculty of Economics, University of Ljubljana, Ambassador Jernej Videtic, Head of Department for International Development Cooperation Polices at the Slovenian MFA, Janez Rogelj of the Ministry of Economic Development and Technology, and Ana Kalin,
Advocacy and Policy Officer at the Slovenian NGDO platform for development cooperation and humanitarian aid – SLOGA.

The main conclusions of the panel were as follows:

- PCD will be an important element in the preparation of the post-2015 global framework, particularly as the main problem remains the implementation of the agreed arrangements at the international level.
- Due to the economic crisis, there are less sources of financing; therefore, private companies need to be included. However, their interests have to be brought in line with the objectives of international development cooperation. It is important for Slovenia to focus on the projects financed through EU development instruments (European Development Fund and Instrument for Development Cooperation).
- Following the emergence of new “southern” economic powers, the traditional “developed north” – “underdeveloped south” divide has been overcome. The new economic powers should assume the responsibility and burdens also in the IDC.
- One of the main reasons for discrepancies is the absence of agreement concerning international trade at the global level that will be indispensable in the future.

**SWEDEN: PCD AND THE GLOBAL CHALLENGE OF MIGRATION FLOWS**

The political framework for Sweden’s practice on PCD was set out already in 2003, in the Government Bill “Shared Responsibility: Sweden’s Policy for Global Development”. Strong parliamentary and public support underpins the commitment. The policy commits the Government to regularly report to the Parliament on progress on PCD-implementation. The Minister for Development Cooperation, supported by the Ministry for Foreign Affairs (MFA), is responsible for the coordination of the policy.

Since 2008, the Swedish Government has focused its work on PCD on six global challenges (Oppression; Economic exclusion; Climate change and environmental impact; Migration flows; Communicable diseases and other health threats; and Conflicts and fragile situations). Concentrating on these specific challenges has contributed to more structured work on PCD within the Government and enables better comparability between different areas over time. The Swedish Government has assessed its work on the six global challenges in 2008-2010 (Report to the Parliament 2010) and 2010-2012 (Report to the Parliament, June 2012). The next assessment is planned for the Report to the Parliament on PCD in 2014.

The Parliament and different civil society organisations have emphasised that conflicts or inconsistencies of objectives and interests, as well as political adjustments relating to these, should be made more visible within Swedish PCD work. In the latest report to the Parliament, the Government therefore chose to focus on one of the six global challenges, Economic exclusion, in order to better illustrate potential conflicts of objectives and interests. In the Swedish report to Parliament due in March 2014, focus will be put on potential conflicts of objectives and interests within the global challenge Migration flows.

Founded in Sweden’s Policy for Global Development, Sweden has been a long-standing advocate for global cooperation on Migration and Development. In January 2013, Sweden took over as the Chair of the Global Forum on Migration and Development (GFMD). The 18-month Chairmanship will culminate in a Global Forum to be held in Stockholm in mid-May 2014. The GFMD Chairmanship offers Sweden a unique opportunity to enhance both the development focus of the Forum, and the global collaboration aimed at strengthening the enabling effects that migration has on development. The Swedish Chairmanship of the GFMD prioritises Policy Coherence for Development as a means to strengthen the desired positive outcomes of migration and to contribute to the MDGs.
Migration can have significant positive impacts on economic and social development, for the individual migrant and his or her family, for the country of origin and for the country of destination. Migration is a factor in fundamental structural, economic factors and conditions, including the labour market, income levels, financial markets, trade and investments. Labour migration can, for instance, contribute to better matching of supply and demand on the labour market. The international networks created through migration, and the engagement of diaspora groups, can lead to increased investment, trade and development in the country of destination. The increased earning capacity of migrants can also contribute to social development.

Apart from daily consumption needs, remittances are often invested in better health care, education and housing. Through their international experiences, migrants also have an opportunity to acquire new skills, and through, for example, circular migration, they are able to return and minimise the risk of brain drain in countries of origin. Migrants can also contribute through the transfer of new ideas and values – so-called social remittances – which can have a positive impact on, for example, gender equality.

The migration experience can also strengthen women’s empowerment, especially when it leads to increased economic opportunities. This effect can be measured at the individual level and for women as a group as their role as economic actors becomes increasingly obvious and gains greater impact.

**SWITZERLAND: FIVE PRINCIPLES TO ADDRESS THE GLOBAL CHALLENGES OF THE POST-2015 ERA**

Switzerland has long recognised that development policies are interlinked with other policy areas, as reflected in policy statements from as early as 1976 (Federal Law on Development Cooperation and Humanitarian Aid) and the Report by the Federal Council on Switzerland’s North-South relations in the 1990s (“Guidelines North-South”). The institutional system to ensure policy coherence for development is deeply rooted in the Swiss political culture of consensual decision-making and strong inter-ministerial coordination.

The concept of PCD has also been anchored within Switzerland’s preparatory process in view of the Post-2015 Development Agenda Process. Switzerland recognised PCD as one of five principles that must underpin the Post-2015 Sustainable Development Agenda and its implementation in the “Swiss Position on a Framework for Sustainable Development Post-2015”, approved by the Swiss Government on 26 June 2013. As the decision says:

“Switzerland considers five principles as necessary underlying elements to address the global challenges of the post-2015 era. They shall provide the foundation of an inclusive and rights-based agenda for achieving a better life for all human beings while respecting the planet’s limited resources.”

With regard to the principle of policy coherence, the decision establishes important policy positions and instructs how to elaborate Swiss positions and contributions:

“...In addition to development co-operation, numerous sector policies affect global development. In order to establish a new holistic framework post-2015, it is essential that all relevant policies that contribute to achieving global goals, for example trade policy and agricultural policy, be coherently geared to Sustainable Development.

Improved policy coherence is needed not only at the national but also at the regional and global levels. Although national policies are important for reforms and progress, they must also be complemented by global measures. For this to happen, effective international regimes are necessary.

Switzerland advocates that foreign policy should be geared as much as possible to global Sustainable Development.
According to the Federal Council’s Sustainable Development Strategy 2012-2015, all the departments of the federal administration make their contribution to Sustainable Development at the national and at the global level. […]”

In line with this decision, the principle of PCD has guided and is further guiding analytical work and the elaboration of specific positions to a number of relevant issues. The Swiss position will be further consolidated and will continue to be based on this principle.

Switzerland has developed thematic positions on approximately 15 different topics, which have been elaborated through an in-depth consultative process across ministries. Furthermore, the concept of PCD is a cornerstone of the Swiss position on “Governance” and will be included in the Swiss position on issues related to financing for sustainable development.

An inter-ministerial Taskforce has been set up with the participation of 16 departments (Federal Offices) of six out of seven ministries and it meets regularly (approximately every 6 weeks) to follow up on the international process and continue to consolidate the Swiss position.
ORGANISATION FOR ECONOMIC CO-OPERATION AND DEVELOPMENT

The OECD is a unique forum where governments work together to address the economic, social and environmental challenges of globalisation. The OECD is also at the forefront of efforts to understand and to help governments respond to new developments and concerns, such as corporate governance, the information economy and the challenges of an ageing population. The Organisation provides a setting where governments can compare policy experiences, seek answers to common problems, identify good practice and work to co-ordinate domestic and international policies.

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Better Policies for Development 2014
Policy Coherence and Illicit Financial Flows

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