Better Policies for Sustainable Development 2016

A NEW FRAMEWORK FOR POLICY COHERENCE

OECD

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BETTER POLICIES FOR BETTER LIVES

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Foreword

by
Angel Gurría, OECD Secretary-General

The 2016 edition of Better Policies for Sustainable Development *comes at a critical time in the wake of the historic adoption of a new global agenda: "Transforming Our World: the 2030 Agenda for Sustainable Development". This landmark agreement by Heads of State and Government, to set the world on a path towards sustainable development, recognises the need to look beyond narrow economic measures of progress and consider all aspects of well-being for current and future generations, to eradicate poverty everywhere and safeguard the planet. 2016 is the year of implementation, when words need to be matched by action in ways that change peoples' lives. Achieving these common goals will require a collaborative partnership involving all countries and all stakeholders.*

The Sustainable Development Goals (SDGs), which form the core of the new agenda, are an indivisible set of global priorities that incorporate economic, social and environmental aspects and recognise their inter-linkages in achieving sustainable development. The implementation of the 17 integrated SDGs and 169 associated targets requires whole-of-government approaches, strengthened co-ordination, as well as a more effective mobilisation, use and allocation of all available resources – public, private, domestic and international. It also calls upon all countries to "enhance policy coherence for sustainable development" (PCSD) which is an integral part of the means of implementation (SDG target 17.14). Policy coherence is critical to capitalise on synergies among SDGs and targets, between different sectoral policies, and between diverse actions at the local, regional, national and international levels. It is a central policy tool to inform decision-making for managing potential trade-offs and inconsistencies among economic, social and environmental policy objectives, to consider trans-boundary and inter-generational impacts, and take into account enabling or disabling factors, as well as the role of different actors.

In this context, the 2016 edition of Better Policies for Sustainable Development *provides guidance for policy-makers. Transitioning from the MDGs to a universal sustainable development framework calls for updating current approaches based on lessons learned from the past, and ensuring that institutional mechanisms are "fit for purpose" for the implementation of the SDGs. Past editions have contained analysis in which a policy coherence lens has been applied to a specific thematic focus – food security; illicit financial flows; and green growth. This edition builds on that analysis and experience and introduces the "PCSD Framework" to provide practical support to any government interested in adapting its institutional mechanisms, policy-making processes and practices to implement the SDGs in a coherent manner.*

The OECD's work on policy coherence for sustainable development is one important element in OECD's Strategic Response to help implement the SDGs globally. I trust readers in all countries will find our Better Policies for Sustainable Development *series a useful reference.*

Angel Gurría,
OECD Secretary-General

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Acronyms and abbreviations

ABC	Anti-Bribery Convention
ADB	Asian Development Bank
AEOI	Automatic Exchange of Information
AfDB	African Development Bank
AFFM	African Fertiliser Financing Mechanism
AGEI	Agricultural Growth Enabling Index
AMIS	Agricultural Market Information System
ANRC	African Natural Resource Centre
ASEAN	Association of Southeast Asian Nations
AWF	African Water Facility
BCBS	Basel Committee on Banking Supervision
BEPS	Base Erosion and Profit Shifting
BERD	Business Enterprise Research and Development
BIT	Bilateral Investment Treaties
BRICS	Brazil, the Russian Federation, India, China and South Africa
BTSF	Better Training for Safer Food Initiative
CAADP	Comprehensive African Agricultural Development Programme
CAP	Common Agricultural Policy of the European Union
CBDR	Common But Differentiated Responsibilities
CCS	Carbon Capture and Storage
CEPAL	Economic Commission for Latin America and the Caribbean
CFA	Comprehensive Framework for Action
CFS	Committee on World Food Security
CFT	Combating the Financing of Terrorism
CGE	Computable General Equilibrium
CGIAR	Consultative Group on International Agricultural Research
CHP	Combined Heat and Power
CIC	Inter-ministerial Commission for Co-operation
CILSS	Permanent Interstates Committee for Drought Control in the Sahel
CIPE	Inter-ministerial Committee for Foreign Policy
CO_2	Carbon Dioxide
CoG	Centres of Government
COP	UN Convention on Climate Change Conference of the Partners
CSO	Civil Society Organisation
CSR	Corporate Social Responsibility
CTPA	Centre for Tax Policy and Administration
DAC	OECD Development Assistance Committee
DCD	Development Co-operation Directorate

DRM	Domestic Resource Mobilisation
EAERR	East-Asian Emergency Rice Reserve
EBRD	European Bank for Reconstruction and Development
EC	European Commission
ECDPM	European Center for development Policy Management
ECOSOC	Economic and Social Council of the United Nations
ECOWAS	Economic Community Of West African States
EIB	European Investment Bank
EITI	Extractive Industries Transparency Initiative
EOIR	Exchange of Tax Information on Request
EPAs	Economic Partnership Agreements
EPRs	Environmental Performance Reviews
ERS	Electronic Reporting and Recording System
EU	European Union
EUR	Euro (currency)
EYD	European Year for Development
FAC	Food Assistance Convention
FAO	Food and Agriculture Organisation of the United Nations
FATF	Financial Action Task Force
FDI	Foreign Direct Investment
FfD	Financing for Development
FIRST	Food and Nutrition Security Impact, Resilience, Sustainability and Transformation Facility
FiT	Feed-in Tariff
FIU	Financial Integrity Unit
FNS	Food and Nutrition Security
FODEP	Pollution Cleanup Fund (Fonds de depollution)
FS	Food Security
FSN	Food Security and Nutrition Framework of the G20
GACSA	Global Alliance for Climate-Smart Agriculture
GAFILAT	Financial Action Task Force of Latin America
GDP	Gross Domestic Product
GEF	Global Environment Fund
GFI	Global Financial Integrity
GFMD	Global Forum on Migration and Development
GFS	Global Strategic Framework on Food Security and Nutrition
GHG	Greenhouse Gas
GOV	Public Governance and Territorial Development Directorate
GPEDC	Global Partnership for Effective Development Co-operation
GVCs	Global Value Chains
HLTF	High Level Task Force on Food and Nutrition Security of the United Nations
IADB	Inter-American Development Bank
IAIS	International Association of insurance Supervisors
ICHA	International Corruption Hunters Alliance
ICSU	International Council for Science
ICTs	Information and Communication Technologies
IDR	Indonesian Rupiah (currency)

IEA	International Energy Agency
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFFs	Illicit Financial Flows
IFIs	International Financial Institutions
IFPRI	International Food Policy Research Institute
IISD	International Institute for Sustainable Development
ILO	International Labour Organization
IMF	International Monetary Fund
INFORMED	Information for Nutrition Food Security and Resilience for Decision Making Programme
INTOSAI	International Organization of Supreme Audit Institutions
IO	Input-Output
IO	International Organisation
IOSCO	International Organization of Securities Commission
IOTA	Intra-European Organisation of Tax Administrations
IPR	Intellectual Property Rights
ISSC	International Social Science Council
IUU	Illegal, unreported, and unregulated (fishing)
LCRs	Local Content Requirements
MAPS	Methodology for Assessing Procurement Systems
MDB	Multilateral Development Bank
MDG	Millennium Development Goal
MDRCs	Multi-Dimensional Country Reviews
(MED EUWI)	Mediterranean Component of the EU Water Initiative
MFA	Ministry of Foreign Affairs
ML	Money Laundering
MNE	Multinational Enterprise
MoI	Means of Implementation
MVTS	Money and Value Transfer Services
NEPAD	New Partnerships for African Development (African Union)
NGO	Non-Governmental Organisation
NPOs	Non-Profit Organisations
NTFP	Non-Timber Forest Products
NTM	Non-Trade Measures
ODA	Official Development Assistance
OECD	Organisation of Economic Co-operation and Development
OWG	Open Working Group
PCD	Policy Coherence for Development
PCSD	Policy Coherence for Sustainable Development
PES	Payment for Ecosystem Services
PFI	Policy Framework for Investment
PFIA	OECD's Policy Framework for Investment in Agriculture
PMO	Prime Minister's Office
PPPs	Public-Private Partnerships
PSE	Producer Support Estimate

PSMA	FAO's Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing
R&D	Research and Development
RASFF	Rapid Alert System for Food and Feed of the European Union
RBC	Responsible Business Conduct
REDD+	Reduction in Emissions from Deforestation and forest Degradation
RPCA	Food Crisis Prevention Network (Le Réseau de Prevention des Crises Alimentaires)
SAIs	Supreme Audit Institutions
SDGs	Sustainable Development Goals
SEEA	System of Environmental-Economic Accounting
SMEs	Small and Medium-sized Enterprises
StAR	Stolen Asset Recovery Initiative
STRI	Services Trade Restrictiveness Index
SWAC	Sahel and West Africa Club
TF	Terrorist Financing
TiVA	Trade in Value-Added
TNB	Trust and Business
TPP	Trans-Pacific Partnership
TTIP	Transatlantic Trade and Investment Partnership
UEMOA	West African Economic and Monetary Union
UN	United Nations
UNCAC	United Nations Convention Against Corruption
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
UNTOC	United Nations Convention Against Transnational Organized Crime
USAID	United States Agency for International Development
USD	United States dollar (currency)
VTC	Voluntary Tax Compliance
WEF	World Economic Forum
WFP	United Nations World Food Programme
WTO	World Trade Organisation

Executive summary

The 2030 Agenda requires transitioning from policy coherence for development (PCD) to policy coherence for sustainable development (PCSD)

With the adoption of the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda, all UN Members – including OECD countries – have committed to "pursue policy coherence and an enabling environment for sustainable development at all levels and by all actors". The Sustainable Development Goals (SDGs) include a target (17:14) on the means of implementation to "enhance policy coherence for sustainable development" (PCSD).

Enhancing policy coherence is a persistent challenge of international development as well as of effective governance. Governments – mainly the members of the OECD's Development Assistance Committee (DAC) – have sought to meet that challenge by setting up institutional mechanisms and processes to harmonise and manage often competing policy objectives and interests. These mechanisms, which are known as the "PCD building blocks" include: i) political commitment and policy statements that can help translate commitment into action; ii) policy co-ordination that can resolve conflicts or inconsistencies between policies; and iii) systems for monitoring, analysis and reporting on the impacts of policies to provide evidence to inform decision-making. The purpose of these mechanisms is to make sure that domestic and foreign policies support, or at least do not undermine, the development aspirations of developing countries.

After more than two decades of promoting policy coherence for development, however, it is increasingly clear that institutional mechanisms for PCD are just a starting point. While they will continue to be relevant in the context of the SDGs, they need to be reconfigured to respond effectively to the vision and needs of the new agenda. This will include mechanisms that: i) fully engage the whole government beyond foreign affairs, development ministries and aid agencies; ii) have the mandate and capacity to manage the diverse interactions between sectoral policies – policy tensions, trade-offs and synergies – and between domestic and international policies; iii) ensure a more systematic consideration of the effects of policies *ex ante*, during and *ex post*; iv) involve key stakeholders particularly CSOs and the private sector; and v) mobilise the national installed capacity for strengthening monitoring and reporting systems.

The OECD has developed a new analytical framework to support the transition from PCD to PCSD

Transitioning from PCD to PCSD and from the Millennium Development Goals (MDGs) to the SDGs calls for updating current approaches to promote policy coherence, and making sure that existing institutional mechanisms are "fit for purpose" for the implementation of

the 2030 Agenda. The new Framework for Policy Coherence for Sustainable Development ("the PCSD Framework") introduces the concept of PCSD and provides guidance on how to analyse, apply and track progress on PCSD. It aims to support any government – both in OECD members and partner countries – interested in adapting its institutional mechanisms, processes and practices to enhance policy coherence. Specifically, the PCSD Framework provides general guidance and a screening tool (checklist) for:

- Conducting analysis to identify policy coherence issues, and improve understanding on the interactions among SDGs and targets and their implications, and how certain policy actions might support or hinder the achievement of the goals and targets *(Analytical framework)*.
- Aligning existing institutional mechanisms for policy coherence to the needs and vision of the 2030 Agenda for Sustainable Development *(Institutional framework)*.
- Considering key elements for tracking progress on PCSD, with the aim of contributing to national efforts to monitor and report progress on SDG target 17.14 to "enhance policy coherence for sustainable development" *(Monitoring framework)*.

Recognising that the PCSD Framework can provide governments with an important tool for developing national strategies for enhancing policy coherence, and for achieving the SDGs, it forms part of the OECD's strategic response to the SDGs.

Applying the "PCSD Framework" to global food security, illicit financial flows, and green growth can support governments to identify synergies and trade-offs

The 2012 OECD Strategy on Development identified food security, illicit financial flows, and green growth as priority areas for the Organisation's work on policy coherence. It called for more evidence-based analyses on the costs of incoherent policies and the benefits of more coherent policies, and advocated for more integrated approaches to policy making. Consequently, this report applies the PCSD Framework to these three areas, with the aim of supporting national efforts to design and implement coherent policies for achieving the SDGs. The three thematic modules provide checklists of open-ended self-screening questions that can help them to:

- Recognise contextual factors: create enabling conditions and remove or minimise systemic conditions.
- Ensure coherence of actions at and between different levels of government: vertical coherence.
- Consider critical interactions across economic, social and environmental areas: horizontal coherence
- Identify diverse sources of finance: ensure complementarities between them.
- Assess the impact of policies: reform or remove policies that create negative spill-over effects.
- Track progress in policy coherence for sustainable development.

The application of a policy coherence lens to **global food security** shows that the main challenge of ensuring food security is to raise the incomes of the poor, and that both agricultural development and rural diversification are needed to foster economic growth and job opportunities. Increased productivity to close the yield gap between advanced and developing countries will require large increases in investment, including from the private

sector and farmers themselves. Trade will also have an increasingly important role to play in ensuring global food security.

The SDGs recognise that food insecurity can affect all countries through many different channels. Yet, the specific policy responses to food security challenges will vary between countries due to different national contexts, such as income level, trade openness, and geography and climate. Ensuring food security also calls for a coherent approach among stakeholders at local, national, regional and international levels. Breaking down the silos that separate policy sectors is a key challenge in overcoming inconsistencies and promoting cross-sectoral synergies for achieving food security. The PCSD Framework address these aspects in a flexible and simple manner, aiming to guide coherent policy making and implementation.

Combating **illicit financial flows** (IFFs) is another major challenge for all governments, and an increasingly important priority for the international community. IFFs are a significant barrier to sustainable development, and to the implementation of the SDGs. Money lost each year through IFFs are estimated to far exceed Official Development Assistance (ODA). These flows strip resources that could finance much needed public services, such as health care, education, and other vital elements of sustainable development.

IFFs stem from corruption, crime, terrorism, and tax evasion; and use channels ranging in sophistication from cash smuggling and remittance transfers, to trade finance and shell companies. The cross-cutting nature of IFFs requires policymakers and other stakeholders to have a more strategic overview of IFFs. They must assess the potential trade-offs and synergies in an inter-disciplinary manner, better inform policy making upstream, and help government actors to take more effective action. The PCSD Framework can support policy makers in their efforts by offering a self-screening tool to help them plan for, avoid, and resolve the most significant trade-offs or policy inconsistencies and apply existing international standards in a coherent and effective way. It can also raise awareness of the relevance of IFFs to achieving the SDGs, particularly target 16.4 which calls on countries to "significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime" by 2030.

Finally, without shifting towards a sustainable growth path, the impact on natural resources and the ecosystem services on which human wellbeing depends will be colossal and risks undermining any progress made in other areas. **Green growth** policies will therefore need to play a key role in incorporating the sustainability dimensions into economic policy making. They can unlock new and sustainable sources of growth through improvements in productivity and innovation, create new markets through changes in demand, and create greater investor confidence through a predictable government approach to green growth.

This impetus is propelled further by the 2030 Agenda for Sustainable Development, which attempts to move beyond the single-goal vision of economic expansion and incorporate a multitude of other targets into a more coherent and sustainable idea of human wellbeing. To promote green growth – and achieve the SDGs – a much better understanding of the opportunities and trade-offs between environmental and economic policies is instrumental. If governments do not have a clear grasp of the economic opportunities created by environmental preservation – or the potential feedback of environmental damages on economic growth – they will struggle to align economic and environmental priorities for green growth. The PCSD Framework can facilitate this alignment.

Tracking progress in PCSD (SDG target 17.14) requires going beyond institutional mechanisms

The PCSD Framework suggests that tracking progress in PCSD will require consideration of three key elements: i) institutional mechanisms; ii) policy interactions, including contextual factors; and iii) policy effects. This broader approach can be used to assess the extent to which domestic policies are aligned with international sustainable development objectives and contribute to the achievement of the SDGs.

Notably, identifying and understanding the different types of interactions between the SDGs and their respective targets will help policy makers to maximise synergies and exploit win-wins (pursuing multiple objectives at the same time); avoid potential policy conflicts (pursuing one policy objective without undermining others); manage trade-offs (minimising negative impacts on other policy objectives); and ultimately design policies that generate co-benefits for sustainable development. OECD data and indicators, policy instruments, and dialogue platforms can inform this process and support national monitoring efforts. A long-term objective could be to create an online "OECD Coherence Monitor" whereby users can choose from among a menu of indicators and track progress based on their specific national interests and priorities.

As part of the global monitoring framework, in turn, an indicator to track progress on SDG 17.14 has been agreed by the UN Statistical Commission. This indicator (17.14.1) aims to capture the "Number of countries with mechanisms in place to enhance policy coherence for sustainable development".

Going forward, countries can enhance policy coherence further by aligning their national strategies with the 2030 Agenda and applying integrated policy approaches

National approaches for implementing the 2030 Agenda and the SDGs vary between countries. The 2016 edition of *Better Policies for Sustainable Development* concludes with an overview of 18 countries' initial efforts to "nationalise" the agenda and adapt it to their own country context and priorities. It shows that most of them have begun to align their existing national sustainable development strategies, as well as their development co-operation policies, with the new agenda. Several countries are also conducting gap analyses or mapping exercises of their national strategies vis-à-vis the 2030 Agenda in order to identify where action is needed.

Institutional settings and co-ordination mechanisms for SDG implementation are being updated too. Some countries have created designated interministerial working groups for this purpose; others are using existing oversight units, which tend to be located at the centre of government, ensuring a whole-of-government approach and strategic planning. With regard to monitoring and reporting, most countries rely on the active involvement of their national statistics offices. Finally, all countries are making efforts to involve non-government stakeholders, such as civil society and non-governmental organisations, the private sector, philanthropists, academia and local interest groups.

Overview: Enhancing policy coherence for sustainable development

What can we learn from promoting policy coherence for development for the implementation of the 2030 Agenda?

Policy coherence for development (PCD) has focused on avoiding or minimising the negative spill-over effects of various policies on the development prospects of developing countries. For example, by avoiding situations in which Official Development Assistance (ODA) supports another country's agricultural development, while tariffs or subsidised agricultural production in the provider country simultaneously undermine the other country's export opportunities. Policy coherence for sustainable development (PCSD) requires us to go one step further, moving beyond a "do-no-harm" approach and towards a partnership approach based on "win-win" solutions. Importantly, PCSD will be fundamental for fostering synergies between economic, social and environmental policies in the implementation of the Sustainable Development Goals (SDGs), and take into account more systematically the effects of policies on the well-being of people living in other countries as well as of future generations.

OECD Members have formally signed international commitments to enhance PCD through its membership in the Organisation. Most OECD countries now have in place institutional mechanisms for PCD in accordance with the 2008 Declaration and the 2010 Recommendation of the Council on Good Institutional Practices in Promoting Policy Coherence for Development. PCD is a key pillar of the OECD Strategy on Development, endorsed by OECD Ministers in 2012, and the approach is evolving to better respond to the new realities of the global context.

Chapter 1 explores the experience of OECD countries over the past ten years in promoting PCD. It attempts to identify general lessons and good practices that could be relevant for building institutional mechanisms for coherence that are better adapted to the vision and needs of the 2030 Agenda, and for shifting from PCD towards PCSD in line with the new agenda.

The challenge of policy coherence for development

Enhancing PCD is a persistent challenge in international development as well as in effective governance. Members of the OECD's Development Assistance Committee (DAC) have sought to meet that challenge by setting up institutional mechanisms, the PCD building blocks: i) political commitment and policy statements; ii) policy co-ordination; and iii) systems for monitoring, analysis and reporting. The purpose is to make sure that domestic and foreign policies support, or at least do not undermine, the development aspirations of developing countries. There is no "one size fits all" formula for promoting PCD.

Practice varies from country to country depending on their governance processes, political dynamics, institutional setup, administrative culture and working methods.

A quick look at the trends in DAC peer reviews over the last ten years shows an increasing number of institutional mechanisms in place to promote PCD. In general, the experience has shown that these mechanisms have been instrumental to raise awareness and build commitment, but are not sufficient to achieve results. The strong commitment on PCD by DAC members sharply contrasts with the perception that progress has been limited over the last decade in terms of policy efforts or changes. According to the Commitment to Development Index (CDI), OECD countries' policies in seven key areas that affect poor countries, notably aid, finance, technology, environment, trade, security, and migration did not change much in the ten years between 2003 and 2013.

Some of the key aspects that impede progress, according to recent peer reviews, include the weak understanding and ownership of the PCD concept within administrations, parliaments and the public. They also include the lack of: time-bound action plans with shared objectives for the whole government; clear mandates for institutions responsible to arbitrate and balance divergent policy interests; and analytical capacity and sound monitoring systems and indicators to track progress and inform decision-making. A general overview of the country experiences in promoting PCD shows that making progress entails:

- *A better understanding of PCD backed by a clearly stated commitment, specific objectives and action plan*. DAC peer reviews indicate that the concept of PCD has been hard to grasp for policy makers across members' governments.
- *Establishing specific mandates to ensure an effective interface between domestic and international policies and capacity for managing trade-offs*. Progress is difficult to achieve without specific mandates for co-ordination mechanisms to address domestic policies, deal with policy divergences or tensions, and resolve conflicts of interests. In many cases co-ordination mechanisms have only limited ability to influence domestic policies.
- *Using monitoring systems to influence changes in policies and inform policy-making*. In cases where these systems exist, they are not fully utilised for screening domestic policies that could adversely affect development in other countries or regions. Many recent peer reviews have pointed to a lack of analytical capacity, or inadequate use of existing analytical capacity.

Moving towards policy coherence for sustainable development

The overall lesson is that the PCD building blocks are just a starting point. While PCD institutional mechanisms will continue to be relevant, they need to be reconfigured to respond effectively to the vision and needs of the 2030 Agenda, with mechanisms that: i) fully engage the whole government beyond foreign affairs, development ministries and aid agencies; ii) have the mandate and capacity to manage policy tensions, trade-offs and synergies across sectors and between domestic and international policies; iii) ensure a more systematic consideration of the effects of policies *ex ante*, during and *ex post*; iv) involve key stakeholders particularly CSOs and the private sector; and v) mobilise the national installed capacity for strengthening monitoring and reporting systems.

The universal, integrated and transformative nature of the new agenda requires governments to be able to work across policy domains, actors and governance levels. It involves a significant shift in the way PCD is approached. An integrated agenda requires coherent policy-making to ensure a balanced approach to the economic, social and

environmental dimensions of sustainable development (horizontal coherence). It requires breaking out of sectoral silos and adopting integrated approaches to consider more systematically complex inter-linkages (such as the water-energy-food nexus), trans-boundary and intergenerational impacts, and trade-offs. A transformative agenda involves aggregated actions at the local, national, regional and global levels (vertical coherence).

Policy coherence in the 2030 Agenda requires bringing sustainability considerations more systematically into policy-making. Policy coherence for sustainable development, as defined by the OECD, puts greater emphasis on the effects of policies on the well-being of people in other countries and regions. It builds upon PCD efforts. Given the centrality of sustainable development in the 2030 Agenda, PCSD also focuses on the effects on the well-being of future generations (long-term impacts of policies). Policies have a key role to play for delivering the economic, social and environmental transformations needed for achieving a more sustainable path.

A new Framework for Policy Coherence for Sustainable Development

The year 2015 marked a major shift in the international development agenda. The vision of the 2030 Agenda for Sustainable Development differs from that of the MDGs in fundamental ways. It represents a more ambitious agenda that puts emphasis on well-being, prosperity and sustainability in all countries for all people of this generation and those to come. The Sustainable Development Goals are an indivisible set of global priorities that incorporate economic, social and environmental aspects and recognise their inter-linkages in achieving sustainable development.

Given the integrated nature of the new agenda, policy coherence is critical to capitalise on synergies among SDGs and targets, between different sectoral policies, and between diverse actions at the local, regional, national and international levels. PCSD is fundamental to inform decision-making and manage potential trade-offs and tensions between policy priorities, such as: economic growth, human wellbeing, environmental protection and natural resource preservation.

Transitioning from the MDGs to a universal sustainable development framework calls for updating current approaches to promote PCD, and making sure that existing institutional mechanisms are "fit for purpose" for the implementation of the SDGs. The new Framework for Policy Coherence for Sustainable Development ("the PCSD Framework") introduced in **Chapter 2**, aims to support any government – both from OECD members and partner countries – interested in adapting its institutional mechanisms, processes and practices for policy coherence to implement the SDGs. The PCSD Framework provides a tool to:

- *Map out SDGs and targets to identify and manage critical sectoral interactions between the economic, social and environmental spheres*. For example, between water (SDG 6), energy (SDG 7) and food (SDG 2) objectives: agriculture is the largest user of water at the global level; energy is needed to produce and distribute both water and food; and the food production and supply chain accounts for almost one third of total global energy consumption. Tensions may arise from real or perceived trade-offs between various objectives.
- *Ensure consistency of decisions across different governance levels*. This is critical in an increasingly interconnected global economy where systemic risks have inextricable global-domestic linkages that need to be managed. Some of the sustainable development challenges need to be addressed at the global level (e.g. climate change and other systemic risks); at the national or regional level (e.g. legislative changes or changes in economic, fiscal and

trade policy); and at the local level (e.g. specific details on land use; human settlement patterns, or transportation planning).

- *Consider policy effects "here and now", "elsewhere", and "later".* Achieving sustainable development requires considering ways in which the pursuit of well-being today in one particular country may affect the well-being in other countries or of future generations (the long-term impact of policies at national and global levels). Support measures for fossil fuels for example often introduce economic, social and environmental distortions with unintended consequences. Fossil fuels are responsible for the majority of global GHG emissions, and fossil fuel subsidies – amounting to USD 510 billion worldwide in 2014 – contribute to climate change, but also have health implications, undermine incentives to invest in renewables, and can be in most cases replaced by more effective and targeted support for the poor.
- *Track progress on the diverse elements of PCSD:* i) institutional mechanisms for coherence: ii) policy interactions across sectors; including critical contextual factors that promote or hinder contributions to sustainable development (enablers and disablers); and iii) policy effects, i.e. trans-boundary and intergenerational effects.

The PCSD Framework provides general guidance as well as a screening tool to: i) conduct analysis to identify policy coherence issues, and improve understanding of the interactions among SDGs and targets and their implications (Analytical framework); ii) align existing institutional mechanisms for policy coherence to the vision of the 2030 Agenda (Institutional framework); and iii) consider key elements for tracking progress on PCSD, the purpose is to support countries in monitoring and reporting progress on SDG Target 17.14 (Monitoring framework).

The new analytical framework aims to take into account i) the diverse roles of different actors (governments, international organisations, private sector and non-governmental organisations), as well as the diverse sources of finance – public and private, domestic and international; ii) the economic, social and environmental dimensions of sustainable development in policy-making, and consider critical policy inter-linkages; iii) the enabling and disabling conditions that influence policy performance and outcomes, iv) the effects of policies on the well-being in any one country ("here and now"), for people living in other countries ("elsewhere"); and v) a long-term perspective for transformation and consider the effects of policies on the well-being of future generations ("later").

The institutional framework needs to be strengthened to break out of policy and sectoral silos. The SDGs as an internationally agreed set of global priorities offer an opportunity to build complementarities of planned policies, programmes and actions in the economic, social and environmental areas. The general guidance provided by the PCSD Framework aims to help governments align their institutional mechanisms for coherence to the vision and needs of the SDGs. It draws on the lessons learnt from the OECD Strategy on Development as well as the experience of PCD building blocks, and highlights those recommendations from 2010 on good institutional practices in promoting PCD that are considered still relevant in the context of the 2030 Agenda for Sustainable Development.

The monitoring framework for tracking progress on PCSD and inform decision-making requires looking at: i) functions and capacities to formulate coherent policies (e.g. institutional mechanisms, including budgetary factors); ii) the ways in which policies across economic, social and environmental areas interact in achieving sustainable development outcomes (e.g. fostering synergies and addressing trade-offs); iii) changes in institutional and policy performance as a result of PCSD (e.g. policy outcomes); and iv) the

resulting impact of policies on sustainable development "here and now", "elsewhere" and "later". The PCSD Framework offers examples of the diverse types of indicators that can be used to track progress on the different elements of PCSD.

Applying the "PCSD Framework" to food security, illicit financial flows, and green growth

The 2012 OECD Strategy on Development identified food security, illicit financial flows, and green growth as priority areas for the Organisation's work on policy coherence. It called for more evidence-based analyses on the costs of incoherent policies and the benefits of more coherent policies, and advocated for more integrated approaches to policy making. Against this background, over the past three years, *Better Policies for Development* has provided a channel for disseminating Organisation-wide work in the three priority areas.

In 2013, the spotlight was put on policy coherence and global food security. The book *Global Food Security: Challenges for the Food and Agricultural System* (OECD, 2013) provided an important basis for this edition together with work undertaken with other international organisations, in particular for the G20. The analysis considered how changes to the world's food and agriculture system can contribute to improvements in food security in developing countries. It took stock of existing OECD work, with the overarching objective to distil the main priorities for ensuring long-term global food security, including through enhanced policy coherence. *Better Policies for Development 2013* presented an overview of the key findings and policy recommendations.

The 2014 edition focused on illicit financial flows (IFFs), drawing on the report *Measuring OECD Responses to Illicit Financial Flows from Developing Countries* (OECD, 2014). A key output of the OECD Strategy on Development, this report represented a first attempt to measure how well countries are performing in their fight against IFFs. Specifically, it used public data and compliance reviews of international agreements (e.g. FATF Standards, OECD Anti-Bribery Convention) to assess five policy areas: money laundering, tax evasion, bribery, asset recovery, and the role of donor agencies. *Better Policies for Development 2014* built on this analysis to highlight a policy coherence lens to inform actions to reduce IFFs and contribute to better development outcomes for all.

Finally, in 2015, a "PCSD-lens" was applied to green growth. OECD has long-standing expertise in this area and – due to its multi-disciplinary approaches – can offer important added-value. The OECD Green Growth Strategy (OECD, 2011) provides a practical framework for governments in developed and developing countries to seize opportunities that arise when the economy and the environment work together. A more recent project on the alignment of policies for the transition to a low-carbon economy (OECD, 2015) identifies opportunities for improving the coherence of policies to enable an efficient and cost-effective transition to a low-carbon economy. *Better Policies for Development 2015* highlighted the findings and recommendations of OECD work related to green growth, also including work on tax systems to support green growth, the need for infrastructure investments, and the role of social and labour policies in pursuit of green growth.

Pulling all of this work together, this year's edition of *Better Policies for Development* applies the Framework for Policy Coherence to Sustainable Development to food security, illicit financial flows, and green growth. It aims at supporting countries in their efforts to design and implement coherent policies in these three areas, and to contribute to the implementation of the Sustainable Development Goals.

Food security

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

The Sustainable Development Goals recognise that food insecurity can affect all countries through many different channels. Yet, the specific policy responses to food security challenges will vary between countries due to different national contexts, such as income level, trade openness, and geography and climate.

Ensuring food security also calls for a coherent approach among stakeholders at local, national, regional and international levels. Breaking down the silos that separate policy sectors is a key challenge in overcoming inconsistencies and promoting cross-sectoral synergies for achieving food security. **Chapter 3** applies the PCSD Framework to food security and offers a self-screening tool that can support policy makers in identifying and addressing policy interlinkages in order to enhance policy coherence for sustainable development.

Consider how domestic policies influence the four dimensions of food security

According to common definitions, food security exists when the conditions for four key dimensions are fulfilled: i) access to food; ii) availability of food; iii) utilisation of food; and iv) stability of food. Most of the world's hungry are chronically hungry as a consequence of poverty. Poverty is the principal obstacle to the attainment of global food security as it constrains peoples' *access* to food. The basic requirement for poverty reduction is sustainable development. Second, governments can increase the *availability* of food via measures that increase supply sustainably or restrain demand that does not translate into improved food security outcomes. Third, the chief requirements to improve the *utilisation* of food are complementary policies. Improvements in education and primary healthcare can strengthen income growth, and – along with other investments, notably in sanitation and clean water – improve nutritional outcomes. Direct nutrition interventions can also be effective. The fourth way in which policies related to food and agriculture can improve food security is by ensuring *stability*, such that the incomes of farmers and consumers used to buy food are resilient to shocks.

Coherent policy making requires considering not only the impact of sectoral policies on each of these four dimensions, but also how each dimension is linked to the other three. For example, measures to increase crop production (availability) need to be accompanied by appropriate infrastructure investments (access) in order to avoid food waste.

Identify policy interlinkages of relevance to food security (horizontal coherence)

Addressing food security will require actions in a wide range of areas beyond the food sector. Decision-makers may face difficult policy choices in reconciling the domestic with the international objectives, and the short-term economic gains with longer-term sustainable development. Applying a policy coherence lens can help stakeholders to identify and maximise synergies, while minimising trade-offs. Policy areas that may impact on food

security include: agriculture and fisheries (e.g. input subsidies; crop insurance; IUU fishing); forestry (e.g. land availability; carbon sink); water and sanitation (e.g. irrigation; desalination); energy (e.g. energy subsidies; renewable energy); trade (e.g. tariffs, NTMs, preference erosion); investment (e.g. FDI restrictions); innovation (e.g. technology transfer; IPRs); climate (e.g. fossil fuel subsidies; biofuel mandates): and biodiversity (e.g. biological pest-control).

In the context of the 2030 Agenda, Sustainable Development Goal 2 *"End hunger, achieve food security and improved nutrition, and promote sustainable agriculture"* calls for an end to hunger and all forms of malnutrition by 2030. However, due to the indivisible nature of the SDGs, in order to make progress on SDG 2 policy makers will need to also consider inter-linkages and critical interactions between SDG 2 and other SDGs, such as the synergies with goals on poverty, health, education, gender and sustainable consumption and production patterns, as well as trade-offs with goals on water, energy, climate, oceans, land use, forestry, biodiversity and ecosystems.

Reform or remove policies that create negative spill-over effects

OECD countries can accelerate the process of reforming policies that create negative spill-overs. Historically, the concern has been with high levels of support and protection that have the potential to undercut farmers' livelihoods in developing countries. With the exception of tariff preferences given to some developing countries, tariffs on agricultural products remain several times higher than those levied on industrial goods. This restricts market access for developing countries' farmers with export potential. Higher prices have historically led to the accumulation of production surpluses, which have been disposed of by means of export subsidies. These in turn depress international prices, making conditions more difficult for competitors in international markets and for import-competing producers in domestic markets. Policies to support farmers have also often been counter-cyclical, which stabilise domestic markets but export volatility onto world markets. There have been important reforms, however, resulting in lower marginal impacts of support on developing countries. The reduction in the level of support has also been accompanied by a shift away from production- and trade-distorting forms of support.

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

Overall, the best response to global market instability is for countries to avoid distorting or protectionist policies. Such policies cause bilateral and regional trade flows to break down, and generate wider negative spill-overs when applied by countries with a larger presence in world food markets. Many of the 2007-08 food price spike responses were ineffective because of the collective impact of other countries applying similar measures. Countries can mitigate some of these risks by having a wider range of trading partners.

Ensure coherence of actions at and between different levels of government (vertical coherence)

Enhancing or maintaining food security depends on coherent policy interventions across all levels of government and co-ordination among political institutions and other stakeholders. Governments need to make better use of existing political structures and institutions, as well as to realign their policy frameworks and agendas with partner countries to expand the reach and improve effectiveness of their efforts.

Local governments are ideally placed (and usually, mandated) to concentrate on several variables needed to improve food security (e.g. infrastructure, food distribution). However, local governments often lack funding, capacities and adequate staffing. This is especially acute in developing countries. Increasing revenue collection in the short term, and promoting local economic development in the long term, can help mitigate those issues.

To improve food security at the *national level*, countries are encouraged to set up or strengthen inter-ministerial mechanisms, informed and co-ordinated at a high level of government, consolidated in national law, and involving governmental and non-governmental stakeholders from all areas related to food security and nutrition. National strategies, in turn, need to be comprehensive and address all pillars of food security, i.e. availability, access, utilisation and stability. Efforts also need to take into account and engage with the regional level and involve regional organisations.

Finally, the *international community* should work collectively in support of national and regional efforts to combat hunger, and to help prevent duplication. The recent economic crises, including high and volatile food prices, have shown that improved co-ordination is critical at national, regional and global levels.

Consider diverse sources of finance to improve food security and ensure complementarities

One of the most effective means of reducing poverty and food insecurity amongst rural populations in agricultural-based economies is economic growth in the agricultural sector. An estimated amount of USD 80 billion annually is needed in agriculture investment globally over the next years, which would mean a 50% increase from current levels. To mobilise such large amounts, policy makers have to funnel funds from a broad range of sources.

While most of the investment will come from the private sector, especially from farmers themselves, governments have an important role in establishing framework conditions that complement and encourage responsible private investment. Governmental intervention in agriculture finance is often directed towards managing risks in the sector. This includes support to farmers in the form of payment of indemnities, reductions in social security contributions, tax exemptions and subsidising private insurance schemes.

Increased investment in agriculture will also involve new stakeholders in agricultural supply chains, as well as innovative financing mechanisms. This is a positive development overall, but it will require policy makers to pay increasing attention to potential incoherencies among these growing sources of finance.

Consider contextual factors and create enabling conditions for ensuring global food security

It is ultimately household income that determines the ability of people to buy the food they need to lead healthy lives. Raising the incomes of the poor is therefore one of the main

enablers for ensuring global food security. The basic requirement for poverty reduction is broad-based development and its underpinnings include peace and political stability, sound macro-economic management, strong institutions, well-defined property rights and good governance. Open and transparent markets can also be considered an enabler for food security by alleviating information asymmetries. Trade enables production to be located in areas where resources are used most efficiently and has an essential role in getting products from surplus to deficit areas. It also raises overall incomes through the benefits to exporters (in the form of higher prices than would be received in the absence of trade) and importers (through lower prices than would otherwise be paid), while contributing to faster economic growth and rising per capita incomes.

Conversely, conflict and fragility, as well as high and volatile food prices, are significant disablers of food security. Coherent and integrated policies can help to strengthen enabling environments and to remove or minimise the effect of systemic conditions.

Illicit financial flows

Combating illicit financial flows is a major challenge for all governments, and an increasingly important priority for the international community. IFFs are a significant barrier to sustainable development, and to the implementation of the Sustainable Development Goals. Money lost each year through IFFs is estimated at USD 1 trillion from corruption, and about USD 1.6 trillion from global money laundering. These flows strip resources that could finance much needed public services, such as health care, education, and other vital elements of sustainable development.

IFFs stem from corruption, crime, terrorism, and tax evasion; and use channels ranging in sophistication from cash smuggling and remittance transfers, to trade finance and shell companies. The cross-cutting nature of IFFs requires policymakers and other stakeholders to have a more strategic overview of IFFs. They must assess the potential trade-offs and synergies in an inter-disciplinary manner, better inform policy making upstream, and help government actors to take more effective action. **Chapter 4** aims to address this challenge by providing a simplified framework and self-screening tool for countries to help them plan for, avoid, and resolve the most significant trade-offs or policy inconsistencies and apply existing international standards in a coherent and effective way. It can also raise awareness of the relevance of IFFs to achieving the SDGs, particularly target 16:4 which calls on countries to "significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime" by 2030.

Identify and raise awareness of the types, magnitudes and risks of IFFs

As the very first step in the process of addressing IFFs, governments and other stakeholders need to build an evidence-base to guide further action. It is crucial to map the territory and to identify the types of IFFs, quantify their magnitudes, and assess the threat they pose. This may also help to put IFFs on the political agenda and to raise awareness of the challenges and risks involved.

IFFs can be defined broadly as all cross-border financial transfers, which contravene national or international laws. This is a wide category which encompasses several different types of financial transfers, made for different reasons. It can include:

- Funds with criminal origin, such as the proceeds of crime.
- Funds with a criminal destination, such as bribery, terrorist financing or conflict financing.

- Funds associated with tax evasion.
- Transfers to, by, or for, entities subject to financial sanctions under UN Security Council Resolutions such as 1267 (1999) and its successor resolutions (e.g. Al Qaida and other terrorist organisations).
- Transfers that seek to evade anti-money laundering/counter-terrorist financing measures or other legal requirements (such as transparency or capital controls).

IFFs pose a severe threat to public finance on a global scale: total ODA provided by DAC members in 2013 was USD 134.4 billion. The estimates of IFFs cited here place global losses from corruption at USD 1 000 billion; and from money laundering (which includes some of the proceeds of corruption) at USD 1 600 billion.

Consider the contextual factors that allow IFFs to thrive

Many factors influence the risks that a country faces from IFFs and the capacity to effectively prevent and mitigate them. The threats and vulnerabilities existing in a particular country (whether of a domestic, regional or international origin) affect the scale and the type of IFFs it may see, and the capacity to effectively prevent and mitigate them in terms of policies and institutions. Understand the scale of domestic crime, notably proceeds-generating crime and organised crime. In order to curb IFFs, it is therefore imperative to:

- Assess the strength and integrity of public institutions (including law enforcement, tax authorities, and financial supervisors).
- Ensure good governance, rule of law, and strong institutions, including the involvement of civil society and independent media.
- Analyse the size of the financial sector, including international and offshore financial centres, as this might impact the country's exposure to risk and IFFs.
- Examine the role of the international environment, the impact of geographical location and cultural links.
- Identify the degree of secrecy/transparency in public and private institutions, e.g. bank secrecy, beneficial ownership of legal persons and arrangements, and data protection.
- Survey the composition of the national economy; and explore how this composition may encourage or discourage illicit flows.

Support coherence within and between national and international normative frameworks (vertical coherence)

Measures to combat IFFs can be complex and technical, and they also need to be responsive to an ever-changing global environment. It is not effective or coherent for each country to pursue these measures in isolation. Countries are more effective when they share information about the changing risk environment; when they pool their resources to identify and disseminate best practices in the implementation of policy measures; and when they exert concerted pressure on jurisdictions which do not play by the rules. Active participation in the international groups and bodies concerned with IFFs can support effectiveness and coherence at home, and open up co-operative options for managing conflicts and spill-overs internationally.

The international framework is governed by a large array of different, legally binding agreements; international standards developed by the OECD; and numerous voluntary standards and bodies. This international normative framework is generally considered as

coherent and the multitude of agreements and treaties refer to (and build on) each other. Coherence is further enhanced by an increasing focus of four key OECD bodies that are primarily working on IFFs: The OECD Working Group on Bribery; the Global Forum on Transparency and Exchange of Information for Tax Purposes; the Oslo Dialogue, (supporting a whole of government approach to fighting tax crime and other financial crimes), and the Financial Action Task Force (FATF).

Recent years have seen the development of clearer international standards for combating IFFs, widening global participation in key international bodies, and greater co-operation between specialised agencies. In spite of substantial changes over recent years, considerable scope for coherence improvements remains at the interface between this multi-facetted framework and the different nation states. There is uneven progress across OECD countries in curbing IFFs, and developing countries are particularly dependent on coherent international action to tackle the links in the IFFs chain that are beyond the scope of their national policy making (OECD, 2014).

To improve coherence, it is essential to: engage with *international norms and standards*, including peer review mechanisms, multilateral co-operation initiatives, and information exchange mechanisms; establish *bilateral co-operation*, in particular with countries which are key sources and destinations for IFFs; and identify how *development assistance* policies can support measures to combat IFFs.

In a similar vein, the issue of IFFs needs to be mainstreamed across and between national actors, e.g. ministries and competent authorities, as well as non-government institutions. Governments need to build institutional mechanisms that assign clear responsibilities and facilitate straight-forward co-ordination and collaboration between the different agencies, both on the level of policy design and implementation.

Consider critical interactions across economic, social and environmental areas to address IFFs (horizontal coherence)

As IFFs cut across traditional policy sectors, the responses will inevitably interact with other policies and at times even interfere with their specific policy objectives. In order to stand a chance of success, measures to counter IFFs have to be carefully embedded into the specific sectoral frameworks. Mapping out potential frictions and incompatibilities could guide policy design so as to exploit synergies, and to avoid unintended consequences.

The overarching trade-off regarding IFFs concerns risk, cost, and proportionality: Are anti-IFFs policies, given the costs they involve, a proportionate and justified response to the risks posed by IFFs? Specific policy areas for consideration include:

- taxation (i.e. balance revenue recovery and administrative resource constraints with the need to deter further tax evasions and maintain public support and compliance);
- business regulations (i.e. balance the need for transparency and regulation of the establishment of companies with the consideration of creating a business-friendly environment and minimising compliance costs);
- financial inclusion (i.e. balance the need for stringent reporting rules with concerns for access to financial services of poor people with insufficient identity documentation);
- migrant remittances (i.e. crack down on IFFs while not discouraging migrant remittances);
- data protection rules (i.e. balance the need for transparency and reporting with privacy and data protection rules);

- and diplomatic relations (i.e. balance the need to combat IFFs with diplomatic concerns about tensions between countries/governments about high-profile cases).

Going forward, it will be important to consider synergies and trade-offs related to IFFs in the context of the SDGs. Reflecting their significance as a potential disabler of development efforts, SDG target 16.4 includes a specific reference to IFFs, calling upon countries to "by 2030 significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organised crime". Efforts to achieve this target will need to be carefully balanced with efforts to achieve other targets. This involves identifying synergies with some goals (e.g. Goal 8: sustained, inclusive, and sustainable growth), as well as trade-offs with other goals (e.g. Goal 10: Inequality).

Green growth

The world economy will change dramatically over the coming decades. By 2050 global economic output is projected to nearly quadruple. This expansion has the potential to raise living standards around the world. But it also poses major environmental challenges with implications for future generations. A world economy that is four times larger than today could be using up to 80% more energy predominantly from fossil fuels, thereby increasing greenhouse gas emissions and exacerbating climate change. Without shifting towards a sustainable growth path, the impact on natural resources and the ecosystem services on which human wellbeing depends will be colossal.

Green growth policies will be fundamental in incorporating the sustainability dimensions into economic policy making. They can unlock new and sustainable sources of growth through improvements in productivity and innovation, create new markets through changes in demand, and create greater investor confidence through a predictable government approach to green growth. In addition, the risks to growth emanating from resource bottlenecks and ecosystem imbalances can be successfully addressed.

This impetus is propelled further by the 2030 Agenda for Sustainable Development, which attempts to move beyond the single-goal vision of economic expansion and incorporate a multitude of other targets into a more coherent and sustainable idea of human wellbeing. Green growth – a subset of sustainable development – will be instrumental for achieving the Sustainable Development Goals.

To promote green growth – and achieve the SDGs – a much better understanding of the opportunities and trade-offs between environmental and economic policies is instrumental. If governments do not have a clear grasp of the economic opportunities created by environmental preservation – or the potential feedbacks of environmental damages on economic growth – they will struggle to align economic and environmental priorities for green growth. **Chapter 5** shows how the PCSD Framework can be used to support their efforts to design and implement coherent green growth policies.

Consider the contextual factors which may support or hinder green growth

The policies needed to implement green growth policies will vary from country to country depending on national and contextual circumstances, such as income levels, size and sectoral composition of the economy, and the relative dependence on natural resources or fossil fuels. Governments can enable green growth by shifting public expenditures away from activities that waste, overuse or degrade environmental resources, and by facilitating for businesses to fully integrate sustainability and equity concerns. More effective

enforcement of legislation, as well as research, science and innovation, can also support the transition to green growth. In many developing countries, it is important to establish resource and land rights regimes that safeguard the interests of those with informal rights.

Similarly, the importance of constraints to green growth will vary between countries. The OECD identifies two broad categories of constraints to green growth:

- Low overall economic returns, encapsulating factors which create inertia in economic systems and capacity constraints, or "low social returns".
- Low appropriability of returns, where market and government failures prevent people from capturing the full value of improved environmental outcomes and efficiency resource use.

Other systemic conditions, which apply to virtually all areas of policy, include poor governance, weak institutions, lack of transparency and corruption. The management of systemic conditions will be viewed differently depending on whether the focus is on a single industry, the stewardship of an economy at large, or even the global economy. From an economy-wide perspective, there are clear downsides to acting too slowly. Priorities and timeframes are likely to be different depending on local environmental and developmental context.

Ensure coherence at and between different levels of governance (vertical coherence)

While national, sub-national and municipal governments face different challenges and opportunities in promoting green growth, their policies and actions need to be coherent and strive towards the same overall objectives. Multilevel governance – co-ordination between different levels of government, private sector and civil society – is necessary for integrating environmental and economic priorities in pursuit of green growth. At the same time, local and national strategies need to be aligned with broader international agendas.

At the international level, the Sustainable Development Goals underscore the importance of green growth strategies to the global development agenda, while the Paris Agreement at COP21 marks a decisive turning point in the global response to climate change. National-level actions, in turn, are most effective when guided by a national strategy, ideally designed through stakeholder engagement and championed by the centre of government. Additionally, governments need to develop institutional capacity in order to be able to integrate green growth objectives into broader economic policy-making and development planning.

However, central government policy alone cannot ensure a green transition – cities, regions and communities are also important catalysts for green growth policy solutions. Experimentation and learning at the subnational level can provide essential experience and lead to bottom-up diffusion of approaches between cities and regions as well as influence national and even international levels of actions. Co-ordinating governance issues can help achieve the most cost-effective option in attaining green growth, including in the areas of green investment and innovation

Identify policy interlinkages of relevance to green growth (horizontal coherence)

Policies for greening growth will differ across countries, according to local environmental and economic conditions, institutional settings and stages of development. However, in all cases, various policy instruments have to be harmonised across different

policy domains and line ministries in order to integrate the natural resource base into the same dynamics and decisions that drive growth.

The 2030 Agenda will also require policy makers to recognise and promote synergies between some SDGs and targets, while at the same time minimising potential conflicts between others. Specifically, green growth requires aligning economic and environmental objectives so that they are mutually reinforcing and not working at cross-purposes, while at the same time taking into account the social consequences. To this end, policy makers need to have a shared understanding of the interactions between economic and environmental goals, their complementarities and potential policy conflicts and trade-offs. Policy coherence for sustainable development can be used to identify such linkages *ex ante*, as well as their effects *ex post*.

Policy areas to consider in conjunction with the design and implementation of green growth policies include environment and climate (e.g. carbon pricing, emissions performance standards); fiscal policy (e.g. environmental taxes; green budgeting); investment (e.g. in infrastructure); competition (e.g. barriers to market entry); labour market (e.g. green skills and jobs); trade (e.g. bilateral and multilateral trade agreements, trade in environmental goods); agriculture (e.g. sustainable production and land use, fertiliser subsidies); innovation (e.g. support for R&D, green technologies); energy (e.g. fossil fuel subsidies, biofuel subsidies); transport (alternative vehicles, congestion charges); urban planning (e.g. land-use planning); and development co-operation (e.g. ODA for climate change adaptation).

Consider the various sources of finance (public, private, domestic, foreign)

Financial flows need to act both as an engine for growth and development as well as an incentive to maintain the quality of the global commons. However, the investment needs for a transition to the green economy are great and funds will be required from both public and private sources. Different scenarios have tried to estimate the amount of future investment required for green transition. Most recently, the OECD/IEA (2015) estimated that in order to remain within the 2 degrees scenario, additional investment of around USD 40 trillion would be required from 2016-50, about half of which (USD 19 trillion) should be channelled to the transportation sector. In total, this accounts for about 1% of projected global GDP over the same time.

Public investment will have to play a pivotal role in the promotion and implementation of green growth policies and measures. Three areas in particular merit attention:

- *Green taxation*. Taxes related to energy and greenhouse gas emissions have by far the biggest revenue-raising potential of environmentally related taxes.
- *Subsidies abolition*. Public resource mobilisation could be further supported by gradually phasing out harmful tax incentives and subsidies.
- *Green public procurement and expenditure*. OECD countries increasingly include environmental objectives in procurement strategies.

Development finance institutions are also instrumental in mainstreaming microfinance and supporting the development of private industries in risky green sectors at early stages of development, but their role could be strengthened further.

Private investment is indispensable for green growth. To this end, governments will need to make every effort to unlock hitherto dormant capital flows. Importantly, promoting green investment may not as much depend on raising new funds as on redirecting existing

funds by building an investment environment conducive to sustainable investment. Institutional investors (such as insurance and pension funds), whose size and influence are expected to increase as a consequence of the ageing populations in OECD countries, are considered the natural candidates to finance a long-term transition to green growth.

Assess the impact of policies and monitor progress towards green growth

Policy coherence for sustainable development can help governments anticipate the effects of their actions on people's wellbeing (here and now), as well as on other countries (elsewhere) and future generations (later). Given the broad scope and complexity of green growth, however, progress towards policy objectives (as well as associated policy effects) cannot be easily captured by a single measure but rather by a set of markers that identify necessary conditions for green growth. The OECD Green Growth Measurement Framework provides a powerful tool for providing a body of evidence to support the policy dialogue on whether economic growth is becoming greener and, if so, to what extent people are benefiting from it. Specifically, the framework explores four inter-related groups of indicators, which are flexible enough for countries to adapt them to different national contexts:

- The environmental and resource productivity of the economy.
- The natural asset base.
- The environmental dimension of quality of life.
- Economic opportunities and policy responses.

Additionally, the framework also considers the socio-economic context and characteristics of growth.

Tracking progress in policy coherence for sustainable development

Monitoring policy coherence for sustainable development will require consideration of three key elements: i) institutional mechanisms; ii) policy interactions, including contextual factors; and iii) policy effects (OECD, 2015a). This broader approach can be used to assess the extent to which domestic policies are aligned with international sustainable development objectives and contribute to the achievement of the Sustainable Development Goals. The purpose of **Chapter 6** is to explore a selection of policy interactions related to food security, illicit financial flows, and green growth – the three priority areas for policy coherence identified in the 2012 OECD Strategy on Development.[1] These include:

Food security:

- Potential trade-offs: Ending hunger/manage water sustainably/ensure energy access/increase biofuels production
- Synergy: Correct trade restrictions and price distortions/income growth
- Potential trade-offs: Agricultural productivity/climate change/marine pollution/deforestation

Illicit financial flows:

- Potential trade-offs: Strengthen financial regulation/improve financial inclusion/transaction cost of remittances
- Synergy: Reduce IFFs/manage natural resources sustainably
- Synergy: Strengthen domestic resource mobilisation/reduce IFFs

Green growth:

- Potential trade-offs: Double agricultural productivity/sustainable use and management of ecosystems, forests, land and soil
- Potential trade-offs: Sustain per capita economic growth/sustainable use and management of ecosystems, forests, land and soil
- Synergy: Rationalise fossil fuel subsidies/combat climate change

Identifying and understanding the different types of interactions between the SDGs and their respective targets will help policy makers to maximise synergies and exploit win-wins (pursuing multiple objectives at the same time); avoid potential policy conflicts (pursuing one policy objective without undermining others); manage trade-offs (minimising negative impacts on other policy objectives); and ultimately design coherent policies for sustainable development.

Data and indicators to track progress on PCSD are likely to vary from country to country depending on their natural attributes, economy, institutional set-up, and political and social variables. Yet, some common indicator sets could be identified for cross-country comparisons and peer review. By monitoring the correlation and trends between these indicators, we offer an approach that countries might wish to use to assess their own progress towards SDG target 17.14 – "enhancing policy coherence for sustainable development". Monitoring the evolution of OECD country policies that could either contribute to or undermine the achievement of these targets provides an additional layer of analysis. The purpose of this exercise is to contribute to monitoring policy coherence at the national level. It is undertaken in parallel with the UN-led process to monitor implementation of the SDGs at the global level.

Other stakeholders too are conducting studies of SDG interactions and monitoring options. Such initiatives include: a number of modelling tools by UN DESA; a nexus approach to identify interactions by Stockholm Environment Institute; an SDG dashboard and index by the Sustainable Development Solutions Network; a taxonomy of the types and strengths of interlinkages by the Stakeholder Forum, Bioregional, and Newcastle University; the iSDG Model by the Millennium Institute; and a proposal for reporting on SDG target 17.14 by 11.11.11 (the Flemish Coalition of the North South Movements) and Kehys (the Finnish NGDO Platform to the EU).

Implementing the 2030 Agenda nationally

The 2030 Agenda presents national governments with both opportunities and challenges. Opportunities – because it prompts them to review and improve the coherence of domestic policies, guided by a common global framework; challenges – because, in many countries, it requires new or updated institutional mechanisms for designing and implementing integrated policy solutions more effectively.

National approaches for implementing the 2030 Agenda and the Sustainable Development Goals vary between countries. **Chapter 6** provides an overview of 18 countries' initial efforts to "nationalise" the agenda and adapt it to their own country context and priorities.[2] It is based on responses to the following six questions:

1. In what way is your country aligning its national strategies to the 2030 Agenda and setting national targets?
2. What steps are being taken to integrate the SDGs into national policy frameworks, break out of policy silos and apply integrated and coherent policy approaches?

3. How is your country updating institutional settings and strengthening co-ordination mechanisms for improved coherence and effective SDG implementation?
4. Is your country applying an intergenerational timeframe when designing policies for the implementation of the SDGs?
5. How are current monitoring mechanisms being aligned with the new agenda in order to track progress in SDG implementation?
6. Are efforts being made to involve multiple stakeholders, e.g. CSOs, NGOs, and the private sector in these processes?

It shows that most of them have begun to align their existing national sustainable development strategies, as well as their development co-operation policies – many refer to this as the internal and external dimensions of SDG implementation. Several countries have or are planning to conduct gap analyses or mapping exercises of their national strategies vis-à-vis the 2030 Agenda in order to identify where action is needed. Subsequently, concrete action plans for implementation are being proposed or elaborated, and responsibilities for implementation, follow-up and reporting are assigned to appropriate government bodies. Steps are also being taken to break out of policy silos and apply integrated and coherent policy approaches that stretch over several years. To the extent possible, countries are using existing structures and processes.

Institutional settings and co-ordination mechanisms for SDG implementation are being updated too. Some countries have created designated interministerial working groups for this purpose; others are using existing oversight units, which tend to be located at the centre of government (e.g. Prime Minister's Office), ensuring a whole-of-government approach and strategic planning.

With regard to monitoring and reporting, most countries rely on the active involvement of their national statistics offices. They have been involved in preparations during the lead-up to the adoption of the SDGs and will continue to have a leading role in reviewing and updating existing national sustainable development indicators. The importance of good quality data for tracking progress in SDG implementation cannot be over-emphasised.

Finally, all countries are making efforts to involve non-government stakeholders, such as civil society and non-governmental organisations, the private sector, philanthropists, academia and local interest groups. This is done in various ways, e.g. through regular consultation processes, multi-stakeholder advisory groups, and online platforms for exchange.

Notes

1. For a more in-depth analysis of the three topics, see previous editions of Better Policies for Development: 2013 edition for food security; 2014 edition for illicit financial flows; and 2015 edition for green growth.
2. Countries that have contributed to this overview by responding to six broad questions include: Austria; Denmark; Estonia; Finland; Germany; Greece; Italy; Ireland; Japan; Latvia; Netherlands; Poland; Portugal; Slovak Republic; Spain; Sweden; Switzerland; and Turkey.

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Better Policies for Sustainable Development 2016
A New Framework for Policy Coherence

Chapter 1

Aligning policy coherence for development to the 2030 Agenda

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Taking action to address the potential negative effects of policies, while at the same time supporting development objectives, has been the main focus of policy coherence for development (PCD). More recently, with the adoption of the 2030 Agenda, all UN Members – including OECD countries – have committed to enhance policy coherence for sustainable development (PCSD). This chapter explores briefly the experience of OECD countries over the past ten years in putting in place institutional mechanisms for promoting PCD. It attempts to identify general lessons and good practices that could be relevant for building institutional mechanisms for coherence that are better adapted to the vision and needs of the 2030 Agenda, and for shifting from PCD towards PCSD. The analysis herein is informed by desk-based research and by the experience of the OECD-PCD Unit in working with some members and partners on how to apply PCSD in the implementation of the SDGs.

Introduction

In today's interconnected global economy, policies in one country can have negative effects on the development prospects of other countries. Taking action to avoid negative impacts, while at the same time supporting development objectives, has been the main focus of policy coherence for development (PCD). PCD seeks to avoid situations in which Official Development Assistance (ODA) supports another country's agricultural development, while simultaneously undermining its export opportunities through tariffs or subsidised agricultural production in the provider country.

OECD Members have formally signed international commitments to enhance PCD through its membership in the Organisation. With the 2008 Ministerial Declaration, they reaffirmed their "strong commitment to PCD and stress(ed) its importance in achieving the internationally-agreed development goals…". They also resolved to "ensure that development concerns are taken into account across relevant policies" (OECD, 2008). Most OECD countries now have in place institutional mechanisms for PCD in accordance with the 2008 Declaration as well as the 2010 Recommendation of the Council on Good Institutional Practices in Promoting Policy Coherence for Development. PCD is a key pillar of the OECD Strategy on Development, endorsed by OECD Ministers in 2012.[1] With the Strategy the approach to PCD is evolving to better respond to the new realities of the global context.

The 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda, call on all countries to "pursue policy coherence and an enabling environment for sustainable development at all levels and by all actors". The Sustainable Development Goals (SDGs) include a target (SDG 17:14) on the means of implementation to "enhance policy coherence for sustainable development" (PCSD). An indicator to track progress on SDG 17:14 has been agreed by the UN Statistical Commission as part of the global monitoring framework for follow-up and review of the 2030 Agenda. This indicator (17.14.1) aims to capture the "Number of countries with mechanisms in place to enhance policy coherence for sustainable development" (UN ECOSOC, 2016).

This chapter explores briefly the experience of OECD countries over the past ten years in putting in place institutional mechanisms for promoting policy coherence for development. It looks at the assessments by the OECD's Development Assistance Committee (DAC) Peer Reviews on PCD from 2005 to 2016 as well as other reports from the OECD and EU. It also draws on the lessons learnt from the work of the OECD Strategy on Development on PCD which has led to the development of the PCSD Framework introduced in Chapter 2. It attempts to identify general lessons and good practices that could be relevant for building institutional mechanisms for coherence better adapted to the vision and needs of the 2030 Agenda. The analysis in this chapter is informed by desk-based research and by the experience of the OECD-PCD Unit in working with some members and partners on how to apply PCSD in the implementation of the SDGs.

The challenge of policy coherence for development

Enhancing PCD is a persistent challenge in international development as well as in effective governance. Governments – mainly DAC Members – have sought to meet that challenge by setting up institutional mechanisms and processes to manage often competing policy objectives and interests. These mechanisms are known as the PCD Building Blocks: i) political commitment and policy statements that can help translate commitment into action; ii) policy co-ordination that can resolve conflicts or inconsistencies between policies; and iii) systems for monitoring, analysis and reporting on the impacts of policies to provide evidence to inform decision-making (OECD, 2009). The purpose of these mechanisms is to ensure that domestic and foreign policies support, or at least do not undermine, the development aspirations of developing countries.

Since 2003, DAC peer reviews have assessed practices to promote PCD in DAC Members. More recently – since 2010 – the reviews look in particular at the extent to which DAC Members have the necessary three PCD Building Blocks in place, and how they work.[2] Practice varies from country to country depending on their governance processes, political dynamics, institutional setup, administrative culture and working methods. There is no "one size fits all" formula for promoting PCD, and the three building blocks do not have to proceed at the same speed. In some countries, for example, co-ordination may well be more advanced than one would expect from the level of political commitment to PCD (OECD, 2008).

All OECD members are in principle and on paper committed to PCD through the 2008 Ministerial Declaration and, in several cases, through their membership in the EU.[3] A quick look at the trends in DAC peer reviews over the last ten years shows that there has been growing awareness and political support as well as an increasing number of institutional mechanisms in place for PCD (Table 1.1).

In general, the experience has shown that institutional mechanisms have been instrumental to raise awareness and build commitment, but are not sufficient to achieve results. The strong commitment on PCD by DAC members sharply contrasts with the perception that progress in terms of policy efforts or changes has been limited over the last decade. According to the Commitment to Development Index (CDI), OECD countries' policies in seven key areas that affect poor countries, notably aid, finance, technology, environment, trade, security, and migration did not change much in the ten years between 2003 and 2013 (Krylova, 2014).

According to recent Peer Reviews, some of the key aspects that impede progress include the weak understanding and ownership of the PCD concept within administrations, parliaments and the public. They also include the lack of: time-bound action plans with shared objectives for the whole government; clear mandates for institutions responsible to arbitrate and balance divergent policy interests; and analytical capacity and sound monitoring systems and indicators to track progress and inform decision-making. A general overview of the country experiences in promoting PCD, as well as the challenges are highlighted in the following sections.

Translating commitment to action requires a better understanding of PCD

Over the past ten years, nine OECD Members (e.g. Belgium, Denmark, France, Italy, Luxembourg, Poland, Portugal, Sweden and Spain), as well as the EU, have enshrined the principle of policy coherence for development in their laws (Box 1.1).

Table 1.1. **PCD Building Block in OECD DAC Members**

Countries	Year	A. Political Commitment and policy statements	B. Policy co-ordination mechanisms	C. Monitoring, Analysis and Reporting
Australia	2013			
Austria	2015			
Belgium	2015			
Canada	2012			
Czech Republic	2015*			
Denmark	2015*			
European Union	2012			
Finland	2012			
France	2013			
Germany	2015			
Greece	2011			
Iceland	N/A	N/A	N/A	N/A
Ireland	2014			
Italy	2014			
Japan	2014			
Korea	2012			
Luxembourg	2012			
The Netherlands	2015*			
New Zealand	2015			
Norway	2013			
Poland	2016			
Portugal	2016			
Slovak Republic	N/A	N/A	N/A	N/A
Slovenia	N/A	N/A	N/A	N/A
Spain	2016			
Sweden	2015			
Switzerland	2009			
United Kingdom	2015			
United States	2011			

The Member country has implemented the PCD Building Block in accordance with the 2008 Declaration and 2010 Council recommendations.

The Member country is making efforts to implement the PCD Building Block.

The Member country has not yet implemented the PCD Building Block.

* Recent information on PCD efforts in these countries is taken from the questionnaires on contributions from Member States for EU-PCD Report 2015.

Similarly, a number of Members have made PCD an explicit priority in their development programmes, including Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Luxembourg, Netherlands, New Zealand, Norway, Portugal, Spain, Sweden, Switzerland, and the UK (Box 1.2).

A clearly stated commitment is a precondition to operationalise policy coherence. Equally important are having a shared vision of what PCD aims to achieve, identifying specific objectives and providing guidance on how to proceed across the administration. DAC peer reviews indicate that the concept of PCD has been hard to grasp for policy makers across members' governments (OECD, 2009). On one hand, aid managers tend to associate coherence mainly with aid policy and activities. On the other hand, officials in line ministries do not necessarily understand how the development perspective is relevant for other domestic policy areas, nor why international development objectives should take precedence over domestic objectives.

Box 1.1. **Making legal commitments to PCD**

Belgium – Policy coherence for development is rooted in the 2013 Federal Law on Belgian co-operation and humanitarian aid, and is supported by a joint declaration common to both the federal and federated governments.

Luxembourg – The amended law of 2012 on development co-operation refers explicitly to policy coherence for development, and the mandate of the inter-ministerial committee has been broadened to cover policy coherence aspects.

Spain – The 1998 International Development Co-operation Act defines that the principles laid out in the law "will inform all policies applied by public administrations within the framework of their respective competencies that may affect poor countries".

Sweden – In 2003 the Swedish Parliament endorsed the Policy for Global Development making equitable and sustainable development the shared responsibility of all ministries and placing PCD at the centre of the development policy. In October 2014, Sweden's new Coalition Government announced a re-launch of the Policy for Global Development to take account of Agenda 2030.

Box 1.2. **Making policy coherence an explicit priority**

Austria – PCD is clearly referred to in the Federal Act on Development Co-operation and is at the core of the Three-Year Programme on Austrian Development Policy 2013-2015. Policy coherence for development is also an explicit objective in the government's Work Programme 2013-2018.

Ireland – The Irish government renewed its commitment to policy coherence for development in its policy for international development, One World, One Future. At the EU level it has been active in promoting a more systematic approach to this issue in line with the commitments made in the Treaty of Lisbon (Article 208).

New Zealand – The International Development Policy Statement commits New Zealand to ensuring policy coherence in areas such as trade, migration, investment and the environment, with international development commitments and goals. New Zealand developed in 2014 the Policy Statement and Action Plan on PCD. The action plan includes a focus on inter-agency policy dialogue and establishes a prioritised PCD agenda.

In Austria, for example, there is a general perception among federal ministries that PCD is about co-ordinating development co-operation policy and interventions (OECD, 2015b). The 2010 DAC Peer Review for Japan noted the weak understanding of the difference between the coherence of aid-related activities and the coherence of other policies, i.e. non-ODA policies (including those related to domestic policies and other official flows) (OECD, 2010b). In Luxembourg, the notion of PCD is understood as promoting a coherent approach to development co-operation, or pertaining to the European level only. The Luxembourg authorities consider that purely domestic policies in such a small country have little or no impact on developing countries, compared to common European policies (OECD, 2012e). In the US, the peer review team noted in 2011 that there was often confusion between achieving coherence in delivering the aid programme and ensuring that US domestic and other foreign policies are consistent with, and support, development efforts (OECD, 2011d).

There is currently no single agreed definition of PCD. The notion of PCD is difficult to communicate to other policy communities beyond development, because the focus is not always clear: Is it about policy-making processes? Or institutional mechanisms? Co-ordination of governments' external actions? Policy efforts or impacts? The objectives are frequently vague and unclear. PCD is politically difficult when the underlying assumption is that development co-operation or international development objectives take priority over other domestic policy objectives. Ministries in any one policy area do not want to be subordinate to any other ministry or policy area. As a consequence, there is a compelling case for clarifying and increasing awareness of the relevance of domestic policies to the well-being of people in other countries, and of the benefits for all of promoting sustainable development.

Translating political commitment into concrete action requires time-bound action plans with clearly identified objectives that encompass all policies of the government, as pointed out in many DAC peer reviews. Several DAC Members have identified a limited number of thematic priorities for PCD. Some Members have developed action plans which are often aligned with the five strategic challenges for PCD defined by the EU (trade and finance, climate change, food security, migration, and security). However, in some cases there is no clear guidance on how different line ministries should apply policy coherence on these issues. The 2012 Peer Review for Finland, for instance, noted that relevant ministries should be given responsibility for addressing these priority areas, and that Finland could design up-to-date guidance for each area that would identify responsibilities, objectives and tools, including for monitoring and analysis (OECD, 2012d).

Specific mandates are needed to ensure an effective interface between policies

Most OECD members have in place policy co-ordination mechanisms. In several cases, these mechanisms have been established to specifically promote PCD (Box 1.3). Some mechanisms are informal; others provide systematic screening of legislative proposals for development impacts, or have dedicated policy coherence units.

Many of the policy co-ordination mechanisms have existed for years and can be important tools to improve PCD – especially when clear mandates exist to address development issues. This is particularly true in those countries that adopt a whole-of-government approach to policy-making. In Australia, for example, a systematic, whole-of-government approach is well established with the Cabinet being the highest level decision-making committee. Development issues are discussed in a range of consultative mechanisms and inter-departmental committees, such as the Development Steering Committee, the G20 Policy Sub-Committee and the Post-2015 Development Agenda Interdepartmental Committee (OECD, 2013b).

In some cases, mechanisms are established for dealing with specific priority areas. The UK, for example, takes a practical case-by-case approach to PCD, bringing together different parts of government to work effectively at home and abroad. They focus on issues of common interest, such as anti-corruption, climate change and trade, areas where the Cabinet has engaged strategically, and where the Department for International Development (DFID) has promoted joint efforts with other departments. However, the latest peer review has noted that the lack of a comprehensive approach means overlooking potential incoherence in other policy areas. Opportunities might also be missed for stakeholders to provide evidence on and solutions to problems of incoherence (OECD, 2014d).

Box 1.3. **Strengthening policy co-ordination mechanisms**

Belgium – Belgium is creating a new institutional set-up for policy coherence for development. These consist of i) an inter-ministerial conference headed by the Prime Minister; ii) an interdepartmental committee of Federal ministries, Regions and Communities; iii) an advisory body, and iv) a secretariat charged with monitoring these entities.

Germany – BMZ is responsible for promoting policy coherence for development across the German government and the EU. Together with the Ministry for Environment, it has been steering the post-2015 process within government and with external stakeholders. Having a seat in Cabinet allows BMZ to scrutinise every policy from a development perspective; its recent strengthening makes it even better equipped to analyse the effects of domestic policies on developing countries.

Portugal – Portugal's Inter-Ministerial Commission for Co-operation mandate has been broadened to include addressing policy coherence for development as well as co-ordinating the development programme. The Commission has also started to meet at the highest political level strengthening its leverage across government.

Switzerland – Switzerland's Inter-Departmental Committee on Development and Co-operation (ICDC) has been strengthened and entrusted with the task of identifying potential conflicts of interest between Swiss international co-operation and the sectoral policies of individual federal departments. The number of interdepartmental bodies is also increasing; to date, 33 cover policy areas which have an impact on developing countries.

United Kingdom – The former co-ordination system of public service agreements has been phased out and cross-government objectives are now included in departmental business plans. This approach brings together different parts of government to work on selected issues of common interest.

Specific co-ordination mechanisms for PCD are essential to ensure that development considerations are taken into account in inter-ministerial deliberations and in policy-making process. However progress is difficult to achieve without specific mandates to address domestic policies, deal with policy divergences or tensions, and resolve conflicts of interests. In Ireland, for example, according to the last peer review, there are no clear processes for managing trade-offs between competing policy priorities. While the InterDepartmental Committee on Development has a mandate to address issues of PCD, it is not using fully its potential as a channel for alerting the government to possible policy conflicts and resolving tensions (OECD, 2014a).

Spain has put in place three commissions to facilitate co-ordination between ministries, autonomous entities and non-governmental actors. However, they have only limited ability to address domestic policies that are considered harmful for or supportive of developing countries. The latest peer review has noted that Spain will need to give the policy coherence and co-ordination bodies a mandate to address domestic policies, finalise the prioritisation of coherence issues, and revise the methodology for reporting to parliament if it wants to achieve PCSD (OECD, 2016b).

Similarly, Luxembourg has expanded the mandate of the Inter-ministerial Committee on Development Co-operation: the amended law of 2012 expands its functions to include PCD. However, the committee's role and mandate is purely advisory: it cannot therefore manage trade-offs or exercise control (article 50). In the face of divergent views, trade-offs will be

managed, either by the Minister of Co-operation or by the Council of Ministers. In practice, the inter-ministerial committee, which is chaired by the co-operation director, gives priority to ensuring proper co-ordination of development co-operation programmes (OECD, 2012f).

In Sweden, the last peer review noted that existing co-ordination mechanisms can have difficulty dealing with conflicts of interests between development policy and Sweden's other policies. Current examples include Sweden's arms exports to developing countries considered undemocratic and tensions between bioenergy production and food security. The peer review also calls into question the transparency regarding how these conflicts of interest are managed. The MFA has highlighted these difficulties in its two reports to the Riksdag on Sweden's Global Policy on Development (OECD, 2013e).

Monitoring systems need to be strengthened to influence policy change

Capacity for monitoring, analysis and reporting – the third PCD building block – remains the main challenge for DAC members according to most peer reviews. Five OECD members have specific PCD monitoring systems in place (Box 1.4). However, in some cases these systems are not fully utilised for screening domestic policies that could adversely affect development in other countries or regions. Many recent peer reviews have pointed to a lack of analytical capacity, or inadequate use of existing analytical capacity.

Box 1.4. **Building capacities for analysing, monitoring and reporting**

Germany – Germany reports progress on policy coherence for development at the national and European levels. A section on progress in making policies development-friendly is included in the report that BMZ presents every four years to the Federal Parliament. The Federal Government's four-yearly progress report on the sustainable development strategy and the biennial indicator report prepared by the Statistical Office also help monitor progress.

Norway – The Ministry of Foreign Affairs has established annual routines for evaluating and reporting on the coherence of Norwegian policy as part of its budget proposals to the Storting.

Spain – Spain set out a PCD Unit to strengthen its capacity to analyse the coherence of its policies. The PCD unit co-ordinates the network of focal points and provides expertise in managing and analysing coherence for development within the government. The Unit can also draw on the expertise of the Development Co-operation Council and the findings from analyses conducted with partner governments when drafting the Country Partnership Frameworks. Together with the network of focal points, it prepares a biennial report for the Development Co-operation Council and parliament with input from the PCD Commission.

In Germany, according to the 2015 Peer Review, the reports on PCD are not frequent enough to be effective in enhancing consistency across various German policies, such as its advocacy for phasing out EU export subsidies to agricultural products. The Peer Review has noted that Germany would gain from more systematically communicating its efforts and learning from results (OECD, 2015d).

In the case of Norway, there is no clear evidence that the reports have inspired actual changes in policies. According to the last peer review, the reports are about stocktaking based on self-reporting and without measurable indicators to track progress, or address impact. The Government considers preparing the annual report as an important objective

as well as a means to encourage further debate among decision-makers and the public more generally. Nevertheless, the reports, co-ordinated by the Ministry of Foreign Affairs, are subject to agreement among all ministries, which may result in the critical issues not being addressed. The reports have been criticised by the Norwegian civil society for being "too self-congratulatory and not critical enough" (OECD, 2013d).

Spain is one of the DAC members with all three building blocks in place: a legal basis for PCD; co-ordination mechanisms with specific mandates for addressing policy coherence, including a dedicated Unit for PCD; and the obligation to report on PCD biennially to the parliament and the public. The latest peer review of Spain notes that the specialised PCD unit does not have a clear mandate to analyse "beyond aid" policies or to encourage others to do so. As a consequence, the biennial report to parliament is more descriptive than analytical, and there is no clear system either for screening domestic policies that could adversely affect developing countries or for identifying priority issues (OECD, 2016b). As a consequence, neither the Report nor the monitoring system for PCD can inform decision-making from a whole-of-government perspective.

Making PCD operational raises important questions of measurement: What are the concrete outcomes that policy coherence aims to achieve? What needs to be measured: policy commitments? changes in policies? policy efforts? or policy interactions? Or should one be measuring the effects or impact of policies on global development or developing countries? An analysis on the use of PCD indicators in a selection of EU Member States by ECDPM has highlighted that there is still a significant confusion when it comes to PCD monitoring (van Seters et al., 2015). Without clear indicators policy, coherence efforts lack solid foundation on which to advance.

New efforts are underway in Spain, and collaboration with the OECD's PCD unit to update the methodology and develop progress indicators should help Spain design proper analytical tools and strengthen its monitoring and reporting systems (OECD, 2016b). Some preliminary recommendations included: updating the definition of policy coherence; aligning PCD efforts to the 2030 Agenda; developing workable indicators for measuring overall progress towards cross-government objectives; and identifying different agencies' contributions to policy coherence for sustainable development. An updated definition of policy coherence is fundamental to clarify the dimensions that the new methodology would try to measure. An agreed definition of policy coherence can help policy-makers in line ministries to grasp the concept and better understand how policy contradictions or synergies can be analysed, reported and fed into decision-making.

Moving towards PCSD: What have we learnt from the experience with PCD?

The overall lesson from more than two decades in promoting policy coherence for development is that the PCD building blocks are just a starting point. They: i) set out the essential functions and capabilities needed by countries to consider development issues more systematically in policy-making processes; ii) are organisational concepts which can help improve policy-making systems and increase their capacity to balance divergent policy objectives if translated into structures, processes and methods of work; and iii) focus mainly on the process of policy making, not the substance of policies. The assumption is that the process by which policies are formulated and implemented has a determining effect on substantive policy outcomes and impacts.

While PCD institutional mechanisms will continue to be relevant in the context of the SDGs, they need to be reconfigured to respond effectively to the vision of the new agenda, with mechanisms that: i) fully engage the whole government beyond foreign affairs, development ministries and aid agencies; ii) have the mandate and capacity to manage the diverse interactions between sectoral policies – policy tensions, trade-offs and synergies – and between domestic and international policies; iii) ensure a more systematic consideration of the effects of policies *ex ante*, during and *ex post*; iv) involve key stakeholders particularly CSOs and the private sector; and v) mobilise the national installed capacity for strengthening monitoring and reporting systems.

The universal, integrated and transformative nature of the new agenda requires governments to be able to work across policy domains, actors and governance levels. It involves a significant shift in the way PCD is approached:

- A *universal* agenda entails recognising that we are no longer in a MDG world divided between donors and recipients. All countries face difficulties in addressing the sustainable development challenges ahead. Actions by governments, international institutions, private sector, and civil society to achieve SDGs and targets need to be adapted to the specific context, capacities and needs of each country.
- An *integrated* agenda requires coherent policy-making to ensure a balanced approach to the economic, social and environmental dimensions of sustainable development *(horizontal coherence)*. It requires breaking out of sectoral silos and adopting integrated approaches to consider more systematically complex inter-linkages (such as the water-energy-food nexus), trans-boundary and intergenerational impacts, and trade-offs at different policy levels.[4] As the SDGs overlap and targets interact, policy coherence is fundamental to ensure that progress achieved in one goal (e.g. water) contributes to progress in other goals (e.g. food security or health).
- A *transformative* agenda involves aggregated and coherent actions at the local, national, regional and global levels *(vertical coherence)*. This is critical in an increasingly interconnected global economy where systemic risks have inextricable global-domestic linkages that need to be managed. Some of the sustainable development challenges need to be addressed at the global level (e.g. climate change and other systemic risks); at the national or regional level (e.g. legislative changes, economic transformations needed for climate change mitigation or adaptation, or changes in fiscal and trade policy); and at the local level (e.g. specific details on land use; human settlement patterns, or transportation planning).

Policy coherence in the 2030 Agenda requires bringing in sustainability considerations more systematically in policy-making. Policy Coherence for Sustainable Development (PCSD), as defined by the OECD (see Chapter 2), puts greater emphasis on the effects of policies on the well-being of people in other countries and regions. It builds upon PCD efforts. Given the centrality of sustainable development in the 2030 Agenda, PCSD also focuses on the effects on the well-being of future generations (long-term impacts of policies). There is an increasing recognition that poverty eradication and human well-being will be more challenging in a planet facing natural resource degradation, scarcity and climate change. Domestic and international policies have a key role to play for delivering the economic, social and environmental transformations needed for achieving a more sustainable path.

A new analytical framework based on a clear definition of policy coherence is now needed to embrace the complexity of the new agenda. The OECD, as part of its Strategy on

Development has been working to develop a new analytical framework (introduced in Chapter 2) that aims to take into account i) the diverse roles of different actors at different levels (governments, international organisations, private sector and non-governmental organisations), as well as the diverse sources of finance – public and private, domestic and international – for achieving sustainable development; ii) the economic, social and environmental dimensions of sustainable development in policy-making, and consider critical policy inter-linkages as well as the complex interface between domestic and foreign policies; iii) the enabling and disabling conditions that influence policy performance and outcomes, iv) the effects of policies on the well-being in any one country ("here and now"), for people living in other countries ("elsewhere") (i.e. trans-boundary and intergenerational impacts of policy decisions); and v) a long-term perspective for transformation and consider the effects of policies on the sustainable development and well-being of future generations ("later").

The SDGs and targets, as a set of internationally agreed global priorities, provide a framework to guide policy coherence actions across sectors. Translating the SDGs and targets into actionable, measurable and achievable country-specific targets, requires paying attention to inter-linkages, synergies and trade-offs between policy areas and between different levels of policy implementation (local, regional, international). In this new context, policy coherence provides a useful lens to inform policy-making on how to integrate sustainable development as well as the policy interactions, and to help address potential conflicts upstream in the process. National targets can guide PCSD and mobilise all sectors. As highlighted in Chapter 7, Several OECD Members have started their national processes for aligning national strategies to the 2030 Agenda. These processes are involving all ministries to identify priorities, and integrate the SDGs and targets in their sectoral programmes.

There is a clear recognition now that the implementation of the SDGs goes beyond the responsibility of one line ministry or policy community. It requires the active involvement of all sectors and a wide range of stakeholders that allow for a holistic (whole-of-government/whole-of-society) perspective of the issues at stake. Mobilising whole-of-government efforts requires high-level political commitment; strategic policy frameworks; and effective and well-functioning institutional co-ordination mechanisms. It requires leadership for establishing priorities, planning for longer-term policy objectives, and seeking a balance with short-term problem solving objectives and considerations that often are a priority. It also requires specific initiatives by governments to better integrate the SDGs within the mandate of each national institution. Several OECD Members, as underlined in Chapter 7, have started to update institutional settings and programmes to integrate the concept of PCSD, as well as strengthen co-ordination mechanisms for coherent SDG implementation.

Going forward, there will be a need to develop capacities to track progress at national level in a way that captures the main elements of PCSD, considering but going beyond institutional aspects. Governments need to be able to measure the synergies and trade-offs between economic, environmental and social priorities; evaluate the longer-term implications of current policy decisions; and establish the current state of play as regards sustainable development.

Enhancing policy coherence for sustainable development as called for by the 2030 Agenda and Addis Ababa Action agenda will entail looking at the whole policy-making process from policy priorities, formulation, institutional arrangements and processes for

co-ordination to implementation practices at the local, national and international levels as well as transboundary and intergenerational effects. A key element for enhancing PCSD is informed decision making. This requires clear guidance and flexible tools for all stakeholders that can be adapted to the specific circumstances, context and needs of countries. This the purpose of the PCSD Framework introduced in the following chapter.

Notes

1. The commitment to policy coherence for development has been reaffirmed in several key OECD documents in the past 20 years, such as: the "Shaping the 21st Century: The Contribution of Development Co-operation" of 1996; the 2002 Ministerial statement "OECD Action for a Shared Development Agenda"; the 2008 Ministerial Declaration on Policy Coherence for Development; the 2010 Recommendation of the Council on Good Institutional Practices in Promoting Policy Coherence for Development; and the OECD Strategy on Development of 2012. International commitments to PCD have also been included in the Millennium Declaration (2000); the Monterrey Consensus (2002); the European Consensus on Development (2005); the Paris Declaration (2005) and Accra Agenda for Action (2008); the EU's Lisbon Treaty; the outcome document of the 2010 MDG Summit; and the outcome document of the Fourth High Level Forum on Aid Effectiveness (2011).
2. The 2010 OECD Council Recommendation provides guidance on good practices in promoting policy coherence for development in line with the three PCD Building Blocks. The recommendation emphasises that "well-designed institutional frameworks are fundamental to ensure that the development dimension is taken into account at all stages of policy-making, and to promote coherent, whole-of-government approaches to development".
3. For Germany, as well as for other EU Member States, the Lisbon Treaty (TFEU) provides the legal basis for the country to promote PCD. The TFEU, art. 208, stipulates that: "The Union shall take account of the objectives of development co-operation in the policies that it implements which are likely to affect developing countries".
4. The 2030 Agenda emphasises that "The challenges and commitments contained in… (all major UN conferences that have laid the foundation for sustainable development) are interrelated and call for integrated solutions. To address them effectively, a new approach is needed. Sustainable development recognises that eradicating poverty in all its forms and dimensions, combatting inequality within and among countries, preserving the planet, creating sustained, inclusive and sustainable economic growth and fostering social inclusion are linked to each other and are interdependent."

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Chapter 2

A new framework for policy coherence for sustainable development

Transitioning from the Millennium Development Goals (MDGs) to a universal sustainable development framework calls for updating current approaches to promote policy coherence for development (PCD), and making sure that existing institutional mechanisms are "fit for purpose" for the implementation of the Sustainable Development Goals (SDGs). The "PCSD Framework" introduces the concept of Policy Coherence for Sustainable Development (PCSD) and provides guidance on how to analyse, apply and track progress on PCSD. It aims to support any government – both from OECD members and partner countries – interested in adapting its institutional mechanisms, processes and practices for policy coherence to implement the SDGs. The PCSD Framework is flexible and adaptable to diverse national and institutional contexts and allows users to develop their own strategy for enhancing policy coherence. It forms part of the OECD's strategic response to the SDGs.

Introduction

2015 marked a major shift in international development. As the Millennium Development Goals (MDGs) have reached their target date, a new global agenda was adopted in September 2015 by the 193 Member States of the United Nations to complete the unfinished business, eradicate poverty by 2030, and steer a transformational shift towards sustainable development for all. The vision of "Transforming Our World: the 2030 Agenda for Sustainable Development" differs from that of the MDGs in fundamental ways. It represents a more ambitious agenda that puts emphasis on well-being, prosperity and sustainability in all countries for all people of this generation and those to come. The new agenda entails:

- moving from goals applied largely to low income developing countries towards universal goals applicable to all countries regardless of their level of development
- shifting from a focus on the symptoms to addressing also the underlying causes of economic, social, environmental and governance challenges
- involving a wider set of actors including ministries, parliaments, local authorities, private sector and civil society in delivering the goals at the national, local, regional and international levels
- strengthening data, monitoring and review processes to inform policy-making and enhance accountability.

The Sustainable Development Goals (SDGs), which form the core of the new agenda, are an indivisible set of global priorities that incorporate economic, social and environmental aspects and recognise their inter-linkages in achieving sustainable development. The implementation of an integrated set of 17 SDGs (Box 2.1) and 169 associated targets requires whole-of-government approaches, strengthened coordination, enhanced policy coherence, as well as a more effective mobilisation, use and allocation of all available resources – public, private, domestic and international.

Box 2.1. **Sustainable Development Goals**

1. End poverty in all its forms everywhere.
2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture.
3. Ensure healthy lives and promote well-being for all at all ages.
4. Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.
5. Achieve gender equality and empower all women and girls.
6. Ensure availability and sustainable management of water and sanitation for all.
7. Ensure access to affordable, reliable, sustainable, and modern energy for all.

Box 2.1. **Sustainable Development Goals** *(cont.)*

8. Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
9. Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation.
10. Reduce inequality within and among countries.
11. Make cities and human settlements inclusive, safe, resilient and sustainable.
12. Ensure sustainable consumption and production patterns.
13. Take urgent action to combat climate change and its impacts.
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development.
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss.
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
17. Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Source: UNGA (2015).

The 2030 Agenda for Sustainable Development calls upon all countries to "enhance policy coherence for sustainable development" (SDG target 17.14) as an integral part of the means of implementation. The global indicator proposed by the Inter-Agency and Expert Group on Sustainable Development Goal Indicators (IAEG-SDGs) to track progress on Target 17.14 aims to capture the "Number of countries with mechanisms in place to enhance policy coherence for sustainable development" (PCSD). Policy coherence is critical to capitalise on synergies among SDGs and targets, between different sectoral policies, and between diverse actions at the local, regional, national and international levels. PCSD is fundamental to inform decision-making and manage potential trade-offs and tensions between policy objectives, such as: economic growth, human wellbeing, and environmental protection and natural resource preservation.

Transitioning from the MDGs to a universal sustainable development framework calls for updating current approaches to promote policy coherence for development (PCD), and making sure that existing institutional mechanisms are "fit for purpose" for the implementation of the SDGs. The *PCSD Framework* introduces the concept of Policy Coherence for Sustainable Development (PCSD) and provides guidance on how to analyse, apply and track progress on PCSD. It aims to support any government –both from OECD members and partner countries– interested in adapting its institutional mechanisms, processes and practices for policy coherence to implement the SDGs.

The PCSD Framework provides general guidance as well as a screening tool (checklist) to:

i) conduct analysis to identify policy coherence issues, and improve understanding on the interactions among SDGs and targets and their implications, and how certain policy actions might support or hinder the achievement of the goals and targets (**Analytical framework**);

ii) align existing institutional mechanisms for policy coherence to the needs and vision of the 2030 Agenda for Sustainable Development (**Institutional framework**); and

iii) consider key elements for tracking progress on PCSD, with a view to support national efforts for monitoring and reporting progress on SDG Target 17.14 to "enhance policy coherence for sustainable development" (**Monitoring framework**).

The *PCSD Framework* is flexible and adaptable to diverse national and institutional contexts. It allows users to develop their own strategy for enhancing policy coherence by using only the sections that are relevant to their priorities, own institutional settings and governance processes, and practical capacities and needs.

The general guidance provided by the *PCSD Framework* is neither prescriptive nor binding. The sets of open-ended questions in each of the sections are designed to enable policy-makers – ministries, legislatures and offices of government leaders, development agencies and other key stakeholders – to screen policies, organisational structures as well as policy-making processes, and consider other contextual factors which can influence the achievement of sustainable development goals. They are also intended to help users examine their current institutional mechanisms and practices for promoting policy coherence, and determine what changes are needed, if any, to adapt and align their current institutional mechanisms to the vision of the 2030 Agenda for Sustainable Development.

The checklist is not a substitute for a review of the policy coherence system of a country. The screening tool can complement external assessment and peer review. The screening should be conducted by the existing governmental body responsible for policy coordination, arbitration and coherence. The OECD could potentially be tasked with carrying out the external assessment and peer review, and the dissemination of the results.

The *PCSD Framework* updates the "PCD toolkit" which was first developed in 2009-10 as well as its revised version published online in 2012 as an OECD-PCD Unit Working Paper "PCD Framework". These previous versions were developed drawing on lessons learned and best practices collected by the OECD over several years of peer reviews, as well as on consultations with in-house experts and member countries. This new version seeks to transform the tool from a sectoral approach (e.g. agriculture, trade, environment, etc.) to one based on key challenges (e.g. global food security, illicit financial flows). This approach reflects better the vision of the 2030 Agenda for Sustainable Development. This new version has been discussed with PCD National Focal Points and is being developed based on the comments and feedback from the OECD secretariat, members, partners as well as relevant stakeholders.

The *PCSD Framework* is part of the OECD's strategic response to the SDGs, notably the proposed action area to upgrade the OECD's support for integrated planning and policy-making at the country level, and provide a space for governments to share experiences on governing for the SDGs. It responds to the call for updating PCSD tools and instruments to inform policy making and monitoring efforts. Members, partner countries and international organisations, as well as other stakeholders are invited to test the relevance and the practicality of the guidance and provide feedback to continuously improve this framework.

Table 2.1. **PCSD screening tool: An integrated checklist of key elements to be considered**

Main elements	Aspects addressed
1. ANALYTICAL FRAMEWORK	
1.1. Actors	
• Which actors (countries, international organisations, as well as key stakeholders such as governmental, businesses and non-governmental decision-makers) have to be involved and influenced? • How can other countries and key stakeholders be better engaged in policy coherence efforts to support the implementation of SDGs? • What is the role of the private sector, civil society organisations, bilateral and multilateral donors, and other stakeholders? • Has the role of parliaments, subnational and local governments, and municipalities been considered?	• Role of different actors and multi-stakeholder participation for enhancing PCSD • Involvement of partner countries
1.2. Policy inter-linkages	
• Have economic, social and environmental policy inter-linkages (synergies and trade-offs) been considered? • How do the planned policy outputs contribute to achieve sustainable development goals? • How does the actions to attain one SDG (e.g. food security) support or hinder progress in other SDGs (e.g. Water or Health)? • Are governmental organisations moving from sectoral perspectives (e.g. agriculture, trade, investment, water, energy) towards a more integrated decision-making processes and "issues-oriented" agenda (e.g. food security)?	• Interactions between economic, social and environmental policies • Synergies and trade-offs • Integrated approaches
1.3. Enabling and disabling conditions (contextual factors)	
• Have the existence of enabling environments which affect positively policy outcomes been considered? • Have the contextual factors (corruption, barriers to trade, knowledge, etc.) which might influence the policy outcomes been identified? What efforts have been made to address these factors?	• Enablers • Disablers
1.4. Sources of finance	
• Have all the potential sources of finance been identified (public, private, domestic, international) for sustainable development? • Are there specific mechanisms to avoid fragmentation of international, regional, and national funding instruments? • Have the enabling conditions and necessary incentives to ensure contributions from private sources been considered?	• Complementarities among sources of finance • Integrated financing frameworks
1.5. Trans-boundary and intergenerational impacts	
• Does the policy produce unintended effects, positive or negative, that could affect the well-being of people living in other countries? • Which groups would be affected and how? How can the unintended negative effects be mitigated? • Have the potential direct or indirect long-term effects on well-being of future generations been identified? • Are the economic, social and environmental costs of policy decisions considered?	• Policy effects
2. INSTITUTIONAL FRAMEWORK	
Whole of Government approaches	
2.1. Awareness and understanding of sustainable development, SDGs, and PCSD	
• Are the concepts of sustainable development, SDGs, and PCSD well understood by the public, governmental organisations and across levels of the government? • What efforts have been made to develop clear, widely accepted and operational objectives and principles for achieving the SDGs? • How do the SDGs inform policy-making? • Has the role of PCSD been considered for implementing the SDGs?	• Awareness raising on the SDGs and PCSD
2.2. Political commitment	
• Is there a clear commitment at the highest political level to the implementation of SDGs and formulation of a national strategy? • Is there a political statement spelling out the government's commitment to PCSD? • Is this commitment effectively communicated across levels of government? • Has it made a public commitment endorsed at the highest political level to integrate sustainable development into specific sectoral policies with clear links to the SDGs? • Has the government identified priority areas for PCSD and developed action plans?	• Political statement on PCSD. • Sustainable development mainstreaming
2.3. Priority setting	
• Are the current Sustainable Development priorities of the government aligned to the vision of the SDGs? • Is policy coherence for sustainable development an element of the national strategy? • Is there involvement of the Centre of Government in the coordination of high level priorities for sustainable development and for achieving the SDGs across line ministries? • Are there specific mechanisms to ensure effective feedback between different levels of government?	• Commitment towards the SDGs • Role of CoG

Table 2.1. **PCSD screening tool: An integrated checklist of key elements to be considered** *(cont.)*

Main elements	Aspects addressed
2.4. Multi-stakeholder involvement	
• What mechanisms are in place to involve and promote active participation of the government departments, parliamentarians, civil society, business and industry, academia, in the preparation of national strategies for achieving the SDGs? • How have other countries, international organisations and stakeholders been involved and helped inform the design of plans for enhancing PCSD?	• Whole-of government/whole of society perspective
2.5. Strategic framework	
• Is the government aligning its national or sectoral strategies to the SDGs and setting whole-of-government plans for implementation at the domestic and international levels? • Is PCSD recognised in national strategies as an integral part of the means of implementation? • Have the roles and responsibilities for domestic and international implementation been specified?	• National Strategies for SDG implementation
Policy coordination	
2.6. Coordination mechanisms	
• Have formal mechanisms been established for inter-ministerial collaboration, coordination and policy arbitration on SD? • Do these mechanisms provide opportunities for informing *ex ante* on domestic policy making as well as on its interface with foreign policies? • Is it located strategically within the government organisational structure to promote coherence and resolve policy conflicts (e.g. at the level of the Prime Minister's office)? • Is the budget process used to set priorities, reconcile policy objectives and promote policy integration?	• Inter-ministerial collaboration • Role of CoG
2.7. Country specific SDG targets	
• Does the prioritised set of national targets acknowledge policy inter-linkages and cover the three dimensions of sustainable development? • Are the targets based upon the best available data, evidence? • Do the targets contribute to economic and social transformation as well as to preserve the natural asset base?	• Clear governmental objectives.
2.8. Inter-linkages across governance levels	
• Has the government involved local stakeholders in the formulation and implementation of policies? • Is the national government supporting local authorities to increase or combine resources and capacities to formulate effective policy responses for sustainable development? • Are implementation responsibilities clearly divided among different levels of government, taking into account the distinct competences and comparative advantage of each level? • What mechanisms are in place to ensure coordination and joint action of agencies from different government levels involved in international initiatives?	• Vertical coherence
2.9. Budget processes	
• Is the budget process used to align national priorities to the SDGs, reconcile sectoral objectives and foster policy integration? • What efforts are being made to re-structure the budgetary process to reflect the increasing cross-cutting nature of policy-making? Is sustainable development integrated into regular budget process? • In what ways are the policies and their associated resource allocations likely to reinforce each other for achieving sustainable development objectives? • How do policies and programmes reflect the priorities in the SDGs and Targets?	• Mechanisms for reconciling policy priorities and integrating sustainable development
2.10. Administrative culture	
• What measures (management, performance incentives) are used to encourage collaboration and greater mobility of civil servants among ministries? • What mechanisms are in place to help increase the informal flow of information across ministries, institutions and sectors? • How sustained collaborative relationships are promoted among senior-level officials across the government?	
3. MONITORING FRAMEWORK	
3.1. Strengthening monitoring and reporting mechanisms	
• Are monitoring and reporting systems in place? Do they draw on evidence from officials and other reliable and impartial sources? • Is there transparent reporting to parliament and the public on PCSD, and on the impact of sectoral policies on SD? • Are resources and capacity adequate to analyse PCSD? • Is there a mechanism for assessing the performance of sectoral policies with regard to SD? • How are policies adjusted as new information on negative effects appears in the course of implementation, or as circumstances and priorities change?	• Reporting • Analytical capacity

Table 2.1. **PCSD screening tool: An integrated checklist of key elements to be considered** *(cont.)*

Main elements	Aspects addressed
3.2. Adapting monitoring mechanisms to the new agenda	
• Have specific indicators been identified at the national level to measure progress on PCSD? • Is the monitoring system considering the whole policy-making cycle (identification, formulation, adoption, implementation and assessment)? • Have indicators been identified to address all elements of PCSD (functions and capacities, policy interactions in achieving SD outcomes, and policy effects)? • Are trans-boundary and long-term effects taken into account?	• Data collection • Indicators
3.3. Measuring policy interactions	
• Have the critical interactions across SDGs and Targets been mapped out? Have potential synergies and trade-offs been identified? Have PCSD priority areas been identified based on these interactions? • Can existing indicators at national and subnational level be used to capture policy interlinkages and examine co-relations across sectors (e.g. rate of deforestation due to agricultural expansion)?	• Capturing synergies and trade-offs

Analytical framework: Understanding policy coherence for sustainable development

The economic, social and environmental challenges that the SDGs aim to address cannot be treated separately by fragmented institutions and policies. A comprehensive analysis of those challenges, their interconnections and implications as well as good information on the views and roles of diverse actors at different levels (local, national, international) and within and outside the government are critical for a coherent and evidence-based decision-making in implementing the SDGs.

A key challenge that policy-makers face is to ensure an integrated approach in implementing the SDGs. Policy makers need information and analysis to know what their realistic options are, what inconsistencies might result from their decisions in different sectors for achieving the targets, how the cost of those inconsistencies can be mitigated, and how they can explain to their constituencies the trade-offs they have to make.

This section aims to provide policy-makers, upstream as well as downstream, with key elements to consider for reconciling divergent policy objectives, anticipating impacts, strengthening coordination and guiding integrated decision-making, including at the interface between domestic and foreign policies. The annotations include a detailed description of the PCSD analytical framework and its key elements: actors, institutional mechanisms, policy interactions, contextual – enabling and disabling – factors, and policy outcomes and effects.

From the perspective of this framework a coherent policy would be one which take into account: i) the roles of diverse actors at different levels (governments, international organisations, private sector and non-governmental organisations), as well as the diverse sources of finance – public and private, domestic and international – for achieving sustainable development outcomes; ii) the policy inter-linkages across economic, social and environmental areas, including the identification of synergies, contradictions and trade-offs, as well as the interactions between domestic and international policies; iii) the contextual factors, i.e. the enablers (that can contribute to) and disablers (that hamper) sustainable development at the global, national, local and regional levels; and iv) the policy effects on the well-being in one particular country "here and now", on the well-being of people living in other countries "elsewhere", and of future generations "later".

Take account of the role of key actors in advanced, emerging developing economies for addressing sustainable development challenges

In an interconnected world economy, policies in any country can influence sustainable development across the globe. For example, the agricultural and associated trade policies of larger developing countries have increasingly important impacts on world markets. According to OECD analysis, during the 2007-08 food price crisis, export restrictions applied by several emerging economies exacerbated the crisis and placed a particular burden on some developing countries unable to source imports (OECD, 2013c). In a more interconnected world economy, it is no longer relevant given the changing structure of world trade, to view the international spillover effects of policies as exclusively a developed country issue.

Policy coherence is also relevant for developing countries to advance sustainable development objectives. An example is the cost and trade-offs of high levels of fossil fuel subsidies. In 2011, subsidies in developing countries were nearly six times higher than in OECD countries (amounting to around USD 43 billion). OECD analysis concludes that phasing out fossil fuel consumption subsidies in emerging and developing countries could reduce global greenhouse gas emissions by 6% by 2050 compared to business as usual, and by over 20% in Russia, the Middle East and North Africa. A fuel subsidy reform could also offer fiscal space for the local government to extend social programmes targeted specifically to the poor.

Constructive dialogue on common challenges among developing countries, emerging and advanced economies is essential to generate the sound evidence-base needed to inform policy-making, promote collective action, and ensure progress on policy coherence for sustainable development. The analysis on the role and actions of key actors requires addressing the following questions:

- Which actors (countries, international organisations, as well as key stakeholders such as governmental, businesses and non-governmental decision-makers) have to be involved and influenced?
- How can other countries and key stakeholders be better engaged in policy coherence efforts to support the implementation of SDGs?
- What is the role of the private sector, civil society organisations, bilateral and multilateral donors, and other stakeholders?
- Has the role of parliaments, subnational and local governments, and municipalities been considered?

Identify inter-linkages and different types of interactions between economic, social, and environmental policies (horizontal coherence)

The integrated and transformative nature of the 2030 Agenda for Sustainable Development require policies that systematically consider sectoral inter-linkages (synergies and trade-offs) between the economic, social and environmental spheres. This is fundamental to ensure that progress achieved in one goal (e.g. SDG on water) contributes to progress in other goals (e.g. SDG on food security or SDG on health or SDG on sustainable cities). Conversely lack of coherence across policy areas underpinning the SDGs poses the risk that progress achieved in one goal occurs at the expense of that in another goal. For example, an increase in agricultural land use to help end hunger (SDG2) could result in biodiversity loss and undermine progress on SDG target 15.5 (halt the loss of biodiversity).

The analysis should focus on how domestic/sectoral policy objectives interact with sustainable development goals. This analysis could be undertaken in two steps: first a

stocktaking of sectoral policy objectives relevant for achieving the SDGs at national and international levels; and second a mapping of overall interactions among sectoral objectives and their potential contribution to the SDGs. Some countries have undertaken mapping exercises to identify policy objectives and instruments relevant for SDG implementation (Box 2.2).

Box 2.2. **Mapping policy objectives and instruments for SDG implementation**

Finland – In preparation of the National Agenda 2030 Implementation Plan, the Prime Minister's Office conducted a survey in February-March 2016, encompassing all Government Ministries in order to explore the existing and missing policy instruments for implementation in Finland. The Ministries were asked to identify which goals and targets they are covering and by which policies and measures. The measures can vary from national and EU legislation to sectoral or thematic strategies and action plans, as well as implementation of the international agreements and commitments. The survey compiles all relevant policies and measures, indicates the state of play and budgetary status, and analyses areas of insufficient action or potential for cross-sectoral co-operation.

The interactions between water (SDG6), energy (SDG7) and food (SDG2) for example are numerous, complex and dynamic. Agriculture is the largest user of water at the global level; energy is needed to produce and distribute both water and food; and the food production and supply chain accounts for almost one third of total global energy consumption (OECD, 2015). Policy decisions made in these sectors can have significant impacts on each other and tensions may arise from real or perceived trade-offs between various objectives.

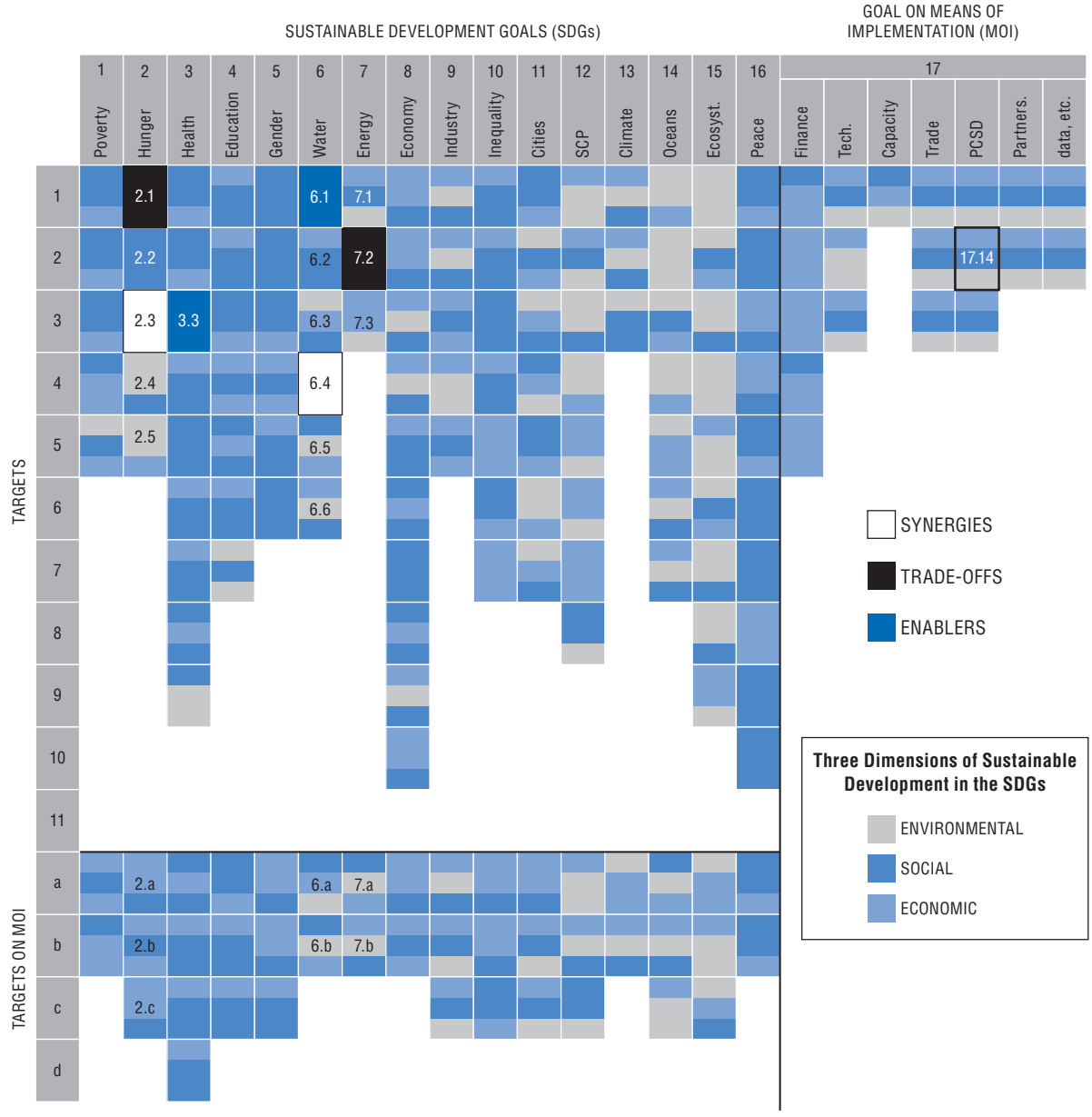
Table 2.2 provides an integrated perspective of the 17 SDGs – across the top – with their 169 associated targets. It illustrates the integration of the dimensions of sustainable development in each target (environment: green; social: blue; and economic: orange) including targets on means of implementation. It shows some of the diverse types of interactions that may occur between targets related to water-energy-food, for example according to some analysis (Weltz et al., 2014 and ICSY-ISSC, 2015):

- Some targets reinforce each other highlighting potential **synergies**, for example target 6.4 (increase water-use efficiency across all sectors) can ensure that more of the irrigation water actually reaches plants, thereby helping to achieve target 2.3 (agricultural productivity).
- Conflicts and **trade-offs** also may occur. For example between the targets 2.1 (end hunger) and 7.2 (increase substantially the share of renewable energy) by producing biofuels, if food crops and biofuel crops are competing for the same land and/or irrigation water.
- Some targets can be considered as **enablers**. For example target 6.1 (access to safe and affordable drinking water) is essential to achieve health targets (e.g. target 3.2 end preventable deaths of new-borns and children under 5 years of age).

These types of sectoral interactions need to be considered to take coherent decisions in achieving the SDGs. This means that institutions concerned with a specific goal (education, health, or energy) will have to take into account targets that refer or are relevant to other goals.

Applying PCSD analysis can help to understand how the SDGs are interconnected and inform policy-making. Governments, in the preparation of national plans for implementing

Table 2.2. **Some examples of the interactions between water, energy and food in the SDG Framework**



Source: OECD Policy Coherence Unit (2015), adapted from Korösi (2014).

the SDGs, could organise multi-stakeholder consultation processes and mapping exercises to identify sectoral interactions (synergies, trade-offs, complementarities and impacts) critical for achieving the SDGs. Analysing policy interactions as well as the role of diverse sectoral policies can play in the implementation of the SDGs requires addressing the following questions:

- Have economic, social and environmental policy inter-linkages (synergies and trade-offs) been considered?
- How do the planned policy outputs contribute to achieve sustainable development goals?

- How does the actions to attain one SDG (e.g. food security) support or hinder progress in other SDGs (e.g. Water or Health)?
- Are governmental organisations moving from sectoral perspectives (e.g. agriculture, trade, investment, water, energy) towards a more integrated decision-making processes and "issues-oriented" agenda (e.g. food security)?

Identify enabling and disabling conditions

Enhancing policy coherence for sustainable development in the implementation of the SDGs involves taking into account the extent to which policies could lead to reinforce negative ***systemic conditions*** or *disablers* (i.e. social, political economic, environmental and institutional factors) that hinder countries' capacities to achieve sustainable development objectives. These conditions include, among others, barriers to trade, markets, and knowledge, as well as inequality, conflict, corruption, environmental threats or climate change impacts.

Similarly, enhanced PCSD requires considering the extent to which policies contribute to the creation of ***enabling environments*** (or enablers) at the local, national, regional and global levels supportive of transformation processes towards sustainable development. Policy coherence analysis could provide a lens through which to identify potential "enablers" and guide coherent policy action from local to global levels. These include measures or policy efforts undertaken by the government to promote for example: a universal agreement on climate change, a fair, open and rules based global trading system; a stable financial system, a fairer and more transparent international tax system, among others.

Analysing these influencing factors in achieving the SDGs can help to identify priority areas for policy coherence as well as consider the unintended consequences of policy measures. This requires addressing the following basic questions:

- Have the existence of enabling environments which affect positively policy outcomes been considered?
- Have the contextual factors (corruption, barriers to trade, knowledge, etc.) which might influence the policy outcomes been identified? What efforts have been made to address these factors?

Consider diverse sources of finance to foster coherence and an integrated framework for financing sustainable development

Achieving the SDGs requires that all available resources – public, private, domestic, international – are effectively mobilised to finance sustainable development. According to the Intergovernmental Committee of Experts on Sustainable Development Financing (ICESDF), a key challenge is that excess liquidity is not flowing where needed. The annual global amount of investments required for key infrastructure sectors as part of the sustainable development implementation is estimated to be around USD 5 to 7 trillion, while the annual amount of global savings is currently at USD 22 trillion (ICESDF, 2014). This means that in addition to ODA, new sources of finance and financial instruments could be used. Private capital in the form of equity, bonds, non-concessional loans, risk mitigation instruments (including guarantees) plus philanthropic funds from foundations and trusts are all now playing a greater role. Given the potential volumes, they could be a transformative source of development finance in the future (OECD, 2014d).

PCSD analysis should also focus on the complementarity and consistency of existing sources and on ways to increase the efficiency of financing frameworks for sustainable

development. According to UN analysis, there has been a proliferation of public, private, domestic, bilateral and multilateral sources of financing for sustainable development with over fifty international public funds (multilateral and bilateral), 55 carbon pricing mechanisms and countless equity funds in operation. As a result, the financing landscape is complex and inefficient, with many funds underfunded. The sector-oriented silo approaches in policy and decision making influence the coherence of international public financial frameworks for sustainable development. This leads to: i) a fragmentation of international, regional and national funding instruments, channels, agents and initiatives; ii) unrealistic sector targets at all levels; iii) missed cross-sector synergies; iv) incompatible sector policies; and v) inconsistent fund allocation across sectors (UN TST, 2013).

Improving the coherence between the diverse financing sources of sustainable development requires addressing the following questions:

- Have all the potential sources of finance been identified (public, private, domestic, international) for sustainable development?
- Are there specific mechanisms to avoid fragmentation of international, regional, and national funding instruments?
- Have the enabling conditions and necessary incentives to ensure contributions from private sources been considered?

Consider trans-boundary and intergenerational impacts

Enhancing coherence for sustainable development and for achieving the SDGs entails considering more systematically in policy making what matters for human well-being of the present generation in one particular country – "here and now" –, what matters for the well-being of future generations – "later" – and what matters for the well-being of people living in other countries – "elsewhere". This refers to the long-term impact of policies at national and global levels.

Essentially sustainable development is a matter of distributional justice, in both time and space. This means that the distribution of well-being between the present and future generations is included, as well as the difference in well-being between countries (UNECE/OECD/Eurostat, 2014). Considering these conceptual dimensions is even more important in an increasingly interconnected world, where diverse growth and development paths of different countries impact on each other in the context of sustainable development.

The 'elsewhere' dimension (transboundary impacts) captures and highlights the ways in which countries in the pursuit of the well-being of their own citizens may affect the well-being on other countries. It refers to the international dimension of sustainable development. Support measures for fossil fuels for example often introduce economic, social and environmental distortions with unintended consequences that easily spill over globally. Fossil fuels are responsible for the majority of global GHG emissions, and fossil fuel subsidies – amounting to USD 510 billion worldwide in 2014 – contribute to climate change, but also have health implications, undermine incentives to invest in renewables, and can be replaced by more effective and targeted support for the poor.

The "later" dimension, i.e. the well-being of future generations depends on the resources (capital) the current generation leaves behind. These include: economic capital (physical, knowledge, financial); natural capital (energy and mineral resources, land and ecosystems, water, air quality and climate); human capital (labour, education, and health); and social capital (trust and institutions).

This approach is particularly relevant for PCSD analysis since it can enable policy-makers to distinguish to what extent their policy choices may lead to problems in other countries and in future generations. The section on "Monitoring Framework: tracking progress on diverse elements of coherence" provides examples of indicators which can be used to measure these dimensions. Considering more systematically the transboundary and long-term effects of policies requires addressing the following questions:

- Does the policy produce unintended effects, positive or negative, that could affect the well-being of people living in other countries?
- Which groups would be affected and how? How can the unintended negative effects be mitigated?
- Have the potential direct or indirect long-term effects on well-being of future generations been identified?
- Are the economic, social and environmental costs of policy decisions considered?

Institutional framework: Breaking out of policy silos

Implementing the SDGs requires governments to be able to work across policy domains, and adopt more integrated approaches to sustainable development. Institutional mechanisms for policy coherence can facilitate policy integration across various sectors. The SDGs as an internationally agreed framework offer an opportunity to build complementarities of planned policies, programmes and actions in the economic, social and environmental areas to increase the long-term effectiveness of government policy agendas.

The implementation of the SDGs goes beyond the responsibility of one line ministry or policy community. It will require the active involvement of all policy communities and a wide range of stakeholders that allow for a holistic (whole-of-government/whole-of-society) perspective of the issues at stake. It will require high-level political commitment; strategic policy frameworks; and effective and well-functioning institutional coordination mechanisms.

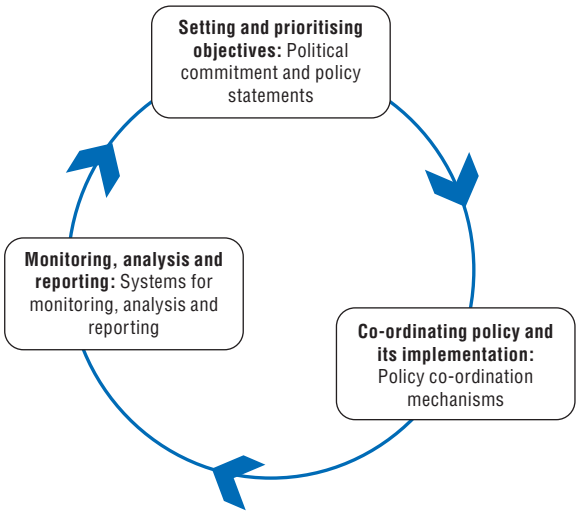
The general guidance set out in this section aims to help governments align their existing institutional mechanisms for coherence to the vision and needs of the SDGs. It draws on the experience of PCD building blocks (Figure 1), and highlights those recommendations from 2010 on good institutional practices in promoting PCD that are considered still relevant in the context of the 2030 Agenda for Sustainable Development. It also takes into account some experiences of the National Sustainable Development Strategies implemented by OECD countries in accordance with the 1992 mandate of Agenda 21 for sustainable development.

Build awareness of the challenges that the Sustainable Development Goals aim to address as well as of the nature of the new agenda

The SDGs are the result of one of the largest ever international consultations to identify global challenges and priorities. They will guide international efforts on policy and practice over the next 15 years. Heads of State and Government, local authorities, business leaders, policy makers, parliamentarians, citizens, and other stakeholders should understand the nature of the new sustainable development agenda, the economic, social and environmental challenges that we all are confronting, and the need to address them in an integrated and coherent manner.

The implications of economic, social and environmental sustainability need to be brought into the general policy debate and into sectoral policy agendas. The vision,

Figure 2.1. **The policy coherence cycle**



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

principles and operational objectives for implementing the SDGs need to be well understood by the public, politicians, public organisations and across levels of government. Similarly, the benefits of aligning national and local plans as well as institutional mechanisms and policy making processes to the SDGs need to be highlighted.

Several governments organised national consultations during the negotiation processes for the SDGs (Box 2.3). Similar consultations can be organised for developing implementation plans involving all key stakeholders and building common understanding and public awareness and support on the new agenda.

Box 2.3. **Building awareness on the SDGs**

Spain – to prepare the Spanish position for the post-2015 negotiations, an extensive consultation process began at the end of 2012 with the commissioning of a preliminary academic report, and in early 2013 diverse workshops were organised among academics, policy makers and more than 50 development specialists. The First National Consultation on this Academic Report took place in September 2013 followed by a set of workshops focused on food security and nutrition; global health; gender and inequality; growth and employment; environmental sustainability; water and sanitation; energy; governance and education. The consultation process culminated after two years in September 2014 with the Second National Consultation. A multi-stakeholder approach contributed to promoting better decision making and policy coherence and to create trust between different actors in order to build a common position within the Spanish system.

Sweden – In February and March 2015, the Ministry for Foreign Affairs organised a comprehensive consultation process on the 2030 Agenda. In total, about 200 people participated, which together represented about 130 different civil society organizations, business associations, trade unions, policy and research institutions and government agencies. The purpose of the consultations was to obtain expert knowledge of relevant Swedish actors, to share information on the process and the negotiations on the 2030 Agenda and to initiate broad support in Sweden for the 2030 agenda.

Achieving a common understanding on the challenges and the nature of the new agenda requires addressing the following questions:

- Are the concepts of sustainable development, SDGs, and PCSD well understood by the public, governmental organisations and across levels of the government?
- What efforts have been made to develop clear, widely accepted and operational objectives and principles for achieving the SDGs?
- How do the SDGs inform policy-making?
- Has the role of PCSD been considered for implementing the SDGs?

Ensure commitment at the highest level

Clear government commitment to the SDGs is essential to support the development of a concrete national strategy and subsequent action (Box 2.4). Strong leadership and clearly stated and articulated commitments at the highest political level is a precondition to coherence for sustainable development. Political commitment needs to be expressed at the highest levels and backed by policies, instructions, legislation, and incentives that allow taking sustainable development forward.

Box 2.4. **Political Commitment**

Recommendation 1: Make public the government's political commitment regarding objectives and policy priorities on policy coherence for sustainable development, clearly outlining how these relate to the SDGs.

Recommendation 2: Publish time-bound plans for making progress on policy coherence for sustainable development in implementing the SDGs.

Recommendation 3: Educate and engage the public, working with civil society, research organisations and partner countries, to raise awareness of government commitments supporting policy coherence for sustainable development as part of the means of implementation for the SDGs.

Source: Recommendations adapted from the 2010 Council Recommendation on Good Institutional Practices for Promoting Policy Coherence for Development.

In achieving the 2030 Agenda for Sustainable Development, governments have to ensure that policies in all sectors are aligned with the SDGs and associated targets. This entails overcoming "silo" thinking and reluctance from "short-termism". It requires leadership for establishing priorities, planning for longer-term policy objectives, and seeking a balance with short-term problem solving objectives and considerations that often are a priority. It also requires specific initiatives by governments to better integrate the SDGs within the mandate of each national institution (Box 2.5).

Achieving clear commitment at the highest level possible and leadership implies addressing the following questions:

- Is there a clear commitment at the highest political level to the implementation of SDGs and formulation of a national strategy?
- Is there a political statement spelling out the government's commitment to PCSD?
- Is this commitment effectively communicated across levels of government?

Box 2.5. **Integrating the SDGs into national strategies**

Austria – By decision of the Austrian Council of Ministers of 12 January 2016, the Austrian Government has requested all Ministries to integrate the SDGs into their relevant programs and strategies. The SDGs have already been fully incorporated into some new policies and programs, such as the Three-Year Program guiding the Austrian development co-operation from 2016-18.

Finland – According to the Government Program on 2015, a National Agenda 2030 Implementation Plan will be drawn up by the end of 2016. This Plan will outline how Finland in various policy sectors and in international co-operation will carry out the principles, goals and targets of the Agenda 2030, and how the progress of the implementation will be monitored and reviewed. It identifies Finland's strengths as well as major gaps and challenges and offers solutions and tools to improve the efficiency.

Japan – The government is developing a national system for the implementation of the 2030 Agenda across the government. In parallel, relevant ministries are mapping out their respective policies and initiatives to analyse gaps and integrate SDGs into their policy frameworks.

- Has it made a public commitment endorsed at the highest political level to integrate sustainable development into specific sectoral policies with clear links to the SDGs?
- Has the government identified priority areas for PCSD and developed action plans?

Ensure leadership of the Centres of Government in the priority-setting process

Institutional arrangements can facilitate co-ordination and collaboration across different ministries and levels of government, but they could be more effective if are supported by the Centre of Government (CoG) (Box 2.6). The CoG is an essential institution to securing policy development, policy implementation and co-operation across ministries in support of strategic domestic and international objectives. Achieving a coherent international framework for sustainable development with a set of universal goals has entailed convergence between key inter-related international processes. For example, the successful negotiation of three major conferences in 2015 – i) the Third International Conference on Financing for Development (FfD); ii) the UN Summit to adopt the Post-2015 Development Agenda; and iii) the 21st Conference of the Parties (COP21) – have major implications for national policy and practice and require leadership at the highest levels of government to convene the different policy interests, achieve consensus and reconcile potentially competing objectives, and ensure coordination.

The Centre of Government may be the best placed to provide that leadership. The Centre is in principle policy neutral in contrast to line ministries or departments, it has a convening power which can influence policy adjustments, as well as coordination expertise and experience in dealing with cross-cutting issues and complex agendas. Governments should, however, build on existing policy co-ordination structures and inter-ministerial mechanisms, including those facilitated by PCD national focal points and those established as part of the Agenda 21 for sustainable development, and ensuring vocal champions wherever possible.

Box 2.6. **OECD Network of Senior Officials from Centres of Government**

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

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

For more information: *www.oecd.org/gov/cog*.

Ensuring the involvement of the Centres of Government for the coordination and implementation of the SDGs requires addressing the following questions:

- Are the current Sustainable Development priorities of the government aligned to the vision of the SDGs?
- Is policy coherence for sustainable development an element of the national strategy?
- Is there involvement of the Centre of Government in the coordination of high level priorities for sustainable development and for achieving the SDGs across line ministries?
- Are there specific mechanisms to ensure effective feedback between different levels of government?

Engage key actors and stakeholders in the priority-setting process from the outset, and stimulate multi-stakeholder action for sustainable development

Sustainable development involves trade-offs among economic, social and environmental objectives and value judgments which cannot be determined by governments alone. The implementation of the SDGs will require effective communication and participatory approaches, whereby governments and key stakeholders, acting individually and collectively, identify common challenges, set priorities, align policies and actions, and mobilise resources for sustainable development. This will allow for an aggregated and coherent set of actions at the local, national, regional and global levels by governments, intergovernmental organisations, the private sector and civil society organisations.

Cities and local governments can provide an important conduit from the national level to local citizens and community groups. They can generate and compile data and provide innovation labs for new sustainable development strategies and approaches. Academia can provide evidence, identify best practice and play a key role in public awareness. Civil society can represent the needs of under-represented communities and regions and help ensure accountability. Other actors will be critical for helping to mobilise or provide finance and technical assistance. This multi-stakeholder engagement will also be important in light of the long-term nature of the SDG Agenda which needs to transcend partisan politics and electoral cycles and steer the country to success by 2030. Broad-based consultations involving a wide range of stakeholders were conducted in a number of countries in the in the process leading up to the SDGs, which provide a good basis for further stakeholder engagement (Box 2.7).

Box 2.7. **Multi-stakeholder engagement**

Finland adopted "The Finland We Want by 2050 – Society's Commitment to Sustainable Development" in 2014. It brought together government leaders and representatives from local communities, the social partners and civil society organisations to agree on a long term vision, key government programmes and action programmes from business and other civil society organisations.

Germany has a Sustainable Development Council, consisting of experts from science, business and civil society appointed by the Federal Chancellor, to advise the government on sustainable development questions and contribute to improving the Sustainable Development Strategy. Germany's BMZ also undertook a consultation process to echo the voice of its citizens in a "Charter for the Future".

Multi-stakeholder partnerships, including public-private partnerships can help mobilise the actions and means for creating the necessary enabling environments to achieve the SDGs. Achieving this requires addressing the following questions:

- What mechanisms are in place to involve and promote active participation of the government departments, parliamentarians, civil society, business and industry, academia, in the preparation of national strategies for achieving the SDGs?
- How have other countries, international organisations and stakeholders been involved and helped inform the design of plans for enhancing PCSD?

Establish a coherent strategic framework for achieving the SDGs

Establishing a strategic policy framework for sustainable development will help ensure that sectoral, domestic, and foreign policies are coherent with the government's common agenda, commitments and priorities for achieving the SDGs. The Centre can use the strategic policy framework as a tool to orient policy development in line ministries. This can be facilitated if the government's agenda for achieving the SDGs has been mapped out collectively, i.e., with the involvement of all the ministries who will be responsible for its implementation. The high level goals and priorities established by the government should be made public, clearly outlining how these relate to the SDGs.

Several governments have started their processes for aligning national strategies to the 2030 Agenda and the SDGs. These processes are involving all ministries to identify priorities, and integrate the SDGs and targets in their sectoral programmes (Box 2.8), see also Chapter 7.

Building a coherent framework for pursuing the SDGs requires addressing the following basic questions:

- Is the government aligning its national or sectoral strategies to the SDGs and setting whole-of-government plans for implementation at the domestic and international levels?
- Is PCSD recognised in national strategies as an integral part of the means of implementation?
- Have the roles and responsibilities for domestic and international implementation been specified?

Box 2.8. **Integrating the SDGs into national strategies**

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Japan – The government is developing a national system for the implementation of the 2030 Agenda across the government. In parallel, relevant ministries are mapping out their respective policies and initiatives to analyse gaps and integrate SDGs into their policy frameworks.

Make use of existing co-ordination mechanisms to steer sustainable development integration

There exist a variety of well-known policy-coordination mechanisms, particularly in OECD countries. Many of them have existed for years, and represent important tools to achieve policy coherence for sustainable development (Box 2.9).

The 2010 *Recommendation of the Council on Good Institutional Practices in Promoting Policy Coherence for Development* identified general processes for efficient co-ordination that have proven to be practical for promoting PCD. They can be helpful as guidance for promoting PCSD where they are compatible with the general national institutional context (Box 2.10).

In the context of the 2030 Agenda for Sustainable Development, existing coordination structures could be used to enhance PCSD. Many countries set up inter-agency or inter-ministerial co-ordinating committees for sustainable development as part of the National Sustainable Development Strategies (NSDS) agreed in the Agenda 21 signed at the United Nations Conference on Environment and Development in 1992. These co-ordination mechanisms have provided an overarching integrative body and framework for action. However, in most OECD countries, responsibilities for NSDS implementation were housed in the Ministry of Environment, either directly or indirectly through a co-ordinating committee which it oversees.

A good practice is to assign overall co-ordination to a Prime Minister's office or the equivalent which has greater authority to demand inputs and resolve conflicts than line ministries (OECD, 2006). Several countries have started to adapt institutional settings to integrating the SDGs as well as strengthen coordination mechanisms for implementation (Box 2.11).

Experiences in involving and coordinating the government departments as well as key stakeholders that are relevant to address a cross-cutting issue, such as food security, have proved to be useful for allowing policy coherence strategies to take a more integrated perspective, give voice to a range of different interest and identify trade-offs and synergies across policy areas. The Food Security pilot undertaken by Finland (Box 2.12) has proven its

Box 2.9. **Co-ordination practices relevant for PCSD**

National practices at central level

The complexity of modern government requires the usage of effective coordination mechanisms within the administration. This better enables the various component parts of a government to consult and coordinate on policies, and to resolve any conflicts or inconsistencies in either their development or implementation. This involves working out how policies are formulated and developed, how they are implemented, how they are monitored and reviewed. A central oversight or "whole-of-government" perspective on the formulation, implementation and impact of policy and regulations, can also help to ensure coherence. However, a less centralised approach can involve inter-ministerial co-ordination. There, policy coherence is promoted in the first instance by development ministries or agencies which have the mandate to promote consideration of development issues in the policy making process.

National practices at line ministry level

Establishing Cabinet Sub-Committees or Cabinet Committees has been the practice for many OECD countries. They provide an opportunity for coherence at a political level, and an opportunity for the Centre of Government to be aware of what is happening across the civil service in key strategic or politically sensitive issues, and to bring sustainable development considerations to bear. The "shadowing" of such Cabinet or sub-Cabinet Committees by inter-ministerial committees and working groups offers opportunities both for preparing the groundwork for forthcoming meetings of the political administration, and for better sharing of information across ministries. Similar networks or team-based approaches to working within line ministries, which offer the opportunity for public sector agencies, under the aegis of the ministry, to be included, have proven to help ensure that appropriate internal dialogue and co-operation take place.

National practices at sub-national levels of government

In some countries, sub-national levels of government have a role in setting or developing policy priorities, and can play a significant role in policy implementation and in monitoring the coherency of policies for sustainable development. In these cases, they are uniquely placed to observe at first hand where inconsistencies and incoherent approaches occur.

Source: C(2010)41 – C/M(2010)8/PROV "Recommendation of the Council on Good Institutional Practices in Promoting Policy Coherence for Development".

value as a good model for sharing and pooling knowledge on policies affecting food security overall, and for shaping objectives and recommendations for related policies.

Strengthening co-ordination mechanisms for enhancing policy coherence in the implementation of the SDGs requires addressing the following questions:

- Have formal mechanisms been established for inter-ministerial collaboration, coordination and policy arbitration on SD?
- Do these mechanisms provide opportunities for informing *ex ante* on domestic policy making as well as on its interface with foreign policies?
- Is it located strategically within the government organisational structure to promote coherence and resolve policy conflicts (e.g. at the level of the Prime Minister's office)?
- Is the budget process used to set priorities, reconcile policy objectives and promote policy integration?

Box 2.10. **Policy Co-ordination**

Recommendation 2: Use the Government Office/Centre of Government as mandated for the central coordination of high-level policy priority issues to ensure general coherence and consistency of approach across line ministries.

Recommendation 3: Encourage the Government Office/Centre of Government, as appropriate, to play a pro-active role in promoting the integration of sustainable development in policy coordination at the cabinet level, in accordance with the particular organisational systems that exist at national level.

Recommendation 4: Establish efficient processes at appropriate levels for inter-ministerial coordination to resolve policy conflicts, while ensuring that mandates and responsibilities are clear, fully involving ministries beyond development and foreign affairs.

Recommendation 5: Ensure that both formal governance arrangements and informal working practices support effective communication between ministries and departments, and between ministries and public sector bodies under their aegis.

Recommendation 6: Consult appropriately the sub-national levels of government in both policy development and the monitoring of policy implementation, when they have a role in this area.

Source: Recommendations adapted from the 2010 Council Recommendation on Good Institutional Practices for Promoting Policy Coherence for Development.

Box 2.11. **Strengthening policy coordination mechanisms for SDG implementation**

Finland – the government decided that from 1st January 2016, the Prime Minister's Office (PMO) is in charge of the co-ordination of the national implementation of the 2030 Agenda for Sustainable Development and the SDGs to ensure an integrated approach. The Coordination Secretariat includes representatives from the PMO, Ministry for Foreign Affairs and the National Commission on Sustainable Development. The Secretariat, establishing an operational hub, works closely together with the Co-ordination Network, comprising all Government Ministries.

Poland – Poland will use existing structures, mechanisms and tools to implement SDGs. The main tool for the external implementation of the 2030 Agenda is the new Multiannual Development Co-operation Programme for the period 2016-2020, which was adopted in October 2015. The new plan makes an explicit commitment to PCSD.

Switzerland – Switzerland is committed to implement the 2030 Agenda for Sustainable Development. Major strategic documents include Switzerland's Sustainable Development Strategy 2016-2019 as well as its Dispatch on Switzerland's International Co-operation 2017-2020. The government has stressed its willingness to ensure a high level of policy coherence for sustainable development. An inter-ministerial co-ordination group has been set up for a transition period to review and build on existing structures with the aim to arrive at an efficient process within the Confederation to implement the 2030 Agenda in domestic and foreign policy.

Box 2.12. **Finland's Food Security Pilot 2012-13**

The Government of Finland piloted a preliminary version of the OECD Policy Framework on Policy Coherence for Sustainable Development in 2012-13, to analyse how Finnish and EU policies impact on food security and the right to food in developing countries. Focus was put on i) national institutional mechanisms to promote policy coherence; ii) influencing EU policies in the areas of agriculture, fisheries, environment and trade from a development perspective; and iii) creating a new type of broad-based co-operation, in order to strengthen Finland's voice in various international fora discussing global food security.

Under the leadership of the Ministry for Foreign Affairs (MFA), the pilot was launched in June 2012 by the inter-ministerial high-level working group on PCD, chaired by the Under-Secretary of State for Development Policy. It was one of the key measures in the Government's Development Policy 2012 and also provided essential substance to the Communication on Development Impact and Policy Coherence for Development that the Government submitted to Parliament in early 2014.

By invitation of the Under-Secretary of State, a steering group for the pilot was established in August 2012. The steering group consisted of a wide range of stakeholders, each responsible for a different element of the assessment:

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

The pilot was executed in six phases, with a different steering group member responsible for each phase. The group finalised its work in late 2013, and a report on the pilot was launched during the European Development Days in November 2013.

Source: Ministry of Foreign Affairs, Finland (2013), Food security in developing countries can be enhanced through an interplay of policies, Executive Summary.

Set country-specific SDG targets and use them to guide coherent national action

The 2030 Agenda for Sustainable Development calls on each country to set its own national targets adapted to differing national circumstances, capacities and priorities, and consistent with internationally agreed standards, but guided by the global ambition in the SDGs. The new agenda envisages that "each government will also decide how these targets should be incorporated in national planning processes, policies and strategies" (UNGA,2015).

Translating the SDGs and targets into actionable, measurable and achievable country-specific targets, requires paying attention to interlinkages, synergies and trade-offs between policy areas and between different levels of policy implementation (local, regional, international). National targets can guide policy coherence for sustainable development. The preparation of national targets should involve all ministries as well as local and regional authorities. The proposed "Integrating Approach" by Colombia provides one example of a participatory process for identifying priority targets for a national implementation strategy for the SDGs (Box 2.13). This approach could be useful for identifying sectoral priorities, examine their inter-linkages and implications, and reconcile potentially conflicting policy targets.

Box 2.13. **The 'Integrating Approach' for identifying SDG targets**

What is the "Integrating Approach"? It is an inclusive policy platform where actors from several policy communities come together to discuss the SDGs in their national context and identify priority targets, paying specific attention to inter-linkages, synergies and trade-offs. The process helps the stakeholders to translate the proposed global level SDGs and Targets into national level targets through a "bottom-up" approach, thus taking a first step towards developing a national implementation strategy for the SDGs.

Why this approach? Working in "silos" across several national agencies was seen as one of the main impediments to aligning its policy to the post-2015 agenda. To break this lack of coherence Colombia launched a participatory process with incentives for policy dialogue and interaction. The process was fully transparent, allowing each of the actors to identify their priorities, examine the inter-linkages, and reconcile potentially conflicting policy targets. The process will facilitate the setting of priorities and their subsequent implementation.

How was it done? The "Integrating Approach" was organised as follows:

- Launching of the process by a senior official at the Ministry of Foreign Affairs involving 20 ministries and Presidential Councils;
- Ensuring common understanding of purpose, benefits and methodology;
- Identifying three priority targets within each agency
- Collectively discussing the outcomes of the process and finding synergies. For example, the Ministry of Mines and Energy affirmed that formalizing the mining sector was its top priority. Other ministries and agencies joined in, noting that the target was also relevant to their interests.
- Responsibility for follow up is transferred from the Ministry of Foreign Affairs to the National Planning Department as the discussions gathered momentum.

Source: Cited in Stockholm Development Institute, 2014, "Cross-sectoral integration in the Sustainable Development Goals: A nexus approach".

Using national targets to guide policy coherence efforts entails addressing the following questions:

- Does the prioritised set of national targets acknowledge policy inter-linkages and cover the three dimensions of sustainable development?
- Are the targets based upon the best available data, evidence?
- Do the targets contribute to economic and social transformation as well as to preserve the natural asset base?

Consider linkages between decisions and actions across different governance levels, from international to national and local levels (vertical coherence)

Sustainable development challenges as well as the SDGs require to be addressed at different levels. This is critical in an increasingly interconnected global economy where systemic risks have inextricable global-domestic linkages that need to be managed. Some of the challenges need to be addressed at the global level (e.g. climate change); at the national level (e.g. legislative changes or changes in economic, fiscal and trade policy); and at the local level (e.g. specific details on land use; human settlement patterns, or transportation planning). The impacts of decisions taken at different governance levels need to be considered in an integrated and coherent way to manage policy tensions or inconsistencies and enhance complementarities for achieving sustainable development.

Box 2.14. **Local Level Governance in the context of the SDGs**

As the level of government closest to the people, local and regional governments are uniquely placed to identify and respond to development needs and gaps, hence the need to "localise the Post-2015 Development Agenda". Specifically, this refers to the process of defining, implementing and monitoring strategies at the local level for achieving global, national and sub-national sustainable development goals and targets. This involves concrete mechanisms, tools, innovations, platforms and processes to effectively translate the development agenda into action at the local level (UNDP et al., 2014). The aim should be to strengthen coordination, maximise flexibility in the local management of programmes, preserve efficiency in service delivery, ensure accountability for the use of resources invested, and promote participation from businesses and civil society (OECD, 2005).

The report Localizing the Post-2015 Development Agenda: Dialogues on Implementation (UNEP, 2014) is the result of a multi-stakeholder dialogue process carried out in 2014. The main recommendations include:

- National governments and international partners should acknowledge and define the role of local governments and stakeholders in setting, implementing and monitoring the Post-2015 Development Agenda.
- National governments and development partners should ensure that the localisation of the SDGs is accompanied by the localisation of resources, enabling local governments to raise more revenue locally.
- Promote a bottom-up approach to ensure ownership of the Post-20 Development Agenda at the local level.
- National planning institutions should align and embed the global development agenda into national and local development plans, and foster linkages and partnerships with other actors to harmonise local development activities and avoid duplications and promote effectiveness.
- National governments and the international development community should recognise that local governments are best placed to convene local-level stakeholders, e.g. civil society, the private sector, and academia.
- Governments at all levels must be held accountable for responding to social inclusion and human security challenges.
- National governments and development partners should scale scale-up, replicate and adapt at the national and international levels.
- Decentralised development co-operation should be acknowledged and used as a modality to support the implementation of the SDGs at local level.
- Strengthen the capacities of national, regional and international associations of local governments to participate in global dialogues.
- Promote transparency and wider access to data and information to local governments through ICTs.
- SDG 11 to "make cities and human settlements inclusive, safe, resilient and sustainable" can help to mobilise local authorities and stakeholders and to focus the attention on the potential of urbanisation as a key driver for sustainable development.

Source: OECD (2005), *Local Governance and the Drivers of Growth*, OECD, Paris; UNDP, UN Habitat, Global Taskforce of Local and Regional Governments for Post-2015 Development Agenda Towards Habitat III (2014), Localizing the Post-2015 Development.

Enhancing vertical coherence (across different governance levels) entails addressing the following questions:

- Has the government involved local stakeholders in the formulation and implementation of policies?
- Is the national government supporting local authorities to increase or combine resources and capacities to formulate effective policy responses for sustainable development?
- Are implementation responsibilities clearly divided among different levels of government, taking into account the distinct competences and comparative advantage of each level?
- What mechanisms are in place to ensure coordination and joint action of agencies from different government levels involved in international initiatives?

Use budget processes as a tool for enhancing coherence for sustainable development

The budgetary process is the government's key policy and priority setting document, where policy objectives are reconciled and implemented in concrete terms. It affects all sectors of activity and it is an important tool for policy integration for sustainable development. A country's overall budgeting system seeks to allocate resources to government priorities and to achieve greater efficiency and effectiveness in government operations. Given that the budgetary process tends to be structured along departmental lines, a key challenge is to incorporate sustainability criteria and consider interlinkages between policies.

In general, a budgetary process involves several steps: budget preparation, approval, execution, audit and evaluation. In this process it will be important to see whether legislation, guidelines for the various ministries, recognition of international priorities such as the SDGs, resources, staff, and auditing procedures are in place. Using budgetary processes for enhancing coherence requires addressing the following basic questions:

- Is the budget process used to align national priorities to the SDGs, reconcile sectoral objectives and foster policy integration?
- What efforts are being made to re-structure the budgetary process to reflect the increasing cross-cutting nature of policy-making? Is sustainable development integrated into regular budget process?
- In what ways are the policies and their associated resource allocations likely to reinforce each other for achieving sustainable development objectives?
- How do policies and programmes reflect the priorities in the SDGs and Targets?

Promote an administrative culture for cross-sectoral collaboration and systematic dialogue among policy communities

An administrative culture that promotes cross-sectoral collaboration and a systematic dialogue between different policy communities will contribute to strengthen policy integration and coherence. Bringing together officials from different policy fields to examine interlinkages between policies can be a way to foster a more collaborative administrative culture, develop shared frameworks of understanding on sustainable development issues, and manage policy change.

Fostering an administrative culture that contributes to enhance policy coherence for sustainable development requires addressing the following basic questions:

- What measures (management, performance incentives) are used to encourage collaboration and greater mobility of civil servants among ministries?

Box 2.15. **Embedding Culture Change in the Public Service in Support of PCSD**

Recommendation 7: Ensure that staff with the relevant skills and competencies to support effective and coherent policy making are appropriately deployed across the public service.

Recommendation 8: Ensure that appropriate internal communication is undertaken to explain to staff how and why revised ways of working are being implemented.

Recommendation 9: Ensure that appropriate measures are taken to raise awareness across the broader society about the direction a government is taking with regard to policy development and priorities for sustainable development.

Source: Recommendations adapted from the 2010 Council Recommendation on Good Institutional Practices for Promoting Policy Coherence for Development.

- What mechanisms are in place to help increase the informal flow of information across ministries, institutions and sectors?
- How sustained collaborative relationships are promoted among senior-level officials across the government?

Monitoring framework: Tracking progress on diverse elements of coherence

The assessment of OECD DAC members on policy coherence for development has been primarily focused on institutional mechanisms. Progress is conceptualised as a three-phase cycle, with each phase supported by one the three building-blocks for policy coherence: political commitment; co-ordination; and monitoring (OECD, 2009). These building blocks set out the essential functions and capabilities needed by countries to enhance policy coherence.

In the context of the 2030 Agenda for Sustainable Development, tracking progress on policy coherence for sustainable development at national level requires going beyond institutional mechanisms and identifying additional indicators that can inform policy-making in any country towards sustainable development. It entails looking at the inter-linkages between economic, social and environmental objectives, and more specifically at the combined effect of diverse policies in these three areas and the way in which they enable or disable sustainable development. Considering critical sectoral interactions as well as trans-boundary and intergenerational effects, as highlighted in the first section of this chapter, is critical to support more efficient and coherent decisions in achieving the SDGs.

The general guidance provided in this section aims to help policy-makers and other stakeholders to complement, adapt, and strengthen existing PCD monitoring systems. It provides options for identifying indicators that could be used to track progress on institutional and policy performance; trans-boundary and long-term policy effects; and interactions between economic, social and environmental policies, i.e. how these interactions lead to policy tensions (trade-offs) or synergies. Diverse OECD indicators have been identified to support countries efforts to track progress towards PCSD in the three priority areas for policy coherence set out by the OECD Strategy on Development: food security, illicit financial flows and green growth (OECD, 2015).

Strengthen existing monitoring mechanisms for informing policy-making

A key element for enhancing coherence for sustainable development is informed decision making. This requires three complementary actions: i) putting in place monitoring systems to collect evidence about the diverse effects of policies; ii) developing analytical capacity to make sense of the data collected; and iii) establishing mechanisms for reporting back to parliament and the public. The ability to easily access and utilise up-to-date quantitative information on the performance of policies is crucial for accountability, learning and effective decision-making. Not only is such information important to assessing how policies are performing, but also for policy makers in refining or re-prioritising policy objectives and instruments.

Box 2.16. **Monitoring, analysis and reporting**

Recommendation 10: Embed an evidence-based approach to policy making across the public service, making use of appropriate assessment tools for policy coherence for sustainable development in support of this.

Recommendation 11: Ensure that structures are in place, including the allocation of sufficient and appropriate resources, to ascertain effective coordination for policy coherence for sustainable development.

Recommendation 12: Consider the data indicators and information that will be gathered and used to report back on performance, prior to the roll-out or implementation of new policies.

Recommendation 13: Monitor and report back on policy impacts by using local, sub-national, and field-level resources, including embassies and development co-operation agencies, and by strengthening local capacities and international partnerships.

Recommendation 14: Ensure that in examining information on policy performance, including information gathered by field officials/local government officers, efforts be made to also draw on evidence available through other reliable and impartial resources, such as academia, independent domestic and international think-tanks etc.

Recommendation 15: Publish regular reports for the parliament and the wider public about progress on policy coherence for sustainable development, outlining progress made on the achievement of policy priorities and on how policies are being implemented regarding sustainable development issues. These reports would enhance transparency and accountability and they could be included in reporting on government activities and progress made towards meeting the Sustainable Development Goals.

Recommendation 16: Consider regular independent reviews of policy performance on high priority issues with a substantial impact on sustainable development objectives.

Source: Recommendations adapted from the 2010 Council Recommendation on Good Institutional Practices for Promoting Policy Coherence for Development.

Monitoring mechanisms need to be strengthened to ensure that policies can be adjusted in the light of their potential negative effects on sustainable development, new information, and changing circumstances. Achieving this entails addressing the following questions:

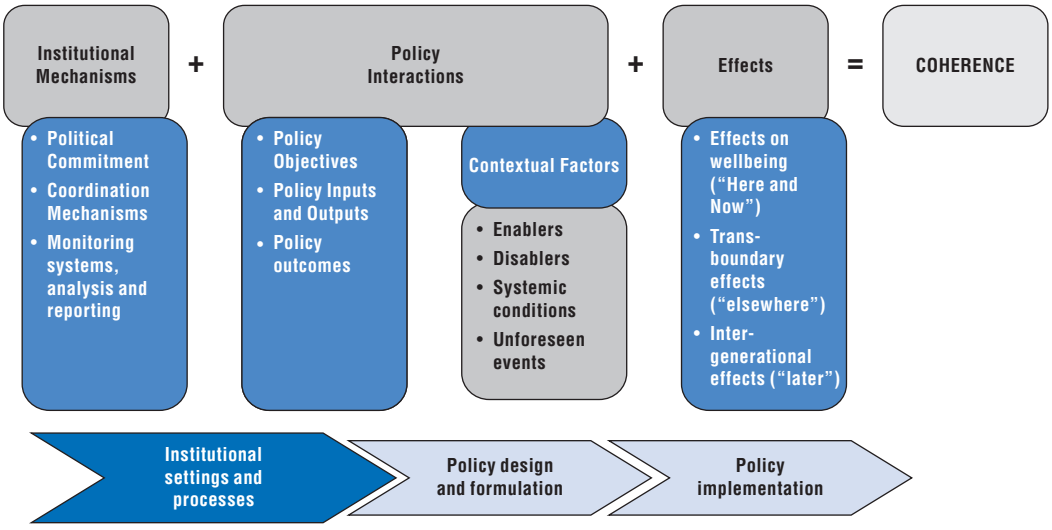
- Are monitoring and reporting systems in place? Do they draw on evidence from officials and other reliable and impartial sources?

- Is there transparent reporting to parliament and the public on PCSD, and on the impact of sectoral policies on SD?
- Are resources and capacity adequate to analyse PCSD?
- Is there a mechanism for assessing the performance of sectoral policies with regard to SD?
- How are policies adjusted as new information on negative effects appears in the course of implementation, or as circumstances and priorities change?

Adapt existing PCD monitoring frameworks to the needs of the 2030 Agenda for Sustainable Development

Policy Coherence for Sustainable Development is a means of implementation for the SDGs, and therefore inextricably bound up with processes and outcomes. Monitoring PCSD in the context of the 2030 Agenda requires consideration of three inter-related elements of the policy-making process: 1) institutional mechanisms for coherence: 2) policy interactions across sectors; including critical contextual factors that promote or hinder contributions to sustainable development (enablers and disablers); and 3) policy effects, i.e. trans-boundary and intergenerational effects (Figure 2.2). This broader approach can be used to assess the extent to which domestic policies are aligned with national sustainable development objectives and contribute to the achievement of the SDGs.

Figure 2.2. **Key elements for tracking progress on PCSD**



Source: OECD (2015), *Better Policies for Development 2015: Policy Coherence and Green Growth*, OECD Publishing, Paris.

Different sets of indicators can be used to track progress on PCSD, depending on the elements of policy coherence to be monitored (Table 2.3). PCSD indicators could look at: i) functions and capacities to formulate coherent policies (e.g. institutional mechanisms, including budgetary factors); ii) the ways in which policies across economic, social and environmental areas interact in achieving sustainable development outcomes (e.g. fostering synergies and addressing trade-offs); iii) changes in institutional and policy performance as a result of PCSD (e.g. policy outcomes); and iv) the resulting impact of policies on sustainable development "here and now", "elsewhere" and "later".

Table 2.3. **Some examples of indicators that could be used to track progress on different elements of PCSD**

Elements of coherence	Indicators
Institutional mechanisms	*Process indicators that describe ways in which policy coherence is enhanced. These could include:* ● Public commitment (backed by legislation). ● Priorities and a specific action plan (including interlinks between different governance levels: local, national and international). ● Inter-ministerial coordination and involvement of multiple stakeholders. ● Capacity to analyse policy interactions and effects. ● Analysis of policy coherence (specific issues) ● Monitoring and reporting systems ● Policy efforts, and budgetary measures
Policy interactions	*A combination of indicators to capture the linkages and trade-offs between economic, social and environmental values and identify trends, e.g.: the rate of deforestation due to agricultural expansion. These could include:* ● Resource indicators, e.g. intensity of water use; forest resources (net change, intensity of use) ● Consumption ● Capital stocks (economic, natural, social, human) ● Wellbeing indicators.
Policy outcomes	*Measures that describe the results/changes achieved through policies, in particular changes that contribute to foster:* ● Equitable access to resources ● Efficiency in the use of natural resources (energy, land, water, mineral, etc.) ● Sustainability ● Enabling environments for sustainable development (a fair and well-functioning global trading system, a more transparent global tax system, stable financial systems, equitable access to knowledge, innovation and technology, responsible investment, effective climate action, etc.)
Policy effects	*Sets of indicators to provide information on the effect of policies according to the following conceptual dimensions of sustainable development:* ***"Here and now" dimension*** ● Well-being indicators, including economic, social and environmental aspects (Nutrition, health, labour, education, etc.) ***"Elsewhere" dimension*** *(the impact that one country or region has on other parts of the world).* ● ODA, ● imports from less-developed countries ● Migration of human capital ● Trans-boundary contributions to footprints on land/water/carbon ● Imports of energy/ mineral resources ● Exports of physical/ knowledge capital ● Foreign Direct Investment ● Contribution to international institutions ***"Later" dimension*** *(how much economic and financial, natural, human and social capital the current generation leaves for future generations so that they can pursue their well-being).* ● capital stocks (that should be preserved for future)/long-term drivers (economic capital, natural capital, human capital, social capital)

Adapting existing PCD monitoring frameworks to the new agenda requires addressing the following basic questions:

- Have specific indicators been identified at the national level to measure progress on PCSD?
- Is the monitoring system considering the whole policy-making cycle (identification, formulation, adoption, implementation and assessment)?
- Have indicators been identified to address all elements of PCSD (functions and capacities, policy interactions in achieving SD outcomes, and policy effects)?
- Are trans-boundary and long-term effects taken into account?

Measure policy interactions (synergies and trade-offs)

There are deep interconnections among SDGs and targets that need to be identified and addressed for effective implementation and monitoring. Goal areas in the SDG

framework overlap and many targets might contribute to several goals (ICSU-ISSC, 2015). Identifying and understanding the different types of interactions between goals and targets will help policy makers to maximise synergies and exploit win-wins (pursuing multiple objectives at the same time); avoid potential policy conflicts (pursuing one policy objective without undermining others); manage trade-offs (minimising negative impacts on other policies); and ultimately design policies that generate multiple co-benefits for sustainable development.

A number of steps can be taken to develop a series of PCSD indicators at national level to capture synergies and trade-offs:

First: Map out critical interactions across the 17 SDGs and 169 targets. Analysis on the different types of interactions within the SDGs can be carried out through inter-ministerial (or cross-sectoral) consultations. This should involve expert policy officers and stakeholders in different sectors to stimulate discussions on the scope of sustainable development challenges, not sectoral challenges. Box 2.17 provides an example of how such consultations might be organised. The focus should be on areas where inter-linkages are well known, and where possibilities for synergies, conflicts and trade-offs are high. Diverse methodologies could be used to map out interactions such as network analysis or nexus approaches. Analysis by the Stockholm Environment Institute based on the water-energy-food nexus, for

Box 2.17. **Learning to navigate the SDGs**

The OECD's PCSD unit has conducted exercises to help map out critical interactions across the SDGs and transpose this awareness into a coherent policy making process. In a role playing exercise participants – preferably from diverse backgrounds (different ministries, NGOs, businesses, etc.) – are asked to explore policy options to address key cross-cutting issues in the SDG framework (e.g. water-energy-land nexus in achieving food security). It consists of three phases:

- In Phase 1, different sectoral groups (water, energy, food, climate, urbanisation, etc.) are formed and tasked with addressing a specific sectoral challenge. The discussion is supported by a background note providing a global and national context, and summarising relevant evidence-based analysis. The groups analyse their problem with reference to the SDGs, identify priorities for action, and pivotal links, which help them to comprehend and navigate the integrated nature of the SDG framework. They proceed to draw up, discuss and agree on a number of priorities and recommendations within their specific policy sector.
- In Phase 2, the groups are reshuffled into an "interdisciplinary task force" comprising "sectoral experts" from each sectoral group. Now, participants are asked to outline and defend their specific sectoral priorities and policy proposals. The ensuing discussion will most likely bring to the fore the multiple interactions between the different priorities and actions proposed: Some objectives will clash, whereas others will harmonise. The groups will then have to harness the complex SDG framework in order to reconcile the different objectives, attempt to turn inconsistencies into synergies, and take a deliberate choice where a win-win situation is out of reach.
- In Phase 3, the groups identify and discuss institutional mechanism and practices required for managing cross-cutting issues, considering unintended consequences of policies (*ex ante*, during, and *ex post*), and tracking progress.

The experience from recent workshops demonstrated that this quick mapping exercise greatly helps participants to understand the complex nature of the challenges addressed in the SDGs and the paramount importance of policy coherence for breaking the silos and strengthening collaboration across sectoral boundaries. The exercise has proved to be useful for identifying sectoral priorities, examine their inter-linkages and implications, and reconcile potentially conflicting policy targets.

example, shows three main types of interactions between targets in the SDG framework: i) some are interdependent, one target has to be realised in order for another to be viable; ii) other targets impose conditions or constraints on one another; and iii) some targets reinforce each other, highlighting potential synergies (Weitz N., M. Nilsson and M. Davis, 2014). Mapping exercises should identify the nature of the different interactions, but also consider enablers and disablers, i.e. the drivers behind synergies and trade-offs.

Second: Prioritise PCSD areas based on the critical interactions identified through the mapping exercise. Special attention should be paid on areas where fundamental trade-offs need to be managed. Engaging key actors and stakeholders in the priority-setting process will be fundamental to mobilise action, as highlighted in the section above on "Institutional framework: breaking out of policy silos".

Third: Review data availability and take stock of existing indicators at the national level for measuring interactions (synergies and trade-offs) with high potential for impact. The analysis from the mapping exercise could be used to set a baseline for the proposed indicators. A combined presentation of indicators from different disciplines can help to capture interactions as well as key trends, and draw attention to selected policy coherence issues. Indicators to track progress on PCSD will necessary vary from country to country depending on their natural attributes, economy, institutional setup, and political and social variables. While countries may use different range of indicators to track progress on PCSD, some common indicator sets could be identified for cross-country comparisons and peer reviews. Table 2.4 provides some examples of how *PCSD indicators* could be developed using a combination of diverse indicators to capture synergies and trade-offs for the implementation of SDGs.

Table 2.4. **Examples of PCSD indicators to consider policy interactions**

Interactions among SDGs/Targets	Policy interaction identified	Type of interaction	Suggested PCSD indicators	Desired trend	OECD Data sources
Between ***SDG7.2*** increasing the share of renewable energy, and ***SDG2.1*** ending hunger	These targets could potentially conflict if food crops and biofuel production compete for the same land/or irrigation water.	Trade-off	*Number of hectares of arable land diverted from the production of food to the production of biofuel feedstock.* Based on: • Agricultural land use • Agricultural production • Water resources • Biofuels support	Decrease	• Environmental Database. • Biofuels Support Policy Database.
Between ***SDG12c*** phasing out harmful subsidies, ***SDG7.2*** increasing the share of renewable energy, ***SDG7.3*** improving energy efficiency, ***SDG3.9*** reduce deaths from air pollution, ***SDG11.6*** air quality in cities, and ***SDG13*** combat climate change	Removing inefficient fossil fuel subsidies and investing in renewable energy sources and energy efficiency can have substantial benefits to climate, but also to public health by decreasing GHG emissions, air pollution levels, and thus contributing to reduce deaths and diseases from air pollution. A fuel subsidy reform could also offer fiscal space to extend social programmes.	Synergy	*The amount of revenue raised from fossil fuel subsidy reform used in renewable energy /social programmes.* *Number of people exposed to air pollution from gases, nitrous oxides (NOX), volatile organic compounds (VOCs) sulphur dioxides, and particles.* Based on: • Total support for fossil fuels • Green Growth Indicators • Renewable energy indicator	Increase Decrease	Inventory of Support Measures for Fossil Fuels • Indicators for CO_2 emissions • Greenhouse gas emissions by source • Emissions of air pollutants. • Energy efficiency indicators

Measuring interactions across policies in the implementation of the SDGs, entails addressing the following questions:

- Have the critical interactions across SDGs and Targets been mapped out? Have potential synergies and trade-offs been identified? Have PCSD priority areas been identified based on these interactions?
- Can existing indicators at national and subnational level be used to capture policy interlinkages and examine co-relations across sectors (e.g. rate of deforestation due to agricultural expansion)?

Take into account global effects

Nationally-based efforts to track progress on policy coherence for sustainable development should consider the impacts of domestic policies on global sustainability (trans-boundary effects). Country specific indicators need to be complemented by measures of economic, environmental and social externalities imposed beyond national borders. This refers to the "elsewhere dimension" highlighted in the section on the "Analytical framework", i.e. how the actions of one government or region affect their neighbours or other countries or regions. Examples are the environmental indicators of embedded carbon flows that measure the import of products with significant carbon content. These indicators show the impact of countries on the stratosphere through the production and consumption of CO_2. In this context, tracking progress on coherence entails looking at changes in policy performance over time, for example efforts towards the elimination of inefficient subsidies that encourage production and consumption of fossil fuels – the main human activity that emits CO_2 – which undermine efforts to deal with climate change.

Diverse set of indicators have been proposed to measure the "elsewhere" dimension of sustainable development. Examples of indicators are the so-called footprint indicators, which calculate the environmental pressure attributable to consumption in one country on resources abroad (UNECE/OECD/Eurostat, 2014).

Consider inter-generational aspects and long-term impacts

A basic principle of sustainable development is to balance the needs of current and future generations. This calls for a long-term perspective in policy-making about the consequences of today's decisions and activities as reflected in the preamble of the 2030 Agenda for Sustainable Development.

In many cases the time frames of government's plans or strategies are too short to take into account intergenerational and long-term considerations. Achieving the SDGs requires national strategies with long timeframes for implementing notions of intergenerational equity, which is a key principle of sustainable development. Tracking progress on PCSD in the context of national strategy implementation requires using indicators that capture the long-term impact of current decisions, policies and behaviours. This refers to the "later" dimension of sustainable development. Diverse set of indicators have also been proposed to measure this dimension (UNECE/OECD/Eurostat, 2014).

The Netherlands provides an example of how the "later" dimension can be captured in monitoring systems through its Sustainability Monitor. The system includes a conceptual (56 indicators) and thematic categorisation (129 indicators) to measure sustainable development and rank countries within the European Union. The conceptual categorisation is divided into the "here and now" (quality of life), "later" (resources) and "elsewhere"

(Netherlands in the world) with indicators showing the trend and the comparison among countries of the European Union. Using colour coding, the visualisation helps to make clear the trade-offs between the "here and now", "later" and "elsewhere", and thus communicate the sustainability of the actions. The Monitor also show the thematic categorization based on fourteen themes, such as "education and knowledge or R&D expenditure" (UNECE/OECD/Eurostat, 2014, pages 181-183).

Modelling tools can also be used to assess policy coherence considering a long-term perspective. For example the OECD ENV-Linkages model assists governments in analysing the medium- and long-term implications of policy shifts that require significant resource reallocation across sectors and countries, as well as the associated spill-over effects. The model links economic activity to environmental pressures, specifically to greenhouse gas (GHG) emissions. The model projects economic activities and emissions several decades into the future to shed light on the impacts of environmental policies.[1]

Annotations

What is Policy Coherence for Sustainable Development (PCSD)?

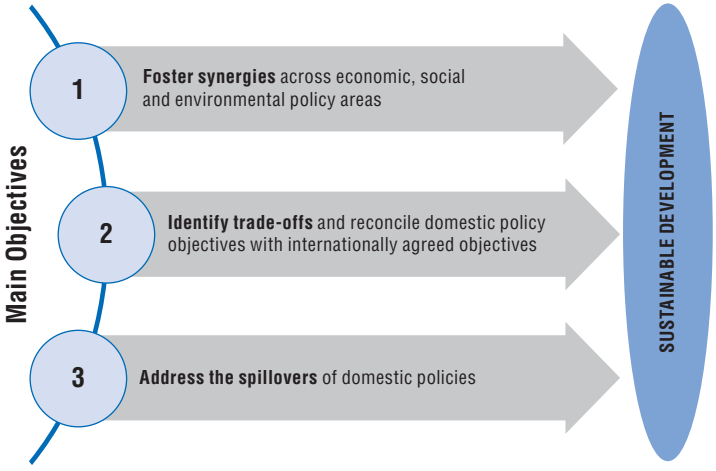
The *OECD Strategy on Development* launched by Ministers in 2012 has contributed to a new definition of "Policy Coherence for Sustainable Development (PCSD)". The perspective has shifted from "donor-centred" and limited "do no harm" perspectives to a 'partnership approach' engaging key actors and stakeholders among advanced, emerging and developing economies, and with a greater emphasis on sustainable development. The Strategy has underscored the need for more proactive approaches focused on building synergies across actors and sectors to address common challenges, such as creating enabling conditions for achieving food security and curbing illicit financial flows, which are considered international priorities in the SDG framework.

For the purposes of this Framework, Policy Coherence for Sustainable Development (PCSD) is an approach and policy tool to integrate the economic, social, environmental and governance dimensions of sustainable development at all stages of domestic and international policy making. As policy tool, PCSD aims to increase the capacities of governments and stakeholders to identify synergies, consider trade-offs between multiple and sometimes conflicting objectives – for example between economic growth, environmental protection and reduction of carbon emissions – and address potential spillovers of domestic policies (Figure 2.3).

The new definition of PCSD aims to respond to the vision and multi-sectoral and integrated nature of the 2030 Agenda for Sustainable Development. The implementation of the SDGs requires breaking out of policy silos and greater involvement of key actors and stakeholders. PCSD recognises that the integration of the different dimensions of sustainable development represents one of the most difficult balances to achieve in policy making and implementation. In practice, many national sustainable development strategies launched as part of *Agenda 21* signed at the United Nations Conference on Environment and Development (the Rio Earth Summit) in 1992, have had a greater focus on environmental issues with attempts to incorporate economic aspects.

The concept of PCSD captures the core elements of sustainable development. According to the most commonly accepted definition, sustainable development refers to "development that meets the needs of the present without comprising the ability of the future generations to meet their own needs".[2] Sustainable development encompasses

Figure 2.3. **Policy Coherence for Sustainable Development (PCSD)**



Source: OECD (2015), *Better Policies for Development 2015: Policy Coherence and Green Growth*, OECD Publishing, Paris.

economic, social and environmental aims (dimensions), which are considered interdependent and mutually reinforcing.

Sustainable development entails making choices between using resources to maximise current human well-being or preserving resources for future use; or between maximising the human well-being of one country at the expense of others (UNECE/OECD/Eurostat, 2014). It requires consideration and balance of multiple and potentially competing objectives, such as: inclusive economic growth, social wellbeing and good governance, and environmental protection.

The pursuit of sustainable development requires changes in many policy sectors and ensuring coherence between them. In addition to this, a basic tenet of sustainable development is to balance the needs of current and future generations which demands a long-term perspective in policy-making about the consequences of today's decisions and activities.

Shifting from PCD towards PCSD

The *OECD Strategy on Development* has emphasised the critical function that policy coherence for development (PCD) can play as a whole-of-government tool to cope with increasingly complex economic, social and environmental challenges and to address their interconnectedness. Key questions, however, are whether current PCD approaches can effectively support countries to implement a more ambitious set of universal, integrated and transformative sustainable development goals, and if current PCD tools are designed to foster sustainable development outcomes and look at the long-term impact of policies.

Moving from PCD to PCSD is consistent with the transition from MDGs to SDGs. The world has changed profoundly since the early 1990s when the notion of PCD emerged in a context of a growing international concern with aid effectiveness. In the mid-90s the international donor community committed to "achieve coherence between aid policies and other sectoral policies which impact on developing countries". Current approaches are founded upon the notion that PCD is a responsibility mainly for developed countries. The underlying assumption is that the objectives and results of a government's (aid provider) development policy can be undermined by other sectoral policies in areas with important

cross-border dimensions such as trade, investment, and agriculture, and can have negative impacts on the development prospects of developing countries (aid recipients).

PCD approaches have been instrumental in raising awareness and building commitment in OECD countries. However, efforts have been mainly focused on setting up institutional mechanisms and practices, giving prominence to processes rather than the impact of domestic policies on development. The experience of more than a decade of assessing "beyond aid" issues in the DAC peer reviews has shown that progress is limited. Institutional mechanisms (the "three building blocks for PCD") are and continue to be necessary to raise awareness and build efficient decision-making, but they are not sufficient to deliver more coherent policies in practice.

Efforts to improve understanding of incoherence and promote PCD have also been carried out on a sector-by-sector basis. Analysis has looked at issues with important cross-border dimensions, such as trade, agriculture, investment, environment, technology, migration, amongst others, but without giving due attention to the inter-sectoral, inter-linkages and the multidimensionality of development challenges. Considerations have primarily adopted a "do no harm approach" putting emphasis on the negative impact of developed countries sectoral policies on the prospects of developing countries.

The global development landscape has changed dramatically since the concept of PCD emerged almost three decades ago. The North-South dichotomy has become blurred, as developing countries – particularly emerging economies – play an increasingly important role in international finance, investment, trade, innovation and development co-operation. It is increasingly recognised that approaches need to evolve to respond to a more complex context in which all stakeholders and all countries play a key role in enabling sustainable development, regardless their level of development.

Although it is recognised that institutional mechanisms and practices for promoting PCD are necessary to raise awareness and build efficient decision-making in donor countries, they are not sufficient to deliver more coherent policies in practice. Complementary and more targeted actions are needed to enhance coherence for sustainable development.

Against this background, the OECD Strategy on Development has encouraged a broader approach to PCD as a way to ensure progress as well as to address key global issues such as global food security and illicit financial flows. Applying a broader PCD lens to these areas has generated significant lessons for adapting current approaches to the new 2030 Agenda for Sustainable Development (Box 2.18).

Box 2.18. **Lessons learned on PCD from the OECD Strategy on Development**

The Strategy has helped bring about a broader approach to PCD, which will entail the following shifts:

- Move away from generalities to an "issues-based" focus on common challenges, such as improving framework conditions for achieving global food security.
- Consolidate, but go beyond institutional mechanisms, and take into account international level coordination.
- Move away from a donors only emphasis to engaging key actors in advanced, emerging and developing countries.

Box 2.18. **Lessons learned on PCD from the OECD Strategy on Development** *(cont.)*

- Go beyond the negative impacts of non-aid policies ("do-no harm") towards more proactive approaches based on synergies across sectors.
- Recognise the importance of PCD across all levels (local, national regional and global).
- Shift the focus from sectoral to more integrated cross-sectoral approaches to capture the dimensions of sustainable development in a holistic manner.
- Recognise the role of PCD to inform policy making, not prescribe (Identify win-win scenarios to engage in dialogue on common solutions).

Source: 2014 Report on the implementation of the OECD Strategy on Development (C/MIN[2014]14).

A new analytical framework for understanding and applying policy coherence for sustainable development

It is recognised that a new analytical framework needs to go beyond the PCD Building Blocks, donor-centred and "do no-harm approaches", and to take into account the universal, integrated and transformative nature as well as the centrality of sustainable development in the 2030 Agenda.

The universal, integrated and transformative nature of the new agenda requires governments to be able to work across policy domains, actors and governance levels. It involves a significant shift in the way policy-making and policy coherence is approached:

- ***A universal agenda*** entails recognising that we are no longer in a MDG world divided between donors and recipients. All countries face difficulties in addressing the sustainable development challenges ahead. Actions by governments, international institutions, private sector, and civil society to achieve SDGs and targets need to be adapted to the specific context, capacities and needs of each country.
- ***An integrated agenda*** requires coherent policy-making to ensure a balanced approach to the economic, social and environmental dimensions of sustainable development in policy-making **(horizontal coherence).** It requires breaking out of sectoral silos and adopting integrated approaches to consider more systematically complex inter-linkages (such as the water-energy-food nexus), trans-boundary and intergenerational impacts, and trade-offs at different policy levels. As the SDGs overlap and targets interact, policy coherence is fundamental to ensure that progress achieved in one goal (e.g. water) contributes to progress in other goals (e.g. food security or health).
- ***A transformative agenda*** involves aggregated and coherent actions at the local, national, regional and global levels **(vertical coherence).** This is critical in an increasingly interconnected global economy where systemic risks have inextricable global-domestic linkages that need to be managed. Some of the sustainable development challenges need to be addressed at the global level (e.g. climate change and other systemic risks); at the national or regional level (e.g. legislative changes, economic transformations needed for climate change mitigation or adaptation, or changes in fiscal and trade policy); and at the local level (e.g. specific details on land use; human settlement patterns, or transportation planning).

The analytical framework introduced in this chapter (Figure 2.4) provides key elements that need to be borne in mind when analysing policy and institutional coherence for

sustainable development in the implementation of the SDGs. It aims to inform decision-making and support policies that systematically consider:

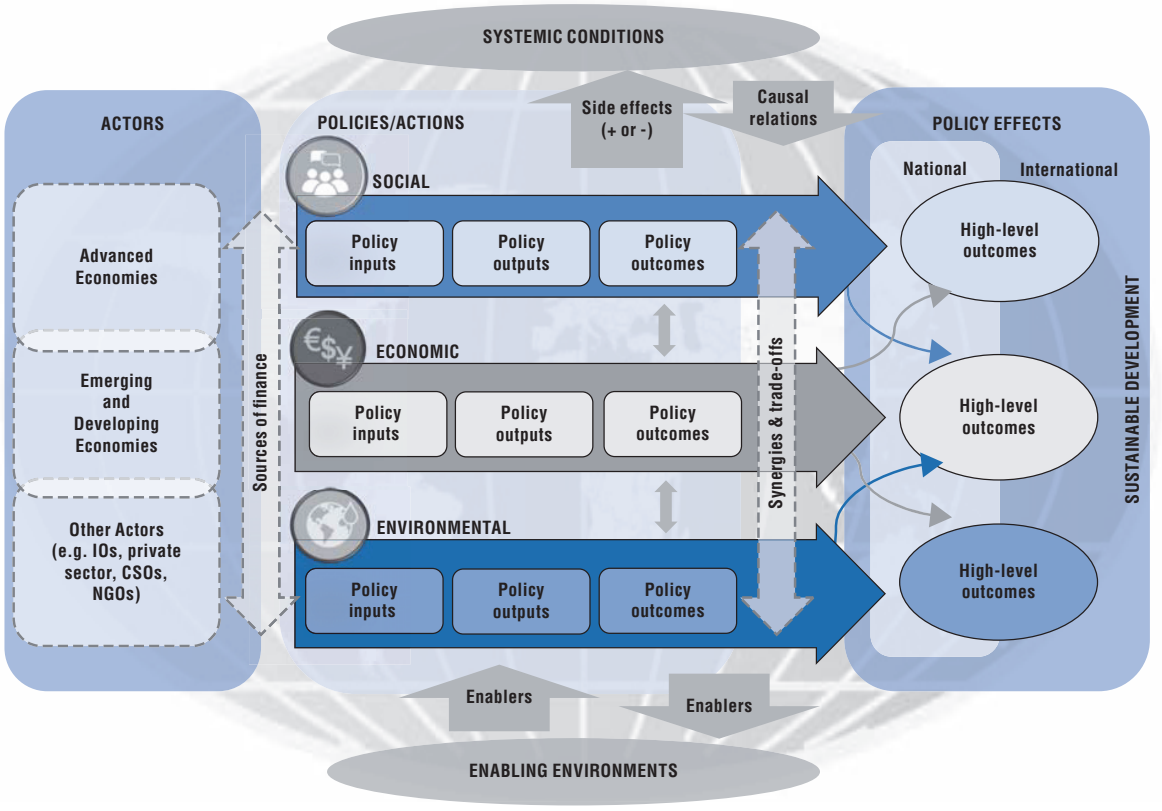
i) the diverse roles of ***different actors*** at different levels (governments, international organisations, private sector and non-governmental organisations), as well as the diverse sources of finance – public and private, domestic and international – for achieving sustainable development outcomes;

ii) the ***policy inter-linkages*** across economic, social and environmental areas, including the identification of synergies, contradictions and trade-offs, as well as the interactions between domestic and international policies;

iii) the ***enabling and disabling conditions*** that influence policy performance and outcomes, i.e. the enablers (that can contribute to) and disablers (that hamper) sustainable development at the global, national, local and regional levels; and

iv) the ***policy effects*** on the well-being in any one particular country **("here and now")**, for people living in other countries **("elsewhere"),** i.e. trans-boundary impacts; and for future generations **("later")**.

Figure 2.4. **Analytical Framework for Policy Coherence for Sustainable Development**



Source: OECD (2015), *Better Policies for Development 2015: Policy Coherence and Green Growth*, OECD Publishing, Paris.

Key Elements for PCSD Analysis

- ***Actors*** are governments at all levels, parliamentarians, civil society, business and industry, philanthropists, international organisations, bi-lateral and multi-lateral agencies, among others, that are involved and/or influence policy-making and implementation.

- ***Policy inter-linkages*** are channels through which policies influence each other's performance and objectives. Interconnections also include contextual factors, such as:
  - ***Systemic conditions*** *(disablers)* are the set of social, political, economic, environmental and institutional conditions at the national and international levels that affect sustainable development and have a significant influence in policy performance and outcomes.
  - ***Enabling environments*** *(enablers)* are the set of necessary and interrelated conditions in the political, legal, economic, and social domains that can influence positively policy outcomes.
- ***Policy inputs*** are institutional factors such as resources, including knowledge, expertise and capital assets that feed into the policy making process.
- ***Policy outputs*** are goods or services provided by governments to their citizens.
- ***Policy outcomes*** are intended changes in society that governments seek to generate through laws, policies or offcial directives.
- ***Policy effects*** are economic, social, and environmental impacts resulting from the implementation of policies (high-level outcomes). They refer to effects on the wellbeing of the present generation in one particular contry ("here and now"); effects on the wellbeing of people living in other countries ("elsewhere"), and effects on the wellbeing of future generations ("later").

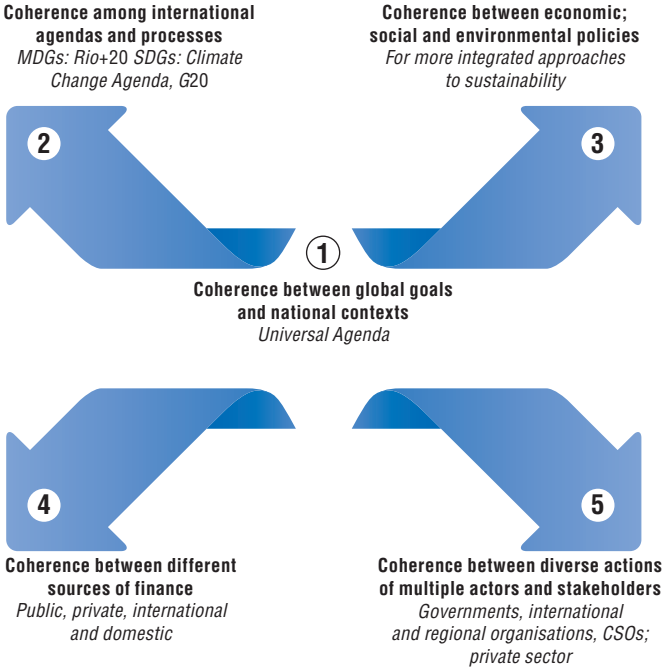
Policy coherence in the implementation of the 2030 Agenda for Sustainable Development

Effective implementation of a universal, integrated and transformative 2030 Agenda for Sustainable Development requires a high degree of policy coherence at multiple levels. Policy (and institutional) coherence for sustainable development (SDG17:14) is part of the means of implementation (MoI) for all SDGs. The SDGs and targets, which are a set of internationally agreed priorities for the next fifteen years, provide the objectives to guide policy coherence for sustainable development going forward.

The OECD, based on the definition provided above, and on the analytical framework introduced in this section, has identified **five complementary levels of coherence** that need to be addressed in the implementation of the SDGs (Figure 2.5). Governments as well as other stakeholders, depending on their particular circumstances, will have to prioritise and focus on those levels of coherence that require greatest attention for ensuring progress. These five levels emphasise vertical coherence across multiple levels of governance (from local to global); and horizontal coherence across sectors; actors including governments, private sector and civil society; and between diverse sources of finance, including public, private, domestic and international.

1. **Between the SDGs and national policies** including at the local level. Consistent actions across multiple levels of governance at the local, regional, national and international level will be fundamental for a successful implementation of the SDGs (vertical coherence).
2. **Between the 2030 Agenda for Sustainable Development and other international agendas.** The SDGs cannot be achieved without complementary actions at the global level and without supportive international normative frameworks and regimes. These international frameworks are critical for creating international enabling environments through: a fair and well-functioning global trading system, a more transparent global tax system, stable

Figure 2.5. **Five complementary levels of coherence for implementing the 2030 Agenda for Sustainable Development**



Source: Better Policies for Development 2015: Policy Coherence and Green Growth, OECD Publishing, Paris.

financial systems, equitable access to knowledge, innovation and technology, responsible investment, effective climate action, amongst others.

3. **Between economic, social and environmental policies.** The 2030 Agenda needs to be implemented in a way that synergies can be realised across the environmental, social and economic dimensions of sustainable development. There is a need for inter-ministerial committees at the highest level to understand key policy linkages, to map out plans with long-term horizons, and to link national budgets and national statistic systems.
4. **Between diverse sources of finance** (public, private, international and domestic). One of the main challenges in achieving the SDGs will be to increase and mobilise private investments, and a PCSD approach can help countries reduce inefficient legal and policy barriers in order to enhance synergies between the provision of ODA and private financial sources.
5. **Between actions of multiple actors** (governments, international organisations, civil society and the private sector). Multi-stakeholder partnerships, including public-private partnerships can help mobilise resources, collective action and means for creating the necessary enabling environments to achieve the SDGs.

1. OECD Ministerial Declaration on Policy Coherence for Development (C/MIN(2008)2/FINAL).
2. Approaches to Assessing Policy Coherence for Development: A Summary of National and Expert Views (SG/PCD(2009)3).
3. Framework and Assessment Methodology for Policy Coherence for Development (SG/PCD(2009)4).

Notes

1. See: *www.oecd.org/environment/indicators-modelling-outlooks/modelling.htm*.
2. World Commission on Environment and Development, (Brundtland Commission), 1987, Our Common Future, Oxford University Press, Oxford, United Kingdom..

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Chapter 3

Policy coherence and food security

The Sustainable Development Goals (SDGs) recognise that food insecurity can affect all countries through many different channels. Breaking down the silos that separate policy sectors is necessary in order to overcome inconsistencies and promote cross-sectoral synergies for achieving food security (SDG 2), while at the same time contributing to other SDGs. Ensuring food security also calls for a coherent approach among stakeholders at local, national, regional and international levels. To support governments in applying an integrated and whole-of-government approach to policy making, the OECD has developed a new conceptual framework for policy coherence for sustainable development ("the PCSD Framework"). This chapter ("module") applies the PCSD Framework to food security.

Introduction

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

The Sustainable Development Goals (SDGs) recognise that food insecurity can affect all countries through many different channels. Therefore, ensuring food security calls for a coherent approach among stakeholders at local, national, regional and international levels. However, the global interconnectedness between different sectors increases the risks that actions in one area undermine efforts in another. Breaking down the silos that separate policy sectors is thus a key challenge in overcoming inconsistencies and promote cross-sectoral synergies for achieving food security (SDG 2), while also contributing to other SDGs.

The OECD has developed a new Framework for Policy Coherence for sustainable Development ("the PCSD Framework") to inform policy making in the 2030 Agenda (see Chapter 2). This module applies the PCSD Framework to food security. It represents an update of the 2010 OECD Policy Framework for Policy Coherence for Development ("the PCD Toolkit"), and has benefitted from Finland's pilot experience in implementing a coherent approach to food security in the framework of its 2012 Development Policy Programme. In addition, the module reflects recent lessons learned and incorporates the latest publications and research at the OECD as well as from other organisations (e.g. FAO) and firmly roots the policy response to food insecurity in the SDGs. It is written in a non-technical language for a non-specialist audience, and aims to support policy makers and other stakeholders to apply an integrated and whole-of-government approach to food security.

Part I: The "Toolkit" can be used by governments to examine their current policies and practices for achieving food security in ways that balance economic, social and environmental objectives and consider potential positive and negative effects. It includes a checklist of questions for policy screening that aim to help policy makers to:

- *Consider how domestic policies influence the four key dimensions of food security;*
- *Identify policy inter-linkages of relevance to food security (horizontal coherence);*
- *Reform or remove policies that create negative spill-over effects;*
- *Ensure coherence of actions for food security at and between different levels of government (vertical coherence);*
- *Consider diverse sources of finance to improve food security and ensure complementarities; and*
- *Consider contextual factors and create enabling conditions for ensuring global food security.*

Part II: The "Annotations" provide important background information corresponding to each section in the Toolkit, including in the context of the Sustainable Development Goals.

Options for tracking progress in PCSD are explored in Chapter 6.

Toolkit

Guidance

From 2012 to 2014, a total of 805 million people (one in nine people) was reported to be suffering from chronic hunger, in spite of the serious commitment and efforts by the global community (FAO, 2014a).

Food security is a common challenge for all countries. However, its implications and policy responses vary among countries depending on their specific national contexts. For this reason, this guidance provides a flexible tool for policy makers to identify and address the multiple elements of policy coherence for food security. It can be used in the elaboration or evaluation of policies that potentially affect food security outcomes at domestic or international levels, with relevance to the short or long term. Each section is complemented by a corresponding section in the *Annotations* which provide further in-depth information.

Table 3.1. **Checklist: An overview of self-screening questions**

1. Consider how domestic policies influence the four key dimensions of food security
Does the government: ✓ consider all four dimensions (availability, access, utilisation, stability) when designing policies? ✓ take into account the interactions between the four dimensions? ✓ consider how policies that target one dimension might impact on the other dimensions? ✓ consider context-specific factors (e.g. some countries might need to prioritise *availability*, while others might need to improve *utilisation*)?
2. Identify policy inter-linkages of relevance to food security (horizontal coherence)
Inter-linkages between SDG2 and other SDGs: Does the government: ✓ consider SDG 2 as the overarching international framework for reducing food insecurity? ✓ consider the interactions between different goals and targets? ✓ align (political) interests and priorities with specific goals and/or targets, and is there coherence between them? *Inter-linkages between food security and other policy domains:* Does the government: ✓ have a good understanding of the many policy areas that impact on food security? ✓ promote climate-smart agriculture? ✓ promote sustainable and biodiversity-friendly agriculture? ✓ consider the pros and cons of different land usages (e.g. agriculture, forestry, biofuels production)? ✓ promote trade liberalisation in agriculture and fisheries? Does it provide social protection in cases where trade liberalisation has short-term negative effects on poor consumers and/or producers? ✓ promote sustainable fisheries? ✓ facilitate the transfer of technologies to enhance agricultural productivity? ✓ promote sustainable investment in rural infrastructure?
3. Reform or remove policies that create negative spill-over effects
Does the government: ✓ undertake impact assessments of its policies? ✓ carry out cost-benefit analysis of its policies? ✓ limit or remove policies that distort world markets, e.g. subsidies, tariffs and NTMs? ✓ consider the costs and benefits of biofuel mandates? Is the government: ✓ moving towards more decoupled support mechanisms in agriculture and fisheries? ✓ phasing out fossil fuel subsidies? ✓ removing investment barriers?

Table 3.1. **Checklist: An overview of self-screening questions** *(cont.)*

4. Ensure coherence of actions for food security at and between different levels of government (vertical coherence)

Policy coherence at the local level:

Does the government:

- ✓ promote decentralisation and flexibility?
- ✓ consult with local stakeholders in the design and implementation of policies?
- ✓ help local authorities to increase or combine resources and capacities to formulate effective policy responses?

Policy coherence at the national level:

- ✓ Is there a national commitment to policy coherence?
- ✓ Does the Centre of Government have a good overview and ability to influence policies related to food security?
- ✓ Is inter-ministerial collaboration encouraged and facilitated?

Policy coherence at the regional level:

Does the government:

- ✓ promote and participate in regional co-operation for food security?
- ✓ engage in regional policy implementation with regard to shared resources?

Policy coherence at the global level:

- ✓ Is the government involved in international initiatives for food security? To what extent do these initiatives take into account the interests of developing countries?

Coherence between different levels of government:

- ✓ Are implementation responsibilities clearly divided among different levels of government, taking into account the distinct comparative advantage of each level?
- ✓ Are there effective co-ordination mechanisms that harmonise efforts across levels of government?
- ✓ What are the key tools and approaches for good multi-level governance for food security?

5. Consider diverse sources of finance to improve food security and ensure complementarities

Public financing:

- ✓ To what extent does the government fund activities that promote food security?
- ✓ Are the types of support coherent and do they support clearly established objectives?
- ✓ Are development co-operation programmes coherent with other (sectoral) policies?
- ✓ Do local governments have financial resources to enhance food security?

Private financing:

Does the government:

- ✓ facilitate private investment in agriculture, fisheries and/or rural development?
- ✓ promote responsible FDI in partner countries or are there any restrictions to FDI?
- ✓ adhere to and enforce the MNE Guidelines?

6. Consider contextual factors and create conditions for ensuring global food security

Enabling environments:

- ✓ Does the government actively foster enabling environments for food security, such as by increasing transparency and availability of information in food markets?

Systemic conditions:

- ✓ Does the government have a good knowledge and understanding of the systemic conditions that may hamper their food security efforts?
- ✓ Is the government taking any measures to reduce existing systemic barriers or helping people to adapt to them?
- ✓ Does the government address the root causes (e.g. poverty) rather than the symptoms of food insecurity?

Natural resource endowments and biodiversity:

- ✓ Does the government consider the sustainability of its policies, e.g. on land, water and biodiversity?

Consider how domestic policies influence the four key dimensions of food security

In its concluding declaration, the World Summit on Food Security (2009) set out a comprehensive definition of food security, which is being applied by various institutions (see, for example, FAO, 2013, 2015):

> "Food security exists when all people, at all times, have physical, social and economic access to sufficient, safe, and nutritious food that meets their dietary needs and food preferences for an active and healthy life. The four pillars of food security are availability, access, utilization and stability. The nutritional dimension is integral to the concept of food security."

This definition implies that food security is about more than food **availability**; it also encompasses **access** to food, food **utilisation**, and the **stability** of food supplies over time. Coherent policy making requires considering not only the impact of sectoral policies on each

of these four dimensions, but also how each dimension is linked to the other three. For example, measures to increase crop production (availability) need to be accompanied by appropriate infrastructure investments (access) in order to avoid food waste. Specifically, policy makers will need to consider the impact of their policies on the determinants of each dimension (Table 3.2). The *Annotations* explore the four dimensions in more detail.

Table 3.2. **Dimensions and determinants of food security**

Availability	Access	Utilisation	Stability
• Domestic production • Import capacity • Food stocks • Food aid	• Income and purchasing power • Transport and market infrastructure • Food distribution	• Food safety and quality • Health and sanitation • Diet quality and diversity	• Weather variability • Price fluctuations • Political factors • Economic factors • Ecological factors

Questions for self-assessment:

Does the government:

- *consider all four dimensions when designing policies?*
- *take into account the interactions between the four dimensions?*
- *consider how policies that target one dimension might impact on the other dimensions?*
- *consider context-specific factors (e.g. some countries might need to increase availability, while others might need to improve utilisation)?*

Identify policy interlinkages of relevance to food security (horizontal coherence)

As further outlined in the generic module, mapping and taking into consideration the numerous interactions and interconnections of different policies is of fundamental importance for achieving policy coherence. This can be done at the level of (1) the SDGs, and (2) specific policy domains.

Interlinkages between SDG 2 and other SDGs. Sustainable Development Goal 2 "*End hunger, achieve food security and improved nutrition, and promote sustainable agriculture*" calls for an end to hunger and all forms of malnutrition by 2030. It aims to double agricultural productivity and the incomes of small-scale food producers, and to implement resilient agricultural practices that help maintain ecosystems and strengthen our capacity for climate change adaptation. SDG 2 and its targets are further elaborated in the *Annotations*.

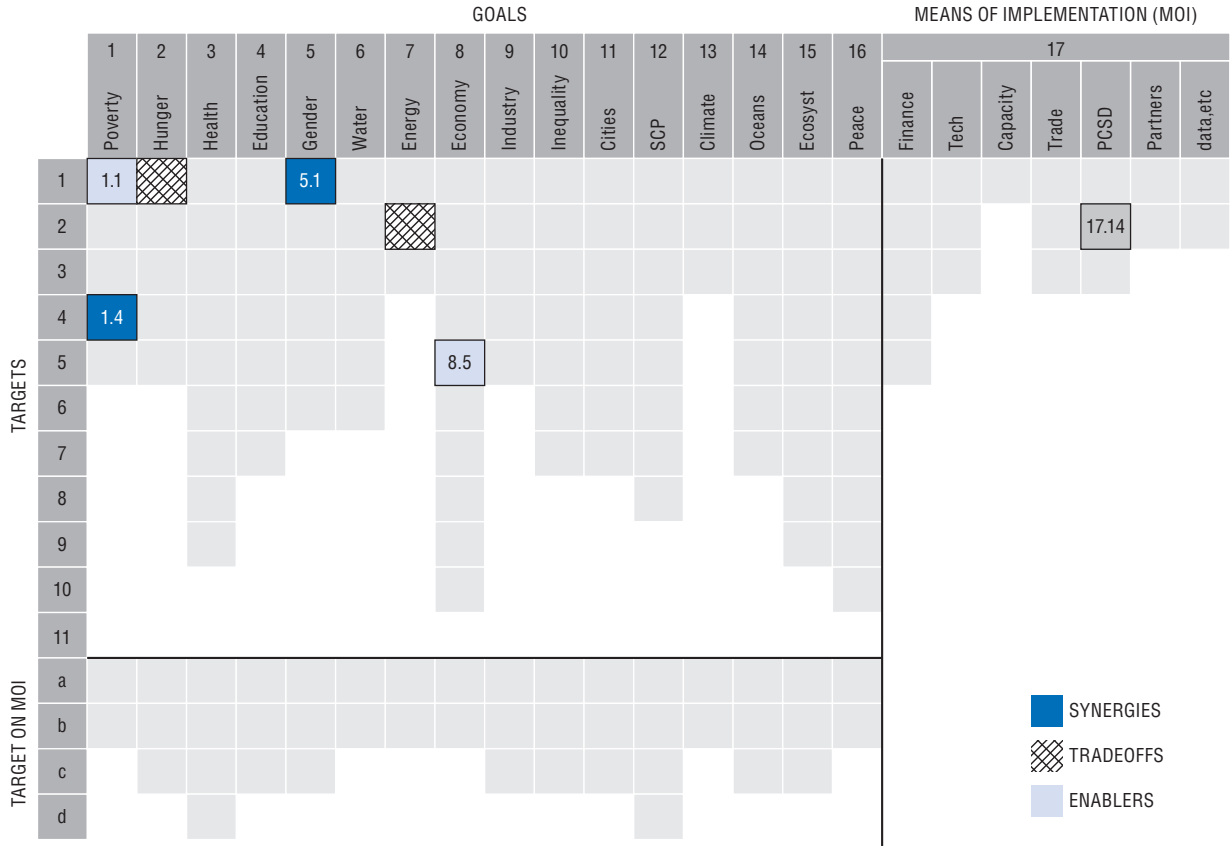
The SDGs are indivisible in nature. This implies that in order to make progress on SDG 2, policy makers will need to consider inter-linkages and critical interactions between SDG 2 and all other goals. This involves identifying **synergies** with some goals (e.g. on poverty, health, education, gender and sustainable consumption and production patterns), as well as **trade-offs** with other goals (e.g. on water, energy, climate, oceans, land use, forestry, biodiversity and ecosystems). Table 3.3, which gives a schematic overview of the SDGs, illustrates this with three examples. A more comprehensive overview of the relationship between SDG2 and other SDGs is provided in the *Annotations*.

Questions for self-assessment:

Does the government:

- *consider SDG 2 as the overarching international framework for reducing food insecurity?*

Table 3.3. **Global Food Security: Examples of policy interactions across the SDGs and Targets**



- *Synergies:* Ending all forms of discrimination against all women and girls everywhere (5.1) would ensure that men and women have equal ownership and control over land and other resources (1.4).
- *Trade-offs:* Increasing the share of renewable energy (7.2) could potentially conflict with ending hunger (2.1) if food crops and biofuel crops compete for the same land and/or water.
- *Enablers:* Achieving full and productive employment for all (8.5) would increase incomes and reduce poverty (1.1), enabling people to afford buying food.
- Policy coherence for sustainable development (17.14) cuts across all goals and targets.

Source: OECD, 2015.

- ❖ *consider the interactions between different goals and targets?*
- ❖ *align (political) interests and priorities with specific goals and/or targets, and is there coherence between them?*

Interlinkages between food security policies and other policy domains

The diversity of policy domains impacting on food security creates a complex network of interactions. Decision-makers often face difficult policy choices in balancing immediate economic gains with the long-term sustainable and responsible management of natural and social resources. Policy coherence for sustainable development can help them to identify and maximise synergies, while at the same time minimise trade-offs.

Policy areas to consider in conjunction with the design and implementation of food security policies include **agriculture and fisheries** (e.g. input subsidies; crop insurance; IUU fishing); **forestry** (e.g. land availability; carbon sink); **water and sanitation** (e.g. irrigation; desalination); **energy** (e.g. energy subsidies; renewable energy); **trade** (e.g. tariffs, NTMs, preference erosion); **investment** (e.g. FDI restrictions); **innovation** (e.g. technology transfer;

IPRs); **climate** (e.g. fossil fuel subsidies; biofuel mandates): and **biodiversity** (e.g. biological pest-control). Food security policies may also need to be complemented by strengthened social protection services in many countries, in particular for more vulnerable segments of the population (the poor, women and children etc.). Each of these areas are discussed at greater length in the *Annotations*.

Of course, this list is not exhaustive, and its content has to be determined in the context of a thorough assessment of a country's specific conditions.[1]

Questions for self-assessment:

Does the government:

- *have a good understanding of the many policy areas that impact on food security?*
- *promote climate-smart agriculture?*
- *promote sustainable and biodiversity-friendly agriculture?*
- *consider the pros and cons of different land usages (e.g. agriculture, forestry, biofuels production)?*
- *promote trade liberalisation in agriculture and fisheries? Does it provide social protection in cases where trade liberalisation has short-term negative effects on poor consumers and/or producers?*
- *promote sustainable fisheries?*
- *facilitate the transfer of productivity enhancing technologies?*
- *promote sustainable investment in rural infrastructure?*

Reform or remove policies that create negative spill-over effects

OECD countries can accelerate the process of reforming policies that create negative spill-overs. Historically, the concern has been with high levels of support and protection that have the potential to undercut farmers' livelihoods in developing countries. With the exception of tariff preferences given to some developing countries, tariffs on agricultural products remain several times higher than those levied on industrial goods. This restricts market access for developing countries' farmers with export potential. Higher prices have historically led to the accumulation of production surpluses, which have been disposed of by means of export subsidies. These in turn depress international prices, making conditions more difficult for competitors in international markets and for import-competing producers in domestic markets. Policies to support farmers have also often been counter-cyclical, which stabilises domestic markets but exports volatility onto world markets (OECD, 2013b).

There have been important reforms, however, resulting in lower marginal impacts of support on developing countries. The reduction in the level of support has also been accompanied by a shift away from production – and trade-distorting forms of support (OECD, 2013b).

As world food prices have risen, concern has focused on policies that add upward pressure on prices, including the diversion of land to biofuel production. There are huge uncertainties over the scale of impact that biofuels will have on overall land use. Future developments in biofuel technology, the cost and availability of fossil fuels and the policy environment are hard to predict. The removal of policies that subsidise or mandate the production and consumption of biofuels that compete with food production would imply that these technologies come on-stream only when they are economically viable, and in the meantime do not jeopardise food security unnecessarily (OECD, 2013b).

Overall, the best response to global market instability is for countries to avoid distorting or protectionist policies. Such policies cause bilateral and regional trade flows to break down, and generate wider negative spill-overs when applied by countries with a larger presence in world food markets. Many of the 2007-08 food price spike responses were ineffective because of the collective impact of other countries applying similar measures. Countries can mitigate some of these risks by having a wider range of trading partners. See the *Annotations* for more details.

Questions for self-assessment:

Does the government:

- *undertake impact assessments (e.g. environmental) of its policies?*
- *carry out cost-benefit analysis of its policies?*
- *limit or remove policies that distort world markets, e.g. subsidies, tariffs and NTMs?*
- *consider the implications of biofuel mandates?*

Is the government:

- *moving towards more decoupled support mechanisms in agriculture?*
- *phasing out fossil fuel subsidies?*
- *removing investment barriers?*

Ensure coherence of actions for food security at and between different levels of government (vertical coherence)

Enhancing or maintaining food security depends on coherent policy interventions across all levels of government and requires strong co-ordination and co-operation among political institutions and other stakeholders. Governments need to make better use of existing political structures and institutions. They also need to realign their policy frameworks and agendas with partner countries to expand the reach and improve effectiveness of their efforts.

Policy coherence at the local level. The intersections between policy areas are frequently most evident at the local level where policies are implemented. Too often, however, policy design and delivery continue to be carried out in a top-down, siloed manner, leaving potential synergies and complementarities unrealised. A co-ordinated and strategic local approach can help local stakeholders combine resources and capacities for collaboration in order to formulate more effective policy responses (UNDP et.al. 2014).

Devolution to the local governance level has been identified as an important step in enhancing policy coherence for sustainable development. The returns are not automatic, however. If not planned and executed properly, decentralisation can have negative unintended consequences, such as enhancing inequalities across local areas, political "capture" by local elites, and degradations in services (UNDP, 2010). Pairing enhanced flexibility or decentralisation with capacity building and accountability, or taking an incremental approach to flexibility, can help to offset these risks. See the *Annotations* for more details.

Questions for self-assessment:

Does the government:

- *promote decentralisation and flexibility?*

- *consult with local stakeholders in the design and implementation of policies?*
- *help local authorities to combine resources and capacities to formulate effective policy responses?*

Policy coherence at the national level. In its Global Strategic Framework for Food Security and Nutrition (GSF), the Committee on World Food Security (CSF, 2015)[2] recognises the important role of states in achieving food security. It recommends that all countries set up or strengthen inter-ministerial mechanisms responsible for national food and nutrition strategies, policies and programmes. Ideally, those mechanisms should be informed and co-ordinated at a high level of government, consolidated in national law, and involve representatives from ministries or national agencies from all areas related to food security and nutrition. National strategies, in turn, need to be comprehensive and address all pillars of food security, i.e. availability, access, utilisation and stability.

Stakeholders at the national level could include central and subnational governments, civil society, the private sector, farmers' organisations, women and youth associations, representatives of the groups most affected by food insecurity and, when appropriate, donors and development partners. See the *Annotations* for more details.

Questions for self-assessment:

- *Is there a national commitment to policy coherence?*
- *Does the Centre of Government have a good overview and ability to influence policies related to food security?*
- *Is inter-ministerial collaboration encouraged and facilitated?*

Policy coherence at the regional level. Regional organisations can contribute to supporting national and local actions, e.g. by providing political incentives and technical guidance to promote response at the country level, to build regional markets, and to pool risks and responses of their members. They have an important role to address the need for shared management of trans-boundary resources such as rivers, pastoral lands and marine resources. Regional platforms (some of which are listed in the *Annotations*) can also provide space for dialogue and a useful interface between the global and national levels, facilitating common agreement on shared principles and paving the way for improved alignment of policies (CSF, 2015).

Questions for self-assessment:

Does the government:

- *promote and participate in regional co-operation for food security?*
- *engage in regional policy implementation with regard to shared resources?*

Policy coherence at the global level. The international community can provide important support to national and regional efforts to combat hunger, also ensuring that various actors are not duplicating activities. However, recent economic crises, including high and volatile food prices, have exposed the fragility of global mechanisms for food security and nutrition. Co-ordination between actors at national, regional and global levels has been inadequate (FAO/CFS, 2014). The *Annotations* provide more information on different international initiatives to build global food security.

Questions for self-assessment:

- *Is the government involved in international initiatives for food security? To what extent do these initiatives take into account the interests of developing countries?*

Coherence between different levels of government. Relations across levels of government have changed over the last two decades. Decentralisation has made local and regional governments more powerful in formulating and delivering policy, thereby increasing their scope for improving the competitiveness of the regional economy and the well-being of residents.

This shift away from a centralised and vertical system has also made governance more complex by involving a wider range of stakeholders at different levels. Understanding this complex network of relationships, as well as developing effective collaboration between levels of government, is critical to enable efficient policy making and service delivery. OECD's work on "multilevel governance" can support action along these lines (*www.oecd.org/regional/multi-levelgovernance.htm*). See the *Annotations* for more details.

Questions for self-assessment:

- *Are implementation responsibilities clearly divided among different levels of government, taking into account the distinct comparative advantage of each level?*
- *Are there effective co-ordination mechanisms that harmonise efforts across levels of government?*
- *What are the key tools and approaches for good multi-level governance for food security?*

Consider diverse sources of finance to improve food security and ensure complementarities

Substantive increases in investment in agriculture, infrastructure, and research and extension services, among other things, will be needed to achieve food security, to raise incomes and increase the supply of food sustainably, notably by raising productivity. Most of the investment will need to come from the private sector, especially from farmers themselves. Governments have an important role in establishing framework conditions that complement and encourage responsible private investment.

Increased investment in agriculture will involve new stakeholders in agricultural supply chains, as well as innovative financing mechanisms. While this is a positive development overall, policy makers need to be attentive to potential incoherencies between this growing number of diverse sources of finance. See the *Annotations* for more information.

Public financing. Governmental intervention in agriculture finance is often directed towards managing risks in the sector. This includes support to farmers in the form of payment of indemnities, reductions in social security contributions, tax exemptions and subsidising private insurance schemes. The government might also create credit guarantee funds or support private credit guarantee schemes; provide information on potential risks; or act as a facilitator without disbursing funds itself (IISD, 2015).

Official development assistance (ODA) supports only about one-quarter of the total financing needed for food and nutrition security. Developing country contributions cover another quarter, leaving a financing gap of about 50% (OECD, 2012a).

Questions for self-assessment:

- *To what extent does the government fund activities that promote food security?*
- *Are the types of support coherent and do they support clearly established objectives?*
- *Are development co-operation programmes coherent with other (sectoral) policies?*
- *Do local governments have financial resources to enhance food security?*

Private financing. Private investment is essential if agriculture is to fulfil its vital function of contributing to economic development, poverty reduction and food security. However, private investment still lags behind its potential in most developing countries, mainly because the sector is associated with high climatic and price risks and market failures. The OECD's *Policy Framework for Investment in Agriculture* (PFIA) aims to support countries in evaluating and designing policies to mobilise private investment in agriculture for steady economic growth and sustainable development (OECD, 2014a). Innovative financing mechanisms and philanthropy need to be harnessed as well.

Questions for self-assessment:

Does the government:

- *facilitate private investment in agriculture, fisheries and/or rural development?*
- *promote FDI in partner countries or are there any restrictions to FDI?*
- *adhere to and enforce the MNE Guidelines?*

Consider contextual factors and create conditions for ensuring global food security

Contextual factors can be divided into enabling environments which have a positive impact on sustainable development outcomes, and systemic conditions which have a negative impact. The role of policies is to strengthen enabling environments and to remove or minimise the effect of systemic conditions. See the *Annotations* for more information.

Enabling environments. Enabling environments **(enablers)** can be defined as the set of interrelated conditions in the political, legal, economic, and social domains that influence policy outcomes positively, such as good governance, strong institutions, research and development, health and education, social and legal protection, and gender equality.

It is ultimately household income that determines the ability of people to buy the food they need to lead healthy lives. Raising the incomes of the poor is therefore one of the main enablers for ensuring global food security. The basic requirement for poverty reduction is broad-based development and its underpinnings include peace and political stability, sound macro-economic management, strong institutions, well-defined property rights and good governance.

Open and transparent markets can also be considered an enabler for food security by alleviating information asymmetries. Trade enables production to be located in areas where resources are used most efficiently and has an essential role in getting products from surplus to deficit areas. It also raises overall incomes through the benefits to exporters (in the form of higher prices than would be received in the absence of trade) and importers (through lower prices than would otherwise be paid), while contributing to faster economic growth and rising per capita incomes.

Questions for self-assessment:

- *Does the government actively foster enabling environments for food security, such as by increasing transparency and availability of information in food markets?*

Systemic conditions. Systemic conditions **(disablers)** conversely hinder countries' capacities to achieve sustainable development objectives. They can include conflicts, pollution, climate change, price shocks, rapid urbanisation, etc.

Food and nutrition insecurity is becoming increasingly concentrated in conflict-affected countries. Conflicts often ravage the countryside, ruining harvests, claiming livestock and reducing the supply of food. Food insecurity is also often related to shocks, such as natural disasters, droughts and floods. Policies and interventions that build resilience to these shocks can help strengthen national-level governance systems and institutions, contributing to improved food security outcomes (IFPRI, 2015).

High and volatile food prices in recent years have aggravated food insecurity in many countries. Consumers, especially poor consumers, are adversely affected by high prices. Producers, on the other hand, are instead more concerned about low prices, which may threaten their living standards as well as their longer term viability when income is too low to provide for the farm family or for the operational needs of the farm. Uncertainty may result in less than optimal production and investment decisions. In developing countries, many households are both producers and purchasers of agricultural products. For this group the impacts of price volatility are complex, with net outcomes depending on a combination of many factors (FAO et al., 2011).

Trade in itself is beneficial to food security (see above), but not all trade *rules* were designed to ensure food security and may therefore be perceived as sometimes inconsistent with positive food security outcomes. This can work against developing countries, many of whom lack the legal and administrative capacity to effectively navigate the complex rules framework (Elliott and Burnett, 2015).

Questions for self-assessment:

- *Does the government have a good knowledge and understanding of the systemic conditions that may hamper their food security efforts?*
- *Is the government taking any measures to reduce existing systemic barriers, or helping people to adapt to them?*
- *Does the government address the root causes (e.g. poverty) rather than the symptoms of food insecurity?*

Natural resource endowments and biodiversity. Agriculture (and food production) has a significant position with respect to the environment due to the amount of land and water it uses, in contrast to a much smaller role in the overall economy. It produces both positive (e.g. carbon sequestration) and negative (e.g. water pollution) environmental externalities. Addressing the twin policy challenge of ensuring global food security and improving environmental performance will require raising the environmental and resource productivity of agriculture; enhancing land management practices; minimising pollution discharges; curtailing damage to biodiversity; and strengthening policies that avoid the use of production and input subsidies damaging to the environment (OECD, 2013c).

The relationship between changes in the volume of agricultural production and **agricultural land** area can provide a broad indication of the environmental performance of agriculture. Increases in agricultural production and land use often signify greater pressure on the environment, as may the intensification of production on a reduced area farmed. Environmental pressure, however, will depend on the extent to which farming practices limit the pressures, such as improving resource use efficiency (OECD, 2013c).

Managing **water resources in agriculture** includes: irrigation to reliable water supply across the production season; management of floods, droughts, and drainage; conservation

of ecosystems; and meeting societal, cultural and recreational needs linked to water. For those regions reliant on irrigation to supplement rainfall, water is mainly drawn from surface water (rivers, lakes, reservoirs) and groundwater (shallow wells and aquifers), and only to a limited extent are recycled wastewater and desalinated water used (OECD, 2013b).

Agriculture is inextricably linked to **biodiversity**, as agriculture produces both food and non-food commodities, and provides environmental services for society more broadly with potential scientific, recreational, and ecological value. Conversely, honey bees, for example provide important pollination services to agriculture, while nutrient cycling serves to move organic and inorganic matter back into the production of living matter. The loss of significant biodiversity from many production systems has left these systems impoverished, vulnerable and dependent on continuous use of external inputs. This loss limits the future capacity of agriculture to respond or adapt to changes such as increased urbanisation, reduced land, water and resource availability and climate change (FAO, 2011).

There is a need for policies to manage both land and water resources sustainably, for example by strengthening land tenure system and introducing water charges or tradable water rights (OECD, 2013b).

Questions for self-assessment:

- *How does the government consider the sustainability of its policies, e.g. on land, water and biodiversity? Are current efforts effective in ensuring sustainability?*

Annotations

Consider how domestic policies influence the four key dimensions of food security

According to common definitions, food security exists when the conditions for four key dimensions are fulfilled: i) access to food; ii) availability of food; iii) utilisation of food; and iv) stability of food (World Summit on Food Security, 2009). The following paragraphs elaborate on the meaning of each of these dimensions.

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

Second, governments can increase the **availability** of food via measures that increase supply sustainably or restrain demands that do not translate into improved food security outcomes. There is great scope for fundamentally altering supply conditions by raising productivity growth, improving the efficiency of natural resource use, reducing post-harvest losses and adapting to climate change. Equally, changes on the demand side, including reduced over-consumption and less consumer waste could substantially ease the supply side challenge. Because of the wide scope for change in each area, there is a danger of looking for a "magic bullet" in one single area while neglecting other areas. However, actions are needed across multiple policy domains.

Third, the chief requirements to improve the **utilisation** of food are complementary policies. Improvements in education and primary healthcare can strengthen income growth, and – along with other investments, notably in sanitation and clean water – improve nutritional outcomes. Direct nutrition interventions can also be effective.

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

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

In its Strategy on Development (OECD, 2012c), the OECD committed itself to support global development through the analysis of key PCD issues, including global food security. The current focus on food security in the global agenda arose as a result of an improved understanding of the causes behind food insecurity. Traditionally, the focus was on the adverse impact of agricultural policies in OECD countries on the terms of trade for developing countries, endangering their food security. However, agricultural reforms and the consequences of the 2008 food crisis suggest that the main challenge of ensuring global food security is raising the incomes of the poor, and that both agricultural and rural diversification are needed to foster economic growth and job opportunities.

Identify policy interlinkages of relevance to food security (horizontal coherence)

Food security is a basic condition for human life and its absence seriously hampers development possibilities. Consequently, fighting hunger and poverty were both part of MDGs. Despite good or even excellent global progress in achieving this objective, the achievements are unevenly distributed across countries and regions, and conditions actually worsened in some (UN, 2015). Food security thus remains a key challenge in the 2030 Agenda: undernourishment is still a reality for about 795 million people worldwide (FAO, IFAD and WFP, 2015) despite economic growth in many parts of the world and technological advances in food production (OECD, 2013a).

Interlinkages between SDG 2 and other SDGs

Sustainable Development Goal 2 and its targets aim at achieving the four dimensions of food security (Box 3.1). A comprehensive and coherent approach could help governments focus on the dimensions where their population is most vulnerable. Notably, meeting SDG 2 will require increased investment in rural infrastructure, agricultural research and extension services, technology development, and plant and livestock gene banks to enhance agricultural productive capacity in developing countries. It will also require the correction and prevention of trade restrictions, distortions and support policies in world agricultural markets, as well as the adoption of measures to ensure the proper functioning of food commodity markets to help limit extreme food price volatility.

Box 3.1. **SDG 2: End hunger, achieve food security and improved nutrition and promote sustainable agriculture**

2.1 By 2030, **end hunger and ensure access** by all people, in particular the poor and people in vulnerable situations, including infants, to safe, nutritious and sufficient food all year round.

2.2 By 2030, **end all forms of malnutrition**, including achieving, by 2025, the internationally agreed targets on stunting and wasting in children under 5 years of age, and address the nutritional needs of adolescent girls, pregnant and lactating women and older persons.

2.3 By 2030, **double the agricultural productivity and incomes of small-scale food producers**, in particular women, indigenous peoples, family farmers, pastoralists and fishers, including through secure and equal access to land, other productive resources and inputs, knowledge, financial services, markets and opportunities for value addition and non-farm employment.

2.4 By 2030, **ensure sustainable food production systems** and implement resilient agricultural practices that increase productivity and production, that help maintain ecosystems, that strengthen capacity for adaptation to climate change, extreme weather, drought, flooding and other disasters and that progressively improve land and soil quality.

2.5 By 2020, **maintain the genetic diversity** of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly managed and diversified seed and plant banks at the national, regional and international levels, and ensure access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge, as internationally agreed.

2.a **Increase investment**, including through enhanced international co-operation, in rural infrastructure, agricultural research and extension services, technology development and plant and livestock gene banks in order to enhance agricultural productive capacity in developing countries, in particular least developed countries.

2.b **Correct and prevent trade restrictions and distortions in world agricultural markets**, including through the parallel elimination of all forms of agricultural export subsidies and all export measures with equivalent effect, in accordance with the mandate of the Doha Development Round

2.c **Adopt measures to ensure the proper functioning of food commodity markets and their derivatives** and facilitate timely access to market information, including on food reserves, in order to help limit extreme food price volatility.

Source: UN, 2015.

Food security outcomes will also be affected by pursuing other SDGs and *vice versa* (Table 3.4). Leadership at the highest levels of government will be important for convening different policy interests, raise awareness of the synergies and trade-offs, achieve consensus and reconcile potentially competing objectives.

Interlinkages between food security policies and other policy domains

Feeding a growing population and combatting hunger will require food production to grow by an estimated 60% by 2050 (OECD, 2013a). At the same time, agriculture is a significant contributor to climate change, and to a large extent based on the unsustainable exploitation of natural resources (water, soil) and environmental habitats. Conversely,

Table 3.4. **How attaining other SDGs may affect food security (FS)**

Goals	Main potential impacts on FS	Examples	Interlinkages
Goal 1 (Poverty)	↗ access ↗ use	Sustainably raising the incomes of the poor and increasing their access to basic services gives them more access to food and to better life conditions.	Synergies
Goal 3 (Health)	↗ access ↗ use	Better health care can improve the use of food. Improved food security affects health conditions positively.	Synergies
Goal 4 (Education)	↗ use ↗ access ↗ sustainability	Better education also means increased information about nutrition. It can also increase job prospects, revenues and access to food, while improved skills in agriculture can contribute to a more sustainable agriculture.	Synergies
Goal 5 (Gender)	↗ access ↗ use ↗ sustainability	Empowering women and girls in every sphere helps reduce poverty and affects the future sustainability of food security. It can also "reduce micronutrient deficiencies and enhance sustainable agriculture".	Synergies
Goal 6 (Water and sanitation)	↗ availability ↘ availability ↗ access	Clean water is essential to improve agricultural productivity and consequently availability of food, but protecting and restoring water-related ecosystems may reduce land and water for agricultural use. Access to safe drinking water is also essential for food security.	Synergies and possible trade-offs
Goal 7 (Energy)	↗ availability ↘ availability	Access to energy is critical for improving agricultural productivity. The production of biofuels may divert land use from agriculture and contribute to increased food prices, hence affecting negatively food security of vulnerable groups.	Synergies and possible trade-offs
Goal 8 (Economic growth and employment)	↗ access ↗ sustainability	Sustainable economic growth and employment raise revenues and improve access to food.	Synergies
Goal 9 (Infrastructure, industry and innovation)	↗ access	Innovation can improve living conditions and access to food. Upgrading rural infrastructure will be important for agriculture and agro-processing industries; but unsustainable industrialisation can also hamper agricultural development and destroy natural resources.	Synergies and possible trade-offs
Goal 10 (Inequality)	↗ sustainability ↗ access	Empowering people and reducing global inequalities contribute to sustainable development. Greater financing for development can increase access to food.	Synergies
Goal 11 (Cities and human settlements)	↗ access ↗ availability ↘ availability ↗ sustainability	More sustainable human settlements improve life conditions and access to food. Reducing environmental degradation by human settlements can help sustain agricultural productivity and availability of food, but ensuring adequate housing for a growing number of people can increase pressure on arable land, thereby threatening food availability. Better connection between rural and urban areas will contribute to food and nutrition security as well as sustainable agricultural production.	Synergies and possible trade-offs
Goal 12 (Sustainable consumption and production)	↗ availability ↗ sustainability ↗ access ↗ use	Sustainable production improves food availability in the long term. Sustainable consumption reduces food waste and over-consumption. Reduced demand for food can lower prices and improve the terms of access for poorer households.	Synergies
Goal 13 (Climate change)	↗ sustainability ↗ availability ↘ availability	Enhanced resilience to climate change can improve sustainable agricultural practices. Some mitigation should have a positive effect on agriculture as it slows rising temperatures (which would adversely affect production). Addressing climate change requires innovation in agriculture to compensate for temporary reductions in productivity due to adaptation. However, given adequate adaptation, availability is likely to increase in the long term.	Synergies and possible trade-offs
Goal 14 (Oceans)	↗ sustainability ↗ availability ↘ availability	Sustainable use of the marine resources should contribute to the availability and sustainability of this food supply source. The conservation of marine areas may impose temporary restrictions on food supply. However, this will help ensure long-term availability.	Synergies and possible trade-offs
Goal 15 [3](Ecosystems)	↗ sustainability ↗ availability ↘ availability	Protecting ecosystems supports a more sustainable agriculture. Reforestation may divert the use of land from agriculture. Protection of mountain ecosystems and biodiversity may reduce the availability of land for agricultural purposes.	Synergies and possible trade-offs
Goal 16 (Inclusiveness)	↗ sustainability ↗ availability ↗ access ↗ use	Better governance supports sustainable agriculture by creating enabling environments for investment, innovation, trade, improvement of infrastructures, of health and education policies.	Synergies
Goal 17 (Means of implementation)	↗ sustainability ↗ availability ↗ access	Enhanced means of implementation in the areas of finance, technology, capacity building, trade, PCSD, partnerships and monitoring have the potential to reinforce the previous goals and can contribute to the long term sustainability of food security.	Synergies

Source: OECD/PCD Unit and ICSU, ISSC (2015).

agricultural production is projected to be heavily affected in the long-term by the adverse effects of climate change and a continuing depletion of natural resources.

Tackling any one of these issues in isolation is therefore not an option. Building global food security, while at the same time preserving our natural resources and environment and combatting climate change requires integrated and coherent policy solutions across a wide range of policy domains. This section outlines a number of critical interactions and the approaches used to tackle them: climate-smart agriculture; the water-energy-food nexus; fisheries and aquaculture policies and the environment; the food-forest nexus; and trade and investment.

Interlinkages between climate and agriculture policies

"Climate-smart agriculture" covers the whole range of policies linked to agriculture, from water and soil management to livestock and forestry, from investment and capacity building to market access and trade. It implies that in order to achieve food security and agricultural development goals, adaptation to climate change and lower emission intensities per output will be necessary. This transformation must be accomplished without depleting the natural resource base (FAO, 2013).

Little scope exists for increasing cultivated land area lest the planetary boundaries are to be surpassed. However, there is often substantial potential for improving yields, and sustainable intensification would not only increase output, but also help to moderate the adverse effects on the natural resource base and the climate (Box 3.2). Governments need to design policies that incentivise farmers and the actors within the wider food processing chain to take into consideration the broader framework they operate in (for example through adequate pricing mechanisms for ecosystem services and natural resources, and abolishing harmful subsidies). They also need to be equipped with the required skills and capacities and receive support from strong institutions in order to achieve the shift to climate-smart agriculture. Scaling up investments is pivotal to help improve resilience, and make agriculture more sustainable, while accurate data and public information have a vital role in helping farmers to adapt.

Box 3.2. **A change of system: From slash and burn to agroforestry in Central America**

Since 2000, FAO has initiated special programmes for food security with the governments of Guatemala, Honduras, Nicaragua and El Salvador, among others. To improve and develop agroforestry systems in the sub-region, these programmes worked together, sharing practices, experiences and results. Agroforestry systems are promoted as a substitute to traditional slash-and-burn systems, particularly on slopes. At the same time, they are more efficient and resilient.

In traditional slash-and-burn systems, a family needs close to 6 hectares to maintain itself on a diet of corn and beans. The family exploits a plot for two years and then sets it aside for 14 years. In agroforestry systems a plot is exploited for 10 years, producing – along with corn and beans – a variety of other products, often including livestock. The plot is then set aside for only 5 years. A family thus needs 1.4 hectares to sustain itself and enjoy a more diverse and balanced diet. Land is therefore almost 4 times more efficient.

Box 3.2. **A change of system: From slash and burn to agroforestry in Central America** *(cont.)*

Efficiency also increases because in agroforestry systems, yields (which are comparable the first year) do not decline over time as they do very rapidly in slash-and-burn systems. In fact, yields can even increase slightly over time in agroforestry systems. Productivity of labour and of capital is also higher in agroforestry systems. Costs are reduced, especially for fertilizers, because of more organic matter in the soil and better use of nutrients by the plants. At the community level, diversification of production triggers the development of local markets. Consequently, in terms of resource use, agroforestry systems are efficient at safeguarding food security and the environment. Agroforestry systems are also much more resilient:

- Yields are less variable, because of better humidity retention.
- They provide for more diverse production, which ensures in turn a buffer against both the variability of crop yields and price volatility.
- They offer diversified sources of income, including through selling wood for various uses (and at various time scales), which can also provide a buffer against some economic shocks.
- They protect the soil from erosion, which is a major concern in these areas. Studies have shown that in agroforestry systems erosion is reduced by a factor of more than 10.

Source: FAO, 2013.

Interlinkages between water, energy and food policies[4]

Governments around the world, in developed and developing countries alike, face significant challenges in managing their natural resources effectively and in securing water, food and energy for sustainable and inclusive growth. Water, energy, and food determine the basic patterns of settlement and economic activity and changes in their availability can have a profound effect on communities in all countries. Policy decisions made in these sectors can have significant impacts on each other, requiring a careful consideration of multiple and sometimes conflicting objectives.

At the same time, demand for water, energy and food are expected to increase further, adding pressure on already strained resources. Population growth, urbanisation and climate change give rise to additional challenges with people in poor countries being the hardest hit. Addressing the nexus sustainably therefore requires simultaneous consideration of i) the social dimension, i.e. accelerating access and integrating the bottom billion; or addressing equity issues related to the allocation of risks and opportunities; ii) the economic dimension, i.e. creating more with less, and allocating scarce resources where they add value to the community; and iii) the environmental dimension, i.e. investing to sustain ecosystem services. Notably, the achievement of greater coherence between water, energy and agriculture policies will depend on removing policy inconsistencies and perverse incentives, as well as building relationships between different actors and across sectors and levels of governance.

The Sustainable Development Goals include dedicated goals and targets on food security (SDG2), water (SDG6) and energy (SDG7); these goals also will contribute to other SDGs (on poverty eradication, health, cities, or climate change). Meeting them will require integrated approaches and policy coherence for sustainable development can provide a tool for identifying the synergies and trade-offs between different policy options.

Interlinkages between fisheries and aquaculture policies and the environment

Fish provides nutritious food and protein and is also an important source of revenue. Both global fish production and consumption have increased in the last fifty years, along with employment in the sector (FAO, 2014b). The increase of aquaculture, notably in developing countries, should support future increases in the production of sea food (OECD/FAO, 2015). Yet, its rapid spread has raised questions of unsustainability related to four categories of aquaculture-related risks (OECD, 2010a):

- *Biological risks* related to aquatic diseases; the use of antibiotics and other chemicals; and the diet given to the farmed fish;
- *System-related risks* regarding the water supply or other component failures;
- *Market/economic risks* arising from unexpected changes in the markets;
- *Political risks* affecting security, policy environment, legal context, trade options, etc.

Aquaculture-related risks pose a serious threat to ecosystems, food safety and food security, in the short- and the long-term. Better regulation plays an important role in reducing the risks but other policies are equally necessary. Investing in research on aquaculture, for example, has the potential to reduce its negative impacts on ecosystems and health, and can also contribute to mitigate the negative effects of climate change and improve the resilience of fish farms, which are particularly vulnerable to extreme weather conditions, to climate change and environmental degradation (namely rise of sea salinity and temperature, and pollution).

The safety and sustainability of sea food and fish stocks face other risks as well. Many coastal areas, particularly in the developing world, are threatened by illegal, unreported and unregulated (IUU) fishing. These practices do not respect the preservation of eco-systems and the balancing of harvest and are often associated with bad working conditions. In addition, developing countries usually lack the public infrastructure and governance to tackle IUU fishing (OECD, 2008).

Greater coherence (Box 3.3) can support efforts to reduce unsustainable and illegal practices that hamper food security domestically ("here and now"), internationally ("elsewhere"), and over time (intergenerational effects).

Box 3.3. **Policy coherence for development in the fisheries of Cabo Verde**

A report produced by the NGOs Platform of Cabo Verde, in close partnership with the Portuguese Instituto Marquês de Valle Flôr, provides an excellent example of how lack of policy coherence may affect negatively the development outcomes of fishermen communities. Using OECD methodology, it maps the policy and institutional inter-linkages of the management structure of the fisheries' sector of Cabo Verde and the influence of national and international policies.

While fisheries are identified in Cabo Verde's Poverty Reduction and Growth Strategy (DCRP III) as one of the areas with the biggest potential for the country, several inconsistencies undermine this potential. For example, some infrastructures that aim to support the preservation and trade of fish (such as the Units of Transformation and Adding Value) are not used because of the insufficient financial resources by the potential users (such as to afford electricity), the low fleet capture volume or the lack of mechanisms to facilitate the distribution of sea products.

Box 3.3. **Policy coherence for development in the fisheries of Cabo Verde** *(cont.)*

The report suggests that targeting investments to modernise the fleet, creating channels for fish commercialisation and distribution, and encouraging greater co-ordination among all stakeholders in the local and national levels are some of the measures that should improve the productivity of the sector and the harmonisation of management policies and investments.

Source: IMVF and Plataforma das ONG's de Cabo Verde (eds.) (2013).

At the national level, to combat IUU fishing, governments should improve and enforce regulations, and build safety nets to support vulnerable groups in adapting to the transition to sustainable practices. Countries importing unregulated or illegal sea-food also need to take action to reduce incentives for such practices. The more advanced countries should also consider the negative spillovers of domestic support to fisheries. Such support may reduce the capacity of developing countries to benefit from globalisation (OECD, 2008). For example, the EU uses the Electronic Recording and Reporting System (ERS) to control EU's long distance fleet fishing activity, in order to avoid competition with local fleets (EC, 2015).

Enforcing the worldwide political commitment through international agreements would increase legitimacy and capacity to act at national level. Some examples are FAO's Code of Conduct for Responsible Fisheries, FAO's Agreement on Port State Measures to Prevent, Deter and Eliminate Illegal, Unreported and Unregulated Fishing (PSMA), and EU regulation to establish a community system to prevent, deter and eliminate IUU.

Interlinkages between agriculture and forestry[5]

The contribution of forests to food security and nutrition, and the impact of food production on forests and landscapes are of particular relevance in the context of the SDGs.[6] This "food-forest nexus"[7] is complex and so are the policies to address it. On the one hand, there are synergies: forests are a source of food and they support food production, namely fodder and fuelwood; besides, selling forest products is an additional source of income for rural populations. Thereby, forests can contribute to the diversification of rural economies (Box 3.4). In addition, they can enhance resilience to natural disasters: intense deforestation has been associated with Thailand's 2011 flooding as well as more recent flooding in Myanmar (OECD, 2014a).

Box 3.4. **Forest resources in Canada**

"Diversification of the forest economy also includes non-timber forest products (NTFPs). These are products other than wood that come from biological sources in the forest and require little processing. They may allow forest communities to benefit from the natural resources located at their doorstep. This category also includes maple farming, the production of Christmas trees, wild blueberries from both blueberry patches and the forest, mushrooms and essential oils extracted from softwood trees. More than 400 potential products could be harvested from forests and be introduced into a market increasingly sensitive to new consumer interest in biopharmaceuticals or nutraceuticals (natural food supplements)."

Source: OECD, 2014b.

On the other hand, there are also trade-offs between forest sustainability and agricultural productivity. Growing demand for food is one of the causes of deforestation, in particular in the framework of agricultural development policies to increase the productivity of palm oil, cattle or soybean. In addition, subsidies to support food production that do not take into account the environmental spill-overs can further increase deforestation.

In some countries, increased gender equality could contribute to improving the impact of forests in food security: Women usually play a more prominent role than men in collecting food, fodder and fuel from forests (fostering their understanding of the importance to sustainably use forests), yet their decision-making power is often limited due to restrictive land tenure rights that exclude them. Given the important separation between land users and land owners, policies to promote equal rights in access to land could contribute to a more sustainable use of forest and forest products.

Public decision-makers need to be aware of and take into account the synergies and trade-offs between agriculture and forests, in order to implement policies that effectively contribute to food security. However, these inter-linkages have been mostly neglected thus far, possibly because of the minor role that the traditional rural industries (agriculture, mining, energy, forestry and fishing) play in terms of share of GDP and employment (OECD, 2014b).

Better forest management is an outcome of improved coherence, in particular because it involves relevant stakeholders: different government departments and administrative jurisdictions, in addition to private societies and local communities themselves. In addition to governmental co-ordination bodies, private organisations for forest management can play an important role, in particular in countries with a large share of privately-owned forests.

Interlinkages between trade and investment in the context of food security

Trade and investment have always been intertwined in business, but less so in policy making. Global value chains (GVCs) have sharpened the interdependencies between trade and foreign direct investment (FDI) further, making the symbiosis between these two policy areas more complex than ever, including in the area of food security.

The level of investment in agriculture is positively correlated with food security and poverty reduction. Regrettably, agricultural investment in developing countries decreased sharply over the last decades. Substantial increases are needed to eradicate hunger and poverty, create decent jobs and livelihood opportunities and ensure environmental sustainability. As the largest on-farm investors, farmers must be central to agricultural investment strategies. Their investments must be stimulated, oriented towards sustainability, and complemented by governmental and donor investments in public goods (*www.fao.org/investment/ourwork/en/*).

Services are an increasingly critical node in the relationship between trade and investment. They will be central in any further efforts to liberalise investment and to improve the business environment. The liberalisation of trade in services would also help to stimulate increased agricultural productivity through increased investment in network services and, concomitantly, in the agricultural sector (IISD, 2012).

Another challenge relates to the fact that there is no global set of rules governing trade and investment. Bilateral investment treaties (BITs) – there are close to 3 000 – are being consolidated and replaced by Regional Trade Agreements to better address the services-

trade-investment-technology nexus. Being regional, however, they are not applied uniformly at a global level, and create their own overlaps and incoherencies. Mega-regional agreements like TTIP and TPP deliver new policy frameworks and could potentially serve as stepping stones towards the future of global trade and investment rules (G. Ramos, 2015).

Reform or remove policies that create negative spill-overs

An immediate contribution that OECD countries can make to improving global food security is to eliminate policies that create negative spill-overs. *Trade-distorting agricultural support*, for example, prevents an efficient allocation of resources. The use of price-based support requires restrictions on market access and, when countries have produced surpluses, has often led to the use of export subsidies. The former harms developing country exporters, while the latter depresses international prices, making conditions more difficult for competitors on international markets and for import-competing producers on domestic markets. Policies to support farmers have often been counter-cyclical, which stabilises domestic markets but exports instability onto world markets.

OECD countries have on average reduced the amount of support that they provide to agriculture, and in several countries there has been a significant re-structuring of policies, with public support increasingly decoupled from production decisions. As a result, the marginal impacts of that support on developing countries are now much lower. Those reforms have been facilitated in recent years by strong market conditions, which have reduced the gaps between domestic prices and world market prices.

Support for incomes, in turn, can best be provided via social protection. The distinct role for agricultural policy lies in correcting market failures, which implies taxing the sector's negative externalities, and paying for public goods and positive externalities such as a countryside that maintains biodiversity. That role can be fulfilled without supporting prices and without the trade measures that are required to hold such policies in place.

In the face of rising world food prices, there is also concern about policies that add upward pressure on prices, including the diversion of land to biofuel production. There are huge uncertainties over the scale of impact that biofuels will have on overall land use. Technological developments in biofuels, the cost and availability of fossil fuels and the policy environment are hard to predict. The removal of *policies that subsidise or mandate the production and consumption of biofuels* that compete with food would imply that these technologies come on-stream when and where they make economic sense, and in the meantime do not jeopardise food security unnecessarily (OECD, 2013a). Governments should instead focus their attention on encouraging investment in research and technological innovation (Box 3.5), such as developing biofuel from waste or non-food feedstock lowers the pressure on the use of land to produce food (OECD/FAO, 2014). Appropriate incentives need to be put in place because investments on research for increasing agricultural productivity have high yet slow returns (OECD, 2013b).

Ensure coherence of actions for food security at and between different levels of government (vertical coherence)

Policy coherence at the local level[8]

Local governments are ideally placed (and usually, mandated) to concentrate on several of the variables which need to be considered in the food security equation. They provide basic infrastructure that supports the production and distribution of food crops

Box 3.5. **The role of research in improving food security outcomes**

"The main challenge to agricultural innovation is policy coherence. Recent reforms in agricultural policy have attempted to strengthen multidisciplinary co-ordination and governance, develop interactions within the systems, improve cross-country co-operation, strengthen mechanisms for diffusion of innovation, increase the role of the private sector to leverage resources and provide matching funds for R&D. Public resources are focusing on areas that have more public character and long-term benefits. One example is the creation of centres of excellence to develop R&D competences. The need to formulate a long-term vision, a challenging proposition, can be facilitated by good practice recommendations".

Source: OECD, 2014b.

(including roads, wells, dams, markets, etc.); adjudicate land title disputes; provide a forum for community groups (including farmer co-operatives); and monitor local food security. Local governments can also play a key role in promoting territorial development, raising incomes and improving food security though a place-based approach.

Local government is closest and most directly accountable to smallholder farmers, and should therefore have the knowledge and incentives to address the issues of local food security. The local government tier is also most likely to understand local variables such as weather and crop planting patterns, local trade flows, and synergies as well as the causes of chronic and transitory food insecurity. Thus, local governments should be the ones acting to mitigate those effects of climate change that are expected to impact food security most significantly. Interventions such as reforestation, erosion control, terracing and groundcover replacement can all contribute to the mitigation effort and need to be enacted at the local level. Successful local interventions should be shared with other local governments and integrated into national development plans to build bottom-up food security development.

The most problematic and endemic issues for local governments are a lack of funding, capacities and adequate staffing. This is especially acute in developing countries where local government offices are often small, understaffed and under-funded. Increasing revenue collection in the short term, and promoting local economic development in the long term, can help mitigate those issues.

Policy coherence at the national level

The Five Rome Principles for Sustainable Global Food Security (World Summit on Food Security, 2009) acknowledge the pivotal role of states in combatting food insecurity:

> "We reaffirm that food security is a national responsibility and that any plans for addressing food security challenges must be nationally articulated, designed, owned and led, and built on consultation with all key stakeholders. We will make food security a high priority and will reflect this in our national programmes and budgets."

Building on this commitment, the GSF (CSF, 2015) outlines several recommendations for national governments that could foster policy coherence with respect to food security:

i) States should set up or strengthen interministerial mechanisms responsible for national food security and nutrition strategies, policies and programmes;

ii) Those mechanisms should ideally be formed and coordinated at a high level of government, consolidated in national law, and involve representatives from ministries or national agencies from all areas related to food security and nutrition, including

agriculture, social protection, development, health, infrastructure, education, finance, industry and technology;

iii) National food security and nutrition strategies, whether or not embedded in broader development or poverty reduction strategies, should be comprehensive, strengthen local and national food systems and address all pillars of food security and nutrition, including availability, access, utilization and stability;

iv) Develop and/or strengthen mapping and monitoring mechanisms in order to better coordinate actions by different stakeholders and promote accountability;

v) Mechanisms should be created or strengthened to coordinate strategies and actions with different stakeholders, which should include, as appropriate, local governments, civil society, the private sector, farmers' organizations, small-scale and traditional food producers, women and youth associations, representatives of the groups most affected by food insecurity and, when appropriate, donors and development partners.

A commitment was also made by G7 Leaders in 2015, who pledged to "lift 500 million people in developing countries out of hunger and malnutrition by 2030".

Box 3.6. **Brazil: Institutionalising multi-ministerial co-ordination and civil society participation to address food insecurity**

In 2003 against a background of food insecurity, malnutrition and hunger which persisted despite a thriving food export sector, Brazil, led by then President Lula, launched the Zero Hunger (Fome Zero) Strategy. Since then, the country has promoted food security and the right to food on many fronts, through effective laws, strong institutions, sound policies and an empowered civil society.

A National Council on Food and Nutrition Security (CONSEA) was established in 2003 as an advisory body to the President. It was composed of two-thirds civil society, one-third government representatives, and chaired by a civil society representative. It was enshrined in law as part of a national food security and nutrition institutional framework which also comprises similar multi-stakeholder, food and nutrition security councils at state and municipal levels. The CONSEA provides advice to an Inter-Ministerial Food and Nutrition Security Chamber (CAISAN), a governmental coordination mechanism responsible for the implementation of the national food security strategy. The CAISAN is chaired by the Minister of Social Development and Fight Against Hunger and integrated by 19 Ministries and agencies, including the Finance, Planning, Agriculture, Labour and Education Ministries.

Deep inter-ministerial co-ordination and close dialogue with civil society at all levels were key for the successful design, implementation and oversight of the broad range of government programs which comprise the Zero Hunger Strategy. Chief among those are the Bolsa Família conditional cash transfer programme, based on a comprehensive database of families and beneficiaries, maintained by local governments with civil society oversight. Other key components are credit, input, insurance, and technical support programmes for small-scale food producers; a food acquisition programme for family farming products; and the national school feeding programme, which reaches all public elementary school students and provides for dietary diversity and the acquisition of local production from small-scale farming.

The Zero Hunger Strategy is undertaken through a human rights perspective. In 2010, the right to food was enshrined in the Constitution as a basic human right, and the CONSEA-created Standing Commission on the Human Right to Adequate Food examines

Box 3.6. **Brazil: Institutionalising multi-ministerial co-ordination and civil society participation to address food insecurity** *(cont.)*

public programmes and policies under that light. The Zero Hunger Strategy has been effective in reducing poverty and food insecurity, helping Brazil to reach MDG targets of reducing extreme poverty and hunger and child mortality well before the 2015 deadline and lift millions out of extreme poverty. The institutional model and programmes established by the Zero Hunger Strategy are inspiring similar initiatives by several countries in Africa, Asia and Latin America.

Source: CFS, 2015.

Policy coherence at the regional level

Since many of the problems and challenges to food security are not confined to national boundaries, efforts to achieve food security at the national level need to take into account and engage with the regional context within which they are located, in order to exploit synergies and ensure coherence.

At European level, the 2013 reform of the European Union's Common Agriculture Policy (CAP) is considered to have significantly enhanced policy coherence for food security. The reform was backed by analyses of how advanced countries' (including EU members') agricultural policies, such as tariffs and market price support, impact on trade and food security in developing countries. Among other things, the reform served to suppress sugar production quotas and export refunds (EC, 2015).

The EU has various laws and programmes in place to implement a coherent approach to nutrition and food safety, some of which involve third country engagement. For example, the Copernicus Programme, previously known as Global Monitoring for Environment and Security-GMES Initiative, uses regional monitoring and forecasting to support policy making and legislation in areas such as environment protection, agriculture, forestry, and fisheries. Other programmes include the Better Training for Safer Food (BTSF) Initiative and the Rapid Alert System for Food and Feed (RASFF).

In Africa, the Comprehensive African Agriculture Development Programme (CAADP) was established in 2003 in the framework of African Union's New Partnership for Africa's Development (NEPAD). CAADP's "four fundamental pillars" combine land and water management, market access, supply of food products and the fight against hunger and agricultural research (NEPAD, 2013).

The African Development Bank (AfDB) has also taken many initiatives to improve policies related to food security, one of the most important priorities for Africa. Some of them are: i) the launching of the Africa Fertilizer Financing Mechanism (AFFM) in 2007, as a means to boost agricultural productivity, ii) the establishment of the African Natural Resources Center (ANRC), that provides expertise to improve the management of natural resources, iii) the Agriculture Fast Track Fund that provides funds for agriculture infrastructure projects and iv) the African Water Facility (AWF) fund, that aims at implementing sustainable water projects in Africa.[9]

In Asia, the Asian Development Bank (ADB) launched in 2009 its "Operational plan for sustainable food security in Asia and the Pacific". It focuses on three Dimensions of Sustainable Food Security: productivity, connectivity and resilience. ADB's multi-sector approach to food security aims at improving support for agricultural and natural resources

research and strengthen the community of practice on agriculture and food security through investing in learning tools, and in innovative knowledge development (ADB, 2009).

The East Asia Emergency Rice Reserve (EAERR), in turn, is a regional co-operation programme among the ten ASEAN Member States, China, Japan and the Republic of Korea. It provides food assistance and aims to strengthen food security in emergencies caused by disasters, and for poverty alleviation purposes.

Finally, *in Latin America,* the Inter-American Development Bank also focuses on providing "better capacity building and standardized quantitative research tools for countries to improve food security".[10] They work in the following areas: sustainable agricultural development, agribusiness, agricultural research and innovation, land administration and management, agriculture and rural development, irrigation and drainage and agricultural technology adoption.

Policy coherence at the global level

At the global level, long-standing or ad-hoc groups work to facilitate coherent approaches to food security and related issues, some of which are described below.

To better address the challenges of food insecurity, the United Nations' Chief Executives Board established a *High-Level Task Force on Global Food and Nutrition Security* (HLTF) in April 2008, with the aim of promoting a comprehensive and unified response of the international community. Specifically, in its *Comprehensive Framework for Action* (CFA), the HLTF puts forth ten key principles for action: i) twin-tracks to food and nutrition security; ii) the need for a comprehensive approach: iii) smallholders, particularly women, at the centre of actions; iv) increased focus on resilience household livelihoods; v) more and better investments in food and nutrition security; vi) importance of open and well-functioning markets and trade; vii) the value of multi stakeholder and multi-sectoral partnerships; viii) sustained political commitment and good governance; ix) strategies led by countries with regional support; and x) accountability for results (HLTF, 2011).

Similarly, the *G20 Food Security and Nutrition Framework* (the FSN Framework) provides the basis for the G20 to take a long-term, integrated and sustainable "food systems" approach that will guide future action on food security and nutrition. It recognises that actions within and beyond the agricultural sector are needed to maximise future opportunities and reduce the risk of future crises. In particular, the FSN sets out three priority objectives to guide G20 efforts on food security and nutrition: i) Increase responsible investment in food systems; ii) increase incomes and quality employment in food systems; and iii) increase productivity sustainably to expand the food supply (G20, 2014)

The *Consultative Group on International Agricultural Research* (CGIAR) is a strategic partnership created in 1971, which currently supports a network of 15 international agricultural research centres working for the eradication of hunger, malnutrition, poverty and environmental degradation. The CGIAR's approach highlights the importance of a broad partnership involving local and emerging research organisations, and management of the process of change (OECD, 2012b).

At the Third International Conference on Financing for Development in 2015, the EU and FAO announced a strategic partnership "to boost food and nutrition security, sustainable agriculture and resilience in at least 35 countries". Two complementary programmes will be launched in this framework: i) *the Food and Nutrition Security Impact, Resilience, Sustainability and Transformation (FIRST) facility*, that aims at building the capacities of governments and

Box 3.7. **How advanced economies' support to agriculture affected developing countries in the past**

"a. High tariffs on agricultural products, typically several times above those levied on industrial goods, restricted market access for developing country farmers with export potential.

b. Elevated prices led to the accumulation of surpluses, which were subsequently 'dumped' on developing country markets with the use of export subsidies (sometimes badged as food aid). This undermined local markets for developing country farmers competing with imports.

c. Price supports and subsidies, by stimulating production, suppressed prices on world markets, again lowering returns to developing country farmers.

The latter two factors implied weaker terms of trade for developing countries that were specialised in agriculture."

Source: Brooks, 2012.

regional administrations to design policies related to food security, and ii) *the Information for Nutrition Food Security and Resilience for Decision Making* (INFORMED) programme, that seeks to strengthen resilience to food crisis resulting from "human-induced and natural disasters".[11]

The *Global Alliance for Climate-Smart Agriculture* was launched at the United Nations Climate Summit in September 2014. It is a voluntary association of various stakeholders that aims at reducing food insecurity through support to advocacy initiatives, action groups, regional and country efforts and open knowledge exchanges. (GACSA, 2014)

OECD has been engaged with other international organisations (IOs) in collaborative work for the G20 on issues pertaining to food security, with some reports focusing on policy responses to price volatility and on productivity and innovation (OECD, 2013a). In 2011, OECD and nine other IO presented recommendations to the French Presidency of the G20 focusing on "Price Volatility and Agricultural Markets: Policy Responses" (FAO/OECD et al., 2011). This policy report emphasised the need to improve market information and international co-ordination as means to minimise price instability and better tackle its negative effects.

This particular recommendation led to the creation, in 2012, of the *Agricultural Market Information System* (AMIS), a platform that focuses on four important crops (wheat, maize, rice and soybeans) and whose purpose is "to enhance food market transparency and encourage coordination of policy action in response to market uncertainty".

Besides platforms, policy coherence in food security can also be achieved through the development and dissemination of guidelines and best practices. For example, the *Voluntary Guidelines on the Responsible Governance of Tenure of Land, Fisheries and Forests in the Context of National Food Security* recognize "the centrality of land to development" and are part of FAO's Committee on World Food Security's efforts to strengthen food security for all (FAO/CFS, 2012).

In October 2014 FAO's Committee on World Food Security also approved the *Principles for Responsible Investment in Agriculture and Food Systems*. They provide a common understanding on responsible investment in agriculture and food systems, and are particularly relevant as they are addressed to "governments, the private sector, civil society organizations, UN agencies, development banks, foundations, research institutions and academia".[12] The first

principle, "*Contribute to food security and nutrition*" highlights the synergies and trade-offs that can arise from different policies affecting food security, such as responsible investment in agriculture, efficient functioning of markets, and improvement of infrastructures and framework conditions (FAO/CFS, 2014).

Similarly, the OECD Policy Framework for Investment in Agriculture (PFIA) is a flexible tool which helps governments create an attractive investment environment and enhance the development benefits of agricultural investment through coherent polices across a wide range of sectors (OECD, 2014a).

Moreover, OECD, in collaboration with FAO and UNCDF, has launched a joint multi-year initiative to assess food security and nutrition (FSN) policies from a territorial perspective. This joint initiative aims to assess, scale up, and pilot innovative policy approaches and governance mechanisms to improve food security and nutrition in rural areas, in both emerging and developing countries. It comprises several phases and modules: the first phase is to develop a conceptual and an operational framework for a territorial approach to food security and nutrition policies (gathering evidence through case studies conducted in Cambodia, Colombia, Côte d'Ivoire, Morocco, and Peru in 2015); the second phase consists of implementing the policy innovations and recommendations identified in the first phase.

In addition to food security related platforms, other platforms aim at supporting governments to increase policy coherence. *OECD's Network of National Focal Points for Policy Coherence* is an informal forum where OECD members (representatives of governments and of civil society) can share their experience and the challenges they face when developing and co-ordinating policies. The Focal Point events (meetings, conferences and workshops) provide an opportunity to discuss a wide range of topics from a policy coherence perspective and offer an opportunity for peer learning.

Box 3.8. **From a whole-of-government to a whole-of-society perspective in Finland**

Finland's pilot on Food Security emphasised the need to include non-governmental stakeholders in the discussions, such as research institutions and NGO's. An inclusive process is important to ensure that policies and their implementation integrate the perspectives of different stakeholders, and therefore give all segments of society access to government decision making. It increases the legitimacy, the sense of ownership and effectiveness of the policies adopted. Even more than participation in consultation processes, citizens' collaboration and engagement in decision making also contributes to increasing trust in public institutions.

Governments' (and private sector) engagement with academic and research institutions can contribute to improving several dimensions of food security: foster agricultural productivity, promote low-carbon energy, or improve trade infrastructure. In addition, the inclusion of NGOs in discussions and decision-making processes can inform policy makers of challenges faced by the population, and identify inclusive solutions to address them.

Source: OECD, 2015b.

Coherence between different levels of government

The governance of the policy design, implementation and response to food security risks is a challenge that needs strong engagement of local and community organisations, the participation of a multidisciplinary pool of experts, and strong co-ordination across ministries, agencies and levels of government. This vertical dimension of multi-level governance suggests that global efforts to improve food security can only succeed if national governments take the lead in formulating and promoting national agendas. In turn, national governments themselves cannot effectively implement national food security strategies without co-operating closely with regional and local governments as agents of change. Adding an additional layer of complexity, national food security programmes could entail negative spillovers in other countries. These unintended consequences should be anticipated and considered in the policy making process (CSF, 2015).

Likewise, local authorities cannot be effective and do not operate in isolation from other parts of the government. Together with community organisations, they often provide the first response to shocks, particularly in the case of natural disasters, and they are crucial for managing and implementing policy action. However, their authority to act in areas related to food security is often "nested" in legal and institutional frameworks at higher scales. For example, while regional and local policies determine the specific details of land use, human settlement patterns and transportation planning, the space for action and potential for change is usually limited by national development paths and policies, technical standards, as well as national budget and funding priorities. This suggests that action at local scale may enable or constrain what is possible nationally and vice versa, highlighting a two-way relationship between local and national action on food security.

Therefore, it is especially critical to reinforce the connection between local government programs and strategies undertaken by national ministries (CSF, 2015). It is also important that there is appropriate co-ordination with the national ministries to maintain coherence between districts (Global Forum on Local Governance, 2010). Moreover, externalities and spill-overs of local policies are often used as a key argument for supporting improved co-ordination between levels of government and the search for a "relevant scale" for allocating public responsibilities and resources.

The complexities and uncertainties of the design of sound policies discussed in previous sections provide another reason for the government to invest in capacity-building in local organisations to improve their knowledge and social capital, and to enhance the participation of experts and stakeholders in the risk assessment and the design and implementation of policy responses (OECD, 2015a).

To cope with these challenges, OECD has elaborated a conceptual framework on multilevel governance (OECD, 2010b), which includes important features such as to:

- Ensure participatory governance and strategic planning at relevant scale: Does the policy framework stimulate reflection and understanding across a broad cross-section of local stakeholders about how food security policy will affect the local communities and development and help to shape a way forward to integrate food security into local development planning? How is citizen engagement and participatory development included in the approach to food security policy design?
- Provide an analytical foundation for short and long-term planning: What internal as well as external "know-how" exists on food security issues, and are available resources adequately utilised? Are research efforts relevant to local policy, i.e. is it sufficient,

tailored to regional or local questions and in an accessible form to support sub-national decision making? Are planning structures in place to incorporate long-term issues raised by food security research?

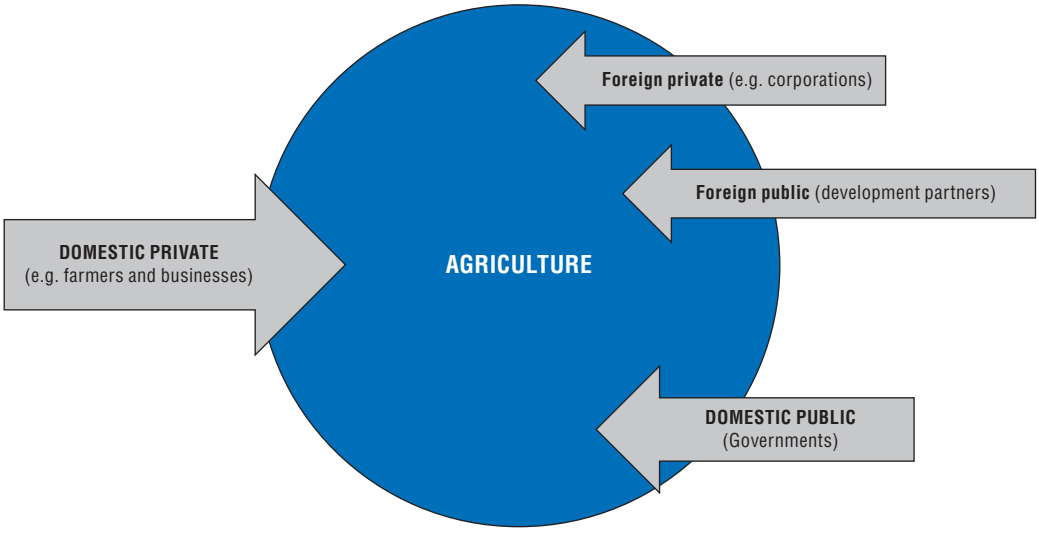
- Encourage experimentation and innovation, particularly at local and regional levels of governance: How can national governments encourage experimentation and learn from such experience? How can the unique opportunities for local-level innovation be incentivised and monitored to draw lessons on how to either improve policies in other local context or more broadly diffuse them through regional or national policy frameworks?
- Establish a long-term planning horizon: Food security action planning is a project that unfolds over the long term. It therefore demands continuous commitment and political vision. How can policies and practices be designed that transcend the political cycle and embody a long-term, future-oriented vision?

Consider diverse sources of finance to improve food security and ensure complementarities

Some 70% of the food insecure people in the world are rural and directly or indirectly dependent on agriculture for income as well as food. In the next 10 to 20 years, rural populations in the two areas of the world with the highest incidence of food insecurity and poverty, sub-Saharan Africa and South Asia, are expected to peak (IFAD, 2011). Therefore, investment to support sustainable agricultural growth in these areas is essential.

One of the most effective means of reducing poverty and food insecurity amongst rural populations in agricultural-based economies is economic growth in the agricultural sector. An estimated amount of USD 80 billion annually is needed in agriculture investment globally over the next years, which would mean a 50% increase from current levels (OECD, 2013b). To mobilise such large amounts, policy makers have to funnel funds from a broad range of sources. However, in spite of recent attention to foreign direct investment and official development assistance, on-farm investment in agricultural capital stock is more than three times as large as other sources of investment combined (FAO, 2012). At the same time, off-farm activities are becoming increasingly important for rural populations in many countries.

Figure 3.1. **Sources of investment in agriculture**



Source: FAO, 2012.

Public financing

While public sector finance has to be complemented by various other forms of finance, it still has a pivotal role to play. Focussing public funds on essential public goods such as agricultural research and development, rural infrastructure and human capital development will allow countries to shift to more sustainable and climate-smart sources of agricultural growth. Public financing could also contribute to catalysing additional private investment flows (OECD, 2013b).

In developing countries, aid can play an important role by providing additional financing, knowledge and know-how to governments and stakeholders. These complementary funds can be used to:

- Support investment in agro-food production and productivity, promote the capacity to respond to improved market access opportunities and improve resource management.
- Promote agricultural trade as the sector is a key area of comparative advantage in many developing countries.
- Enhance climate change mitigation and adaptation in development programmes.
- Finance public investments and services to increase governments' capacities to provide better framework conditions, particularly in countries that do not generate enough tax revenues.
- Improve capacity building and improved scientific and technological knowledge, develop science-based management systems and improved infrastructure in the post-catch sector.

Today, most ODA for food and nutrition security (FNS) is allocated to agriculture (61% for 2008-10), the second largest category being development food aid at 22%. ODA for FNS represents only a portion of the total financing needed to support countries' FNS plans, especially considering that the food price hikes in 2007 and 2008 were not accompanied by a substantial rise in ODA for FNS (OECD, 2013b).

International and regional agencies and development banks finance some of the most important projects and initiatives to support developing countries to achieve food security, including:

- Established in 1961, the *World Food Programme* (WFP) is the world's largest humanitarian agency fighting hunger, targeting food crises and emergencies. It aims at reducing chronic malnutrition via the establishment of resilience mechanisms and local capacity building. The WFP also performs country food assessments in order to provide relevant data for decision making.
- The *European Commission* (EC), one of the main multilateral donors, has provided funding for several programmes aiming at increasing food security. It also uses development funds to support rural development, resilience, sustainable agriculture and nutrition projects (EC 2015).
- The *European Bank for Reconstruction and Development* (EBRD) supports a "Private Sector for Food Security Initiative",[13] whose goal is to increase the quantity of food available and improve its quality through support to the private sector, and in particular: i) financing agri-business projects that respect EU regulations on food safety and quality, ii) bringing together public and private stakeholders through the implementation of agri-business platforms, iii) facilitating contacts between food importers and exporters and iv) improving the credit access for farmers.

- The *International Finance Corporation* (IFC) funds programmes targeted at the private sector, in particular small and medium-sized agri-businesses in the poorest countries, which usually have limited investment capacity due to lack of access to credit. IFC's Global Agriculture and Food Security Program[14] supports these businesses by providing long- and short-term loans, credit guarantees, equity and advisory services to support private sector activities for improving agricultural development and food security. The support provided covers many areas, including research, improvement of market access and productivity.
- Food security is one of the most important priorities for Africa[15] and benefits from funding by the *African Development Bank* (AfDB). Initiatives include: i) launch of the Africa Fertilizer Financing Mechanism (AFFM) in 2007 as a means to boost agricultural productivity; ii) establishment of the African Natural Resources Center (ANRC), that provides expertise to improve the management of natural resources; iii) the Agriculture Fast Track Fund that provides funds for agriculture infrastructure projects; and iv) the African Water Facility (AWF) fund, which aims at implementing sustainable water projects in Africa.
- In Latin America, the *Inter-American Development Bank* (IADB) emphasises "better capacity building and standardized quantitative research tools for countries to improve food security". It funds projects in the following areas: sustainable agricultural development, agri-business, agricultural research and innovation, land administration and management, agriculture and rural development, irrigation and drainage and agricultural technology adoption.
- The *Asian Development Bank's* (ADB) "Operational plan for sustainable food security in Asia and the Pacific" was launched in 2009. It concentrates its efforts on sustainable food productivity, connectivity and resilience, and aims at improving support for agricultural and natural resources research, and to strengthen the community of practice on agriculture and food security through investing in learning tools, and in innovative knowledge development (ADB 2009).

Box 3.9. **Exploiting synergies between agricultural finance and climate policies**

In order to mobilise additional funds for agricultural investment, policy makers could explore instruments that are usually directed towards other objectives and exploit synergies between food security and environmental concerns. For example, in the context of biodiversity conservation, adopting an effective system for Payments for Ecosystem Services (PES) could generate additional income for farmers, while simultaneously ensuring the long-term stability of the ecosystems their livelihood relies on. Likewise, building and supporting markets for green products (e.g. through green public procurement) could generate a premium for farmers and again contribute to environmental conservation.

Other instruments could also be harnessed to improve food security in coherence with environmental and climate objectives. Climate finance has thus far been restricted to mitigation activities in energy and industrial sectors. However, it could prove a powerful tool for increasing farmers' income while promoting climate-friendly agricultural practices and environmental conservation. Climate-Smart Agriculture can contribute to the conservation and enhancement of carbon stocks through sustainable land management and forestry. Already, a variety of both private and public climate finance sources is available: 1) Financing

Box 3.9. **Exploiting synergies between agricultural finance and climate policies** *(cont.)*

mechanisms directly under the UNFCCC; 2) UN organizations or programmes; 3) Multilateral Development Banks (MDBs); 4) Bilateral public financing channels; 5) Compliance and voluntary carbon markets; and 6) Private sector actors and philanthropy. Even though agriculture has only been marginally considered in most of these, awareness of the potential synergies is rising. However, concerns remain about the effectiveness and practical feasibility of agricultural mitigation (for example the large transaction costs for coordinating an enormous number of smallholders) (FAO 2013).

Source: OECD, 2013d.

Private financing

Public finance and aid budgets have to be combined with (and help to unlock) private funds in order to meet the enormous investment needs for agriculture and food security. Different investment communities have to be targeted by specific sets of policies.

First and foremost, farmers themselves generate a substantial share of agricultural investment: their share of investment in agriculture exceeds the amount invested by governments and domestic corporations by a ratio of more than three to one. The FAO estimates that farmers in low-and middle-income countries invest more than USD 170 billion a year in their farms – about USD 150 per farmer.[16]

A series of coherent policy interventions can improve the investment environment for farmers, and help them to consider a wider set of factors in informing their decision-making. Providing timely, relevant, and trustworthy information as well as technology tailored to the specific needs of a specific region or farming community can go a long way in enhancing investment and its effectivity. Specific insurance and safety provisions can reduce the risk and vulnerability farmers are exposed to, thereby enabling them to take a long-term perspective, while climate-smart diversification strategies can further improve agricultural output as well as resilience. This could be supported by abandoning public investment patterns that encourage mono-cropping, such as price supports and input subsidies for single crops (FAO, 2013).

Beyond the farming community, governments can create a supportive policy framework for the broader private investment community. This requires governments to take into consideration a broad range of policies beyond agriculture. The OECD Policy Framework for Investment in Agriculture (PFIA) was devised to help stakeholders to align their policies across different areas and thereby guide investment and ensure that it is in line with social and environmental objectives (OECD, 2014a).

In addition, businesses are important actors throughout the agricultural supply chains, including in financing, production, trade and research. As investment in agriculture is expected to rise in order to address the growing need for food, new stakeholders are getting involved in agricultural supply chains and the risks of not observing internationally agreed principles of responsible business conduct (RBC)[17] may be exacerbated. To address these potential risks, FAO and OECD have developed guidelines to help businesses comply with RBC standards, to prevent adverse impacts and ensure that agricultural investments benefit enterprises,[18]governments and communities and contribute to sustainable development, gender equality, poverty reduction and food security (FAO/OECD, 2015, forthcoming).

Box 3.10. **Encouraging private sector investment in Tanzania**

Tanzania's government has taken deliberate steps to encourage private sector investment, both local and foreign, in the agriculture sector over the past decade. The government has created a favourable investment climate by implementing a number of policies and strategies targeted to increase agriculture investments, such as the Kilimo Kwanza Initiative (KK). Kilimo Kwanza, kiswahili for "Agriculture First", was launched in 2009 by President Kikwete as a fundamental step towards achieving the overarching national development goals articulated in Vision 2025. Formulated by the Tanzania National Business Council (TNBC), KK offers a forum for public-private dialogue and partnerships and was chaired by the then-President Kikwete himself.

However, this initiative has sometimes been at odds with the Agriculture Sector Development Programme, both in terms of management and vision. While the latter is heavily public-sector focused, centrally planned and explicitly focused on smallholder farming and irrigation schemes, KK is a public-private initiative aimed at attracting foreign and local investments, based on the rationale that agricultural development requires large-scale modernisation and commercialisation. KK is about linking up with local and international partners from the private sector, inviting them to invest in the agricultural sector and making sure local small scale farmers engage with them, and benefit from their critical mass.

Source: ECDPM/ESRF, 2015.

In recent years, so-called innovative financing mechanisms – e.g. insurance schemes, credit mechanisms, contract arrangements between producers or groups of producers and market operators, and innovative incentives for private service providers – are being increasingly used for mobilising private investment. In order to maximise their contribution to food security objectives, these innovative financing mechanisms should, to the extent possible, be targeted on food production and supply, on family farming and on nutritional issues (High-level Expert Committee to the Leading Group on Innovative Financing for Agriculture, Food Security and Nutrition, 2012).

Philanthropy provides another important source of funding from the private sector. Optimising the enabling environment for philanthropic flows to contribute to the SDGs entails enhancing synergies between domestic philanthropic sources and providers of ODA as well as with governments, through improved dialogue, better data collection and support to innovative PPPs. However, there is still a lack of dialogue between governments and the world of philanthropy.

Consider contextual factors and create conditions for ensuring global food security

The risk of facing food insecurity depends on conditions that affect countries to different degrees, and the policy responses to help countries build up their resilience to food insecurity need to take account of the particular systemic conditions and enabling environments the countries are faced with.

Enabling environments

Enabling environments – enablers – are the set of interrelated conditions in the political, legal, economic, and social domains that influence policy outcomes positively (OECD, forthcoming). Table 3.5 outlines some of the most important enablers for food security, while Box 3.11 introduces the Agricultural Growth Enabling Index (AGEI).

Table 3.5. **Enabling environments that foster food security**

Enabling environments	Impact on food security
Good governance and strong institutions, including policy coherence mechanisms	Effective and clear regulations can contribute to improving food security through an attractive investment environment, guidance for research and development, facilitation of trade, improvement of agro-food productivity, protection of environmental sustainability, etc. Good governance is also an enabling factor to increase involvement and coordination among different stakeholders, such as civil society organisations and farmers' associations.
Gender equality	Globally, women bear the brunt of food insecurity. At the same time, women are the world's main producers of food as well as being primarily responsible for collecting water and fuel. Improved gender equality and increased access for women to land, agricultural technologies and financial capital could generate opportunities to diversify their livelihoods or increase resilience in the face of climate change.
Health care and education	While better health care and education might foster food security by raising awareness of nutritional issues, enhanced food security could improve health prospects and help overcome the dramatic physical and mental consequences of undernourishment which particularly affect young children, and contribute to thriving communities (IFPRI 2015).
Investment and Technology Dissemination	Large-scale investment from various sources could spur dissemination of new technology and practices across the rural economy, increase output while reducing adverse environmental effects, and provide market access. In addition, it could help redress the urban bias, with new public infrastructure (such as roads, schools and hospitals) attracting and accumulating human capital, which in turn will enhance agricultural productivity and food security.
Research and Innovation	The development of new technology and practices could improve the social, environmental, and economic performance of the agro-food sector. This refers not only to better equipment, but also to skills development and capacity building. Spurred by research, these innovations could help bridge divergent policy objectives (e.g. drip irrigation could increase productivity while protecting water resources).
Trade	Open markets can support an efficient resource allocation, and ensure that agricultural activities are situated at optimal locations. If environmental externalities are effectively priced, it could also help to minimise ecological damage, contributing to long-term food sustainability. In addition, trade can help smooth over asymmetric shocks in either demand or supply.
Social and Legal Protection	Sound social protection schemes could shield farmers as well as the poor from the most serious consequences of food insecurity, moderating the impact of natural disasters as well as food price volatility. Stronger legal frameworks (e.g. with respect to land rights) could further protect smallholders against food insecurity.
Aid and private financial flows	In developing countries, in particular in those where the government lacks the capacity to raise income from taxes, alternative sources of finance are essential to invest in research, training or innovative practices that support agricultural productivity, as well as to create safety nets for the most vulnerable groups.
International treaties and national legislation	Political commitment to achieve food security strengthens the legitimacy of national plans to tackle food security domestically and abroad.

Note: The list is not exhaustive. Other enabling environments include e.g. infrastructure; social capital; and access to credit.
Source: OECD PCD Unit (2015a) and Bhaskar et al. (2015).

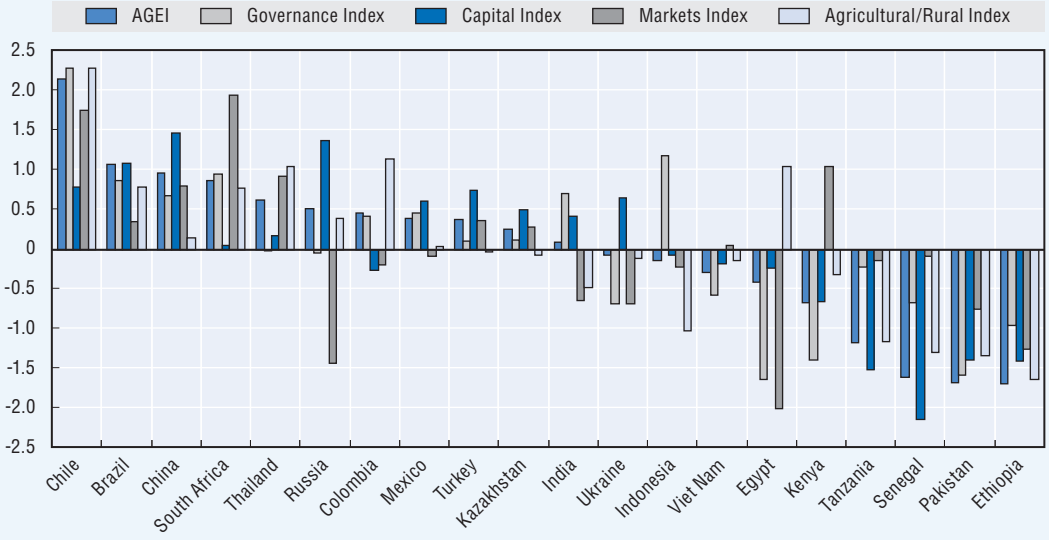
Systemic conditions

Systemic conditions – disablers – are the social, political, economic, environmental, and institutional conditions at the national and international levels that hinder countries' capacities to achieve sustainable development objectives (OECD, forthcoming). Table 3.6 outlines some of the most important disablers for food security.

Box 3.11. **Agricultural Growth Enabling Index**

To assess agriculture's enabling environment in a given country and to compare it with other countries Diaz-Bonilla et al. (2014) constructed a preliminary Agricultural Growth Enabling Index (AGEI). It summarises a wide array of available information in a structured manner and can be used to provide cross-country comparisons or single-country evaluations using either the index itself or its components. It has been applied to 20 developing and emerging economies: relative scores on the AGEI overall and its four main blocks are shown below.

Figure 3.2. **Agricultural Growth Enabling Index and its sub-component blocks, early 2010s**



Note: The index is comprised of four blocks with 40% of the weight on agriculture/rural factors and 20% each on broader economy-wide governance, capital and market operation. The indicators selected measure circumstances within each country around the early 2010s. To account for the differences in averages of scores of the 20 countries and the variances of these scores across the index and its blocks, this figure shows the normalised score of each country on the AGEI index and on each component. This means that the average of the 20 country values has been subtracted from the AGEI and each of its four blocks, after which the resulting country value has been divided by the standard deviation for the series, to create series with zero mean and unit standard error. Therefore, a value of 2 means that the observation for a given country is 2 standard deviations above the average (which is zero) for the 20 countries.
Source: OECD (2015b), after Diaz-Bonilla et al. (2014).

Table 3.6. **Systemic conditions that hamper food security**

Systemic conditions	Impact on food security
Poverty	Limited access to food is a main consequence of poverty as well as a contributor to it, with affected people often caught in what is referred to as a "poverty trap". When exposed to food insecurity, poor people often fail to continue their already precarious work, which further exacerbates their condition.
Conflicts	Besides creating social and economic instability and insecurity detrimental to long-term planning and investment, as well as to trade and commerce, conflicts often ravage the countryside, ruining harvests, claiming livestock, and reducing the supply of food. Forest landscapes in conflict zones cannot be tapped for forest produce to the same extent as under peaceful conditions
Pollution	Soil, water, and air pollution threaten the productivity of the agro-food sector, as well as the availability of nutritious, healthy food, in the short- and long-term. Polluted water, over-reliance on pesticides, etc. will also negatively affect soil quality in the medium term, and the negative externalities on ecosystems will entail negative ramifications for agricultural productivity (such as the occurrence of plagues due to exhausted biological pest and disease control).

Table 3.6. **Systemic conditions that hamper food security** *(cont.)*

Systemic conditions	Impact on food security
Climate change	Besides affecting agricultural productivity (quantity and quality of food produced), climate change is poised to destabilise the agricultural sector through extreme weather events, increasing desertification and potential water shortages, and the invasion of alien species. Rising sea levels not only threaten to submerge coastal land, but could also entail the salinisation of ground water, as well as harming marine ecosystems.
Uncontrolled exploitation of natural resources	Practices such as illegal, unreported and unregulated (IUU) fishing or unregulated logging impair the provision of ecosystem services which ensure the long-term sustainability of food-producing sectors.
Price shocks	High world or domestic prices reduce poor domestic consumers' access to adequate nutritious food, while market volatility increases uncertainty and risk faced by farmers, which might deter them from taking a long-term perspective on their activities.
Natural disasters	Natural disasters such as droughts, floods or earthquakes destroy crops, lead to soil erosion, and reduce the availability of food by disrupting rural markets and infrastructure systems.
Trade disruption	Export restrictions on a staple food can increase food insecurity of a traditional import country. Conversely, inefficient protectionist measures hamper developing countries' exports, the negative consequences of which increase with the relative size of the food-producing sector in that country.
Rapid urbanisation	Population growth changes consumption patterns and reduces the relative availability of food, leading to a bigger emphasis on processed food and food safety issues. Sprawling metropolitan areas often have detrimental effects on agricultural activities in the surrounding rural areas, with new infrastructure, housing development, urban waste (water) disposal and air pollution impairing agricultural production.

Source: OECD PCD Unit and Bhaskar et al. (2015).

Notes

1. For example, the G7 L'Aquila Pledge also includes areas such as transport and storage, social welfare, and rural development.
2. The Committee on World Food Security (CFS) is the UN Governing Body that reviews and follows up on food security and nutrition policies. CFS is the foremost inclusive international and intergovernmental platform for all stakeholders to work together to ensure food security and nutrition for all. The Committee reports annually to the Economic and Social Council of the United Nations (ECOSOC).
3. In the table from the PCD concept note for the meeting of March 30-31, only the trade-offs are highlighted for this goal.
4. The water-energy-food nexus is covered in greater depth in OECD, 2015c.
5. Unless stated otherwise, information in this chapter stem from Bhaskar et al. (2015).
6. *www.iufro.org/science/gfep/forests-and-food-security-panel/*.
7. Expression by Bhaskar et al. 2015.
8. This section draws on the final report of the Global Forum on Local Development (2010)
9. *www.afdb.org/en/topics-and-sectors/initiatives-partnerships/*.
10. *www.iadb.org/en/sector/agriculture-and-rural-development/overview,18336.html*.
11. *https://ec.europa.eu/europeaid/sites/devco/files/fao-eu-new-programmes-addis_en.pdf*.
12. *www.fao.org/cfs/cfs-home/resaginv/en/*.
13. *www.ebrd.com/what-we-do/sectors-and-topics/private-sector-food-security-initiative.html*.
14. *www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/industries/agribusiness/ifc+and+food+security/gafsp_landing+page/gafsp_landing+page*.
15. *www.afdb.org/en/topics-and-sectors/initiatives-partnerships/*.
16. *www.fao.org/investment-in-agriculture/en/*.
17. RBC means that businesses a) should make a positive contribution to economic, environmental and social progress with a view to achieving sustainable development and b) should avoid and address

adverse impacts through their own activities and prevent or mitigate adverse impacts directly linked to their operations, products or services by a business relationship.

18. As underlined by the 2015 report of the World Economic Forum 'Beyond supply chains – Empowering responsible value chains', observing RBC standards can benefit enterprises as changing market dynamics increase the importance of sustainability efforts. Customers are becoming more sensitive to sustainability. Younger consumers in particular demand sustainable products and practices and will pay more to get them. Increasingly scarce natural resources and rising commodity prices make resource efficiency and waste reduction crucial variables for enterprises to remain profitable. The regulatory environment and non-governmental organisations are pushing for more transparency, which drives non-compliance costs and can create a backlash from the marketplace (WEF 2015).

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Chapter 4

Policy coherence and illicit financial flows

Illicit financial flows (IFFs) strip countries of important resources. They stem from corruption, crime, terrorism, and tax evasion, and use channels ranging in sophistication from cash smuggling and remittance transfers to trade finance and shell companies. The cross-cutting nature of IFFs requires policymakers and other stakeholders to have a more strategic overview of IFFs. They must assess the potential trade-offs and synergies in an inter-disciplinary manner, better inform policy making upstream, and help government actors to take more effective action. The new OECD Framework for Policy Coherence for Sustainable Development (the "PCSD Framework") aims to address this challenge by providing a simplified framework and self-screening tool for countries to help them plan for, avoid, and resolve the most significant trade-offs or policy inconsistencies and apply existing international standards in a coherent and effective way.

Introduction

Combating illicit financial flows (IFFs) is a major challenge for all governments, and an increasingly important priority for the international community. IFFs are a significant barrier to sustainable development, and to the implementation of the Sustainable Development Goals (SDGs). Money lost each year through IFFs is estimated at USD 1 trillion from corruption (World Bank, 2005), and about USD 1.6 trillion from global money laundering.[1] These flows strip resources that could finance much needed public services, such as health care, education, and other vital elements of sustainable development.

IFFs stem from corruption, crime, terrorism, and tax evasion; and use channels ranging in sophistication from cash smuggling and remittance transfers, to trade finance and shell companies. Because of the complex and cross-sectoral nature of IFFs, a wide range of policies and actions are needed to combat them. Law enforcement and customs authorities need to increase awareness, and the financial sector and vulnerable professions need to take preventive measures. Transparency in corporate structures is essential and steps must be taken to promote public sector integrity and support asset recovery. Inter-agency and international co-operation lies at the heart of the solution.

The cross-cutting nature of IFFs requires policymakers and other stakeholders to have a more strategic overview of IFFs. They must assess the potential trade-offs and synergies in an inter-disciplinary manner, better inform policy making upstream, and help government actors to take more effective action. This module aims to address this challenge by providing a simplified framework and self-screening tool for countries to help them plan for, avoid, and resolve the most significant trade-offs or policy inconsistencies and apply existing international standards in a coherent and effective way. It can also raise awareness of the relevance of IFFs for achieving the Sustainable Development Goals (SDGs), particularly target 16:4 which calls on countries to "significantly reduce illicit financial and arms flows, strengthen the recovery and return of stolen assets and combat all forms of organised crime" by 2030.

The module starts with a short **"Toolkit"** consisting of i) a checklist; and ii) guidance to enable policy makers to examine their policies and practices and identify key areas where progress is required.[2] It follows with **"Annotations"** providing background information corresponding to each section in the toolkit. The screening checklist and guidance aim to help:

- Identify and raise awareness of the types, magnitudes and risks of IFFs.
- Consider the contextual factors that allow IFFs to thrive.
- Support coherence within and between national and international normative frameworks (vertical coherence).
- Consider critical interactions across economic, social and environmental areas to address IFFs (horizontal coherence).

This module, which is written in non-technical language for a non-specialist audience, is based on the analytical "PCSD Framework" introduced in Chapter 2. It covers a wide

range of policy areas at a high level of generality and builds on work from across the OECD – in particular the 2014 report *Illicit financial flows from developing countries: Measuring OECD responses*. It has also benefited from input by the UN Office on Drugs and Crime, the World Bank, and the OECD Network of National Focal Points for Policy Coherence. Each of the issues included in this module is covered with much greater depth and precision in the guidance and policy documents of specialised bodies at the OECD and elsewhere. This module does not substitute for detailed guidance in each area, but can help governments fit the different elements together coherently, in order to build an effective whole-of-government response to the challenges posed by IFFs.

The OECD is at the centre of multilateral action in many of the specialised areas involved in fighting IFFs, and so is well-placed to provide a holistic view of the challenge, promote a more coherent policy response at the global level, and support joined-up policymaking against IFFs.

Table 4.1. **Checklist: An overview of self-screening questions**

Risk	
• What evidence does the government have on the types and levels of IFFs in the country? Is there a formal national risk assessment? and understanding of the: ❖ main domestic sources; ❖ main foreign sources and destinations; ❖ channels used for inflows and outflows; and ❖ domestic sectors affected by IFFs (and impact on the economy as a whole). • What indicators are used for assessing the scale and impact of IFFs in the country (e.g. estimates of tax gaps or the black economy)? • What is the perceived or assessed level of priority given to IFFs? Is it commensurate to the risk? • Is the government prioritizing both the domestic and foreign sources of IFFs?	• Establish the evidence-base for further analysis; • Quantify the risk and impact of IFFs and their distribution; • Identify knowledge-gaps.
Enabling environment	
• What non-policy drivers contribute to making a friendly or a hostile environment for IFFs and how so? ❖ How much domestic proceeds-generating crime is there? ❖ Which government institutions are relevant for IFFs? Do they have an accountability framework and a culture of integrity? ❖ What resources and capacity are available for preventive measures, supervision, risk mitigation and justice sector implementation? Is there a comprehensive body of legislation? ❖ How large and globalised is the financial sector? What connections with countries that have high levels of IFFs (including borders, trade, or cultural links)? ❖ Are there secrecy and transparency provisions that can help or hinder IFFs (including in banking and ownership of legal persons)?	• Identify the most relevant enablers and disablers.
Compliance with international norms/International co-operation	
Compliance with international norms • Which of the international standards and bodies is the country a party to? • What is the country's assessed level of compliance? What is their assessed level of effectiveness? • Are there action plans to improve the level of compliance and implementation? *International co-operation* • What is the level of international co-operation (as set out in the UN conventions and other standards)? ❖ Can authorities co-operate effectively (in both directions) with the main foreign sources and destinations of IFFs? ❖ What resources are allocated to co-operation with key countries? ❖ Do the authorities take part in the exchange of tax information on request, or in automatic exchange of information (AEOI)? ❖ Is smuggling taken into account when considering prohibitions or duties? • Does development co-operation help to counter IFFs? • Do national supervisors have influence over financial institutions' measures against IFFs? Or are the implementing group policies overseen by foreign supervisors?	• Identify whether the basic building-blocks (laws, regulations, institutions) for countering IFFs are in place. • Identify priority reforms, and outside sources of advice and assistance. • Review the main international factors affecting IFFs. • Identify potential for international action to reinforce domestic measures (and vice versa).

Table 4.1. **Checklist: An overview of self-screening questions** *(cont.)*

Strategy	
• Is there a national strategy(ies) which includes measures to combat IFFs? • Are resources made available through the budget (or off budget through donors and donor requests) commensurate to risk? • Are IFFs considered as separate issues (e.g. as corruption, money laundering, tax evasion etc.) or in a comprehensive manner? ❖ If considered separately, how do the strategies for different types of IFFs take account of each other? ❖ If there is a single IFF strategy, how does it relate to wider contextual strategies (e.g. for taxation, law enforcement)? ❖ Are there plans for risk mitigation, crisis management and asset recovery?	• Level of commitment and priorities in combating IFFs. • Clear government objectives. • Role of the centre of government in countering IFFs.
Institutional arrangements	
Who are the actors? • Who has overall responsibility for IFFs within government? ❖ Is there a responsible minister at Cabinet level? ❖ How is the centre of government involved? ❖ Is there a clear accountability framework (e.g. to a committee of the legislature)? ❖ Is responsibility for IFFs divided between several different areas (e.g. tax, justice, corruption)? • Which government actors (ministries, agencies or organisations) make policy or contribute to national strategy on IFFs?	• Identify the main actors within government and how responsibilities are assigned.
• Which sectors and actors outside government are required to implement measures to combat IFFs? • Which other actors are affected by IFFs and measures to combat them? • Are there any consultative bodies where policymakers can discuss IFFs and policies to combat them with non-government actors?	• Identify the main non-government stakeholders – including regulated sectors and others. • Check if key stakeholders have a voice in the policy process.
Co-ordination and policy making	
• Which government actors are involved in implementing measures to combat IFFs? ❖ Do relevant agencies have clear objectives regarding IFFs? ❖ Do investigators, prosecutors, FIUs, supervisors, and other relevant agencies have sufficient operational independence? ❖ Is feedback from operational agencies taken into account by policymakers? • Is there an inter-agency coordination mechanism? Does it include: ❖ A central secretariat? ❖ Multi-agency involvement in assessing the risks of IFFs? ❖ Inter-agency decision-making on policies to combat IFFs? ❖ Oversight and coordination of the operational agencies responsible for implementation of policies to combat IFFs? • Are there agreements or memoranda in place to allow information sharing between different operational authorities? • Does the government allow for/encourage case-focussed collaboration projects? • Are there other (formal and informal) mechanisms to improve awareness and understanding, or to encourage co-operation, between the different agencies involved in combating IFFs?	• Identify whether there are co-ordination mechanisms, and whether they perform all the relevant functions.
Making use of evidence and effective implementation	
• Do policy-makers receive and make use of: ❖ Data and statistics on the implementation and effect of measures to combat IFFs? ❖ Indicators of changes or trends in the sources, methods, and risks of IFFs? ❖ Feedback from operational agencies on the implementation of policies to counter IFFs? ❖ Feedback from non-government actors on the impact of preventive measures and controls? • Are there periodic reporting or accountability mechanisms on the impact of measures to combat IFFs (e.g. annual reports to parliament)? • Is there sufficient capacity to assess new evidence or developments and to amend or reform policies in response?	• Review the data collection, monitoring, and reporting arrangements. • Identify accountability processes which can maintain responsive and up-to-date policies.
Rooting the response to IFFs in the SDGs	
• Is the government framing its approach to IFFs in the context of the SDGs, particularly target 16.4 ? • Does the government take into account the interactions between different SDG goals and targets bearing on IFFs? • Does the government's (political) interests and priorities align with specific goals and/or targets, and is there coherence between them?	• Ensure high-level political support. • Identify linkages which are not adequately understood or reflected in policies.

Table 4.1. **Checklist: An overview of self-screening questions** *(cont.)*

Managing trade-offs and policy conflicts	
Policy interlinkages ● How well are counter-IFF measures implemented within the criminal justice system? Is there adequate capacity to investigate and prosecute for offences related to IFFs and their predicate crimes? ● How are counter-IFF obligations on the financial sector and other regulated businesses supervised? ❖ Which supervisors have responsibility for counter-IFF measures? Do they take a consistent approach? ❖ How is supervision of counter-IFF measures linked with other types of supervision? Are the approach taken and sanctions applied consistent? ❖ Is the private sector aware of its obligations? Does the private sector have an opinion on the effect of the IFF regulatory framework on business? ● What measures are used to promote integrity and prevent corruption in government and public administration? ● What controls and transparency measures are applied to the formation of legal persons and arrangements? ● Can companies be prosecuted for criminal offences (including for foreign bribery offences)?	● Review the interaction of counter-IFFs policies with the other most relevant areas of policy. ● Identify any linkages which are not adequately understood or reflected in policies.
Trade-offs and conflicts ● What proportion of the population uses the formal financial sector? What proportion relies on the informal sector for access to financial services? Does the government have policies to promote financial inclusion? Are these taken into account in IFF policies? ● Do remittance providers and NPOs have adequate access to banking services? ❖ Is there adequate supervision of NPO and MVTS sectors to be adequate? ❖ Is there a policy dialogue about access, involving banks, NPOs, and remittance providers? ❖ Does the government have policies to promote the availability of remittance channels? ● How do data protection laws interact with anti-IFF measures or transparency requirements? Is there consultation between data protection authorities and anti-IFF authorities? ● Is there a formal voluntary tax compliance programme? If so, what controls are applied to prevent it being misused? ● Do the preventive measures required of financial institutions and other private sector firms reflect their role and risk? ❖ Are additional measures applied in those sectors which are most exposed to IFFs? ❖ Are low-risk sectors allowed to apply streamlined measures? ❖ Do the measures applied reflect both domestic and foreign risks?	● Monitor and manage the risks of specific policy conflicts arising.

Toolkit

In scope and nature, IFFs are a truly global phenomenon affecting every country. Nonetheless, the ways in which a country is affected, and the means at hand to respond to them, are determined by specific national contexts and institutional arrangements. This tool is designed with the aim to enable policy makers to identify the issues that are most relevant to their specific context and needs, and to easily move to the sections that they want to focus on more deeply. Each of the action items outlined here have corresponding *Annotations* that contain more detailed background information and further references.

Identify and raise awareness of the types, magnitudes and risks of illicit financial flows

An important step in the process of addressing IFFs, governments and other relevant actors need to build an evidence-base to guide further action. It is crucial to map the territory and to identify the types of IFFs, quantify their magnitudes, and assess the threat they pose. At times, this might be necessary in order to put IFFs on the political agenda in the first place because decision makers may lack awareness of the challenge. The lack of data, however, should not be an excuse to postpone taking action, as obtaining good data can be difficult, and developing strong measurement methodologies can take time.

The nature of the challenge posed by illicit financial flows varies a great deal between countries – according to the nature of their economy and financial sector, their administrative structure, and their international connections – as well as their level of

capacity, resources, crime, and security. Policy coherence always begins with understanding the country's risk environment for IFFs, in order to effectively prioritise the most relevant areas, and allocate resources appropriately.

The impact of IFFs on the ability of countries to use their own revenues and resources for financing sustainable development is enormous:

- Losses from corruption are estimated to be more than 1 trillion dollars per year; with corruption adding up to 25% to the cost of government contracts in developing countries (World Bank, 2005).
- Estimates of global losses from tax evasion vary widely, but all are large. The US Senate estimates revenue losses from tax evasion by US-based firms and individuals at around 100 billion dollars a year,[3] while a World Bank study estimates losses through tax evasion at 8-12% of GDP in Malawi, and 9% of GDP in Namibia.[4]
- The estimated amount of money laundered globally in 2009 was USD 1.6 trillion, or 2.7 per cent of global GDP.[5]

These figures are significantly larger than ODA, which in 2014 totalled USD 135.1 billion according to DAC figures. Combating IFFs could potentially contribute more resources to support sustainable development than a doubling of global ODA, and would also bring improved governance and stability, and help to reduce crime and violence.

Questions for self-screening: Risk

- What evidence does the government have on the types and levels of IFFs in the country? Is there a formal national risk assessment? and understanding of the:
  - main domestic sources;
  - main foreign sources and destinations;
  - channels used for inflows and outflows; and
  - domestic sectors affected by IFFs (and impact on the economy as a whole).
- What indicators are used for assessing the scale and impact of IFFs in the country (e.g. estimates of tax gaps or the black economy)?[REF to indicators?]
- What is the perceived or assessed level of priority given to IFFs? Is it commensurate to the risk?
- Is the government prioritizing both the domestic and foreign sources of IFFs?
- Establish the evidence-base for further analysis;
- Quantify the risk and impact of IFFs and their distribution;
- Identify knowledge-gaps.

Consider the contextual factors that allow illicit financial flows to thrive

Contextual factors can be divided into enabling environments **(enablers)** which have a positive impact on sustainable development outcomes, and systemic conditions **(disablers)** which have a negative impact on sustainable development outcomes. The role of policies is to strengthen enabling environments and to remove or minimise the effect of systemic conditions.

In order to curb illicit financial flows (IFFs), it is therefore imperative to:

a) Understand the scale of domestic crime, notably proceeds-generating crime and organised crime.

b) Assess the strength and integrity of public institutions (including law enforcement, tax authorities, and financial supervisors).

c) Ensure good governance, rule of law, and strong institutions, including the involvement of civil society and independent media.

d) Analyse the size of the financial sector, including international and offshore financial centres, as this might impact the country's exposure to IFFs originating domestically, and from other countries.

e) Examine the role of the international environment, the impact of geographical location and cultural links, as these also influence the risks of IFFs from other countries.

f) Identify the degree of secrecy/transparency in public and private institutions, e.g. bank secrecy, transparency of beneficial ownership[6] of legal persons and arrangements.

g) Survey the composition of the national economy; and explore how this composition may encourage or discourage illicit flows.

The *Annotations* discuss these factors in more detail.

Questions for self-screening: Enabling environment

- What non-policy drivers contribute to making a friendly or a hostile environment for IFFs and how so?
  - How much domestic proceeds-generating crime is there?
  - Which government institutions are relevant for IFFs? Do they have an accountability framework and a culture of integrity?
  - What resources and capacity are available for preventive measures, supervision, risk mitigation and justice sector implementation? Is there a comprehensive body of legislation?
  - How large and globalised is the financial sector? What connections with countries that have high levels of IFFs (including borders, trade, or cultural links)?
  - Are there secrecy and transparency provisions that can help or hinder IFFs (including in banking and ownership of legal persons)?
- Identify the most relevant enablers and disablers.

Support coherence within and between national and international normative frameworks (vertical coherence)

Align national efforts with international initiatives and standards and strengthen international co-operation

The international framework is governed by a large array of different, legally binding agreements; international standards developed by the OECD; and numerous voluntary standards and bodies. A comprehensive list is provided in the *Annotations*. This international normative framework is generally considered as coherent and the multitude of agreements and treaties refer to (and build on) each other. Coherence is further enhanced by the OECD's increasing focus on illicit financial flows (IFFs) through the following inter-governmental groups: the OECD Working Group on Bribery; the Global Forum on Transparency and Exchange of Information for Tax Purposes; the Oslo Dialogue, (supporting a whole of government approach to fighting tax crime and other financial crimes), and the Financial Action Task Force (FATF).

Recent years have seen the development of clearer international standards for combating IFFs, widening global participation in key international bodies, and greater co-operation between specialised agencies. In spite of substantial changes over recent years, considerable scope for coherence improvements remains at the interface between this multi-facetted framework and the different nation states. There is uneven progress across OECD countries in curbing IFFs, and developing countries are particularly dependent on coherent international action to tackle the links in the IFFs chain that are beyond the scope of their national policy making (OECD, 2014).

To improve coherence, it is essential to: engage with **international norms and standards**, including peer review mechanisms, multilateral co-operation initiatives, and information exchange mechanisms; establish **bilateral co-operation**, in particular with countries which are key sources and destinations for IFFs; and identify how **development assistance** policies can support measures to combat IFFs.

Questions for self-screening: Compliance with international norms/International co-operation

Compliance with international norms

- Which of the international standards and bodies is the country a party to?
- What is the country's assessed level of compliance? What is their assessed level of effectiveness?
- Are there action plans to improve the level of compliance and implementation?

International co-operation

- What is the level of international co-operation (as set out in the UN conventions and other standards)?
  - Can authorities co-operate effectively (in both directions) with the main foreign sources and destinations of IFFs?
  - What resources are allocated to co-operation with key countries?
  - Do the authorities take part in the exchange of tax information on request, or in automatic exchange of information (AEOI)?
  - Is smuggling taken into account when considering prohibitions or duties?
- Does development co-operation help to counter IFFs?
- Do national supervisors have influence over financial institutions' measures against IFFs? Or are the implementing group policies overseen by foreign supervisors?
- Identify whether the basic building-blocks (laws, regulations, institutions) for countering IFFs are in place.
- Identify priority reforms, and outside sources of advice and assistance.
- Review the main international factors affecting IFFs.
- Identify potential for international action to reinforce domestic measures (and vice versa).

Ensure political commitment and leadership at the highest level to mobilise both state and non-state actors

All policy issues that cut across traditional policy-making boundaries cannot be addressed effectively by a single policy unit located within a policy silo at a lower level of the administration. Instead, support from the highest level and whole-of-government approaches are instrumental for a successful strategy to counter IFFs. The issue should be firmly rooted in all relevant national strategies and also needs to be mainstreamed across ministries and other public bodies, as well as non-government institutions to achieve universal ownership.

Questions for self-screening: Strategy

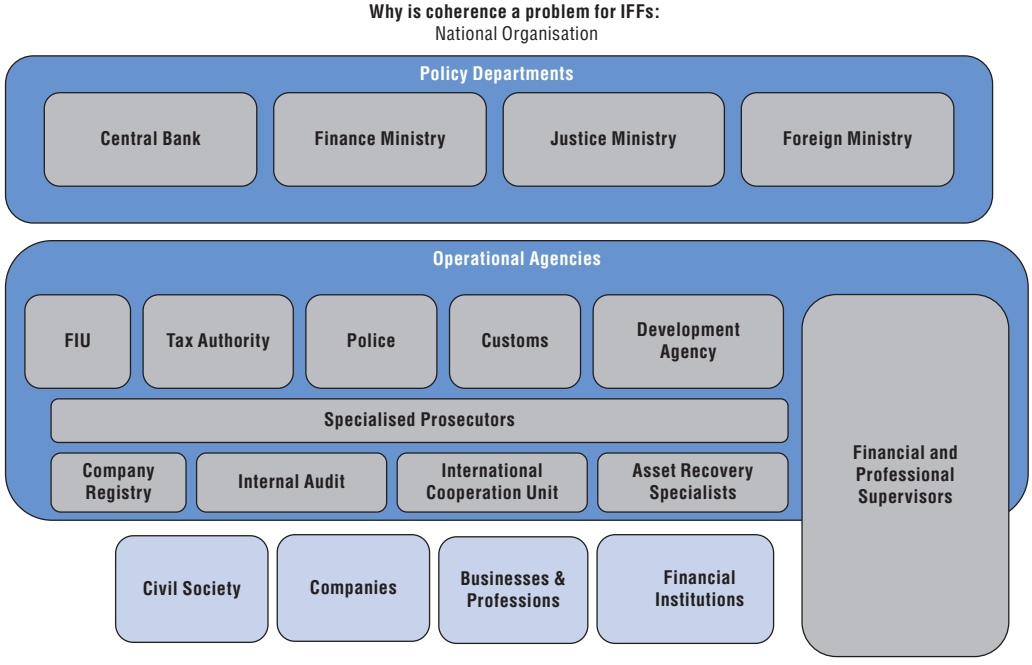
- Is there a national strategy(ies) which includes measures to combat IFFs?
- Are resources made available through the budget (or off budget through donors and donor requests) commensurate to risk?
- Are IFFs considered as separate issues (e.g. as corruption, money laundering, tax evasion etc.) or in a comprehensive manner?
  - If considered separately, how do the strategies for different types of IFFs take account of each other?
  - If there is a single IFF strategy, how does it relate to wider contextual strategies (e.g. for taxation, law enforcement)?
  - Are there plans for risk mitigation, crisis management and asset recovery?
- Level of commitment and priorities in combating IFFs.
- Clear government objectives.
- Role of the centre of government in countering IFFs.

Enhance national inter-agency co-ordination mechanisms to strengthen co-operation to combat illicit financial flows

The complexity of IFFs is mirrored by the variety of actors that are involved in combatting these flows (Figure 4.1). In order to ensure an effective response, governments need to build institutional mechanisms that assign clear responsibilities and facilitate straight-forward co-ordination and collaboration between the different agencies both on the level of policy design and implementation.

In addition, the government should reach out to non-state actors and incorporate them into the effort to stem IFFs. This includes the financial sector as well as regulated professions, such as lawyers and accountants since they are in charge of implementing a substantial share of the preventive measures devised by policy makers. Private companies, too, have a role to play in the process and their participation could provide valuable feedback about the direct impact of new policies, and help to ensure better coherence. In

Figure 4.1. **Key actors involved in combating IFFs: Why is coherence instrumental to combat IFFs?**



general, feedback mechanisms and statistical tools are essential to avoid or address unintended consequences and incoherent outcomes.

Specifically, the *Annotations* outline a five-step process for understanding and connecting the different actors: i) mapping the actors; ii) building inter-agency coherence mechanisms; iii) working across disciplines; iv) fostering dialogue beyond government; and v) facilitating practical co-ordination.

Questions for self-screening: Institutional arrangements	
Who are the actors? ● Who has overall responsibility for IFFs within government? ❖ Is there a responsible minister at Cabinet level? ❖ How is the centre of government involved? ❖ Is there a clear accountability framework (e.g. to a committee of the legislature)? ❖ Is responsibility for IFFs divided between several different areas (e.g. tax, justice, corruption)? ● Which government actors (ministries, agencies or organisations) make policy or contribute to national strategy on IFFs?	● Identify the main actors within government and how responsibilities are assigned.
● Which sectors and actors outside government are required to implement measures to combat IFFs? ● Which other actors are affected by IFFs and measures to combat them? ● Are there any consultative bodies where policymakers can discuss IFFs and policies to combat them with non-government actors?	● Identify the main non-government stakeholders – including regulated sectors and others. ● Check if key stakeholders have a voice in the policy process.
Questions for self-screening: Co-ordination and policy making	
● Which government actors are involved in implementing measures to combat IFFs? ❖ Do relevant agencies have clear objectives regarding IFFs? ❖ Do investigators, prosecutors, FIUs, supervisors, and other relevant agencies have sufficient operational independence? ❖ Is feedback from operational agencies taken into account by policymakers? ● Is there an inter-agency coordination mechanism? Does it include: ❖ A central secretariat? ❖ Multi-agency involvement in assessing the risks of IFFs? ❖ Inter-agency decision-making on policies to combat IFFs? ❖ Oversight and coordination of the operational agencies responsible for implementation of policies to combat IFFs?	● Identify whether there are co-ordination mechanisms, and whether they perform all the relevant functions.

• Are there agreements or memoranda in place to allow information sharing between different operational authorities? • Does the government allow for/encourage case-focussed collaboration projects? • Are there other (formal and informal) mechanisms to improve awareness and understanding, or to encourage co-operation, between the different agencies involved in combating IFFs?	• Identify whether there are co-ordination mechanisms, and whether they perform all the relevant functions.
Questions for self-screening: Making use of evidence and effective implementation	
• Do policy-makers receive and make use of: ❖ Data and statistics on the implementation and effect of measures to combat IFFs? ❖ Indicators of changes or trends in the sources, methods, and risks of IFFs? ❖ Feedback from operational agencies on the implementation of policies to counter IFFs? ❖ Feedback from non-government actors on the impact of preventive measures and controls? • Are there periodic reporting or accountability mechanisms on the impact of measures to combat IFFs (e.g. annual reports to parliament)? • Is there sufficient capacity to assess new evidence or developments and to amend or reform policies in response?	• Review the data collection, monitoring, and reporting arrangements. • Identify accountability processes which can maintain responsive and up-to-date policies.

Consider critical interactions across economic, social and environmental areas to address IFFs (horizontal coherence)

Apply an integrated approach to address IFFs in the context of the Sustainable Development Goals

The SDGs are indivisible in nature. This implies that in order to make progress on IFFs, policy makers will need to consider inter-linkages and critical interactions between target 16.4 and all other goals. This involves identifying **synergies** with some goals (e.g. Goal 8: sustained, inclusive, and sustainable growth), as well as **trade-offs** with other goals (e.g. Goal 10: Inequality). To illustrate potential interactions between different goals and targets relevant for tackling IFFs, Table 4.1 provides an integrated perspective of the SDG framework. This table should be read in conjunction with Table 4.2 which provides a preliminary analysis of the main interactions in terms of synergies, trade-offs and policy conflicts, highlighting those targets that could also help create conditions for discouraging IFFs.

Promote synergies and identify potential trade-offs across different sectors to combat IFFs

As IFFs cut across traditional policy sectors, the responses will inevitably interact with other policies and at times even interfere with their specific policy objectives. In order to stand a chance of success, measures to counter IFFs have to be carefully embedded into the specific sectoral frameworks. Mapping out potential frictions and incompatibilities could guide policy design so as to exploit synergies, and to avoid unintended consequences. Table 4.3 lists twelve different policy areas, including potential trade-offs and synergies, each of which are explored at greater length in the *Annotations*.

Table 4.2. **Illicit financial flows in the SDGs framework**

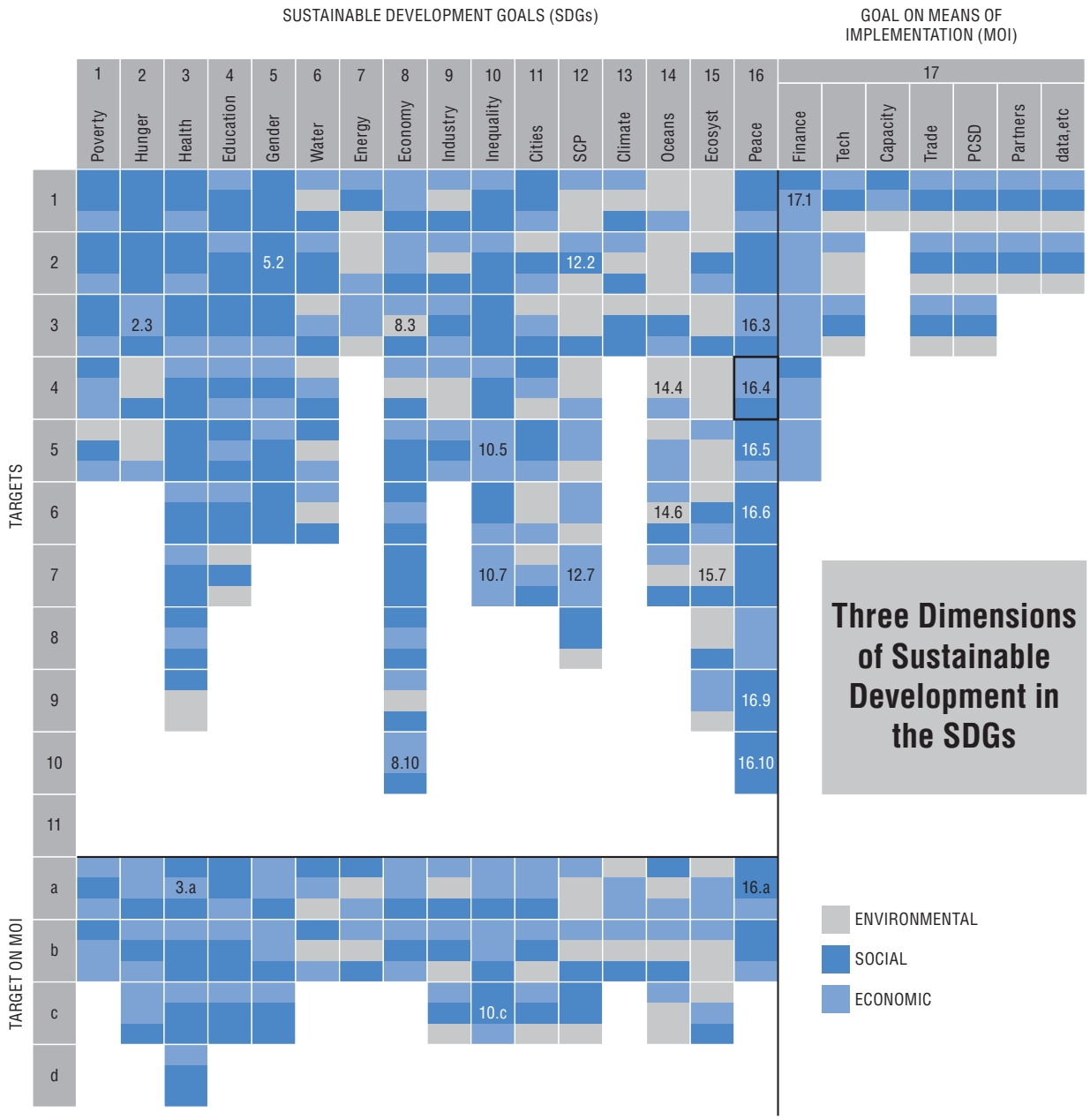


Table 4.3. **SDG targets related to Illicit Financial Flows**

SDG	Summary of Target	Relevance to IFFs
Enablers and Disablers: Factors which make an essential contribution to combating illicit financial flows, e.g. as a precondition for certain measures, or as structural factors which could undermine the effectiveness of anti-IFF measures.		
10.5	Regulation of Financial markets	Some measures to counter IFFs rely on requiring preventive measures by financial institutions, supported by supervision.
16.3	Rule of Law	An essential precondition for anti-IFF measures
16.5	*Reduce corruption*	Corruption of key institutions can undermine anti-IFF measures
16.6	Sound institutions	An essential precondition for anti-IFF measures
16.9	Identity documentation	Required for many anti-IFF preventive measures

Table 4.3. **SDG targets related to Illicit Financial Flows** *(cont.)*

SDG	Summary of Target	Relevance to IFFs
16.10	*Public access to information*	Transparency to relevant government authorities can discourage crime and enhance anti-IFF measures
16.a	Institutions to combat crime	An essential precondition for anti-IFF measures
Potential Trade-offs and Policy Conflicts: Areas where there is a risk that excessively strict, or poorly targeted anti-IFF measures could undermine implementation of other SDG targets.		
8.3	*SME development*	Longer company registration process, with additional information requirements.
8.10	Access to financial services	Financial inclusion issues – e.g. with poor people who lack good identity documentation
10.c	Cheaper remittances	De-risking means money remitters lack access to financial system… potential to drive remitters underground (with cost to recipients). Also cost of compliance may make remittances more expensive…
16.10	*Public access to information*	Data protection rules, business secrecy, and censorship may conflict with measures to counter IFFs.
Synergies: SDG targets on which progress could be mutually reinforcing with efforts to curb IFFs.		
2.3	Agricultural productivity/incomes	Drug production is a major source of illicit funds. Measures promoting agricultural productivity and rural incomes can reduce pressure on farmers to grow narcotics.
16.5	*Reduce corruption*	Corruption is a major source of illicit funds.
17.1	Strengthen domestic resource mobilisation	Tax evasion is a major source of illicit funds, which weakens the capacity of countries to fund their own development through domestic resource mobilisation.
3.a	Tobacco control	Illicit trade in tobacco products generates illicit funds
5.2	Violence against women	Human trafficking generates illicit funds
10.5	Regulation of Financial markets	Poorly-supervised financial institutions are important facilitators of tax evasion and other sources of illicit funds
10.7	Safe migration	Smuggling migrants generates illicit funds
12.7	Public Procurement	Public procurement, public works and construction, are at high risk of corruption, and major sources of funds
12, 14, 15	Sustainable use of oceans and terrestrial ecosystems	Exploitation of natural resources is a driver of corruption and source of illicit funds. This includes forestry and fisheries, as well as extractive industries.

Questions for self-screening: Rooting the response to IFFs in the SDGs

- Is the government framing its approach to IFFs in the context of the SDGs, particularly target 16.4 ?
- Does the government take into account the interactions between different SDG goals and targets bearing on IFFs?
- Does the government's (political) interests and priorities align with specific goals and/or targets, and is there coherence between them?
- Ensure high-level political support.
- Identify linkages which are not adequately understood or reflected in policies.

Table 4.4. **Trade-offs and synergies in relation to IFFs**

Trade-offs	
Taxation	Balance economically efficient taxation with considerations about which taxes are more prone to entail IFFs. Balance revenue recovery and administrative resource constraints with the need to deter further tax evasions and maintain public support and compliance.
Business regulation	Balance the need for transparency and regulation of the establishment of companies with the consideration of creating a business-friendly environment and minimising compliance costs.
Export promotion	Prohibit bribing of foreign officials while maintaining competitiveness with other companies abroad.
Financial markets and financial stability	IFFs can cause real estate bubbles, exchange rate volatility, and general financial instability. They could also destabilise systemically relevant institutions.
Financial inclusion	Balance the need for stringent reporting rules with concerns for access to financial services of poor people with insufficient identity documentation. Increase regulation and administrate oversight of financial institutions without shutting down the informal financial sector.
Migrant remittances	Crack down on IFFs while not discouraging migrant remittances.
De-risking	De-risk without negatively affecting financial inclusion and remittance flows.

Table 4.4. **Trade-offs and synergies in relation to IFFs** *(cont.)*

NGOs and CSOs	Maintain access to finance for civil society organisations while preventing the misuse of NGOs for IFFs.
Data protection	Balance the need for transparency and reporting with privacy and data protection rules.
Diplomatic relations	Balance the need to combat IFFs with diplomatic concerns about tensions between countries/governments about high-profile cases.
Synergies	
Government and Public Administration	IFFs can erode the authorities' capacities and perceived legitimacy, while sound institutions are more likely to succeed in combatting IFF.
ODA	Improving institutional arrangements and administrative capacities in developing countries could help combat IFFs, increase domestic resource mobilisation, and contribute to achieving other (developmental) targets.

Questions for self-screening: Managing trade-offs and policy conflicts

Policy interlinkages

- How well are counter-IFF measures implemented within the criminal justice system? Is there adequate capacity to investigate and prosecute for offences related to IFFs and their predicate crimes?
- How are counter-IFF obligations on the financial sector and other regulated businesses supervised?
  - Which supervisors have responsibility for counter-IFF measures? Do they take a consistent approach?
  - How is supervision of counter-IFF measures linked with other types of supervision? Are the approach taken and sanctions applied consistent?
  - Is the private sector aware of its obligations? Does the private sector have an opinion on the effect of the IFF regulatory framework on business?
- What measures are used to promote integrity and prevent corruption in government and public administration?
- What controls and transparency measures are applied to the formation of legal persons and arrangements?
  - Can companies be prosecuted for criminal offences (including for foreign bribery offences)?

- Review the interaction of counter-IFFs policies with the most relevant other areas of policy.
- Identify any linkages which are not adequately understood or reflected in policies.

Trade-offs and conflicts

- What proportion of the population uses the formal financial sector? What proportion relies on the informal sector for access to financial services? Does the government have policies to promote financial inclusion? Are these taken into account in IFF policies?
- Do remittance providers and NPOs have adequate access to banking services?
  - Is there adequate supervision of NPO and MVTS sectors to be adequate?
  - Is there a policy dialogue about access, involving banks, NPOs, and remittance providers?
  - Does the government have policies to promote the availability of remittance channels?
- How do data protection laws interact with anti-IFF measures or transparency requirements? Is there consultation between data protection authorities and anti-IFF authorities?
- Is there a formal voluntary tax compliance programme? If so, what controls are applied to prevent it being misused?
- Do the preventive measures required of financial institutions and other private sector firms reflect their role and risk?
  - Are additional measures applied in those sectors which are most exposed to IFFs?
  - Are low-risk sectors allowed to apply streamlined measures?
  - Do the measures applied reflect both domestic and foreign risks?

- Monitor and manage the risks of specific policy conflicts arising.

Annotations

Identify and raise awareness of the types, magnitudes and risks of illicit financial flows

In this module, illicit financial flows (IFFs) are defined broadly as all cross-border financial transfers, which contravene national or international laws. This is a wide category which encompasses several different types of financial transfers, made for different reasons. It can include:

- Funds with criminal origin, such as the proceeds of crime.
- Funds with a criminal destination, such as bribery, terrorist financing or conflict financing.
- Funds associated with tax evasion. Transfers to, by, or for, entities subject to financial sanctions under UN Security Council Resolutions such as 1267 (1999) and its successor resolutions (e.g. Al Qaida and other terrorist organisations).

- Transfers that seek to evade anti-money laundering/counter-terrorist financing measures or other legal requirements (such as transparency or capital controls).

The term "Illicit financial flows" refers to cross-border activity. However, this module also considers funds with a criminal origin or destination, but which do not flow through an international transfer (e.g. the domestic proceeds of crime), since these are a closely related problem and represent the source of illicit financial flows. The analysis and policy measures in this module include elements which relate to IFFs in different ways: i) the **reasons** why funds themselves are illicit (e.g. their association with corruption and other proceeds-generating crimes); ii) the **methods** used to move or launder them, which can include techniques which are legal (e.g. the use of shell companies or companies in secrecy jurisdictions) or illegal (e.g. false invoices); and iii) the **laws, mechanisms and policies** used by governments to combat them.

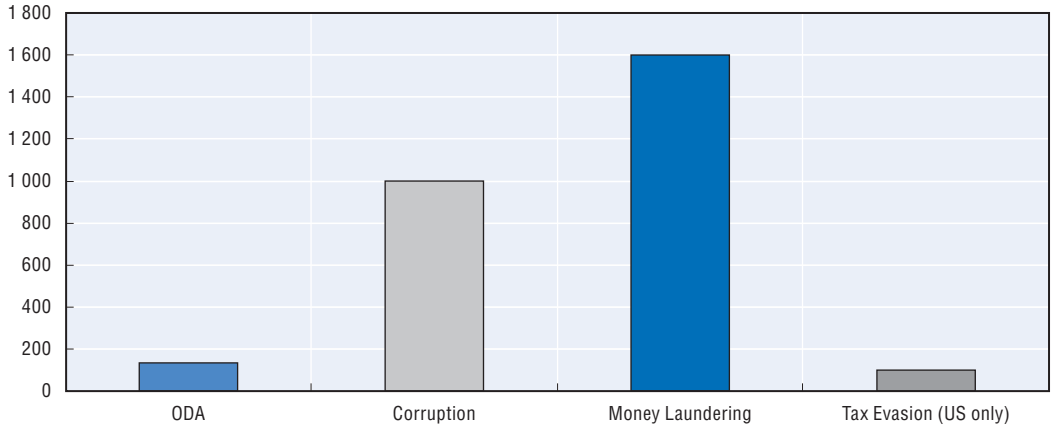
IFFs can be a fundamental determinant of growth, development, governance, security and rule of law outcomes and, as such, should be considered a significant disabler of sustainable development. They are strongly linked to other determinants of governments' efforts to effectively use and mobilise their own revenues and resources for sustainable development:

- ***Crime***[7] – *Proceeds-generating crime*, and particularly *organised* crime, displaces productive economic activity, discourages investment, and draws people into a criminal lifestyle. Organised crime also goes hand-in-hand with corruption and wider governance failures such as a weak or ineffective law enforcement or justice sector, that undermine the rule of law.
- ***Corruption***[8] – Corruption is a key source of illicit financial flows. It is a global problem – but particularly damaging in some developing countries, with pervasive effects. Corruption undermines the effectiveness and legitimacy of governments, compromising their ability to support sustainable development. It broadens income inequality, and reinforces countries vulnerability to crime and terrorism. Corruption also distorts competition and diverts resources away from productive investment – including by discouraging legitimate investment in corrupt countries.
- ***Terrorism*** – terrorist groups destabilise countries, displace people, and destroy livelihoods. They depend on financing to recruit and support fighters, to purchase equipment, and to create safe havens where they can operate. Terrorist financing is a core component of IFFs.
- ***Conflict*** – Illicit financial flows also support non-state armed groups in several parts of the world, undermining United Nations' led peacekeeping missions.
- ***Weak domestic resource mobilisation*** – Tax evasion is a key form of illicit financial flows, and weakens tax receipts in both developing countries and advanced economies. In some cases, tax evasion also drives authorities to rely principally on forms of taxation such as tariffs, which are harder to avoid but more distorting or damaging to economic development (OECD, 1998).
- ***Poor governance and weak institutions*** – Illicit financial flows can be both a cause and a symptom of underlying governance problems. Crime (including terrorism, corruption, and tax evasion) can occur in all countries, but flourish under weak institutions, lack of transparency, and poor accountability.
- ***Uncontrolled exploitation of natural resources*** – Illicit financial flows enable the exploitation of natural resources – e.g. through illegal and unsustainable mineral extraction, forestry, fishing, or trade in wildlife.
- ***Inequality and exploitative elites*** – Illicit financial flows include mechanisms which allow wealthy individuals or exploitative elites to engage in tax evasion, use political power for

personal gain, conceal their ownership of assets, and pass their wealth to new generations, and thereby frustrate efforts to redistribute wealth and reduce governments' capacity to mobilise resources for inclusive growth. They therefore have a role in sustaining inequality and rent-seeking behaviour, which are key obstacles to achieving the sustainable development goals.

IFFs pose a severe threat to public finance on a global scale: total ODA provided by DAC members in 2013 was USD 134.4 billion. The estimates of IFFs cited here place global losses from corruption at USD 1 000 billion; and from money laundering (which includes some of the proceeds of corruption) at USD 1 600 billion. Losses from tax evasion in the United States alone are estimated at USD 100 billion annually, which would imply over USD 500 billion in criminal tax evasion each year globally (Figure 4.2).

Figure 4.2. **Scale of illicit financial flows and official development assistance**



Crucially, IFFs are not only a problem for developing countries. All of the factors above also affect OECD member countries to some extent, with increasing focus recently on the role of tax evasion in undermining tax revenues. Countering IFFs is a particularly important tool in the fight against terrorism, and against serious transnational organised crimes such as human trafficking or drug trafficking.

National risk assessments of money laundering and terrorist financing are already required by the FATF standards, with countries required to identify, assess, and understand the ML/TF risks they face (FATF, 2013). Many countries also conduct risk assessments focused on domestic crime or on abuses of the fiscal system. Given the interactions between different types of illicit financing, these different risk assessments may be able to inform each other, and there may be value in combining their conclusions in order to give a comprehensive picture of IFFs. However, these may still leave significant gaps: for example if they are focused on domestic misconduct and not on IFFs from other countries. At present there is no accepted methodology for assessing the risks of IFFs as a whole – although there are approaches which assess specific components of IFFs.

Consider the contextual factors that allow IFFs to thrive

Many factors influence the risks that a country faces from illicit financial flows (IFFs). The threats and vulnerabilities existing in a particular country (whether of a domestic, regional or international origin) affect the scale and the type of IFFs it may see, and the

capacity to effectively prevent and mitigate them in terms of policies and institutions. This section sets out the most significant general factors which determine risk and exposure to IFFs, and contribute to creating an enabling or disabling environment for them.

a) Crime

IFFs largely result from proceeds-generating criminal activity. Drug trafficking by organised criminal gangs is one of the most important sources of criminal proceeds globally, and a significant source of IFFs. Large-scale smuggling takes place in legal but highly-taxed goods such as tobacco, and in goods such as gold or other mineral resources which are themselves legal but obtained illicitly. Proceeds-generating crimes also include crimes of corruption and tax evasion, which are important elements of IFFs in their own right. These activities are undertaken primarily for the purpose of financial gain.

Money laundering is an essential part of the ability to move and use criminal proceeds without detection. Hence, combating IFFs directly (e.g. through preventing money laundering and confiscating and recovering the proceeds of crime) can have a significant deterrent effect on the proceeds-generating criminal activity. Combating IFFs is therefore an effective and efficient way to prevent and detect crime, and can be more effective than combating the underlying crimes themselves. Thanks to the financial tools and investigative techniques available, as well as the enhancement of the normative framework provided by the United Nations Convention Against Transnational Organised Crime (UNTOC), preventing and mitigating the risk of IFFs has become particularly useful in combatting transnational organised crime.

This means that in terms of the outcomes of government actions, there is a very close relationship between measures to combat IFFs and measures to fight other proceeds-generating criminal activity. IFFs and proceeds-generating crimes could therefore be expected to rise and fall together, and reduction on one side will imply a reduction on the other – although the extent to which they are correlated is unknown.

The type and level of criminal activity will have a strong influence on the type and level of IFFs in a particular country – for example, flows generated through drug trafficking sometimes use different routes and methods to those related to tax evasion, for example, both use jurisdictions that offer shell companies and bank secrecy, but drug traffickers may also need to launder banknotes and to transfer funds into countries where drugs are grown. Countries with high levels of crime, corruption, or tax evasion will experience significant outflows (and potentially also inflows) of illicit finance. Countries with low levels of crime, corruption and tax evasion will not see the same level of illicit finance generated locally, but may nevertheless experience high flows of illicit finance from other countries.

b) Criminal justice

Many of the measures used to counter IFFs-generating or facilitating crime are within the criminal justice system. This includes establishing criminal offences of money laundering, tax evasion, bribery (including foreign bribery), and related activities; as well as legal provisions for corporate criminal liability, access to financial information, and for the freezing, confiscation, and, where relevant, repatriation of criminal proceeds. Implementing these laws also relies on core elements of the criminal justice system, including law enforcement and prosecution authorities; and the judiciary.

Offences relating to illicit financial flows are complex and time consuming to investigate and prosecute. The extent to which the judicial system can become a disabling factor of IFFs thus depends on the capacities of investigators, prosecutors, and judges, in terms of time, resources and technical qualifications.

c) Good governance, rule of law, and strong institutions

Strong, capable, and well-respected government institutions create a hostile environment for IFFs. Legitimate institutions foster a culture which discourages some illegal activities, preventing IFFs from arising: e.g. a transparent tax system and sound public expenditure management can discourage tax evasion, while a culture of integrity and accountability within government is essential to prevent and manage potential conflict-of-interest situations and can act as a strong deterrent to corruption. And when IFFs do occur, effective government institutions – particularly strong and independent law enforcement, judicial and tax authorities, and comprehensive and enforceable laws are more effective in combating IFFs – are critical to detecting and responding to them.

Good governance is not limited to government institutions: civil society and independent media are also key contributors, and essential to holding elected leaders and government institutions to account. They are essential to demanding greater transparency, and in many countries have built and sustained pressure to deal with IFFs and the related criminal activity.

d) Financial sector

The size and nature of a country's financial sector can be a key factor affecting its exposure to IFFs. Countries with small and recently-established financial sectors, or which have only recently begun to apply preventive measures to counter IFFs, would tend to have less effective implementation of safeguards against IFFs. While larger and longer-established financial sectors can be assumed to be better able to apply preventive measures, and to develop a pool of expertise in combating IFFs, they also provide more potential (and expertise) for IFFs. Thus, both the implementation and effectiveness of the regulation of the financial sector (whether measures to combat IFFs are well-implemented and rigorously supervised) are crucial – as are the nature and "culture" of the financial sector itself – including the capacity, experience and trustworthiness of the private sector partners.

International and offshore financial centres face particular risks, since their size, reputation, and connectedness – the factors that make them attractive for legitimate business – also make them attractive destinations for IFFs. The large volume of transactions and non-face-to-face business done in financial centres makes them even more attractive to criminals, and they face risks of IFFs even if they are well-regulated and located in low-crime countries. The highly mobile nature of IFFs also means that conditions in some countries which provide important drivers of illicit finance – such as secrecy for banking or company ownership – will be exploited opportunistically by criminals (possibly to the exclusion of legitimate business).

Capital controls are sometimes used to support an exchange rate regime or prevent capital flight during a crisis. These controls typically limit the amount of money which citizens and companies can exchange or transfer abroad. In some cases, widespread efforts to evade capital controls have led to thriving black markets. They have also led to the development of underground financial channels which, in addition to enabling the

circumventing of controls during the control period, were perpetuated to facilitate crime, tax evasion, and money laundering long after the foreign exchange crisis was over.

e) International environment

Risk for IFFs is also determined by geographical position and trade or cultural links. Countries may have porous borders with neighbours with high rates of proceeds-generating crime, corruption, or tax evasion, or they may be intermediate steps in routes for smuggling drugs or other illicit items. There are particular risks for countries whose neighbours are in conflict or contain lawless spaces used by terrorist groups or non-state armed groups, since they are likely to be used as convenient channels for funds, arms, and persons. Countries are also at risk of contributing to grand corruption when companies created or based there are operating in other countries, regions, or sectors that are particularly prone to corruption, even if these countries and regions are not their geographical neighbours.

f) Secrecy, opacity and transparency

Secrecy facilitates crime, corruption, tax evasion, and money laundering, while transparency is an essential tool in fighting them. The degree of transparency which a country requires for the ownership of bank accounts, and legal persons and arrangements (such as companies and trusts) is a key determinant of the extent to which a country is exposed to and can combat IFFs. Enhancing transparency is a central element of global efforts to counter IFFs, and remains a focus for strengthening implementation. The most important aspects are:

- *Bank secrecy* – Bank secrecy provisions are contrary to several international standards, and its prevalence globally has declined recently in response. Nevertheless, it remains an impediment to the effective investigation and prosecution of economic crimes, and to international co-operation, in a number of jurisdictions.
- *Beneficial ownership of legal persons and arrangements* – The use of complex ownership structures of opaque legal persons or arrangements is now the most commonly used means of hiding ownership and control of assets. Transparency on the beneficial ownership and control of all legal persons and legal arrangements is required by the 2012 FATF Recommendations and in 2014, the Global Forum committed to adopt the FATF concept of beneficial ownership in its terms of reference for Exchange of Information on request. However, this remains an area where compliance is weak (OECD, 2014). Establishment of beneficial ownership is so fundamental to the prevention of IFFs that a few jurisdictions have announced plans to go further than the international standards in this area, e.g. by establishing public registries of companies' beneficial ownership information.
- *Transparency regarding payments and contracts* is used to further discourage corruption, particularly in high-risk areas such as extractive industries and public procurement. The importance of transparency in payments and contracts is reflected in the emphasis it is given in the United Nations Convention Against Corruption (UNCAC). The Extractive Industries Transparency Initiative (EITI) is a successful example of how commitments to transparency can help improve governance in vulnerable countries.
- *Transparency of supply chains*, in addition to payments and contracts, is used to prevent natural resources (such as diamonds) being used to support armed groups in several parts of the world, or to encourage sustainable exploitation of such resources.

- *"Secrecy jurisdictions"* – Despite international efforts, there remain a few "secrecy jurisdictions" from which it is either legally or practically impossible to obtain certain information. Exerting pressure on those weak-link jurisdictions is an important focus for international groups noted above. The FATF regards this as so important that it has considered applying risk-based enhanced measures to positively verify the ownership of legal persons and arrangements registered in jurisdictions which do not apply adequate transparency measures, or by refusing to do business with them if this is not possible.
- *Defence and state security secrecy* – Many countries have laws to prevent the disclosure of state secrets and protect national security. In some cases these mean defence procurement is exempt from the scrutiny and controls applied to other forms of government spending. These measures are vulnerable to misuse as they prevent effective scrutiny of corrupt contracts and payments.
- *Information flows between authorities* – Many countries apply restrictions which prevent the use of tax information by law enforcement authorities or other agencies and vice versa, which can hinder investigations and require duplication of efforts. Similarly, some countries restrict tax authorities' access to suspicious transaction reports filed to counter money laundering. Allowing for those restrictions to be lifted in specific, cases and subject to appropriate safeguards, may increase effectiveness of agencies engaged with tackling IFFs. Those advantages would need to be assessed with a view to the commensurate risks.
- *Data protection* – There are concerns that data protection measures may be misused as a means to revive bank secrecy, or that they may pose new barriers to the effective exchange of information between authorities and countries – for example, some data protection regulations permit data to be shared only with authorities which apply at least the same level of data protection. It is critical to ensure the protection of personal data, and authorities should ensure that those rules are not inappropriately applied to prevent the exchange of relevant information in appropriate cases.

g) Composition of the economy

The composition and structure of a country's economy can significantly influence the risks of IFFs. There are several different factors which can be relevant:

- The sector composition of the economy is a major factor. Extractive industries can incentivise rent-seeking behaviour and are more prone to generate IFFs (Andersen et al, 2014).
- State-owned enterprises can be vulnerable to pressure or exploitation by politicians and other public officials, generating IFFs through corruption or through illegal contracts (OECD, 2015a).
- Inequality or lack of opportunity can undermine the moral authority of national laws and government institutions, and can encourage people to turn to illicit activity to support themselves.

All these challenges require countries to place a greater emphasis on understanding the risks and taking a coherent approach to dealing with them. Fragile countries face a different set of IFF risks to stable and developed countries, and many of the measures required by the international normative framework are irrelevant or low priority (e.g. a country without a financial system does not need rules on correspondent banking). But these countries do not have the capacity or resources to implement the whole anti-IFF framework initially, and

must make hard choices about which measures to prioritise, and how to sequence the measures they do take forward.

A failure to co-ordinate policies from the beginning of framework development or crisis management can be extremely costly, e.g. as urgent measures implemented in haste may undermine more important long-term steps. In some cases, this may mean most measures to combat IFFs are delayed, while more basic or urgent actions are taken.

Box 4.1. **Policy coherence in low-income countries**

Policy co-ordination is particularly challenging in low income countries, post-conflict countries, or fragile states, which may have to deal with a number of additional obstacles:

- Lack of capacity and resources – The resource constraints which affect all countries are magnified in states with limited funds and limited capacity in central government. This makes planning and prioritisation more important, as countries cannot realistically implement all the measures they would ideally require.
- Co-ordination with international organisations and donors – There may be a number of international organisations and bilateral partners providing recommendations and assistance, as well as national authorities. National plans and priorities can be distorted by the objectives and conditions set by external partners, which can weaken national ownership and lead to incoherent policies.
- Missing institutions – The agencies and institutions which combat illicit financial flows may not exist at all; and existing agencies may be unable to take on IFF responsibilities in addition to their core business. Establishing agencies from scratch is far more demanding – of resources and the attention of Government – than expanding the responsibilities of an existing agency. This can raise difficult questions of prioritisation and timing.
- Incomplete legal frameworks – Combating IFFs requires a large amount of detailed legislation on a range of topics. Model laws are available from the UN and several other organisations, but these nevertheless have to be adopted by national legislatures, and embedded in the existing framework of national laws and regulations. In many countries, the legal framework itself is confused, including laws from several sources and even different legal traditions; with duplicative and redundant laws; and potentially with provisions which could undermine measures to counter IFFs. In some cases legislative reform and consolidation is a precondition for an effective framework to combat IFFs.
- Security and rule of law – Lack of security and limited ability to enforce laws can undermine most or all of the measures to combat illicit financial flows noted in this paper. But at the same time, security threats (such as insurgent movements) need finance – from IFFs – to support their activities. Countries facing significant security threats may be unable to implement comprehensive measures to combat IFFs, but could face a worsening security situation if they do not address the specific financial flows which support militant groups.

Support coherence within and between national and international normative frameworks (vertical coherence)

Measures to combat illicit financial flows (IFFs) can be complex and technical. They must also be responsive to an international and ever-changing threat. It is not effective or coherent for each country to pursue these measures in isolation. Countries are more

effective when they share information about the changing risk environment; when they pool their resources to identify and disseminate best practices in the implementation of policy measures; and when they exert concerted pressure on jurisdictions which do not play by the rules. Active participation in the international groups and bodies concerned with IFFs can support effectiveness and coherence at home, and open up co-operative options for managing conflicts and spillovers internationally.

Align national efforts with international initiatives and standards, and strengthen international co-operation

Overview of the international framework

IFFs are international – criminals exploit differences between national legal systems and weak international co-operation in order to hide funds from authorities. Therefore, a broad set of international conventions, standards, and bodies has been developed in order to combat IFFs. These include UN conventions which establish standards that all countries are expected to meet in order to avoid providing a safe haven for various kinds of IFFs. They also include treaties or organisations with narrower membership, but which set out more intensive or detailed measures to be applied by their member countries, and conduct peer reviews to ensure adequate compliance.

The international framework includes several different layers:

- *Universal legal obligations,* set through the UN Framework, including the Vienna Convention; the Palermo Convention; the Merida Convention; the Terrorist Financing Convention; and various UN Security Council Resolutions;
- *International standards*, developed in the OECD, including (on tax matters) – the OECD Model Tax Convention; the multilateral Convention on Mutual Administrative Assistance in Tax Matters; and the international standards on tax transparency, for exchange of information 'on request' (EOIR), and automatic exchange of financial account information (AEOI). Other relevant standards include the OECD Anti-Bribery Convention, the Financial Action Task Force recommendations and the OECD Recommendation of the Council to Facilitate Co-operation Between Tax and Other Law Enforcement Authorities to Combat Serious Crimes.
- *Voluntary and regional codes, standards, initiatives and bodies*, which apply to IFFs.

At UN level, the key instruments which establish legal obligations are:

- *United Nations Convention against Illicit Traffic in Narcotic Drugs and Psychotropic Substances* 1988 (Vienna Convention). This includes provisions on money laundering and international co-operation.
- *United Nations Convention against Transnational Organized Crime 2000* (Palermo Convention). This requires countries to criminalise money laundering, and includes frameworks for extradition, mutual legal assistance and law enforcement co-operation.
- *International Convention for the Suppression of the Financing of Terrorism 1999* – requires states to criminalise the financing of terrorism, and adopt powers to freeze and seize funds intended to be used for terrorist activities.
- *United Nations Convention against Corruption 2003* (Merida Convention) – requires measures to prevent and criminalise corruption, provide international co-operation and asset recovery on corruption cases.

In addition, a number of *UN Security Council Resolutions* have introduced measures to counter illicit financial flows, in particular by establishing targeted financial sanctions regimes applied to Al Qaida and other terrorist groups.[9]

The OECD sets (or hosts) the main international standards and standard-setting bodies which are responsible for setting international soft law:

- *OECD Model Tax Convention* – The OECD published its first draft *Double Taxation Convention on Income and Capital* in 1963, building on work which had begun in the League of Nations in the 1920s. Today more than 3 000 bilateral tax treaties are based on the OECD Model, which addresses key issues arising in the international tax system including to promote the elimination of double taxation and to prevent fiscal evasion.
- *Multilateral Convention on Mutual Administrative Assistance in Tax Matters* – The multilateral Convention was developed by the OECD and Council of Europe in 1988 as a legal instrument for countries to undertake cross-border co-operation to counter tax evasion and avoidance in areas including exchange of tax information (on request, automatic and spontaneous) as well as assistance in tax collection and simultaneous tax examinations. The multilateral Convention was updated in 2010 with an amending Protocol to reflect the latest standards, including in the area of tax information exchange, and to allow the Convention to be signed by all States (not only OECD or Council of Europe members). Today (March 2016) there are 94 jurisdictions participating in the Convention, there are more in the process of joining.
- *OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions* (the OECD Anti Bribery Convention/ABC) – Countries which join the OECD ABC[10] agree to establish a criminal offence of bribing a foreign public official in their national laws, and to implement effective policies to prevent, detect, investigate and sanction foreign bribery committed by individuals and/or companies.
- *Global Forum on Transparency and Exchange of Information for Tax Purposes* – The Global Forum is the multilateral framework through which the international standards on tax transparency and exchange of information (EOIR and AEOI) are monitored and reviewed.
- *The Financial Action Task Force* – The Financial Action Task Force (FATF) is an independent inter-governmental body that develops and promotes policies to protect the global financial system against money laundering, terrorist financing and the financing of proliferation of weapons of mass-destruction. The FATF Recommendations[11] are recognised as the global anti-money laundering (AML) and counter-terrorist financing (CFT) standard.

In addition to the standards and bodies above, there are a range of initiatives and dialogues which aim to improve the capacity of governments and the functioning of the international systems for combating IFFs, many of them led by the OECD. These include:

- *Regional Anti-Corruption Initiatives*,[12] reaching out to non-OECD countries on bribery and corruption issues.
- *The Global Forum on Transparency and Exchange of Information for Tax Purposes* is the body through which the implementation by countries and jurisdictions of the international standards on tax transparency and exchange of information are peer-reviewed
- *CleanGovBiz* – This initiative supports governments, business and civil society to build integrity and fight corruption. It draws together existing anti-corruption tools in its CleanGovBiz Toolkit, reinforces their implementation, improves co-ordination among relevant players and monitors progress towards integrity.

- *The OECD Recommendation on Public Procurement* (and corresponding Toolkit) include guidelines for enhancing integrity and transparency in public procurement, which is vulnerable to corruption (including mis-invoicing) and/or bribery (whether from domestic or foreign sources).
- *The OECD Principles on Transparency and Integrity in Lobbying*, as well as the OECD Recommendations for Managing Conflict of Interest and Improving Ethical Conduct in the Public Service all address the risk factors for potential policy capture and undue influence resulting from political contributions/donations, conflict-of-interest situations including those arising from previous employments ("revolving doors") which can hinder government's ability to effectively combat IFFs.
- *The OECD Guidelines for Multinational Enterprises* encourage the positive contribution MNEs can make to economic and social progress, including chapters on human rights, combating bribery and taxation.
- *The OECD Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas* provide detailed recommendations to help companies respect human rights and avoid contributing to conflict through their mineral purchasing decisions and practices. The Due Diligence Guidance is for use by any company potentially sourcing minerals or metals from conflict-affected and high-risk areas.
- *The OECD-FAO Guidance for Responsible Agricultural Supply Chains* helps enterprises observe existing standards of responsible business conduct along agricultural supply chains, including those related to corruption, and undertake due diligence in order to mitigate their adverse impacts and contribute to sustainable development.
- *The OECD Due Diligence Guidance for Meaningful Stakeholder Engagement in the Extractive Sector* provides enterprises with a practical framework for identifying and managing risks with regard to stakeholder engagement to ensure they avoid and address adverse impacts as defined in the *OECD Guidelines for Multinational Enterprises*.
- *Oslo Dialogue on Tax and Crime* – Promoting a whole of government approach to fighting tax crime and other financial crimes, this initiative was launched in 2011 and has included the establishment in 2014 of the *OECD International Academy for Tax Crime Investigation* near Rome, Italy. Its work is supported by the OECD's Task Force on Tax Crime and Other Crimes, which is mandated to improve co-operation between tax and law enforcement agencies including anti-corruption and anti-money laundering authorities to counter crime more effectively by surveying the arrangements for co-operation and identifying, developing and promoting standards, guidelines and good practices; monitoring and promoting the OECD recommendations on tax measures to further combat bribery, the recommendation to facilitate co-operation between tax and other law enforcement authorities (including Financial Intelligence Units) to combat serious crimes and any other recommendations related to tax and other crimes; developing, updating and promoting guidance materials such as the OECD Bribery and Money Laundering Awareness handbooks for tax examiners to improve the reporting of suspicions of crimes; and contributing to and co-operating with the FATF, the OECD Working Group on Bribery and other relevant areas in OECD and outside of the Organisation to ensure a holistic approach to development, good governance, anti-corruption and other strategic priorities.
- *The Trust and Business (TNB) Project* is a multidisciplinary and multi-stakeholder initiative that aims to bridge the gap between business standards and their implementation, in order to promote business integrity.[13]

- *Stolen Asset Recovery Initiative* (StAR) – is a partnership between the World Bank Group and the United Nations Office on Drugs and Crime (UNODC) that works with developing countries and financial centres to prevent the laundering of the proceeds of corruption and to facilitate more systematic and timely return of stolen assets. The StAR Initiative has jointly published with the OECD Working Group on Bribery an analysis on the *Identification and Quantification of the Proceeds of Bribery*.[14]
- *Task Force on Tax and Development* – The OECD's Task Force on Tax and Development was created in 2010 and has an advisory role to the OECD's Committee on Fiscal Affairs and the Development Assistance Committee. Participants are officials from OECD and developing countries, business, NGOs and other international organisations. Key elements of the Tax and Development Programme's work agenda include: promoting the link between State building, taxation and aid; supporting developing countries build capacity on transfer pricing and other international tax issues as well as natural resource taxation; and supporting low-income countries improve transparency and governance of tax incentive regimes.
- *Extractive Industries Transparency Initiative* (EITI) – a global standard to promote openness and accountable management of natural resources, through full disclosure of taxes and other payments made by oil, gas, and mining companies.
- *Egmont Group of Financial Intelligence Units* – which promotes good practice among FIUs, and facilitates international exchange of information on IFFs.
- *International Corruption Hunters Alliance (ICHA)* – Hosted by the World Bank Group, ICHA brings together heads and senior officials of corruption investigating bodies and prosecuting authorities, anti-corruption experts, academics, and representatives of international organizations from over 130 countries.
- *G20* – which has taken a leadership role on several aspects of IFFs policy, including through the *G20 Principles on Beneficial Ownership*.

Some of the conventions and mechanisms above include assessment of compliance and effective implementation by countries. For some this is based on self-assessment by the countries themselves, supplemented by more detailed peer review processes in some cases. Other bodies have mandatory peer review processes for all members of the relevant body – particularly for the UNCAC, the OECD Anti-Bribery Convention, the Global Forum on Transparency and Exchange of Information for Tax Purposes, and the FATF.

Box 4.2. **Tax Inspectors without Borders initiative**

The TIWB initiative was first floated in 2012, aiming to build capacity to tackle complex tax audits covering tax evasion, as well as tax avoidance cases in developing country tax administrations. TIWB facilitates the deployment of experienced tax auditors to work alongside local tax audit teams on a demand-led basis, to transfer tax audit knowledge and skills through a real-time, practical approach. This leads to improvements in the quality and consistency of audits and the transfer of knowledge to recipient administrations (tax administrations seeking assistance), as well as the potential for more revenues, greater certainty for taxpayers and encouraging a culture of compliance through more effective enforcement.

Box 4.2. **Tax Inspectors without Borders initiative** *(cont.)*

After a one-year feasibility study, and a series of successful pilot projects across Africa, Asia and Latin-America and the Caribbean, the OECD partnered with UNDP to ensure the widest possible impact for the initiative which was launched in Addis Ababa at the UN financing for development conference. Already, more than USD 185 million in additional tax revenues has been delivered through TIWB- pilot projects.

The OECD, the UN, the IFIs, and other bodies are also active in producing guidance and analysis to support implementation of the standards and of other measures to counter IFFs. This includes best practices and technical guidance in the implementation of specific requirements, guidance on tools or methods to improve effectiveness in certain policy areas, and studies analysing specific problems which arise in relation to the standards (some of which are noted below).

Is the international system to address IFFs coherent?

The international normative framework for combating IFFs is based on the independent conventions, standards, and initiatives listed above, but has developed organically. Each standard was developed to address a specific and distinct element of IFFs, and they were not planned as an integrated system. This means there may be some gaps and overlaps between the various elements.

On the specific requirements of the conventions, standards, and initiatives, there is a high degree of consistency. In general, the UN Conventions set out essential and universal requirements, while the other, later standards incorporate the requirements of the Conventions, but also include more detailed requirements for specific related areas. One example is international co-operation: most of the UN Conventions, and several standards, include requirements for mutual legal assistance between countries regarding their specific focus. The level and type of co-operation, as well as the specific measures required, has increased over time, as countries' capacity and experience have grown, meaning that the more recent conventions and standards incorporate and extend the requirements of previous conventions.

Each of the conventions, standards, and initiatives has been developed with regard to the existing framework, with a view to avoiding conflicting requirements and priorities, unintended consequences, reducing the costs of duplicate requirements, and integrating the framework more effectively.

The coherence of the global framework is also helped by the increasing focus on three core bodies on IFFs: the OECD Working Group on Bribery; the Global Forum on Transparency and Exchange of Information; and the FATF. These bodies have come to take a leading role in preventing and mitigating the risk of IFFs. Their role is driven by the scope and content of their requirements (some of which incorporate requirements from the UN conventions), and by their in-depth peer-review processes, which exert pressure on countries to make serious efforts to implement their standards. Nevertheless, some coherence challenges remain on specific issues, as set out below.

The *membership* of the different global frameworks varies, as they have developed separately, over several decades. Each of the conventions, standards, and initiatives has different governance and membership arrangements, with UN and OECD bodies, as well as stand-alone treaty-based organisations, task-forces, and initiatives. Many standards are

open to all countries and have wide membership: over 180 countries are members of the FATF and its network of FATF-style regional bodies; the Global Forum now has 126 members on an equal footing; and the OECD Anti-Bribery convention has 41 state parties (and additional countries which participate through regional initiatives).

The differences in membership lead to some duplication of requirements between standards, since none of the standards can rely on all their members already being party to another standard (and so already implementing a given obligation). Nevertheless, the standard-setters do avoid duplication where possible, such as by recognising the conclusions of each other's peer-review evaluations on issues which are common to two standards.

The separate *governance arrangements* for each body may present a challenge: there is no central co-ordination body or mechanism mandated to set a global strategy on IFFs. This is mitigated in part by informal groups: the G20 countries make up a common core membership of all the bodies noted above, and since the 2008 financial crisis, the G20 has taken on a more decisive role with respect to related policies. Recently it has taken on a greater leadership role with regard to IFFs, through action to improve transparency of beneficial ownership, and other specific measures to combat IFFs, giving a high-level political steer on the further development of the relevant standards.

Overall, there do not seem to be major points of conflict within the international standards, and there seems to be effective co-ordination between the different bodies involved on cross-cutting issues such as beneficial ownership. Seeking greater coherence between the international standards could be disruptive and difficult to achieve, because of the mandate and membership issues. It would also risk losing the focus and nuances which makes each of the standards effective.

Tensions between national and international systems

The scope and detail of the system of global standards relevant to IFFs place significant constraints on the leeway countries have to make independent policy decisions. Countries can in principle choose not to become party to the conventions, standards, and initiatives. However the costs of doing so could be high: non-participation could lead to a lack of reciprocal international co-operation (and potentially to black-listing); loss of access to international financial markets or IFI facilities; and even sanctions or countermeasures.[15]

Countries which do participate in the global framework to combat IFFs have significant constraints on their discretion: each standard or convention requires countries to implement a set of policies which constitute the minimum requirements of the standard. Some standard-setting bodies evaluate compliance, implementation and effectiveness, through peer review processes to check whether the standards are adequately applied.

A certain level of capacity is needed both to comply with standards and to evaluate implementation – this can be cumbersome and expensive, especially for low capacity countries.

The mandatory requirements set by international standards are demanding, as highlighted in the 2014 OECD study *Illicit Financial Flows from Developing Countries: Measuring the OECD Response*. This reviewed the results of peer reviews assessing OECD countries' implementation of key standards and initiatives: the FATF 40 Recommendations; the Anti-Bribery Convention; the Global Forum on Transparency and Exchange of Information for Tax Purposes; the UN Convention Against Corruption, and the Stolen Asset Recovery Initiative. The results presented a mixed picture of global compliance:

- *Combating money laundering:* The report highlighted significant variations in country performance, and significant gaps to be filled. The three areas where countries have faced the biggest difficulties in complying with the 2003 FATF standards were: i) implementation of customer due diligence procedures; ii) compliance with beneficial ownership requirements; and iii) effective regulation, supervision, and sanctions.
- *Tax evasion*: The report noted that OECD countries are generally compliant on standards for the effective exchange of tax information, but that developing countries need to continue to expand their network of agreements, and strengthen their institutions. It noted that a whole-of-government approach to fighting tax crimes and illicit financial flows could strengthen their ability to detect and pursue such crimes.
- *International bribery*: Progress in implementing the OECD Anti-Bribery Convention has been mixed among OECD member countries. On the positive side, 221 individuals and 90 companies had been sanctioned in criminal proceedings by the end of 2012, and good practices had been identified in several OECD countries. On the other hand, more than half of OECD countries still had no prosecutions, and common concerns remain, such as loopholes in the legal framework, poor awareness, and lack of resources.
- *Freezing, recovering, and repatriating stolen assets*: Progress has been modest in this area. In 2006-09, USD 276 million in stolen assets were returned to developing countries, and USD 147 million between 2010 and June 2012. However, the overwhelming majority of these came from just four OECD countries. The report found that OECD countries could do more: to signal that asset recovery is a political priority; to dedicate more resources to it; and to adopt legal best practices.

The performance of OECD countries is a clear indication that implementing international standards against IFFs is demanding and significant further steps remain to be taken in most OECD countries. The international community has made progress over the last decade in improving the way in which it assesses implementation, by looking at this in terms of risk and effectiveness. Both of these approaches take a more meaningful view of implementation – placing more weight on how a country has practically addressed the IFF risks which it faces, and less emphasis on measures which may not be relevant, or on formal requirements which are not observed in practice. This has also built some much-needed flexibility into the assessments to account for different levels of resource and capacity. The risk-based approach adopted by the FATF, in which countries are required to assess their risks and to apply proportionate measures to mitigate them – including enhanced or simplified measures and exemptions from the requirements – is an example of this approach.

There is also a wide policy space between the mandatory, universal global standards and their implementation in the unique context of each country. No global standard can specify in detail how every country should implement each requirement, and individual countries must adapt the requirements into a form that is compatible with their legal and administrative systems and policy objectives. This means there is also a pressing need to consider policy coherence at national level – and also to consider coherence in the context of *implementation* as well as of *policy*.

International co-operation arrangements

In an international setting, differences between countries' laws and procedures and in the rules governing international co-operation can give rise to safe havens for criminals or for illicit financial activity. Criminals may choose to launder their money in a country which

has a weak criminal offence or light penalties for money laundering, or in a country which does not extradite its own citizens. Similarly, companies may use subsidiaries or intermediaries in countries where there is no foreign bribery offence or corporate criminal liability, or which does not respond effectively to foreign requests for ownership information.

Measures to combat IFFs internationally therefore depend on a framework of international co-operation measures, affecting all aspects of co-operation. These include:

- *Mutual Legal Assistance and extradition* (e.g. in the terms set by the multilateral conventions noted above, or under bilateral treaties).
- *Law enforcement co-operation* (e.g. through Interpol or Europol, or through bilateral arrangements).
- *Supervisory co-operation* (e.g. through the frameworks for co-operation set out by BCBS, IOSCO, or IAIS).
- *FIU co-operation* (e.g. through the Egmont group).
- *Co-operation on asset tracing and recovery* (e.g. through the StAR initiative or GAFILAT).
- *Tax information exchange*, under the international standards for the exchange of tax information on request (EOIR) and Common Reporting Standard (CRS) for automatic exchange of financial account information (AEOI).

Countries' membership and participation in these mechanisms for co-operation and information exchange is critical to their ability to provide or receive international co-operation against IFFs, but is not enough on its own. Practical capacity to use these mechanisms is also essential. In particular, countries need:

- *Secure communication channels* through which sensitive information can be passed, and the ability to safeguard information after it is received.
- *Working relationships with authorities in other countries:* even within a multilateral co-operation framework, practical co-operation depends on having an adequate understanding of other countries' arrangements; mutual trust; and an active and reciprocal relationship. Countries with regular contact or dedicated liaison officers in embassies are much better able to seek or provide co-operation than those seeking assistance irregularly or for the first time.
- *The ability to adequately and appropriately use information received,* which can be labour-intensive or technically demanding – particularly in the case of automatic exchange of tax information, which requires capacity to process large volumes of data.

Box 4.3. **The imperative of policy coherence**

Example A: Regulation and supervision of financial institutions and professions:

At a global level, coherence of financial sector standards is promoted through links between the standard-setters for illicit financial flows noted above, and the financial sector standard-setters, notably the Financial Stability Board (FSB), the Basel Committee on Banking Supervision (BCBS); the (IOSCO); and the International Association of Insurance Supervisors (IAIS). However, there is considerable flexibility about how countries supervise the standards.

At the international level, problems arise for multinational financial institutions which are supervised in several countries: while international standards provide for a coordinated

Box 4.3. **The imperative of policy coherence** *(cont.)*

approach by a college of supervisors, and assign clear responsibilities within international financial groups, differences of supervisory philosophy and regulatory environment can mean a firm faces very different levels of regulatory risk in different countries. Many financial institutions seek to harmonise their internal procedures globally, and to make decisions about illicit financial flows risk management at a global level. This means that actions by regulators and supervisors in one country may have an effect globally – e.g. by adding to the procedures required, or affecting the institution's perceptions of the regulatory risks. In some cases these spillovers are benevolent (i.e. banks will apply strict internal controls even in countries with weak regulations). In others they may be destructive (e.g. de-risking by banks in one country, in response to supervisory actions in another).

At a national level, coherence issues are relevant to how supervision is organised: some countries use a single financial sector supervisor responsible for all forms of supervision; some have separated prudential supervision from other forms of supervision, and others have a network of separate supervisors for each sector, including banking, insurance, securities sectors, and regulated businesses and professions. Financial institutions are also subject to supervision of their conduct of business, consumer protection, and data protection. All these different supervisory regimes have distinct purposes, different approaches to supervision, and in many cases different agencies are responsible for supervising compliance with regulations relevant to IFFs and for other forms of financial supervision. Differences of approach between supervisors and other oversight bodies can give rise to confusion and send conflicting messages to financial firms. In some cases a confusing supervisory architecture can lead to multiple interventions or sanctions for the same activity.

A consistent approach to these various regulatory regimes and their supervision is desirable to enable a coherent compliance culture in financial institutions (for example with a consistent approach to risk, so that managers do not face a zero-failure regime on one issue, and a risk-based approach on another), and to avoid over-burdening the financial sector and their supervisors. It can also enable synergies between different forms of supervision, e.g. where there are red-flag indicators of IFF activity which are visible to a prudential supervisor, but not normally reviewed by AML/CFT or conduct or business supervisors.

Example B: Trafficking in illicit goods and smuggling

The conditions which make trafficking or smuggling of drugs and other illicit goods profitable are the result of policy choices which determine differences in the availability or price of goods on either side of a border: either where products are prohibited, or where products are legal but there are large differences in their price between countries (e.g. because of the level of tax or duty applied). As well as the physical movement of goods, smuggling can also give rise to flows of illicit funds; corruption of border officials; and the establishment of organised crime groups.

Spillovers can arise whenever policies on both sides of a border are not aligned: a country which significantly increases the tax or duty on a specific product will unwittingly economically incentivise the inbound smuggling of that product. The significance of these risks varies according to the type of goods and the ease of crossing borders: easily transported goods; small countries; good transport links; and light border controls mean greater risks. Bulky goods, and larger, more remote, or stricter countries will see less risk of smuggling. Countries should be aware of the risks of incentivising IFFs when considering changes to controlled substances or specific goods taxes or duties.

Ensure political commitment and leadership at the highest level to mobilise both state and non-state actors

Combating IFFs is a complex area, and involves a large number of different actors, many of which have similar or overlapping mandates and responsibilities. It also potentially presents many areas where compromises are needed between the goal of combating IFFs and other domestic or international policy objectives. Sustainable development and effective implementation of policies to counter IFFs both depend on a concrete understanding of the entire policy picture. This means there is a need for countries to take an integrated and high-level approach to ensure policy coherence, which is fully mainstreamed into national development planning. Operationally, countries will need to be able to resolve conflicts between agencies and disciplines, and promote co-operation and co-ordination in the implementation of policy.

Building and implementing coherent policies on a subject which involves so many different elements of government policy and so many different actors is challenging. Governments need to clearly articulate IFFs priorities in the context of planning for the whole-of-government. That is not an easy exercise but one which is increasingly called for by the international normative framework, for example by calling on countries to first understand their risk environment, and then plan appropriate measures to mitigate the risks they face. As all government agencies compete for policy space, a deliberate and considered articulation of measures to be taken in developing the framework for preventing IFFs is crucial.

It is a good practise to involve all competent authorities – including operational agencies – in the development of policy, to avoid requirements which are impractical or competing. Feedback to policy makers from implementing authorities and from other stakeholders inside and outside government is also essential, to identify and respond to unexpected or unintended consequences as they arise, and to enable improved or better-focused policies to develop over time.

The generic module of this *Toolkit* provides practical advice on implementing a whole-government approach and ensuring policy coherence. Additional useful documents include the *2010 Council Recommendation on Good Institutional Practises in Promoting Policy Coherence for Development*, and the *1996 Public Management Occasional Paper*, *Building Policy Coherence: Tools and Tensions*. The general lessons, mechanisms, and good practises which these papers suggest apply to policy making to reduce IFFs flows.

Wider OECD work is also highly relevant to promoting policy coherence, in particular on the role of the Centres of Government in meeting governance challenges and managing cross-cutting policy issues.[16]

Enhance national inter-agency coordination mechanisms to strengthen co-operation to combat IFFs

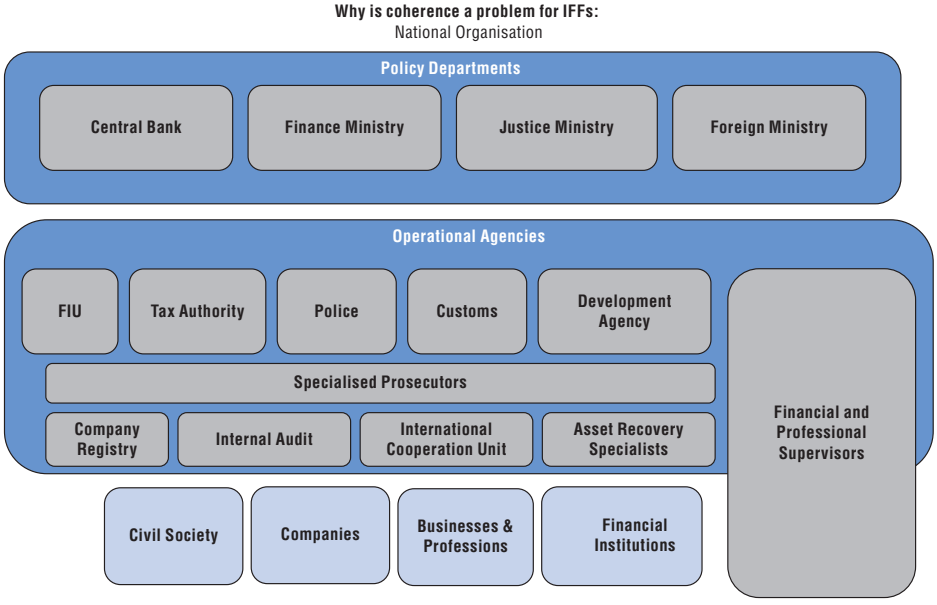
Combating IFFs is about effective implementation as well as sound and coherent policy-making. This is a complex area, in which specialised functions have been (or should be) created within existing government structures and agencies. This means there are many different departments, institutions, and other actors involved in making and implementing policy in this area, with different skills. The organisation and structure of this framework strongly depends on national contexts, legal traditions and administrative systems. Understanding (and connecting) the different actors involved in combating IFFs is a prerequisite for a coherent approach. This process involves five steps:

Step 1: Mapping the actors

To combat IFFs effectively, governments have to bring together different agencies, with different skills and expertise, different cultures, and different priorities (OECD, 2013a). They also need the active engagement and participation of a wide range of entities outside government. This is illustrated in Figure 4.3.

Figure 4.3. **Key actors involved in combating illicit financial flows**

Why is coherence instrumental to combat IFFs?



1. The top level is the key policymaking departments in central government. IFFs do not sit within the normal remit of a single ministry, but cut across several departments.
2. The middle level includes the operational agencies which implement the laws, regulations, and policies to counter IFFs – both preventive and punitive. This includes parts of the criminal justice system; financial and professional supervisors; and a range of specialised agencies.
3. The lower level shows the sectors outside government which have a role in applying measures to prevent and detect illicit financial flows, of which there are many. For example "businesses and professions" in this case applies to accountants, auditors, lawyers, notaries, dealers in gemstones and antiquities, real estate agents, company formation agents, financial advisors, and several others.

The main government actors involved in combating IFFs are:

- *Central government policy-makers* – Policy on IFFs is generally set by one or more central government departments (typically the ministry of Finance, Interior, or Justice), which may also have a role in coordinating implementation by other agencies.
- *Tax authorities* are responsible for enforcing tax laws, and also often have the power to issue relevant tax regulations or guidance for taxpayers. In many cases the tax authority is also responsible for investigating and prosecuting tax evasion and other tax crimes, and in some cases, money laundering.
- *Financial Intelligence Units* are central bodies for receiving and analysing reports of suspicious activity from the financial sector and professions, and disseminating the results to the relevant authorities. The FIU function may be established as an independent unit within a law enforcement agency, central bank, or department of government, and many FIUs also have a supervisory role – so this may overlap with other types of actors.

- *Law enforcement, customs, prosecutors, and the justice sector* – Criminal activity related to illicit finance is in most cases handled by existing law enforcement agencies that are responsible for investigating and prosecuting offences of money laundering, corruption, and tax evasion, along with all other criminal offences. This often involves multiple authorities with different geographic or thematic mandates.
- *Specialised investigation/Prosecution units* – Some functions, such as financial investigation, investigation of bribery or corruption, fraud, or financial crimes, asset tracing and confiscation, or prosecution for tax offences, are highly specialised, and many countries establish dedicated expert units to perform these tasks. These may be a specialised unit within another agency, or a stand-alone unit independent of existing institutions and agencies. Several countries have established dedicated anti-corruption units which fall within this category.
- *Supervisors* oversee compliance by the financial sector, firms, and relevant professions with preventive measures to combat IFFs, including the control of products or services which can enable IFFs. Supervisors form a diverse group, including both government agencies (often within the Central Bank), operationally independent authorities, and self-regulatory organisations. Some supervisors enforce rules made by a separate rule-making body, while others also have rule-making authority in their own right.
- *Development agencies* – Through programmes to ensure and monitor the integrity of aid spending, and through capacity building on combating IFFs and recovering assets. Development itself can be a long-term preventive measure by increasing overall capacity, growth and governance and decreasing vulnerabilities created by unemployment, poverty and lack of resources. The international community, in its elaboration of SDG 16 drew a hard link between development and the rule of law, and illicit financial flows.
- *Ministries of Finance* play several essential roles: as the institution responsible for setting budgets and monitoring expenditure, the finance ministry is crucial to the resourcing and prioritisation of measures to combat IFFs, and to prevent corruption. As the institution generally responsible for setting tax policy and fiscal forecasting, it is able to influence the degree and type of tax evasion, and to quantify the impact on revenue. And as the institution responsible for laws and regulations applying to the financial sector, it is able to decide the extent of preventive measures applied. In developing countries, the finance ministry may also be the main interlocutor with the international community, and would be involved in decisions about the prioritisation of measures against IFFs in national development plans or IFI programmes. In resource-poor countries this is an extremely important function and can determine the development of the preventive framework.

Many governments also include other bodies which can make a significant contribution to fighting IFFs, such as:

- *Trade promotion and export credit agencies,* which can play an important role in preventing and detecting corruption and foreign bribery.
- *Internal and external audit bodies,* which monitor compliance with relevant laws and regulations; monitor effectiveness; and ensure sound financial management.
- *Centralised purchasing and procurement agencies,* which can harmonise good practices and reduce the scope for corruption; and

- *Bodies for promoting professional standards and integrity,* e.g. by managing potential conflict-of-interest situations arising from previous employment, avoiding decisions being compromised by a "revolving door" between public and private sectors.

Measures to combat IFFs also involve a range of actors outside government. Most countries require financial institutions and some professions to apply preventive measures to prevent IFFs (e.g. by reporting suspicious transactions to the FIU). The sectors required to apply such measures are also key actors in combating IFFs:

- *Financial sector* – As "gatekeepers" to the financial system, banks and other financial institutions are required to implement a wide range of preventive measures to combat IFFs, and are an essential source of information for the investigative agencies above. This includes not only formal financial institutions, but also "informal" providers of financial services such as money remitters or *hawalas*.
- *Regulated professions* – Lawyers, accountants, real estate agents, auditors, trust and company service providers, and some other businesses or professions are also required to apply preventive measures to prevent economic crimes, and thereby combat IFFs.
- *Companies* – Companies face growing incentives to put into place ethical and compliance programs, including internal controls, to prevent and detect corruption and foreign bribery.[17]
- This is true of companies in countries party to the Anti-Bribery Convention or likely to fall under the jurisdiction of these countries, and particularly where such programmes may be a defence or a mitigating factor to the criminal liability of companies.

Step 2: Building inter-agency coherence mechanisms

Combating IFFs requires the active involvement of several central government ministries with different priorities (finance, foreign affairs, interior, justice, and possibly others), as well as the centre of government. It also needs effective participation and advice from a large number of regulatory and operational agencies. Preventive measures are also implemented by financial institutions and professionals. This can make policy decisions complicated. To handle these issues, and reflect the frequent need for co-ordination on IFFs, some countries have established standing arrangements at two levels:

- *At policy level* – Differences in priorities between ministers and departments arise routinely in the sphere of illicit finance, which means the ad-hoc processes, based on cabinet or its sub-committees may be inadequate or inefficient in the case of IFFs. Instead, it may be more coherent to have standing arrangements for the governance of IFFs that include multiple ministries. For example, some countries have a single government department and minister responsible for IFFs – but with a responsibility to consult the other departments involved on all decisions. Other countries have no single lead on the issue, but several different ministers are jointly responsible for IFFs (or specific types of IFFs). Regardless of the institutional model used to co-ordinate policy, the important elements seem to be: a policy framework built on informing, consulting, building a shared understanding of trade-offs, and gaining inputs from relevant ministries involved; mechanisms for information exchange and dialogue across sectors; gathering/centralising evidence from across ministries/institutions; mechanisms for anticipating/flagging conflicts or implementation challenges and a forum for discussing how to overcome these.
- *At the level of implementation* – There is a need for operational and expert agencies, including development agencies, to provide input to policy and priorities; to assist the

government in evaluating whether operational co-ordination (discussed in step five below) is working effectively; and to provide assistance and co-operate on high-level activities such as risk assessment. Several countries have established standing inter-agency groups or committees for these purposes, which include the relevant ministries, operational agencies, and other government stakeholders as members, with a central secretariat to support co-ordination efforts. These types of efforts are particularly important in low-income countries which have a high risk.

- *Inter-regional co-ordination* can also be important. Some countries have highly decentralised systems, in which some or all of the agencies above are managed and responsible at regional level. Such systems can be very effective, but can face additional co-ordination challenges when seeking to respond to national or trans-regional activity.
- The OECD's Oslo Dialogue on Tax and Crime has focused on facilitating more effective inter-agency co-operation on tax and crime issues, and has produced several pieces of guidance enabling co-operation. These include: *Improving Co-operation between Tax and Anti-Money Laundering Authorities* (OECD, 2015) *Effective inter-agency co-operation in fighting tax crimes and other financial crimes* (OECD, 2013a); and *International Co-operation against Tax Crimes and other Financial Crimes: A catalogue of the Main Instruments* (OECD, 2012).

Step 3: Working across disciplines

Dealing with IFFs requires bringing together experts and officials who not only have different expertise and objectives, but also different backgrounds and working cultures; different legal authorities and administrative procedures, and different professional languages. For example, law enforcement officers, financial supervisors, and tax inspectors have very different backgrounds and knowledge and likely work in different organisational cultures. A coherent and inter-agency approach to IFFs requires the people involved to communicate and co-operate effectively despite such differences of approach. Poor communication can undermine policy development and implementation, as can the inability of all of those involved to understand other disciplinary perspectives.

There are several ways of dealing with these challenges. Standing bodies like those described above can help, because they foster regular contact between the different agencies and officials involved. A central secretariat, where it exists, is well placed to act as a "translator" in cases where agencies are not used to working with each other directly. Countries can also foster better bilateral links between operational agencies by encouraging joint working on cases, or fostering exchanges of staff (e.g. through short-term secondments in both directions).

To help overcome the lack of inter-agency understanding in this area, the OECD's Oslo Dialogue on Tax and Crime has also produced guidance for tax authorities on other key agencies involved in combating IFFs; including the 2015 report on *Improving Co-operation between Tax and Anti-Money Laundering Authorities* (OECD, 2015b); and the *Bribery and corruption awareness handbook for tax examiners and tax auditors* (OECD, 2013b). The Oslo Dialogue has also led to the establishment in 2014 of the *OECD International Academy on Tax Crime Investigation*. This is a mechanism which helps train officials from various backgrounds (finance ministries, judiciary, tax authorities etc.) in financial investigation techniques, and provides a community to share expertise, as well as developing a longer-term network of officials from different countries to more effectively combat tax crimes and other financial crimes (e.g. corruption, money laundering, smuggling). Other organisations involved in development policy have mandates to work across disciplines. The United Nations, for example, is promoting 'delivering

as one', and working across disciplines in country teams. Some low-income countries can request that policy recommendations come from multi-stakeholder groups or task forces.

Step 4: Fostering dialogue beyond government

Private sector entities are front-line partners of governments in combating IFFs. Many of the measures used against IFFs are implemented by financial institutions and other regulated sectors: they bear much of the cost of the counter-IFFs regime, and they are often the first to identify changing risks and trends. A strong and continuous dialogue with the affected sectors can make a very important contribution to the coherence and focus of the overall policy framework. At operational level, the private sector's perspective can enrich and expand government's understanding of the risks and of the international environment. And at a policy level, dialogue can make sure that governments consider the costs and impact of new measures, and are open to alternative ways to achieve the same objectives.

Many countries have standing mechanisms for outreach, consultation, and feedback with the private sector. These typically include practitioners or compliance heads from major financial institutions, as well as representative bodies for all regulated sectors, and act as a channel for regular communication about the implementation of preventive measures, and the evolution of risks.

Step 5: Facilitating practical co-ordination

Even when policies are coherent, the complex network of agencies and authorities can make it difficult to implement those policies in a co-ordinated and effective manner. Practical co-ordination is therefore an essential supplement to policy coherence.

All the measures to combat illicit finance involve more than one actor – often where different agencies have overlapping responsibilities, or where they are acting as separate links in a chain of measures – for example a case may begin with a financial institution submitting a suspicious transaction report, then include investigation by a variety of agencies, with each step taken by a different unit or several co-operating units. No actor or agency will be familiar with the breadth of policy governing IFFs – this can result in an ineffective approach or even gaps in the legislative, institutional or policy framework. Effective implementation depends on the agencies working together coherently.

In many countries there are multiple investigating and law enforcement authorities with different and sometimes overlapping mandates. In order to effectively combat IFFs, countries need to have clear rules or systems for ensuring that different authorities' activities do not undermine or interfere with each other, and where possible to co-ordinate and co-operate in their activities.

In cases where different agencies have overlapping mandates (e.g. national and local law enforcement agencies), countries may need a "de-confliction" mechanism to ensure they do not accidentally interfere with or obstruct each other. In some jurisdictions this includes clear rules about which agency takes priority in cases of conflict, or a clearing-house database to track individual cases. There are a range of mechanisms which can do this – including for example a hierarchy of precedence; information sharing through a database of investigations; or active co-ordination mechanisms.

Going beyond deconfliction, to build effective *operational co-operation* – e.g. through exchanges of relevant information, expertise, and capacity between agencies – can realise synergies and significantly improve the effectiveness of efforts to combat IFFs. This is most

often achieved through bilateral links between the agencies concerned – although this depends on an appropriate legal framework, good communications and a collaborative culture.

The need for deconfliction, co-operation, and co-ordination applies to supervision as well as to enforcement. Some countries have multiple financial supervisors, with different geographic or sectoral responsibilities: a single universal financial institution which is active in multiple regions may be overseen by a large number of supervisors.

Many countries have a national co-ordination body for specific policy issues related to IFFs, such as money laundering, including all the relevant agencies, which can act to ensure operational co-ordination arrangements are functioning well, and act as a forum for policy co-ordination.

Consider critical interactions across economic, social and environmental areas to address IFFs (horizontal coherence)

Apply an integrated approach to address IFFs in the context of the SDGs

Reflecting their significance as a potential disabler of development efforts, the Sustainable Development Goals includes illicit financial flows (IFFs) as an element of Target 16.4: "*by 2030 significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organised crime*". This section complements the Toolkit by highlighting three practical examples of possible interactions with target 16.4.

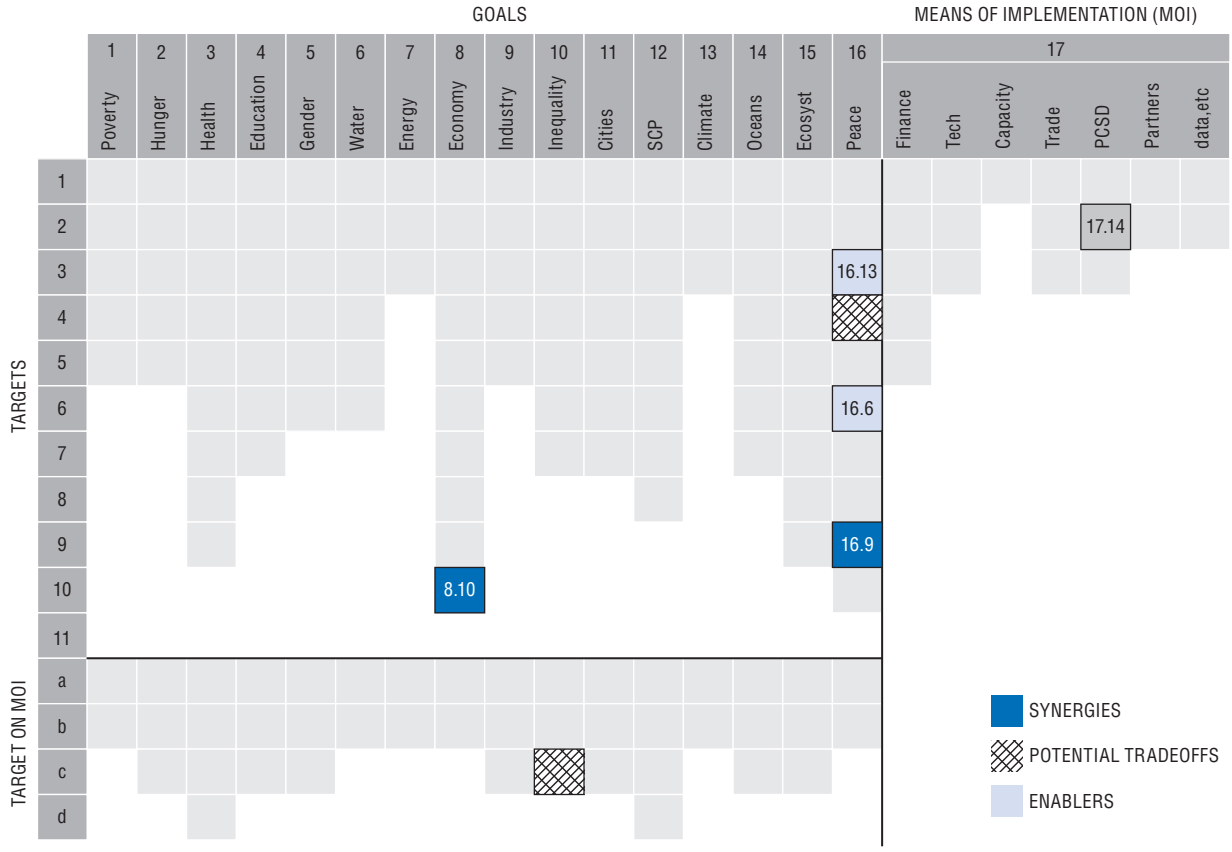
- *Synergies:* Providing legal identity and birth registration for all (16.9) would contribute to expanding access to banking, insurance and financial services for all (8.10)
- *Tradeoffs:* De-risking measures contribute to reducing IFFs (16.4), but could unintentionally limit remitters' access to financial systems and increase transaction costs of migrant remittances (10.c).
- *Enablers:* Promoting the rule of law (16.3) and developing effective, accountable and transparent institutions at all levels (16.6) are necessary preconditions for reducing IFFs.

Promote synergies and identify potential trade-offs across different sectors to combat IFFs

This section looks more specifically at the areas where policy tensions or synergies can arise as a result of policy interactions. These include direct conflicts between objectives relating to IFFs and other policy objectives, unforeseen conflicts which arise from the way policies are implemented, and the synergies arising from an integrated approach. It also sets out some of the trade-offs or choices which countries can face when seeking to integrate the fight against IFFs into these areas and a balanced and coherent set of national policies, and highlights the considerations on both sides of them.

The overarching trade-off regarding illicit financial flows concerns ***risk, cost, and proportionality***: Are anti-IFFs policies, given the costs they involve, a proportionate and justified response to the risks posed by IFFs? Policy making involves considering options on the basis of risks, costs and benefits. Under the international normative framework of rules and standards, countries have a great deal of flexibility about how intensively they apply measures to combat illicit financing – including the strength of preventive measures in the financial sector, and the staffing, powers, and resources of the agencies responsible for preventing, detecting and punishing financial crimes. Decisions on the priority given to fighting IFFs, or on whether to apply additional measures, should be based on an

Table 4.5. **Examples of policy interactions across the Sustainable Development Goals and Targets**



understanding of the risks – which vary considerably from country to country. This fundamental element of policy making and implementation has been recognised for many years and in 2012 this concept was included as the first recommendation of the new FATF standard.

IFFs can be a cause for concern even in jurisdictions which have low domestic levels of proceeds-generating crimes, corruption, and tax evasion – and therefore face low domestic risks of IFFs. International risks – e.g. inflows of the proceeds of foreign crimes, or foreign bribery by companies located in the country, are also relevant when deciding how strongly to prioritise actions against illicit finance. A country which relaxed its controls on the basis that its domestic risks are low could potentially become a haven for illicit finance originating in other countries – even if its assessment of domestic risks is correct.

The rest of this section looks at the most significant policy interactions, in twelve general areas.

1. *Taxation*

Tax evasion is defined by each country's tax law. Therefore, while in most countries tax evasion is a crime, the behaviours which fall within the definition of "tax evasion" can differ. An absence of measures to support tax transparency can create opportunities for tax evasion and tax fraud. Tax policy and illicit financial flows present multiple trade-offs at national level:

- Some types of tax are harder to evade than others, e.g. physical assets such as land or imports of goods are harder to conceal or relocate in another jurisdiction than intangible or financial assets such as shares or bank deposits. Countries facing high risks of evasion may come to rely more on harder-to-evade forms of taxation, although this can also push the illegal activity into a different form, e.g. trade mis-invoicing. However, hard-to-avoid taxes are not always the most economically efficient, and over-reliance on such forms of taxation can potentially weaken economic activity and growth through distortions. The use of import and export duties as the principal source of tax revenue can mean the tax burden falls disproportionately on trade, with negative consequences for inward investment and for growth.
- When tax evasion is detected, countries can face a choice between maximising the revenues recovered, or punishing the criminal offence. Serious tax evasion is a criminal offence and a predicate offence for money laundering. In many countries tax evasion is investigated and prosecuted by the tax authority rather than by law enforcement, and tax authorities may take a different approach to law enforcement when determining whether to proceed with a prosecution. In many cases, their policy may be to prioritise recovery of revenues through an agreement with the offender rather than proceed with a prosecution – particularly in complex cases where the likelihood of successful prosecution may be low.[18] This is a difficult trade-off: policymakers must balance the efficient use of prosecutorial resources and the need to maximise revenues, against the deterrent effect of prosecutions and the risk that the public may perceive the treatment of offenders as inconsistent or unfair.
- Voluntary taxpayer compliance (VTC) initiatives enable taxpayers to normalise their situation, regarding income and assets which were previously unreported for tax purposes (e.g. funds transferred or held overseas for tax evasion purposes). These programmes take a variety of forms, but typically involve reduced penalties for tax evasion on the condition that funds are returned to the country and the tax paid and more recently have been used to allow taxpayers to regularise their affairs now that bank secrecy vis-a-vis tax authorities is coming to an end.[19] VTC programmes offer the opportunity to maximise the benefits of improvements in transparency and exchange of information for tax purposes, to increase short-term tax revenues and improve medium-term tax compliance. To succeed, they need to tread a fine line between encouraging non-compliant taxpayers to improve their compliance (a balancing act in itself) and retaining the support and compliance of the vast majority of taxpayers who are already compliant. To do this, these programmes need to form part of wider voluntary compliance and enforcement strategies. They also need to be consistent with relevant rules in the non-tax area such as anti-money laundering rules, to ensure they are not misused. The FATF has set out principles[20] (which could guide the improvement of policy coherence) governing how VTC programmes should manage this risk.

2. Government and public administration

Measures to improve public administration, combat corruption, and counter illicit finance are interdependent and mutually supporting. Combating IFFs supports good governance by reducing the opportunities for corrupt officials or contractors to safely misappropriate public funds. Reducing corruption in the public administration increases the authorities' capacity to effectively combat illicit finance, by preventing circumvention of justice and making more resources available for prevention.

There is also negative feedback, corresponding to the positive picture above: large-scale illicit financial flows have a corrosive effect on the integrity of public officials, and can undermine good governance and sound administration. In turn, corrupt and ineffective governments are a key enabler of IFFs.

Direct measures to prevent corruption and policy capture, to combat foreign bribery, and to promote sound and transparent public procurement and financial management practices, can have a significant effect by removing opportunities for corruption and increasing the risk of getting caught. These include measures to:

- Ensure law and policy making is up-to-date and responds to the public's best interests (not purely corporate ones) and are not unduly influenced by lobbying efforts.[21]
- Promote integrity in the public sector, including the prevention and management of potential conflict-of-interest situations such as revolving doors.[22]
- Implement fair and competitive public procurement practices.[23]
- Increase the transparency of government information (including on such key issues as political contributions, public procurement contracts, public finances, etc.).[24]
- Repeal unnecessary or out-of-date laws and regulations.[25]
- Hold elected leaders and government to account by monitoring compliance with ethics and integrity measures through strong internal controls and external audit.

3. Business regulation, including company and trust law

The misuse of legal persons and arrangements such as companies and trusts is an important tool used by criminals to launder money, conceal their identities, and disguise the true ownership of assets. Rules governing the establishment of companies or corporate governance can have a significant effect on illicit finance. Ensuring transparency about beneficial ownership (the ultimate ownership and control of companies), e.g. through the obligation to maintain up to date information on the verified beneficial ownership of all legal persons and arrangements, could make a major contribution to combatting illicit financial flows. Measures to ensure changes of ownership and control are recorded could also make a significant contribution.

However, there are trade-offs: the ease with which a company can be formed can be an important determinant of growth in the private sector, and is an important indicator of the ease of doing business in a country. Each of the transparency measures above imposes some additional cost and delay when establishing or administering a company, and therefore worsens the perceived ease of doing business. Countries face a trade-off between being (and seen to be) business-friendly, and preventing the exploitation of legal persons and arrangements established by or operating in their jurisdiction for purposes relating to IFFs.

Corporate criminal liability can have a significant impact on the behaviour of companies regarding IFFs. This was demonstrated in the response to the Anti-Bribery Convention (ABC). In the 41 countries which are Parties to the OECD ABC, companies as well as individuals face liability for the payment of bribes to foreign public officials: bribery is no longer only an offence for the official who receives a bribe but also for the person or company who promises or gives the bribe. Since the entry into force of the OECD ABC, governments and business representatives have worked closely with companies to put into place internal controls, ethical and compliance programs and measures to prevent and detect the perpetration of bribery offences. Strong, and consistently-applied sanctions, including imprisonment of

individuals, are a strong deterrent. Consistency should also be applied in the information available to the public and the financial sector or professions, which in some countries are encouraged to self-disclose such offences to limit their liability.

Corporate governance is another policy area that could foster the exploitation of synergies to combat corruption. It is to a large extent the duty of business itself – and in their interest – to ensure that the right actions are taken to prevent IFFs at the corporate level. This can be done using incentives and monitoring to build a culture of doing business with integrity. The main building blocks of such a framework are laid down in the recently updated *G20/OECD Principles of Corporate Governance*. For business leaders who are entrusted with the future of their firms and the welfare of their stakeholders, these issues are increasingly becoming a priority. [26]

4. *Export promotion*

Some companies may consider that they are placed at a competitive disadvantage by anti-foreign bribery measures – for example when competing for contracts in a corrupt country and/or sector, against foreign competitors which are not subject to the same anti-bribery requirements.

A clear way to manage this trade-off is to further level the playing field through ensuring peer pressure for a steadier enforcement of the Anti-Bribery Convention (ABC) by all Parties to the Convention and through continuing to expand the membership of the Convention. Increased peer pressure and broadened accession to the Convention have already had a strong impact. Recent studies have shown that after the onset of Phase 3 in 2010, when the risk of punishment under the OECD ABC increased firms from signatory countries reduced their actual bribery relative to their non-signatory competitors (Jensen M. et al, 2013). Investors from countries that implemented the OECD Anti-Bribery Convention also reduced their investments in corrupt countries (Cuervo-Cazurra, A. 2008).

5. *Financial markets and financial stability*

In some cases, the volume of IFFs into or out of a country can be very large, and can have a noticeable impact on the legitimate economy, including specific sectors, or the economy as a whole. Some examples include:

- *Demand-driven price inflation:* In some countries, residential property has come to be seen as a safe place to store illicit assets from other countries. The volume of illicit finance can be sufficient to significantly affect prices. One recent example is from Kenya, where property prices in Nairobi increased significantly between 2000 and 2010, out of line with Kenya's wider economy. Much of this increase was ascribed to purchases by Somali pirates.
- *Loss of trade-related revenue:* Trade mispricing is a common money laundering technique: in order to move value without the need for financial transfers, imports are deliberately under-priced (or smuggled as contraband), and sold at a large profit in the destination country. In Colombia, where this technique is used to launder the proceeds of drug trafficking, it happens on a large enough scale that heavily discounted contraband goods have depressed prices and driven-out legitimate, full-priced imports.
- *Exchange rate volatility:* IFFs from some developing countries can be large enough to place long-term downward pressure on exchange rates, affecting the economy as a whole. Illicit financial flows are also highly volatile in response to a range of "push" and "pull" factors, with potentially destabilising exchange rate effects on both origin and destination countries.

- *Destabilising systemically important financial institutions:* IFFs can be used to perpetuate large-scale fraudulent schemes, potentially tainting a significant portion of deposits or capital. In low income countries, with low levels of formal sector intermediation, the discovery of IFFs activity, or its interruption, could significantly affect the position of individual financial institution, undermine the confidence of counterparties, or even threaten trust in the banking system and its regulation.
- *Volatility and unpredictability*: IFFs are "hot money" – prone to shift suddenly from one jurisdiction to another in response to changes in the risk of detection or confiscation. Such changes can be large enough to affect the wider economy. Furthermore, even when illicit financial flows are stable, they form an un-measured and un-modelled part of the economy, which can render economic forecasts less reliable, and reduce the effectiveness of economic policies.

The trade-offs and linkages in this area are complex: in some cases, the application of more effective financial controls may displace illicit activity into a different sector. In other cases there may be hidden costs (in terms of macro-economically destabilising flows) resulting from openness to illicit finance inflows. Countries should be alert for these effects, particularly following major changes to their regimes for countering IFFs.

6. Financial inclusion

Financial inclusion is a significant enabler for development, and some have pressed for it to be considered as a human right and adopted as a high-level goal in the SDG framework. Given the importance of financial inclusion to development, policy to prevent IFFs must be coherent with policies to improve financial inclusion. The tensions are well known and quite complex, for example, preventive measures to counter money laundering require financial institutions to verify the identity of their customers. But many people in developing countries lack identity documentation, and risk being excluded from access to financial services by customer identification rules. Countries have different policies and initiatives designed to increase people's access to identification documentation. India's *Aadhaar number*, for example, is a 12-digit unique identity for every Indian, including children and infants. It is a voluntary service provided by the Government of India, which every resident can avail irrespective of present documentation. In the Philippines, a *Barangay Certification* is a certificate issued by the village master that is accepted as proof of identification and residence. Similarly, in Fiji "suitable referees" (e.g. village headmen, religious leaders, or employers) is trusted by financial institutions to confirm the identity of a customer. Also, financial inclusion must take advantage of technologies which are difficult to regulate from an IFFs policy perspective. This is not only an issue for developing countries: financial inclusion is also a challenge in OECD member countries, several of which have initiatives to ensure basic financial services are available to all citizens.

In order to manage the tensions between financial inclusion and anti-IFFs measures, the FATF has developed guidance on financial inclusion[27], which sets out how countries can pursue the objective of financial inclusion without compromising measures to combat crime – for example by relaxing identification requirements or using alternative means of identification in low-risk situations, or by using thresholds and ongoing monitoring to mitigate the risks of reduced customer due diligence. This guidance should be mainstreamed into development planning in low-income countries to improve policy coherence at the national level.

For a large portion of the world's population, the informal financial sector is the only form of financial intermediation available. Informal operators typically provide money remittances, but may offer a wider range of services, particularly in countries such as Afghanistan, where the formal financial sector accounts for only a small fraction of financial intermediation. Left unregulated, the informal sector can be exploited as a channel for illicit financial flows, or can exploit its customers, who are not protected by authorities. Some countries have responded by prohibiting informal providers altogether, sometimes with the unintended consequence of denying people access to even basic financial services, or of driving activity even further underground. Other countries have sought to license, regulate and supervise these organisations, so as to reduce their vulnerability, but recognising their importance to their customers.

Regulating informal providers of financial services is a difficult task. In policy terms, governments must recognise that applying the same rules to informal providers as to mainstream financial institutions would effectively shut them down altogether. However, applying less burdensome rules can raise concerns about fairness and equal treatment of formal and informal sectors. At a practical level, regulating informal providers requires capacity, resources and geographical reach. It also requires a tremendous amount of cross border co-operation, which does not really exist. This is a very important issue for many countries and likely contains many trade-offs and conflicts which are not yet known.

7. NGOs and CSOs

Non-Government and Civil Society Organisations are subject to some preventive measures, because of their vulnerability to misuse for IFFs. The security community is especially concerned with the misuse of NGOs to front the financing of terrorism. However, there are concerns that these measures can be applied excessively by governments seeking to suppress the Non-Profit Organisation (NPO) sector and the civil society voice it provides. The challenge for countries is to take proportionate measures to ensure NPOs are not misused to finance terrorism, without limiting NPOs access to the financial system or their ability to operate effectively, including their work in fragile or high-risk states. NPOs are also particularly affected by de-risking by financial institutions, as set out above, based on their perceived vulnerability to misuse.

8. Migrant remittances

Remittances from migrants are a key source of finance for many developing countries, and are particularly related to the need for financial inclusion and the impact of de-risking, both of which can necessitate policy trade-offs. Lack of financial inclusion and de-risking both limit the ability of migrants to send money home, either individually, or by restricting the available channels, with potentially serious consequences for persons, communities, and countries which are reliant on remittances.

Many countries have taken steps to ensure remittance flows can continue uninterrupted. Several countries, including India, have programmes to provide identity documentation to all persons. Others have implemented financial inclusion measures such as the use of non-standard forms of identification (e.g. confirmation by village elders) for customers without documents. And many countries are using non-traditional ways to access financial services, such as through mobile phones, to reach customers in remote areas. There is also a role for governments in countries hosting migrant workers, particularly development ministries, in ensuring sound regulation of money transmitters, promoting

fair fees, and using their influence with banks to ensure the continued availability of remittance channels.

9. Financial sector issues

De-risking is a relatively recent phenomenon of financial institutions ceasing to do business with certain high-risk categories of customers – particularly operators of money and value transfer services (MVTS) and non-profit organisations (NPOs). It is intimately linked to the issues noted above. This affects both new customers, who are unable to open accounts, and existing customers whose accounts have been closed. Financial institutions' explanation for this approach is that these customers present an unacceptably high level of risk, which would require additional (and costly) measures to manage, and therefore that retaining them as customers is not commercially viable.

In policy terms, the effects of this behaviour by banks are felt most severely by MVTS providers and NPOs. MVTS are critical channels for remittance flows sent by migrants to their home countries – which are a major source of finance for many developing countries. Ensuring reliable and inexpensive channels for remittances is an important element of the SDGs (target 10.c). MVTS providers rely on access to the formal financial system for settlement purposes, and are generally unable to operate without it. Preventing new MVTS operators from accessing the financial system creates barriers to market entry and competition, and threatens to raise remittance costs. Denying access to existing providers effectively closes remittance channels, with severe effects on the cost and availability of remittance services. De-risking may also increase the overall risks of illicit financing, by encouraging the use of informal and unregulated channels once formal channels are closed. It is therefore a significant concern for governments. In addition, the use of Bitcoin should also be noted as most Bitcoin transactions concern illegal, not only illicit, transactions. It is, for example, often the primary means of payment on "darknet" sites.

A "fragmentation" of global banking is also occurring. Know-your customer rules and other regulations like ring-fencing and other structural bank reforms have given rise to a retreat by internationally active and exposed banks from small, mainly emerging, markets (e.g. the recent retreat by Barclays from African markets) where profitability does not match increased compliance costs. This deprives these markets of financial activities by larger institutions that tend to be better supervised, have better compliance, and more expertise to address IFFs issues.[28]

Debate is still ongoing about the nature of de-risking, the responsibility for it, and the best response. Much discussion has focused on the business climate following the 2008 financial crisis (in which banks are under pressure to reduce their costs and to drop their less profitable customers), and on pressure from regulators. De-risking is not only a response to the risks of criminal misuse of the financial system, but also to the risks of regulatory action, e.g. guarding against the reputational risks of the resulting fines and publicity. The sectors concerned are seen as exposing banks to unacceptably high risks of regulatory action, which cannot be managed in a cost-effective way. This means there are several ways countries can influence policy coherence for de-risking behaviour by banks:

- Dialogue between regulators, supervisors, and the financial sector can clarify the expectations of supervisors regarding risk management of MVTS and other supposedly higher-risk types of customer, and provide reassurance about the regulatory risk financial institutions will be undertaking.

- Reinforced supervision of the sectors concerned can also provide reassurances. De-risking is in part a reflection of the banking sector's lack of confidence in the separate regulatory and supervisory regimes applied to MVTS and NPOs, which are not seen as adequate to mitigate the risks in those sectors. Stronger and more visible supervision of the NPO and MVTS sectors can help restore confidence in the systems and controls they apply, and hence reduce banks fears about their risk exposure.

De-risking involves transnational risks, and could benefit from a policy coherence approach. Further action will be needed to address this issue at global level.

In addition, preventive measures by financial institutions and other regulated entities to combat IFFs can be costly and time consuming. They impose a significant burden on the sectors concerned: in some banks up to 10% of staff work on compliance issues. They also impose costs in terms of the systems and processes needed, and the time taken. Dialogue between government and the private sector is important, to ensure that government decisions on preventive measures are based on a full understanding of their costs and impact on the conduct of business.

10. Data Protection

Conflicts can arise with data protection requirements, for example FATF Recommendations require financial institutions to retain customer and account information for a *minimum* of five years (to ensure an adequate trail for investigators), while data protection rules set a *maximum* data retention period of five years (to prevent the misuse of old information). Firms subject to both requirements can find themselves facing a choice of which legal requirement to implement. Conflicts can also arise between requirements to circulate some customer information within an international financial group, and prohibitions on sending customer information to a country without adequate data protection. Policy coherence work is ongoing in this area. This has been based on a recognition that data protection and measures to counter illicit finance have a shared objective to protect people from crime, which is not advanced by incoherent policies.

In some countries there is effective coordination between the regulatory authorities responsible for data protection and for illicit financial flows, and clear direction has been given to the private sector entities which are affected by both requirements.

11. Diplomatic relations

Requests for mutual legal assistance are often issued through ministries of foreign affairs, and diplomatic relations are always part of facilitating international normative agreements. Measures to counter illicit finance can also have diplomatic costs – particularly where the policies of other countries or the personal interests of their leaders and officials are affected, as is often the case for investigations of bribery and corruption. Diplomatic pressure may be exerted to have investigations discontinued, accompanied by threats to ongoing or future contracts, joint projects, and possibly military or intelligence co-operation if investigations are allowed to proceed. The OECD ABC explicitly prohibits countries from taking such considerations into account in the decision to investigate and prosecute foreign bribery (e.g. Article V of the Anti-Bribery Convention).

Constitutional or operational independence of investigators and prosecutors from the Executive is a key element to prevent this type of influence, since the politicians and officials who are exposed to this pressure do not have the power to end or prevent the opening of investigations.

12. Development assistance

Development assistance programmes can make an important contribution to combating illicit financial flows. In general terms, improved governance and capacity in developing countries can strengthen the effectiveness of the regime to combat IFFs. Measures to combat tax evasion or corruption strengthen the capacity to mobilise and use domestic resources. Such assistance need not be limited to activity in developing countries themselves: measures to support developing countries' capacity to engage in international co-operation such as the StAR initiative can also be effective, as can the establishment of dedicated law enforcement capacity to pursue stolen assets on behalf of developing countries. Recently, the countries subscribing to the Addis Tax Initiative, for example, have declared their commitment to implement the Addis Ababa Accord in the leading action of raising domestic public revenue, to improve fairness, transparency, efficiency and effectiveness of their tax systems by stepping up technical co-operation.

Box 4.4. **Global Forum on Transparency – Africa Initiative**

The Global Forum on Transparency and Exchange of Information for Tax Purposes, in conjunction with CREDAF, ATAF and the World Bank Group launched the Africa Initiative at its plenary meeting in October 2014. This initiative is supported by development partners. It is designed to unlock the potential for tax transparency and exchange of information in Africa and ensure that the continent can seize the opportunities presented by exchange of information. Over the course of 2015-17, the Africa Initiative will engage with current African members of the Global Forum to provide support and guidance to ensure effective exchange of information can happen. There will also be a programme of high-level events to ensure that the benefits of exchange of information are being communicated. The Africa Initiative is steered by a Taskforce made up of a small group of "first mover" countries from Africa and participating international organisations.

Notes

1. UNODC estimate, from *www.unodc.org/unodc/en/frontpage/2011/October/illicit-money_-how-much-is-out-there.html*.
2. Options for tracking progress in PCSD based on OECD data and indicators are explored in Chapter 6.
3. *www.oecd.org/ctp/fightingtaxevasion.htm*.
4. *http://siteresources.worldbank.org/EXTFINANCIALSECTOR/Resources/Ill_gotten_money_and_economy.pdf*.
5. UNODC estimate, from *www.unodc.org/unodc/en/frontpage/2011/October/illicit-money_-how-much-is-out-there.html*.
6. Note that OECD standards do not require publicly available beneficial ownership information, only that which is available to the authorities.
7. The term "crime" encompasses a wide range of criminal offences including proceeds-generating crimes such as drug smuggling and organised crime, and economic crimes such as money laundering, tax evasion and corruption. The latter are considered components of IFFs in their own right. The FATF Recommendations list 21 types of crime which should be predicate offences for money laundering.
8. For the purposes of this report, the term "corruption" is used in a wide sense, including domestic and foreign bribery, active and passive bribery, misfeasance in public office, and the proceeds of all these activities.
9. In particular UN Security Council Resolution 1267 (1999) and its successor resolutions.

10. The Parties to the OECD ABC are currently: the 34 OECD member countries and seven non-member countries – Argentina, Brazil, Bulgaria, Colombia, Latvia, Russia, and South Africa. The Working Group on Bribery monitors the enforcement of the Convention and related instruments including:

    the 2009 *OECD Recommendation for Further Combating Bribery of Foreign Public Officials in International Business Transactions and other related instruments*;

    the 2009 *Recommendation on Tax Measures for Further Combating Bribery of Foreign Public Officials in International Business Transactions*;

    the *OECD Recommendation on Bribery and Officially Supported Export Credits*;

    the 1996 *Recommendation on Anti-Corruption Proposals for Bilateral Aid Procurement*; and

    the *OECD Guidelines for Multinational Enterprises*.

11. International Standards on Combating Money Laundering and the Financing of Terrorism and Proliferation; the FATF Recommendations, FATF 2012.

12. These include:

    the Joint ADB/OECD Anti-Corruption Initiative for Asia and the Pacific,

    the joint AfDB/OECD Initiative to Support Business Integrity and Anti-Bribery Efforts in Africa;

    The Anti-Corruption Network for Eastern Europe and Central Asia (in partnership with the Basel Institute on Governance; the Asset Recovery Center, the UNODC and the GRECO); and

    the Latin America Anti-Corruption Programme (jointly led with the Organisation of American States (OAS) and the Inter-American Development Bank.

13. Information available here: *www.oecd.org/corruption/trust-business.htm*.

14. Analysis available here: The OECD-StAR analysis on the Identification and Quantification of the Proceeds of Bribery

15. E.g. through the FATF's International Co-operation Review Group (ICRG) process.

16. See *www.oecd.org/gov/cog.htm*.

17. The 2015 OECD report Corporate Governance and Business Integrity: A Stocktaking of Corporate Practices (*www.oecd.org/daf/ca/Corporate-Governance-Business-Integrity-2015.pdf*) took stock of corporate practices tying business integrity considerations into corporate governance frameworks, strategy and operations. It also assessed what factors influence business decisions to implement business integrity measures in practice.

18. E.g. UK National Audit Office report: Tackling tax fraud: how HMRC responds to tax evasion, the hidden economy and criminal attacks (NAO, 2015), accessed from *www.nao.org.uk/wp-content/uploads/2015/12/Tackling-tax-fraud-how-HMRC-responds-to-tax-evasion-the-hidden-economy-and-criminal-attacks.pdf*.

19. Update on Voluntary Disclosure Programmes: A Pathway to Voluntary Tax Compliance *www.oecd.org/ctp/exchange-of-tax-information/Voluntary-Disclosure-Programmes-2015.pdf* (OECD 2015); Katherine Baer, Eric Le Borgne, Tax Amnesties: Theory, Trends, and Some Alternatives, (IMF, 2009).

20. *www.fatf-gafi.org/media/fatf/documents/reports/BPP VTC.pdf*.

21. See OECD principles on lobbying and OECD regulatory governance recommendation.

22. See OECD Recommendation on Managing Conflict of Interest in the Public Service and corresponding toolkit.

23. See new OECD Public Procurement Recommendation.

24. See OECD Budgetary Governance Recommendation, Best Practices in Budget Transparency as well as previous instruments mentioned (on lobbying, CoI, public procurement, regulatory governance) which also include transparency components.

25. *www.oecd.org/governance/regulatory-policy/2012-recommendation.htm*.

26. See Corporate Governance and Business Integrity: A Stocktaking of Corporate Practices (*www.oecd.org/daf/ca/Corporate-Governance-Business-Integrity-2015.pdf*).

27. Available from: *www.fatf-gafi.org/topics/financialinclusion*.

28. See also "OECD-IMF Roundtable on Bank Business Models, 7 July 2014 – Summary of Discussion", noting "There are likely to be impacts from reform on smaller jurisdictions".

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Chapter 5

Policy coherence and green growth

Long-term projections suggest that without policy changes, the continuation of "business-as-usual" economic growth and development will have serious impacts on natural resources and the ecosystem. Green growth provides a practical and flexible approach for achieving concrete, measurable progress across its economic and environmental dimensions, while taking full account of the social consequences of greening the growth dynamic of economies. To support governments in applying an integrated and whole-of-government approach to policy making, the OECD has developed a new conceptual framework for policy coherence for sustainable development ("the PCSD Framework"). This chapter ("module") applies the PCSD Framework to green growth.

Introduction

Long-term projections suggest that without policy changes, the continuation of "business-as-usual" economic growth and development will have serious impacts on natural resources and the ecosystem. This highlights the necessity for both developed and developing countries to move to a new growth path that is consistent with the protection of the environment and a sustainable use of scarce natural resources while still achieving sizeable gains in living standards and reducing poverty.

Green growth is a subset of sustainable development. It provides a practical and flexible approach for achieving concrete, measurable progress across its economic and environmental dimensions, while taking full account of the social consequences of greening the growth dynamic of economies. Specifically, the OECD defines green growth as "fostering economic growth and development, while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies" (OECD, 2011a). The Organisation's key official documents on the topic include:

- *Towards Green Growth* (2011);
- *Towards Green Growth: Monitoring Progress* (2011);
- *Tools for Delivering on Green Growth* (2011);
- *Towards Green Growth: A Summary for Policy Makers* (2011);
- *Towards Green Growth: Tracking Progress* (2015); and

To complement OECD in-depth analysis in various policy areas such as green growth, the Framework for Policy Coherence for Sustainable Development ("the PCSD Framework") has been developed to support the implementation of the *2030 Agenda for Sustainable Development* (see Chapter 2) and the Sustainable Development Goals (SDGs). This module applies the PCSD Framework to green growth. It aims to help policy makers and other stakeholders to apply an integrated and whole-of government approach to green growth. It provides high-level guidance for a generalist audience, with references throughout to more specific work by OECD and other international organisations (e.g. UNEP). The module is divided into two parts: a shorter guidance document with self-screening questions ("Toolkit") and corresponding "Annotations" which provide more in-depth information:

Part I: The "Toolkit" is intended as a practical tool for governments to improve the coherence of their policies to achieve green growth that contributes to sustainable development outcomes. It can be used by governments to examine their current economic and environmental policies and practices for promoting green growth and for considering potential positive and negative effects. It includes a screening checklist and guidance that aim to help national (and in some cases subnational) governments to:

- Consider the contextual factors which may support or hinder green growth;
- Ensure coherence at and between different levels of governance (vertical coherence);
- Identify policy interlinkages of relevance to green growth (horizontal coherence);

- Consider the various sources of finance (public, private, domestic, foreign); and
- Assess the impact of policies.

Part II: The "Annotations" provide important background information to each section in the Toolkit and serves to frame the issue of green growth, including within the context of the Sustainable Development Goals (SDGs). Options for tracking progress in PCSD are explored in Chapter 6. Throughout, the *Annotations* point the reader to related OECD work. For a general overview of the OECD's work on green growth, please visit: *www.oecd.org/greengrowth/*.

Toolkit

Consider the contextual factors which may support or hinder green growth

Strengthen enabling environments

Enabling environments **(enablers)** can be defined as the set of interrelated conditions in the political, legal, economic, and social domains that influence policy outcomes positively, such as good governance, strong institutions, and gender equality.

Governments that act early to establish green economy enabling conditions will not only support the transition but will also ensure they are in the best place to take advantage of green growth. Key enabling conditions for green growth include (OECD, 2012a):

- Shifting government expenditures away from activities that waste, overuse or degrade environmental assets.
- More effective enforcement of legislation, in part as a driver of green investment.
- Shifting science, research, educational and training priorities to support the transition to a green economy.
- Resource and land rights regimes that safeguard the interests of those with informal rights.
- Creating enabling conditions for psychological and behavioural change, framing green growth as a social goal.
- Facilitating for businesses to fully integrate sustainability and equity concerns.

An international enabling environment for green growth will also facilitate the international exchange of knowledge and best practices. Effective and comprehensive knowledge sharing platforms are particularly important for the international transfer of science, technology and innovation to developing countries. For more information, see the *Annotations*.

Questions for self-assessment:

- *Does the national government promote a regulatory environment that is conducive to green growth?*
- *What incentives do businesses and national governments have to invest and move towards green growth? This might include both generic incentives (e.g. competitive advantage for companies moving to green growth), or incentives embodied in the current institutional framework?*
- *Is the current structure of taxation and government spending aligned to green growth? For example, are there fossil fuel subsidies or energy-related taxes and tax expenditures conducive to low-carbon and green growth?*

Table 5.1. **Checklist: An overview of screening questions**

1. Consider the contextual factors which may hinder or support green growth

Enabling environments:

- Does the national government promote a regulatory environment that is conducive to green growth?
- What incentives do businesses and national governments have to invest and move towards green growth? This might include both generic incentives (e.g. competitive advantage for companies moving to green growth), or incentives embodied in the current institutional framework?
- Is the current structure of taxation and government spending aligned to green growth? For example, are there fossil fuel subsidies or energy-related taxes and tax expenditures conducive to low-carbon and green growth?

Systemic conditions:

- Have systemic issues which negatively affect policy outcomes been identified by the national government? To what extent are they being minimised?
- Do appropriate governance mechanisms exist to deal with e.g. inertia in economic systems or market failures that lead to inefficient resource use?

2. Ensure coherence at and between different levels of government (vertical coherence)

International level:

- Which of the international agreements relevant for green-growth and sustainable development (e.g. on climate, energy, green trade and investment) is the country a party to? This might include both legally binding instruments such as conventions, or adherence to e.g. OECD guidelines.
- Is there a clear commitment at the highest political level to take action towards green growth and sustainable development?
- Is there coherence between (the national implementation of) different international frameworks and agreements, including the SDGs and the UN Framework Convention on Climate Change?
- What are the main environmentally related targets at the national level? For example, commitments for reducing GHGs emissions and eliminating environmentally harmful subsidies?
- What measures are in place (such as action plan or legal frameworks) to support domestic compliance and implementation of international commitments?
- Does the national government provide assistance or collaborate with other countries to support the implementation of international frameworks for green growth and sustainable development?

National level:

- To what extent has the national government integrated green growth objectives into broader economic policy-making and national development planning?
- Is there a national strategy for green growth? If so, how does it link to SDG implementation and the obligations in multilateral environmental agreements such as climate change agreements?
- Is policy coherence an element of the strategy for implementation? Are there mechanisms for policy co-ordination at the national level? What is the role of the Centre of Government (e.g. Prime Minister's Office)?
- Is there involvement of the finance ministry in the formulation of the national green-growth strategy?

Subnational level:

- How have subnational-level actors (public and private) been involved in the formulation of national green-growth strategies?
- Have the responsibilities been specified between the national and sub-national levels for policy implementation?
- Are the respective mandates of different levels of government conducive to or hindering green growth objectives?
- Do municipalities and agencies at the local level have the capacity and skills to implement green growth measures? Is there clear guidance for implementation at the local level?

3. Identify policy interlinkages of relevance to green growth (horizontal coherence)

Does the national government:

- consider economic, social and environmental policy inter-linkages (synergies and trade-offs) when designing new and/or implementing existing policies?
- ensure consistency between objectives and implementation practices of existing sectoral policies and green growth objectives?
- promote institutional arrangements that facilitate integrated policy making (e.g. cross-ministerial working groups)?
- With regard to the SDGs, does the national government consider the interactions between different goals and targets?
- If a green growth strategy exists at the national level, is there a good understanding of how it can contribute to achieve the SDGs?

4. Consider the various sources of finance (public, private, domestic, foreign)

- Has the range of potential sources for finance been identified (public, private, domestic, foreign)?
- Are there any policies or mechanisms in place to support co-ordination between international, regional and national funding instruments?
- When engaging in subsidy reform, does the national government also consider the coherence of subsidies with other national government objectives (e.g. on developing countries)?
- What are the framework conditions to ensure contributions from private sources?

How does the national government:

- promote environmental and social disclosure?
- encourage the greening of sovereign wealth funds?
- participate in the co-ordination of development finance institutions?

5. Assess the impact of policies and monitor progress toward green growth

- What approaches are used by the national government to appraise the effects of its policies *ex ante* and/or evaluate them *ex post*? Do these tools capture the environmental consequences of policy choices? Do these approaches capture the different dimensions of sustainable development, i.e. here and now, later, and elsewhere?
- Are appropriate monitoring and reporting systems in place for tracking progress towards green growth?

Limit systemic conditions

Systemic conditions **(disablers)** can be defined as the social, political, economic, environmental, and institutional conditions at the national and international levels that hinder countries' capacities to achieve sustainable development objectives.

The importance of constraints to green growth will vary according to level of development, socio-economic context, and existing economic and environmental policy settings (Table 5.3 in the *Annotations*). Similarly, the policy options to address various constraints will vary according to institutional capacity and needs associated with different levels of development (Table 5.4 in the *Annotations*).

The OECD identifies two broad categories of constraints to green growth (OECD, 2011b):

- *Low overall economic returns,* encapsulating factors which create inertia in economic systems and capacity constraints, or "low social returns".
- *Low appropriability of returns,* where market and government failures prevent people from capturing the full value of improved environmental outcomes and efficiency of resource use.

Other systemic conditions, which apply to virtually all policy areas, include poor governance, weak institutions, lack of transparency, and corruption etc.

Questions for self-assessment:

- *Have systemic issues which negatively affect policy outcomes been identified by the national government? To what extent are they being minimised?*
- *Do appropriate governance mechanisms exist to deal with e.g. inertia in economic systems or market failures that lead to inefficient resource use?*

Ensure coherence at and between different levels of governance (vertical coherence)

While national, sub-national and municipal governments face different challenges and opportunities in promoting green growth, their policies and actions need to be coherent and strive towards the same overall objectives. Multilevel governance – co-ordination between different levels of government, private sector and civil society – is necessary for integrating environmental and economic priorities in pursuit of green growth. At the same time, local and national strategies need to be aligned with broader international agendas.

Enhance international co-operation and frameworks for action

Creating a global architecture that is conducive to green growth will require enhanced international co-operation. Strengthening arrangements for managing global public goods, especially biodiversity and climate, are an important key to addressing co-ordination and incentive problems (OECD, 2012a).

At the international level, the Sustainable Development Goals underscore the importance of green growth strategies to the global development agenda, while the Paris Agreement at COP21 marks a decisive turning point in the global response to climate change. The 2011 OECD Green Growth Strategy, in turn, has contributed to integrate green growth considerations into core policy advice to member and partner countries. G20 leaders too, notably under the Mexican Presidency in 2012, have also recognised the role of green growth for sustainable development. Coherence between these international frameworks is imperative for progress. For more information, see the *Annotations*.

Questions for self-assessment:

- *Which of the international agreements relevant for green-growth and sustainable development (e.g. on climate, energy, green trade and investment) is the country a party to? This might include both legally binding instruments such as conventions, or adherence to e.g. OECD guidelines.*
- *Is there a clear commitment at the highest political level to take action towards green growth and sustainable development?*
- *Is there coherence between (the national implementation of) different international frameworks and agreements, including the SDGs and the UN Framework Convention on Climate Change?*
- *What are the main environmentally related targets at the national level? For example, commitments for reducing GHGs emissions and eliminating environmentally harmful subsidies?*
- *What measures are in place (such as action plan or legal frameworks) to support domestic compliance and implementation of international commitments?*
- *Does the national government provide assistance or collaborate with other countries to support the implementation of international frameworks for green growth and sustainable development?*

Ensure national-level commitment and co-ordination between all actors

Countries' efforts to pursue green growth are most effective when guided by a national strategy, ideally designed through stakeholder engagement and championed by top national officials (OECD, 2014a). Additionally, governments need to develop institutional capacity in order to be able to integrate green growth objectives into broader economic policy-making and development planning. This is a key structural issue, which extends beyond national planning processes to public financial management (especially the budget process), and requires developing strategies for key economic sectors as well as how these feed through into sub-national development. Finance and economic ministries should take a leading role on core economic policies for green growth that engage central planning, finance and sectoral ministries as well as environment agencies in their formulation. The role and capacity of non-governmental actors in the private sector and civil society will also be important (OECD, 2012). For more information, see the *Annotations*.

Questions for self-assessment:

- *To what extent has the national government integrated green growth objectives into broader economic policy-making and national development planning?*
- *Is there a national strategy for green growth? If so, how does it link to SDG implementation and the obligations in multilateral environmental agreements such as climate change agreements?*
- *Is policy coherence an element of the strategy for implementation? Are there mechanisms for policy co-ordination at the national level? What is the role of the Centre of Government (e.g. Prime Minister's Office)?*
- *Is there involvement of the finance ministry in the formulation of the national green-growth strategy?*

Support subnational-level action

Central government policy alone cannot ensure a green transition – cities, regions and communities can also be catalysts for green growth policy solutions. Experimentation and learning, as well as development and implementation of green growth policies, at the subnational level can provide essential experience and lead to bottom-up diffusion of approaches between cities and regions as well as influence national and even international

levels of actions. Co-ordinating governance issues can help achieve the most cost-effective option in attaining green growth, including in the areas of green investment and innovation (OECD, 2012b). For more information, see the *Annotations*.

Questions for self-assessment:

- *How have subnational-level actors (public and private) been involved in the formulation of national green-growth strategies?*
- *Have the responsibilities been specified between the national and sub-national levels for policy implementation?*
- *Are the respective mandates of different levels of government conducive to or hindering green growth objectives?*
- *Do municipalities and agencies at the local level have the capacity and skills to implement green growth measures? Is there clear guidance for implementation at the local level?*

Identify policy interlinkages of relevance to green growth (horizontal coherence)

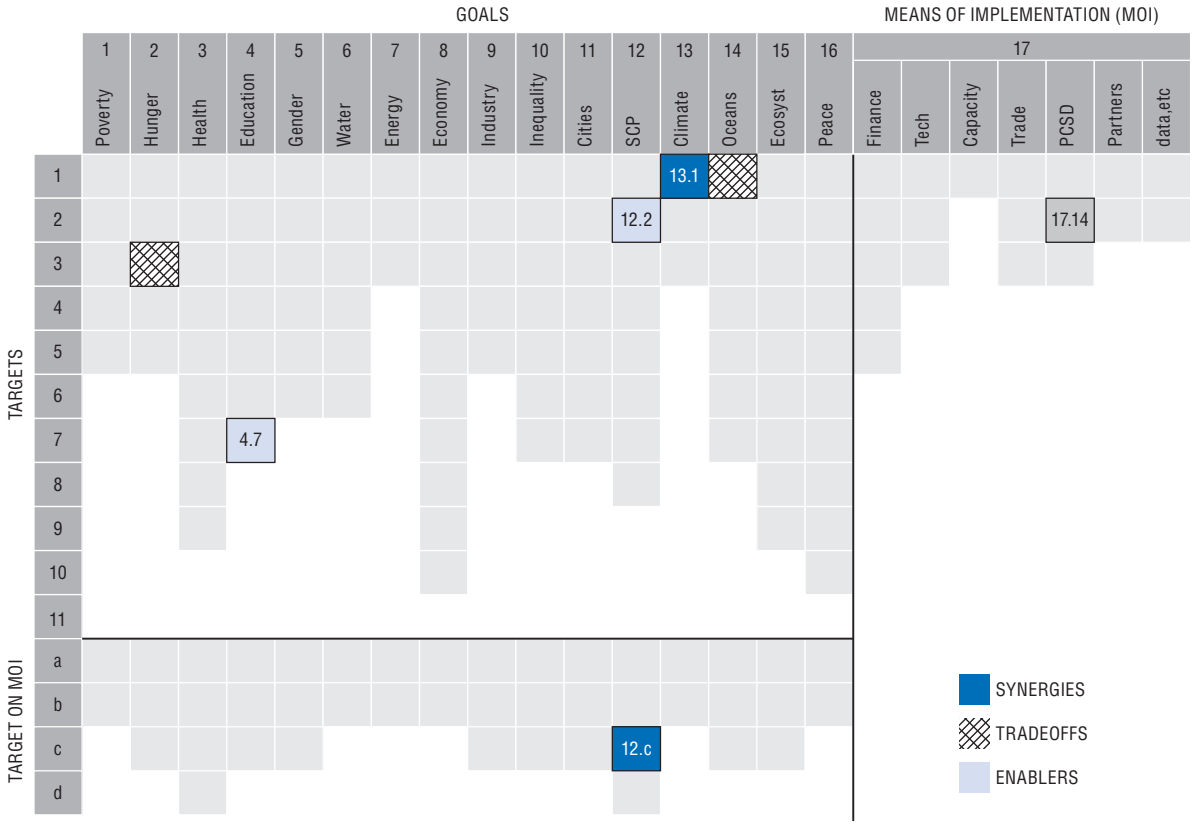
The 2030 Agenda will require policy makers to recognise and promote synergies between some SDGs and targets, while at the same time minimising potential conflicts between others (Table 5.2). Specifically, green growth requires aligning economic and environmental objectives so that they are mutually reinforcing and not working at cross-purposes. To this end, policy makers need to have a shared understanding of the interactions between economic and environmental goals, their complementarities and potential policy conflicts and trade-offs. Policy coherence for sustainable development can be used to identify such linkages *ex ante*, as well as their effects *ex post*.

Policy areas to consider in conjunction with the design and implementation of green growth policies include **environment and climate** (e.g. carbon pricing, emissions performance standards); **fiscal policy** (e.g. environmental taxes; green budgeting); **investment** (e.g. in infrastructure); **competition** (e.g. barriers to market entry); **labour market** (e.g. green skills and jobs); **trade** (e.g. bilateral and multilateral trade agreements, trade in environmental goods); **agriculture** (e.g. sustainable production and land use, fertiliser subsidies); **innovation** (e.g. support for R&D, green technologies); **energy** (e.g. fossil fuel subsidies, biofuel subsidies); **transport** (alternative vehicles, congestion charges); **urban planning** (e.g. land-use planning); and **development co-operation** (e.g. ODA for climate change adaptation). The *Annotations* explore each of these areas in more detail.

Questions for self-assessment:

- *Does the national government:*
- *consider economic, social and environmental policy inter-linkages (synergies and trade-offs) when designing new and/or implementing existing policies?*
- *ensure consistency between objectives and implementation practices of existing sectoral policies and green growth objectives?*
- *promote institutional arrangements that facilitate integrated policy making (e.g. cross-ministerial working groups)?*
- *With regard to the SDGs, does the national government consider the interactions between different goals and targets?*
- *If a green growth strategy exists at the national level, is there a good understanding of how it can contribute to achieve* the SDGs?

Table 5.2. **Examples of policy interactions across the Sustainable Development Goals and Targets**



Source: OECD, 2015d.

- *Synergies:* The rationalisation of inefficient fossil-fuel subsidies to reflect their environmental impact (12.c) will help strengthening resilience and adaptive capacity to climate change (13.1).
- *Trade-offs:* Doubling agricultural productivity (2.3) could induce increased use of fertilisers, which might lead to marine pollution (14.1).
- *Enablers:* Ensuring that all acquire knowledge and skills to promote sustainable development (4.7) will contribute to achieving sustainable management and efficient use of natural resources (12.2)
- Policy coherence for sustainable development (17.14) cuts across all goals and targets.

Source: OECD, 2015.

Consider the various sources of finance (public, private, domestic, foreign)

Financial flows need to act both as an engine for growth and development as well as an incentive to maintain the quality of the global commons. However, the investment needs for a transition to the green economy are great and funds will be required from both public and private sources.

Public investment will have to play a pivotal role in the promotion and implementation of green growth policies and measures. Arguably, there is no need to devise new instruments to raise the required funds; instead these could materialise as a consequence and by-product of well-designed green policies. Three areas in particular merit attention:

Green taxation. Taxes related to energy and greenhouse gas emissions have by far the biggest revenue-raising potential of environmentally related taxes.

Subsidies abolition. Public resource mobilisation could be further supported by gradually phasing out harmful tax incentives and subsidies.

Green public procurement and expenditure. OECD countries increasingly include environmental objectives in procurement strategies.

Development finance institutions are also instrumental in mainstreaming microfinance and supporting the development of private industries in risky green sectors at early stages of development, but their role could be strengthened further.

Private investment is indispensable for green growth. To this end, governments will need to make every effort to unlock hitherto dormant capital flows. Importantly, promoting green investment will require both raising new funds and redirecting existing funds by building an investment environment conducive to sustainable investment. Financial instruments such as green bonds will be important for supporting this process. For more information, see the *Annotations*.

Questions for self-assessment:

- *Has the range of potential sources for finance been identified (public, private, domestic, foreign)?*
- *Are there any policies or mechanisms in place to support co-ordination between international, regional and national funding instruments?*
- *When engaging in subsidy reform, does the national government also consider the coherence of subsidies with other national government objectives (e.g. on developing countries)?*
- *What are the framework conditions to ensure contributions from private sources?*

How does the national government:

- *promote environmental and social disclosure?*
- *encourage the greening of sovereign wealth funds?*
- *participate in the co-ordination of development finance institutions?*

Assess the impact of policies

Any one policy or policy change can have impacts on three conceptual dimensions of sustainable development. These include:

- effects on wellbeing (here and now)
- transboundary effects (elsewhere)
- intergenerational effects (later).

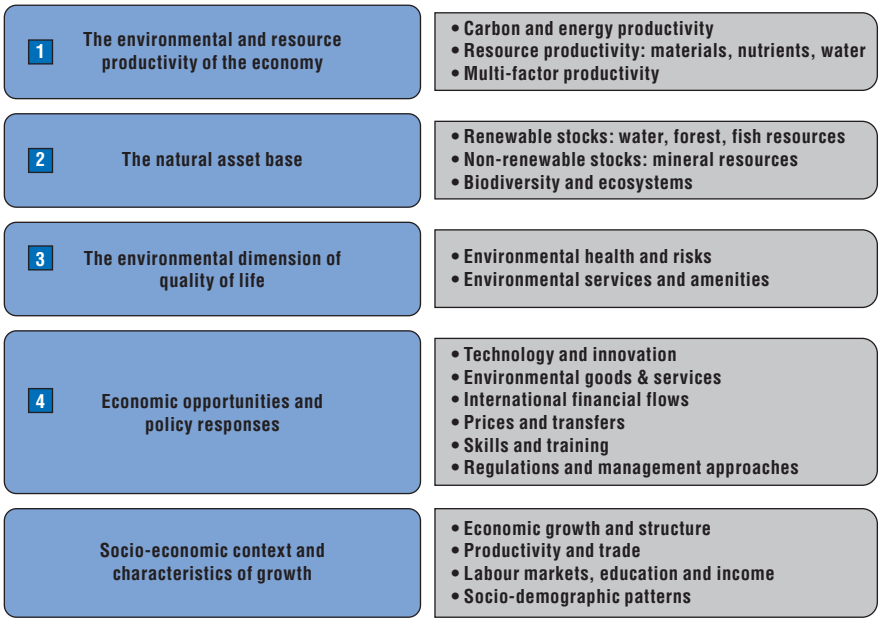
Policy coherence for sustainable development can help governments anticipate such effects and inform what actions need to be taken. However, given the complexity of green growth that cuts across economic, environmental and social dimensions, progress towards policy objectives (as well as associated policy effects) cannot be easily captured by a single measure but rather by a set of markers that identify necessary conditions for green growth. To this end, the OECD Green Growth Measurement Framework (OECD, 2011b) is a powerful tool for providing a body of evidence to support the policy dialogue on whether:

- Economic growth is becoming greener.
- There is risk of future shocks to growth linked to deterioration of natural resources.

- People benefit from greener growth.
- Greening the economy is opening new sources of growth.

The OECD framework for monitoring progress towards green growth explores four inter-related groups of indicators (Figure 5.1), which are flexible enough for countries to adapt them to different national contexts. As of January 2016, 26 countries have used or started a process to use the framework to develop indicators that suit their national circumstances, fifteen of which were developing or emerging economies.

Figure 5.1. **Indicator groups and topics covered**



Source: OECD, 2011b.

The *Annotations* provide three examples – on hydropower generation, transportation, and environmental protection of forests – to illustrate potential policy effects in practice.

Questions for self-assessment:

- *What approaches are used by the national government to appraise the effects of its policies ex ante and/or evaluate them ex post? Do these tools capture the environmental consequences of policy choices? Do these approaches capture the different dimensions of sustainable development, i.e. here and now, later, and elsewhere?*
- *Are appropriate monitoring and reporting systems in place for tracking progress towards green growth?*

Annotations

The world economy will change dramatically over the coming decades. By 2050 global economic output is projected to nearly quadruple. This expansion has the potential to raise living standards around the world. But it also poses major environmental challenges with implications for future generations. A world economy that is four times larger than today could be using up to 80% more energy predominantly from fossil fuels, thereby increasing

greenhouse gas emissions and exacerbating climate change. Without shifting towards a sustainable growth path, the impact on natural resources and the ecosystem services on which human wellbeing depends will be colossal.

Green growth policies will be fundamental in incorporating the sustainability dimensions into economic policy making. They can unlock new and sustainable sources of growth through improvements in productivity and innovation, create new markets through changes in demand, and create greater investor confidence through a predictable government approach to green growth. In addition, the risks to growth emanating from resource bottlenecks and ecosystem imbalances can be successfully addressed (OECD, 2011a).

This impetus is propelled further by the 2030 Agenda for Sustainable Development, which attempts to move beyond the single-goal vision of economic expansion and incorporate a multitude of other targets into a more coherent and sustainable idea of human wellbeing. Green growth – a subset of sustainable development – will be instrumental for achieving the Sustainable Development Goals.

To promote green growth and achieve the SDGs, a much better understanding of the opportunities and trade-offs between environmental and economic policies is instrumental. Green growth strategies also need to pay specific attention to many of the social issues and equity concerns that can arise as a direct result of greening the economy – both at the national and international level. This is essential for successful implementation of green growth policies (OECD, 2013a). Policy coherence for sustainable development across economic, environmental and social policies can provide a tool for governments to align green growth policies with local, national and global efforts to achieve the Sustainable Development Goals, and particularly to integrate the broader social dimension of sustainable development.

Box 5.1. **Defining Green Growth**

The concept of green growth has its origins in the Asia and Pacific Region. At the Fifth Ministerial Conference on Environment and Development (MCED) held in March 2005 in Seoul, 52 governments and other stakeholders from Asia and the Pacific agreed to move beyond the sustainable development rhetoric and pursue a path of "green growth". Today, at least 13 separate definitions for green growth have been identified in recent publications, including:

- **UNESCAP:** growth that emphasizes environmentally sustainable economic progress to foster low-carbon, socially inclusive development.
- **OECD:** fostering economic growth and development, while ensuring that natural assets continue to provide the resources and environmental services on which our well-being relies.
- **World Bank:** growth that is efficient in its use of natural resources, clean in that it minimizes pollution and environmental impacts, and resilient in that it accounts for natural hazards and the role of environmental management and natural capital in preventing physical disasters.
- **GGGI:** green growth is the new revolutionary development paradigm that sustains economic growth while at the same time ensuring climatic and environmental sustainability. It focuses on addressing the root causes of these challenges while ensuring the creation of the necessary channels for resource distribution and access to basic commodities for the impoverished.

Source: Green Growth Knowledge Platform; *https://sustainabledevelopment.un.org/index.php?menu=1447*.

Consider the contextual factors which may support or hinder green growth

The policies needed to implement green growth policies will vary from country to country depending on national and contextual circumstances, such as income levels, size and sectoral composition of the economy, and the relative dependence on natural resources or fossil fuels. Table 5.3 illustrates some examples for country-specific challenges and commensurate policy responses.

Table 5.3. **Examples of policy challenge by development status**

Countries	Challenges	Policy options
Developed countries	• High greenhouse gas emission per capita • Lock-in into carbon intensive infrastructure	• R&D into technological innovation • Investment into low-carbon infrastructures • Pricing externality through market-based instruments
Developing Countries	• Industrialisation and increased energy and material consumption • Low energy efficiency • Weak legal enforcement	• Shifting away from carbon-intensive infrastructure and promoting energy and material-efficient technologies • Strengthening government capacity • Technology development, diffusion and transfer
Least developed countries	• High dependence on natural resources (both renewable and non-renewable) • Climate vulnerability • Lack of basic infrastructure (e.g. transport, energy and water) • Insufficient financial and technical capacity in government	• Avoiding open-access regime of natural resources • Increasing productivity of net resource use • Climate risk assessment of national policy, plans and programmes • Investment in infrastructure to support access to markets

Source: OECD, 2011b.

Some of the contextual factors will have positive implications for green growth **(enablers)**, while others will impede progress **(disablers)**.

Strengthen enabling environments

Enabling environments are made up of interrelated social, economic, environmental and institutional conditions at the national and international levels that can have a positive influence on development outcomes. The OECD has identified the following six national enabling conditions for green growth (OECD, 2012a):

- *Government expenditure to shift away* from activities that waste, overuse or degrade environmental assets – because such a "disabling" environment makes green investments less competitive.
- *More effective enforcement of legislation*, in part as a driver of green investment – because weak enforcement reduces long-term investor and market confidence and gives little incentive for most businesses to improve.
- *Shifting science, research, educational and training priorities to support the transition to a green economy* – because new knowledge and skills will be needed for government decision makers, professionals and workers, down to local levels; the structural employment and institutional changes required may also warrant support for the fair transitional costs of organisations and their employees.
- *Resource and land rights regimes that safeguard the interests of those with informal rights* – because too many regimes favour powerful actors who are able to claim rights and/or emphasise technical efficiency of resource allocation, and do not support inclusion and equity for those who have a special dependence on the resource in question; this is especially critical in assuring rights to water or traditional lands.

- *Creating enabling conditions for psychological and behaviour change* – framing green growth as a social goal, narrowing choices towards greener approaches, "nudge" techniques to help people make better decisions on those choices, and tailoring information to match with stakeholder incentives and approaches to learning.
- *Facilitating businesses to fully integrate sustainability and equity concerns*, through provision of information and co-ordinating research on potential opportunities, especially to adopt best available technologies and meet standards, enabling technology access – through reducing trade barriers where necessary, providing finance – or Public Private Partnerships that share risk and cover upfront costs, and improving accountability – widening reporting requirements.

Limit systemic conditions

Systemic conditions refer to interrelated social, economic, environmental and institutional conditions at the national and international levels that can inhibit or block progress towards green growth. Table 5.4 provides an overview of constraints – disablers – to green growth and policy options to address them.

Green growth strategies need to account for how these constraints and respective policies cut across different sectors and government agencies. Policy coherence for sustainable development can support these efforts by identifying synergies and trade-offs.

Table 5.4. **Policy options to address green growth constraints**

Green growth constraints	Policy options
• Inadequate infrastructure	• Taxes • Tariffs • Transfers • Public-private partnerships
• Low human and social capital and poor institutional quality	• Taxes • Subsidy reform/removal
• Incomplete property rights, subsidies	• Review and reform or remove
• Regulatory uncertainty	• Set targets • Create independent governance systems
• Information externalities and split incentives	• Labelling • Voluntary approaches • Subsidies • Technology and performance standards
• Environmental externalities	• Taxes • Tradable permits • Subsidies
• Low returns on R&D	• R&D subsidies and tax incentives • Focus on general-purpose technologies
• Network effects	• Strengthen competition in network industries • Subsidies or loan guarantees for new network projects
• Barriers to competition	• Reform regulation • Reduce government monopoly

Source: OECD, 2011b.

Ensure coherence at and between different levels of governance (vertical coherence)

Enhance international co-ordination and frameworks for action

The year 2015 was marked by several international agreements that relate to green growth. Ensuring coherence between these normative and ambitious frameworks will be

imperative for sustainable development. This will involve building partnerships, coherent and mutual reinforcement, linked-up mechanisms for monitoring and reporting, and a harmonised review process (UNISDR, 2014).

Climate change policies are a key part of green growth policies. The international political response to climate change began at the Rio Earth Summit in 1992, where the "Rio Convention" included the adoption of the ***United Nations Framework Convention on Climate Change*** (UNFCCC). With 196 Parties, the UNFCCC has near universal membership and is the parent treaty of the 1997 Kyoto Protocol. The Kyoto Protocol has been ratified by 192 of the UNFCCC Parties. The ultimate objective of both treaties is to stabilise greenhouse gas concentrations in the atmosphere at a level that will prevent dangerous human interference with the climate system.

Implementation of the UNFCCC is reviewed by the annual ***Conference of the Parties*** (COP). The ***Paris Agreement*** at COP21 marks a decisive turning point in the global response to climate change. The deal includes an ambitious target for limiting the global temperature rise, a five-year review cycle, clear rules on transparency, a global goal for resilience and reducing vulnerability and a framework for supporting developing countries. A key role of the UNFCCC will be to monitor and review country performance against commitments, not only in emissions reductions but also in climate finance. The Agreement provides mechanisms for regular reporting, review and updating to check whether national targets and pathways are consistent with our collective climate goals. During the 2016 Opening for Signature of the Paris Agreement, held at United Nations Headquarters in New York on 22 April, 175 Parties (174 countries and the European Union) signed the Agreement, and 15 States deposited instruments of ratification

Building on experiences from the Millennium Development Goals, the importance of green growth strategies to the global development agenda is underscored again in the ***Sustainable Development Goals*** (SDGs), as it relates to water, energy, agriculture, biodiversity, climate change and more. Their successful implementation will require policy makers to recognise and promote the synergies between some goals and targets, while at the same time minimising potential conflicts between others.

In 2009, OECD ministers asked the ***OECD*** to develop a Green Growth Strategy to help the governments of OECD countries and partner economies alike to achieve economic recovery, along with environmentally and socially sustainable growth. The 2011 Green Growth Strategy responded to this mandate: it sets out a framework for governments to foster economic growth and development, while ensuring that natural assets continue to provide the resources and environmental services vital to human well-being. Specifically, the OECD Green Growth Strategy proposes four main steps to green growth (OECD, 2011a):

- Align growth and environmental objectives.
- Implement green growth policy frameworks.
- Address the social implications of green growth.
- Monitor progress.

Since the adoption of the Strategy, the OECD has integrated green growth considerations into its core policy advice to countries. Today, several OECD countries and a number of partner economies have adopted, or are adapting, the Green Growth Strategy's indicator framework[1] to help evaluate and monitor progress towards national green growth objectives (OECD, 2015a).

At the level of the **G20**, leaders at the 2010 Seoul Summit recognised green growth as an inherent part of sustainable development which could enable countries to leapfrog old technologies in many sectors. They agreed to take steps to create enabling environments for the development of energy efficiency and clean energy technologies. In 2012, the Mexican Presidency of the G20 introduced "inclusive green growth" as a cross-cutting priority on the G20 development agenda.

There are many other local, national, regional and international initiatives to promote green growth. Notably, in February 2012, the World Bank along with UNEP, OECD and the Global Green Growth Institute (GGGI) launched a new international knowledge-sharing platform – the ***Green Growth Knowledge Platform*** (GGKP) – bringing together under the same roof the major international organisations supporting and promoting both green growth and green economy. The GGKP aims to enhance and expand efforts to identify and address major knowledge gaps in green growth theory and practice, and to help countries design and implement policies to move towards a green economy.

Ensure national-level commitment and co-ordination between all actors

The challenges of achieving green growth cut across the traditional silos of governmental institutions, and involves both bottom-up and top-down action. In order to ensure that economic and environmental goals are realigned and the impacts on the social realm are taken into account, effective co-ordination is imperative. Setting up a cogent and coherent green framework at the national level requires line ministries to engage in both multi-level and cross-agency collaboration. Ideally, a comprehensive green growth strategy should be adopted at the highest political level, co-ordinated by the Centre of Government and mainstreamed into all national policies.

Additionally, recent attempts to implement green growth policies have highlighted the importance of providing space for participation by other relevant stakeholders. Civil society organisations and think tanks can harness public support in favour of reforms and help avoiding the impression of partisan manoeuvring and vested interests. Similarly, private sector participation could not only provide useful insights into policy implementation, but also help identify best practices and "champions" for in-depth case studies and public support maintenance. Apart from that, parliamentarians, as well as media representatives, could become powerful allies in pushing for a green growth agenda (UNEP, 2014).

Support subnational-level action

While policy action to tackle climate change is mostly framed at the international and national level, local contexts deserve particular attention since climate change impacts may vary from place to place, as will the capacities to respond to it. The challenge to build a green economy concerns the complex interplay of numerous subnational-level actors and policies within the broader (national and international) framework. Local areas are comprised of distinct concentrations of industries, households and infrastructure networks and many are major greenhouse gas emitters in their own right. The agglomeration of innovative capacity, business networks and skills in localities, particularly cities, are important foundations to generate and diffuse new technologies and practices. An environment conducive to green growth requires local authorities to (OECD 2012d):

1. ***Develop a framework for local sustainable economic development*** tailored to the specific local circumstances, setting out a clear vision for green growth and encouraging participation from a wide range of stakeholders.

2. ***Support innovation and green growth*** through strengthened collaboration of local stakeholders in order to drive incremental innovation, skills development and technology diffusion.
3. ***Foster local planning and sustainable infrastructure development*** to respond to the local impacts of climate change and put regions on a low-carbon trajectory.
4. ***Improve local governance for green growth*** to achieve policy coherence, based on strong leadership, effective partnerships, and community engagement.
5. ***Build capacities and a skills base*** conducive to green growth.
6. ***Spur local investment*** in infrastructure, plants and equipment, technology and skills development through promoting entrepreneurial skills and business cases to attract relevant financial institutions.

In this context, the public sector has a pivotal role to play. By building local support networks and partnerships, it can foster collaboration of regional ministries and labour market institutions, businesses, trade unions, civil society, education institutions, economic development agencies and subnational authorities to ensure that public initiatives and programmes aimed at greening the economy are well defined, effectively implemented and tailored to the local needs. Also, the public sector is an important service provider in its own right. Hence, strengthening the institutional capacity of subnational and regional authorities is essential to ensure a better definition, co-ordination and implementation of priority actions in relation to the green economy.

Box 5.2. **A model of community engagement – Sustainable Sydney 2030**

The City of Sydney's Sustainable Sydney 2030 presents a bold and compelling vision for how this centrally located area will tackle climate change, global competition, transportation congestion, and a half dozen other major challenges over the next 20 years. The vision is continuously articulated by the Sydney Lord Mayor Clover Moore MP, and the process involves ongoing interaction, review and refinement with government, business and the community. Sustainable Sydney 2030 is driven by 10 targets that are ambitious but fulfil the principles of SMART goal-setting – they are specific, measurable, attainable, realistic and timely. The targets reinforce each other and are underpinned by "5 Big Moves" aimed at remaking the City "into one that is green, global and connected." The strategy commits the city to reducing greenhouse gas emissions by 70 % by 2030.

A central feature of Sustainable Sydney 2030 is the model of community engagement. The importance of this model is the recognition of deepening democratic engagement and utilising the multiple talents and enterprises, households and different social groups. The vision was developed through lengthy and extensive community engagement. Some 12 000 people were consulted directly over 18 months via 30 community forums. Thousands of others attended City Talks or briefings, visited the six week Vision exhibition at the Customs House or engaged via the Vision website. This level of community engagement was critical because the policy shifts and resource allocation necessary to implement the vision require broad, deep and sustained public support.

Source: Miranda, G. et al. (2011).

Identify policy interlinkages of relevance to green growth (horizontal coherence)

Policy interlinkages are channels through which policies influence each other's performance and objectives. The aim of policy coherence for sustainable development is to

identify and promote positive synergies and to avoid or reduce negative trade-offs. This section provides an overview of twelve broad policy areas – environment and climate, fiscal, investment, competition, labour market, trade, agriculture, innovation, energy, transport, urban planning, and development co-operation – and how they link to green growth and sustainability outcomes. The purpose is to give a general understanding of the many policy areas affecting green growth, rather than an in-depth analysis of individual policy instruments.

Policies for greening growth will differ across countries, according to local environmental and economic conditions, institutional settings and stages of development. However, in all cases, various policy instruments have to be harmonised across different policy domains and line ministries in order to (OECD, 2001):

1. Integrate the natural resource base into the same dynamics and decisions that drive growth.
2. Develop ways of creating economic payoffs which more fully reflect the value of the natural resource base of the economy.
3. Focus on mutually reinforcing aspects of economic and environmental policy.

National centres of government can play an important role to this end (Box 5.3).

Box 5.3. **Government co-ordination: Insights from OECD's Centres of Government**

A principal issue for governments with respect to aligning policies to promote the transition to a low-carbon economy is how co-ordinated policies can be implemented in practice given the complexity of the topic, the mixed track record of most governments in working horizontally, and the need to include an unprecedented range of public and private actors. The perspective of senior officials working at the centre of OECD governments, whose role is to provide strategic vision, policy co-ordination and monitoring for complex, cross-disciplinary policies, is that the low-carbon transition is indeed a unique challenge in terms of scale and time frame. As such, it requires new approaches to policy making across line ministries. Governments have developed numerous solutions to establish more strategic co-ordination and better mainstreaming of climate policy objectives. These include super ministries, policy "tsars", inter-ministerial committees, and independent policy units.

On the policy front, options include legislations mandating national climate change targets (e.g. the United Kingdom's Climate Change Act) or impact assessments including guidance on how to include GHG emissions in these assessments. These can provide insights into the challenges and some of the solutions on which successful implementation will depend.

An ambitious effort to align policies requires several elements: a clear vision with measurable targets; an action plan with clear responsibilities and tasks for the different stakeholders; a system for monitoring progress; a process that has convening power, spans electoral cycles and engages opposition parties, and draws on co-ordination and substantive expertise.

To get to this degree of climate policy mainstreaming will require an investment in reflection on governance innovations best suited to this cross-portfolio issue. Overall, this requires the engagement of the head of government.

Source: Adapted from OECD (2014b).

Environment and climate policies *(see also OECD work on climate change)*

In the aftermath of the financial crisis, some governments have raised concerns that stringent environmental and climate policies might undermine productivity growth. However, OECD research shows that efforts to improve growth and achieve ambitious environmental goals can go together, and should be stepped up. The choice and implementation of environmental policy instruments is crucial. Policy makers should bear in mind three key principles when designing environmental policies (OECD, 2014c):

1. Ensure strong signals come from stringent environmental policies, both to make pollution and climate change more costly and clean and green approaches more attractive.
2. To the extent possible, use flexible policy instruments and leave it to the firms themselves to choose the most efficient way to innovate, adjust and "go green".
3. Ensure environmental policy settings do not inhibit market entry or competition, give established firms advantages over new entrants in the market, or drive up administrative costs unnecessarily.

Recent OECD analysis shows that aligning policies for a low-carbon economy can contribute to a broader reform agenda for greener more resilient and inclusive growth. In particular, action to drive decarbonisation rests on three pillars (OECD, 2015b):

- *A robust price on GHG emissions* with long-term credibility provides incentives for immediate emissions reductions where possible, as well as investment and innovation in low-GHG technologies. However, as carbon pricing can have distributional consequences, governments will need to find the right level of arbitrage between the economic efficiency and the political and social sustainability of climate policies.
- *Regulations* may be particularly appropriate where a price signal is less effective due to market barriers or transaction costs – in particular in the household sector. These include emissions performance standards or measures to encourage energy efficiency,
- *Targeted technology support* can help to develop, and lower the cost of, risky but potentially promising sustainable low-GHG technologies, reducing the competitive gap with GHG-intensive technologies.

To be effective, and thereby contributing to policy coherence and green growth, these core climate policies must be backed by a clear long-term commitment by governments to support continuous and systematic efforts to support the transition to a green economy, giving private sector and civil society stakeholders the confidence they need to take long-term decisions. Conversely, incoherent and poorly designed climate policies will incur economic, environmental and social costs to society.

Fiscal policies *(see also OECD work on environmentally related taxes)*

Fiscal instruments, such as environmental taxes, pollution charges, subsidies for green technologies, and tax incentives can play a crucial role in promoting a green economy by creating needed fiscal space while limiting environmental externalities (Table 5.5). In addition, they can also generate revenue to help finance education, health care, infrastructure development or poverty alleviation. The key to successful implementation and political acceptance of fiscal instruments hinges on effective complementary measures, in particular, addressing distributional impacts. Importantly, fiscal policy needs to be considered within the wider context of sustainable development and, if possible, introduced in a comprehensive policy package crafted with key ministries and stakeholders (GGKP, 2015).

Taxation can directly address the failure of markets to take environmental impacts into account by incorporating these impacts into prices. However, the broad structure of most tax systems emerged at a time when scarcity of natural capital and environmental and health damage were low on the political agenda. For example, a number of tax exemptions, deductions or credits encourage the economy to produce or consume more fossil fuels than it would in the absence of such measures. The trade-off here is between energy independence on the one hand and climate change mitigation on the other.

Table 5.5. **Examples of fiscal policy instruments to address environmental concerns**

Policy instruments	Examples/Common applications
Cap-and-trade permit systems	GHG emission reductions (EU-ETS) Air pollution (SO_2, NO_x, VOC) Fishing quotas and nutrient and water trading
Baseline-and-credit permit systems	Clean Development Mechanism Lead content of gasoline Biodiversity offsets/banking (e.g. REDD)
Taxes or charges on pollution or resource use	Water effluents Water abstraction or consumption
Taxes or charges on a proxy (input or output)	Fuels and coal Motor vehicles Fertilisers Waste fees and levies
Subsidies/Tax incentives	Forest management and conservation Purchase of environmental-friendly energy equipment
Deposit-refund systems	Beverage and chemical containers Lead acid batteries
Performance standards	Limits on CO_2 emissions of a passenger vehicle Energy efficiency standards for various manufactured goods.
Technology standards	Minimum percentage of a low-carbon source in the overall fuel mix of passenger vehicle Specific housing building codes for energy-saving purposes
Active technology support policies	Feed-in tariffs for electricity generated by renewable sources Renewable energy portfolio standard (green certificate) Targeted public procurement Loan guarantees and tax credits
Voluntary approaches	Negotiated agreements to encourage energy efficiency in energy-intensive industries Publicly-available inventories of various pollutants Labelling schemes Local municipal land use planning

Source: OECD, 2011.

Investment policies *(see also OECD work on investment for green growth)*

Greening investment at scale is a precondition for achieving sustainable growth. Beyond the known infrastructure investment barriers and constraints, the challenge will be to enable an unprecedented shift in long-term investment from conventional to green alternatives to avoid locking in less efficient, emissions-intensive technologies for decades to come (WEF, 2012).

However, investment today is not moving significantly away from carbon-intensive technologies infrastructure and policy makers need to address policy misalignments in the overall investment framework that collectively favour investment in fossil fuel intensive activities. These include conflicting competition, trade, tax, and innovation policies, as well as inappropriate institutional settings (Table 5.6).

Table 5.6. **Examples of policy misalignments that undermine low-carbon investment**

Business environment	Fiscal policies	Insufficient carbon pricing and incentives for low-carbon technologies Environmentally harmful subsidies and incentives (e.g. fossil fuels) Tax policies that unintendedly favour carbon-intensive behaviour (e.g. company cars)
	Climate policies	Lack of ambitious international and national reduction targets or binding objectives Lack of climate policy stability; retroactive changes in climate legislation
	Investment policies	Regulatory barriers to international investment in low-carbon projects (e.g. limits on foreign ownership, restricted access to land, local content requirements) Lack of transparency, insufficient investor protection and intellectual property rights protection in low-carbon technologies, weak contract enforcement
	Competition policies	Lack of open and competitive infrastructure markets (e.g. in the electricity sector) Market designs and regulatory rigidities that favour carbon-intensive infrastructure investment in the energy sector Lack of a level playing field in the power sector for existing fossil-fuel producing state-owned enterprises and independent producers of clean energy
	Trade policies	Trade barriers for low-carbon goods and services
	Public governance	Lack of long-term goals for low-carbon infrastructure planning and procurement Contradictory signals between national and sub-national climate objectives Lack of stakeholder consultation in policy design
Fiscal system	Financial market policies	Potential unintended consequences of financial regulations on long-term financing Financial incentives across the financial system favouring short-termism (remuneration practices, fiscal measures, performance appraisal) Barriers to the deployment of innovative financial instruments for new types of investors (e.g. institutional investors)
	Business conduct	Corporate reporting that does not reflect the climate risk (e.g. stranded assets) Lack of a responsible investment code Lack of clarity on fiduciary duty and stewardship with respect to environmental, social and governance issues
	Public finance and investment	Ongoing support to carbon-intensive investments, nationally and internationally Continued support of carbon-intensive investments in development finance Lack of capacity

Source: OECD, 2015b.

Competition policies *(see also OECD work on competition)*

Market-based environmental policy considerations often have competitive implications and vice versa, suggesting that competition authorities should have an expanded role in the development of market-based environmental policies. Notably, effective competition can support environmental policy by allowing price signals that reflect environmental externalities to be effectively transmitted. Competition also reinforces environmental policy in that competition-induced innovation efforts and efficiency improvements may be considered important elements in a successful environmental policy (OECD, 2010). However, at the same time, environmental policy may harm competition by for instance increasing barriers to market entry. Environmental regulatory agencies can reduce such policy conflicts by routinely undertaking competition impact assessments with regard to their environmental policies.

Labour market policies *(see also OECD work on greening jobs and skills)*

The relationship between sustainable development, green growth and good labour market performance can be mutually reinforcing, but this is not automatic. Inevitably, the transition to a greener economy will create both opportunities and challenges for workers and their families – targeted policies will be needed to maximise potential synergies while minimising adjustment costs and ensuring that they are shared in an equitable manner. In a report to the G20, the ILO and the OECD identifies four areas in which policy action may be particularly important (OECD/ILO, 2012):

- Meeting the emerging job-skill requirements of a greening economy.
- Helping workers to move from declining firms and sectors to growing firms and sectors, while providing income security.
- Assuring worker rights in growing green sectors, while seizing opportunities to promote social inclusion.
- Strengthening labour market information systems and social dialogue so as to promote a deeper shared understanding of how best to green the labour market.

Trade policies *(see also OECD work on environment and trade)*

Increasing volumes of trade have put an additional stress on natural resources, but – with appropriately designed policies – trade can instead facilitate the transition towards a green economy. It can foster the exchange of environmentally friendly goods and services, increase resource efficiency and generate economic opportunities and employment. Conversely, the transition to a green economy has the potential to create enhanced trade opportunities by opening new export markets for environmental goods and services, by increasing trade in products certified for sustainability and promoting certification-related services, and by greening international supply chains (UNEP, 2013). In particular, UNEP identifies five enabling conditions required for greater coherence between green economy policies and trade opportunities:

- *Investment and spending:* Public investments in key economic infrastructure, technical assistance and targeted education programmes and access to sustainable resources, are crucial for increasing the success rate of developing country suppliers in accessing greener international markets.
- *Market-based instruments:* The gradual elimination of harmful subsidies and the introduction of pricing policies that take fully into account environmental and social costs of production and consumption are essential pre-conditions for enabling sustainable trade.
- *National regulatory frameworks:* Policies and actions to support the greening of industries need to be incorporated into national sustainable development strategies and overarching legal frameworks.
- *International frameworks:* The rules-based multilateral trading system provides transparency and predictability for promoting the trade-related aspects of a green economy.
- *Dialogue and capacity building:* Regulatory co-operation and capacity building are amongst the most important means to overcome challenges in a proactive manner. Scaling up support for developing countries to harness green export opportunities requires coherent support from international governmental organisations, as well as the private sector and non-governmental organisations.

Agriculture policies *(see also OECD work on sustainable agriculture)*

Green growth in the area of agriculture implies ensuring that enough food is provided in an efficient and sustainable manner for a growing population. This means increasing output while managing scarce natural resources; reducing the carbon intensity and adverse environmental impacts throughout the food chain; enhancing the provision of environmental services such as carbon sequestration, flood and drought control; and conserving biodiversity. However, the relationship between agriculture and green growth is complex. The food and agricultural sectors can generate both environmental harm and conserve environmental services (OECD, 2012d).

Moving towards greener growth in the food and agriculture sectors needs to be built on a strong scientific, evidence-based foundation. It will involve both synergies and trade-offs which will change over time, both within and across the different dimensions of sustainable development: economic, environmental and social (Table 5.7).

Table 5.7. **Synergies (+) and trade-offs (-) between agriculture and green growth (GG)**

	Economic contribution of agriculture to green growth	Environmental contribution of agriculture to green growth	Social contribution of agriculture to green growth
Economic contribution of green growth to agriculture	Agriculture as a driver of economic development while GG can improve agricultural performance (+)	Green labels and payments for eco-services can contribute to economic returns in agriculture (+)	Higher skilled jobs and activities can diversify and contribute to rural development (+)
Environmental contribution of agriculture to green growth	Environmental measures may slow agricultural growth in the short term (-)	GG will yield environmental co-benefits in agriculture through resource conservation and sustainable use (+)	Reform of support to relieve environmental stress and payments for environmental services can enhance farm incomes in rural areas (+)
Social contribution of green growth to agriculture	GG may detract from efforts to improve food security in the short term (-)	GG will necessitate structural adjustment measures in transition periods (-)	Food security, poverty reduction, and rural development will be enhanced in the long run through GG (+)

Source: OECD, 2012d.

To help improve measurement of the environmental performance of agriculture, OECD has established a set of agri-environmental indicators, developed in co-operation with Eurostat and FAO.

Innovation policies *(see also OECD work on consumption, innovation and the environment)*

Innovation can help to decouple growth from natural capital depletion. This requires establishing incentives and institutions that lead to significant green innovations and their widespread adoption and diffusion. Innovation will also lead to new ideas, new entrepreneurs and new business models, thus contributing to the establishment of new markets and eventually to the creation of new jobs (*www.innovationpolicyplatform.org*).

The OECD Green Growth Strategy calls on countries to take a coherent, co-ordinated policy approach to green growth based on a sound overall framework for innovation policies. This includes both supply- and demand-side innovation policies and a range of policy tools to create, diffuse and apply knowledge. A key challenge is to align the goals of different line ministries, research funding agencies, higher education institutions and social and market-based institutions so that they focus on green growth in all its dimensions. Strategic policy intelligence can help to enhance policy learning and to avoid government failures (OECD, 2012c).

In developing countries, policies to foster green innovation need to be adjusted to national circumstances. Governments should provide predictable policy signals to minimise unnecessary investments. They should also focus national R&D efforts on local needs, such as water scarcity and soil loss, and improve the markets for green products. For more information, see the summary report from the 2015 OECD Green Growth and Sustainable Development Forum.

Energy policies *(see also OECD work on greening energy)*

The energy sector poses a particular challenge in the context of green growth due to its size, complexity, path dependency and reliance on long-lived assets. A major transformation

Table 5.8. **Challenges to green innovation**

Challenges to Green Innovation	Possible Policy Responses
Insufficient demand for green innovation	Demand-side policies, such as public procurement, standards and regulations, in specific markets and circumstances Market-based instruments to price externalities and enhance incentives
Lack of innovation capability	Broad-based policies to strengthen innovation
Technological roadblocks and lack of radical innovation	Investment in relevant R&D, including thematic and mission-oriented research International co-operation
Research and investment bias to incumbent technology	R&D support, tax incentives Adoption incentives/subsidies Technology prizes
Lack of finance	Co-investment funds Market development
Regulatory barriers to new firms	Regulatory reform Competition policy Front-runner approaches
Lack of capabilities in SMEs to adopt green innovation	Access to finance Skills development Linking SMEs to knowledge networks Improving information supply Reducing regulatory burdens
Non-technological innovation	City and transport planning Regulatory reform
International technology transfer	Development of capabilities Trade and investment policies IPR protection and enforcement Voluntary patent pools and collaborative mechanisms

Source: OECD, 2011.

is needed in the way we produce, deliver and consume energy, calling for large investments. A range of mutually reinforcing measures is required to address market failures and barriers and create the enabling conditions for large-scale private-sector investment. These include (OECD/IEA, 2012):

- Rationalising and phasing-out inefficient fossil fuel subsidies that encourage wasteful consumption, while adequately addressing the needs of low-income households through effectively targeted social policies.
- Setting a price signal to value externalities and provide robust signals for longer-term structural changes.
- Establishing sound market and regulatory frameworks that remove barriers to green investments and facilitate the move away from existing systems and patterns of fossil fuel energy use.
- Radically improving energy efficiency will reduce the need for investment in energy infrastructure, cut fuel costs, increase competitiveness, lessen exposure to fuel price volatility, increase energy affordability for low-income households and cut local and global pollutants, thus improving consumer welfare,
- Fostering innovation by creating the enabling environment and regulatory frameworks to foster breakthroughs and overcome the inertia incumbent in today's energy systems, whether institutional or economic.

Transport policies *(see also OECD work on greening transport)*

Transport figures prominently on the green growth agenda for two main reasons. First, transport has major environmental impacts in terms of greenhouse gas emissions, local air

emissions and noise. Managing congestion more effectively is also part of the broader agenda for more sustainable development and better use of resources invested in infrastructure. Second, a large part of public expenditure to stimulate green growth has been directed at transport sector industries. This concerns most notably alternative vehicles, and particularly electric cars, a key part of strategies to decarbonise transport (OECD/ITF, 2011).

UNEP (2011) identifies a three-component strategy – avoid, shift and improve – for making a decisive shift to green transport:

- *Avoiding or reducing the number of journeys taken:* This can be achieved by integrating land use and transport planning; designing denser, more compact settlements; harnessing telecommunication technologies; and localising production and consumption.
- *Shifting to more environmentally efficient forms of transport:* This involves promoting public transport as well as walking and cycling, which usually requires substantial investment in infrastructure. Railways and waterways are generally greener methods of transporting freight and also frees up road space.
- *Improving vehicle and fuel technology to reduce adverse environmental effects:* This component calls for enhancing the fuel economy of conventional engines; reducing the weight of vehicles and developing alternatives (e.g. electric and hybrid vehicles); and increasing the use of biofuels and hydrogen fuel technologies.

Additionally, these three elements must take context-specific factors into account, recognising that countries have different priorities and needs. This is illustrated in Table 5.9.

Table 5.9. **Contextualising avoid-shift-improve strategies**

Strategy	Developed countries	Developing countries
Avoid	Reduce vehicle kilometres (VKM) through Transport Demand Management (TDM), land use planning, localised production, and shorter supply chains.	Avoid unnecessary generation of VKM through land use and transport planning.
Shift	Shift from private vehicles to Non-Motorised Transport (NMT) and Public Transport (PT) and from aviation to rail/PT. Transfer freight from road to rail and water transport.	Enable conditions for the lowest-emitting modes (both freight and passenger). Prevent shift from NMT and PT to private vehicles by ensuring that attractive alternatives to private vehicles exist.
Improve	Improve existing vehicles. Down-scale vehicle engine size. Increase penetration of electric vehicles and carbon-neutral liquid fuels. Electrify rail (for both freight and passengers).	Ensure future vehicles/fuels are cleaner, encouraging small efficient cars. Design innovations for traditional NMT such as cycle rickshaws.

Source: UNEP (2011), after Dalkmann (2009).

Urban planning *(see also OECD work on greening cities, regions and communities)*

Urban areas are not only major drivers of economic activity and growth, but also disproportionally large sources of waste and waste water, energy consumption, GHG emissions and air pollution. Heightened by ongoing urban migration and population growth, these interlinked phenomena are turning cities into key focal points for green growth strategies.

As city governments are important providers of public services, integrated policy interventions in the areas of land-use, buildings, energy and energy efficiency, waste and water can be used to spur economic development while enhancing sustainability and environmental quality. Inclusive urban transport planning – the topic of the International Transport Forum's 2016 Annual Summit – is another important element for greener and more equitable growth. Thereby, cities can simultaneously pursue multiple objectives, such

as job growth, increasing the attractiveness of the metro-region, supporting the local production of green goods and the provision of green services, improving local environmental quality, as well as increasing the value of urban land while reducing pressure on global environmental goods (climate, etc.).

Green growth in cities is a challenge of PCSD in its own right because it requires successful multilevel governance across different agencies and ministries as well as between different levels of governance (local, provincial, national, international).

Box 5.4. **Energy efficiency retrofits in Berlin**

A significant number of Berlin's public and private buildings have been retrofitted with the help of low-interest credit and energy service companies. In 1994 Berlin's Senate set CO_2 emission reduction goals of 25% by 2010 and 40% by 2020 (compared to 1990 levels). Since 1995, the Berliner Energie Agentur (BEA) has co-ordinated energy saving partnerships between the City of Berlin, utility companies, and the public investment bank Kreditanstalt für Wiederaufbau (KfW). Focusing on large public buildings, the BEA prepares public tendering and implements energy performance contracts (EPCs). By 2011, the BEA had engaged 1 400 public buildings in energy saving partnerships, which account for annual savings of EUR 2.9 million in energy for the City of Berlin and 67 900 tons of CO_2 emission reductions (City of Berlin, 2011; BEA, 2011). New programmes – EPC plus, EPC light, and EPC green – are currently being introduced to expand and optimise early retrofits and to tackle buildings with suboptimal conditions for energy savings.

Private building owners, tenants and housing corporations can access KfW loans via the energy efficiency retrofit programme (Energie-Effizienz Sanierung), as well as from local banks, such as the Investionsbank Berlin. Rent increases of up to 11% annually help landlords to refinance loans. The higher rents should be compensated through lower energy bills. Since the early 1990s, over EUR 4 billion have been invested in retrofits in Berlin. This has resulted in the renovation of around one-third of the city's residential buildings, including 273 000 prefabricated slab apartments, energy savings of up to 50%, and 631 000 tons of avoided CO2 emissions every year (City of Berlin, 2011).

Source: BEA (Berliner Energieagentur) (2011), *Energy Saving Partnership, Better Practice Exchange 2011*, Berliner Energieagentur, Berlin; City of Berlin (2011); *Climate Protection in Berlin*, Senatsverwaltung für Gesundheit, Umwelt und Verbraucherschutz, Berlin

Development co-operation policies *(see also OECD work on green growth and development)*

Developing countries are even more exposed to environmental degradation than are advanced economies. They are the most vulnerable to climate change and tend to be more dependent on natural resources for economic growth. For these countries, green growth could be a successful strategy to respond to the twin challenges of spurring economic growth while protecting the natural asset base. In this context, official development assistance (ODA) remains essential in creating an enabling global environment for green growth while supporting specific measures in developing countries.

Apart from shaping a global environment conducive to green growth, development co-operation can also respond to the specific challenges of developing countries and the short-term costs of the green transition. This could be achieved through action along three lines (OECD 2013a):

1. Strengthening green finance and investment, including through better targeting of official development assistance (ODA) and other types of official development finance, and promoting private investment;
2. Promoting green technology innovation through co-operation and building capacity for endogenous green innovation and adoption, as well as through protection of intellectual property rights and enabling conditions for successful technology transfer; and
3. Facilitating trade in green goods and services through fostering international markets, removing tariff and non-tariff trade barriers, and building capacity in developing countries to allow more producers and consumers to participate and benefit from growing international markets.

It can help target areas where incentives for private investment are limited, including infrastructure and capacity building, and finance projects in renewable energy, climate-smart agriculture and low-carbon transportation networks. Official development co-operation that aims to foster green growth should also ensure that climate proofing and disaster risk reduction approaches are mainstreamed into aid-funded public investment (OECD, 2012a).

Consider the various sources of finance (public, private, domestic, foreign)

Different scenarios have tried to estimate the amount of future investment required for green transition. Most recently, the OECD/IEA (2015) estimated that in order to remain within the 2 degrees scenario, additional investment of around USD 40 trillion would be required from 2016-50, about half of which (USD 19 trillion) should be channelled to the transportation sector. In total, this accounts for about 1% of projected global GDP over the same time. Crucially, the IEA estimates, 54% of these additional investments should be dedicated to non-OECD countries, reflecting the need for profound and rapid change in these countries. This raises the question of how governments could mobilise these resources in order to drive this transformation.

Long-term investment also requires governments to adopt a comprehensive, bold strategy for green growth and reaffirm their determination to achieve a green economy. By enhancing accountability and transparency, they could reduce the risk associated with green investment attributable to political uncertainty, and convince even more risk-averse investors to contribute to the green transformation. In the area of climate change, the Global Climate Fund plays an important role in fulfilling developed countries commitment to jointly raise USD 100 billion per year by 2020 to help developing countries cope with climate change.

Public investment will have to play a pivotal role in the promotion and implementation of green growth policies and measures. Arguably, there is no need to device new instruments to raise the required funds; instead these could materialise as a consequence and by-product of well-designed green policies. Three different areas that merit particular attention can be identified: i) green taxation; ii) subsidies abolition; and iii) green public procurement and expenditure. Other policy interventions that aim to overcome the unfavourable long-term risk/reward equation of green investments include the enhancement of environmental and social disclosure, the greening of sovereign wealth funds, and the co-ordination of development finance institutions. Last but not least, a key role for governments is to act as a catalyst and unlock private capital flows.

Green taxation

Taxes related to energy and greenhouse gas emissions have by far the biggest revenue-raising potential of environmentally related taxes. Model simulations indicate that at a price of USD 50 per tonne of CO_2-equivalent greenhouse gas emissions (well below the level that many modelling exercises suggest might eventually be needed), revenues equalling 1-3% of GDP could be raised in 2020, depending on the circumstances in each country (OECD, 2011a).

Subsidies abolition

Public resource mobilisation could be further supported by gradually phasing out harmful tax incentives and subsidies. Support for both consumption and production in OECD countries varied between USD 55-90 billion from 2005 to 2011 (OECD, 2015a). However, recent efforts to implement green taxation or cut back on subsidies have often run into stiff public opposition. For green policies to be effective, issues of public participation, transparency and resource utilisation have to take centre stage. Box 5.5 illustrates this with an example from Sweden.

Box 5.5. **Congestion charges in Stockholm, Sweden**

In 2007, the municipality of Stockholm, Sweden, introduced a congestion charge to limit private transportation. While reducing traffic in the city centre by an average 20% (EPR Sweden 2014), thereby reducing GHG emissions and noise and air pollution, the funds raised were redirected to finance the expansion of public transportation services. As a result, the share of commuting to central Stockholm via public transport is at 60%, and the share of public transport in Stockholm City during peak travel hours goes up to 79% (Green Growth Stockholm 2013). Transparent resource utilisation has helped Sweden to sustain high levels of public support for its green policies, and public participation and engagement feature prominently on the political agenda.

Source: OECD, 2014d.

Green public procurement and expenditure

Realigning ongoing public expenditures with low-carbon and other environmental and social targets could also be an effective tool to "green the administration". Roughly 13% of GDP in OECD countries stem from public procurement, which accounts for almost a third of overall government expenditures. If combined with a systematic lifecycle analysis, it can form a powerful tool to navigate the economy towards more sustainable business practices, strengthen infant markets, and support nascent industries. The OECD has developed a compendium of green procurement good practices, which aims at helping countries implement green public procurement (GPP) across six areas (OECD, 2015c):

- GPP legal and policy framework.
- Planning GPP, assessing life-cycle costs and understanding market solutions and capacity.
- Environmental standards in the design, selection and award of projects and contract performance.
- Professionalisation; multidisciplinary procurement teams and GPP training.
- Raising awareness of buyers, the market and citizens of GPP solutions and benefits.
- Mechanisms to monitor the impact of green procurement.

Enhancing environmental and social disclosure

Recent years have seen growing awareness of climate risk in financial markets. Climate change, as well as global climate change adaption, could entail large financial losses, for example through stranded assets. Strong climate action might limit the returns from fossil energy reserves, and even invalidate resource-intensive business models. Currently, these risks and liabilities are not adequately disclosed in investors' portfolios, nor are they priced in. The same holds true for other social and environmental considerations. Strengthening environmental, social and governance (ESG) disclosure could propel the adequate incorporation of social and environmental issues into market prices and investment practices, and channel funds to well-performing actors.

Box 5.6. **Corporate reporting legislation in the European Union**

The EU Emissions Trading System (ETS) covers companies in energy-intensive sectors, including more than 11 000 power stations and manufacturing plants in the 28 EU member states and other European Economic Area countries. In total, around 45% of total EU emissions are covered by the EU ETS. Installations are required to measure direct emissions each year, and provide emissions reports verified by an accredited verifier.

In addition, the EU Directive on financial reporting was amended in 2014 to require large public interest entities with more than 500 employees to also report on non-financial information. Reporting requirements include disclosure on policies, outcomes and risks, and relevant non-financial key performance indicators concerning environmental and social matters, human rights, anti-corruption and bribery issues, and diversity of directors. The Directive will apply to approximately 6 000 EU entities (up from 2 500 companies currently reporting). The amendment came into force in 2014; national governments have two years to incorporate it into national law. The first corporate reports under the scheme will relate to the financial year 2017.

Source: OECD, 2015b.

Greening sovereign wealth funds

According to estimates, sovereign wealth funds administered about USD 6.31 trillion of assets in 2015 (Preqin, 2015). Since they usually allocate their funds in accordance with long-term expectations, many of them already take into account environmental and social considerations in their investments. In addition, they are normally subject to some form of public control, so governments could strengthen the efforts of these funds to become a driving force of green growth. This in turn could send a strong signal about expected future developments to private market participants and compel them to reconsider their portfolios and investment practices.

Co-ordination of development finance institutions

Public finance institutions were often created with the aim of correcting market failures or other imperfections that inhibited private investment flows, often facilitating access to long-term financing at affordable rates. As such, they are uniquely placed to leverage their resources for the green transition (OECD, 2015b). Indeed, a growing number of these publicly administered institutions already play a key role in building a green economy via macroeconomic policies, sectoral policies, major infrastructure projects, and

Box 5.7. **The Norwegian Sovereign Wealth Fund**

The Norwegian Sovereign Wealth Fund is one of the largest institutional investors in the world, with a portfolio of NOK 6.9 trillion (about USD 850 billion) invested across 8 400 companies (UNEP, 2011). In recent years the fund has gradually stepped up its climate policies, expecting the companies under their control to develop sound climate policies and adaptation strategies. In 2015, after mounting public and political pressure, the Norwegian parliament issued the order to withdraw all investments from companies with more than 30% of coal-related business activity or revenue by 1 January 2016. Even though no official numbers exist to date, it was estimated that the decision would entail divesting a total of about USD 85 billion from more than 114 companies.

Source: www.stortinget.no/en/In-English/About-the-Storting/News-archive/Front-page-news/2014-2015/hj9/; and *www.urgewald.org/sites/default/files/typ_download/still_dirty.final_.compressed.pdf*.

private sector development. They fund major sectors such as water, renewable energy, forestry, and agriculture.

Development finance institutions have been instrumental in mainstreaming microfinance and supporting the development of private industries in risky green sectors at early stages of development. But their role could be strengthened further, taking advantage of the prominent position they occupy in the funding of domestic investment programmes. Steps in this direction would include better identification of green economy aspects in their strategic targets, greater share of their activities devoted to these aspects, better measurement and reporting methodologies, improved co-operation among themselves, and sharing of best practices. Governments are in a position to officially task these institutions to support green growth, backed by concrete goals and targets (UNEP, 2011).

Unlocking private investment

Apart from public funds, which will have to take on a catalysing function, private investment is indispensable. To this end, governments will need to make every effort to unlock hitherto dormant capital flows. Importantly, promoting green investment may not as much depend on raising new funds as on redirecting existing funds by building an investment environment conducive to sustainable investment.

There is no shortage of capital in the economy. The estimates for total assets held by financial institutions – banks, institutional investors, central banks and public financial institutions – have been steadily increasing over the past ten years, amounting to around USD 305 trillion (OECD, 2015b). However, not all of these funds are available for low-carbon infrastructure investments; for example, central banks have specific mandates and purposes. The allocation of even a small fraction of these assets to low-carbon infrastructure would go a long way towards achieving the necessary low-carbon transition.

Institutional investors (such as insurance and pension funds), whose size and influence is expected to increase as a consequence of the ageing populations in OECD countries, are considered the natural candidates to finance a long-term transition. With USD 92 trillion of assets under management in OECD countries in 2013, they would be natural candidates to build broad portfolios of low-carbon investments, as they are looking for long-term, illiquid assets. Institutional investors have traditionally provided long-term capital with investment portfolios built around the two main asset classes (bonds and equities) and an investment horizon tied to the often long-term nature of their liabilities.

Yet, their contributions to a low-carbon economy have been negligible – their entire infrastructure investment accounts for only 1% of their entire portfolio, only a small fraction of which is green (OECD, 2015b).

Assess the impact of policies

In order to devise a framework capable of aligning economic and environmental goals while mediating its social repercussions requires policy makers to take into account *ex ante* the entire array of possible policy consequences. The section on horizontal coherence outlined the most relevant policy areas with respect to green growth. However, identifying, on a general level, the practical consequences of such a varied spectrum of reforms and policies is beyond the scope of this paper. Instead, we use here three specific examples (cases A, B and C) to illustrate the effects on sustainable development and well-being (here and now, elsewhere and later). Each of the examples shows that a policy coherence lens will be required for mapping the real-world impacts of policies under consideration. In order to ensure that the largest possible number of potential consequences is taken notice of, policy makers should allow for and rely on participation from a broad range of stakeholders.

Case A: Hydropower generation from large dams

In order to reduce GHG emissions, governments have to overhaul their country's energy sector. To many, hydropower seems an effective and comparatively stable supplier of non-fossil energy. Especially in developing countries, large dam projects have been and still are undertaken to unlock the potential of hydropower. Enhancing electricity availability could spur economic and entrepreneurial activities, speed up technology dissemination, and open up new roads of social progress. In addition to electricity generation, water dams can also help improve and stabilise water supply, and enhance agricultural output, benefiting the wider society.

However, while planning and constructing these dams, policy makers have to be aware of the numerous side effects generated by projects of this magnitude. First, damming up a river on a large scale will necessarily entail land losses. This could create devastating environmental damages and necessitate the displacement of local inhabitants. In addition, dam projects with large open surfaces have had negative effects on public health in tropical areas because they contribute to the spread of malaria and other diseases (WCD, 2000).

In addition, damming up a river will result in downstream water shortages, which could have potential adverse effects on ecosystems, agriculture, and sanitation. If a river is shared by two or more legislations (be it provinces or states), constructing a dam could cause political conflict over the adequate distribution of water, and it could be exploited for political ends by the institution controlling the dam.

Ultimately, if large dams got damaged (by means of explosives, earthquakes, etc.), this could spell disaster for the surrounding areas, and could even lead to a grid collapse. Balancing the need for renewable energy with social, environmental, and political concerns is therefore essential in achieving truly sustainable solutions.

Case B: Transportation

In most countries, transportation accounts for a substantial share of GHG emissions, and contributes significantly to air and noise pollution in cities. Furthermore, it can have

adverse effects on social and community life within city districts. In spite of the enormous social and environmental externalities, private transportation has been a consequence and driving force of excessive city sprawl, and geographical fragmentation of cities. The exhaust gases and noise emissions are not only hazardous to human health and urban vegetation, but also damage buildings and other urban infrastructure.

In recent years, city administrations have initiated steps to make their transportation systems more sustainable. This involves a large range of policy intervention, from expanding and improving public transportation services, to dis-incentivising the use of private cars by means of congestion charges, higher fuel taxes, green public infrastructure and the like.

However, initiating a shift from private to public transportation and encouraging the use of eco-friendly modes of transport (bicycle) by means of various policies will not only abate the externalities and problems mentioned before, but it will also generate new challenges which have to be taken on by a comprehensive urban development strategy that moves well beyond transportation: Limiting the use of private cars will disproportionally affect commuters and people living in the suburbs, unless adequate and affordable public transportation possibilities are provided. The question of accessibility is essential in avoiding the exclusion of specific vulnerable groups, such as the poor and the elderly.

In general, reducing car utilisation will put additional pressure on housing markets in central city districts, which might further acerbate gentrification and social inequality if not countered by bold social policies (social housing, etc.). The same counts for halting city sprawl: in order to reduce commuting duration and frequency, population density has to be increased across the city. This requires further changes regarding urban planning and the fabric of the city: Instead of concentrating specific social functions (work, consumption, leisure, education, etc.) in certain districts, they should be disseminated across the city in an integrated, decentralized manner, enabling local inhabitants to avail all these services without having to rely on their car.

In the medium run, green transportation could contribute to cities becoming cleaner and safer, improving the health and general quality of life of their citizens. In addition, reducing dependence on private traffic could free urban spaces for new projects, such as pedestrians' zones, parks and other recreational areas, etc. Ultimately, a successful urban transformation could spur green innovation and investment, foster nascent green industries, and make a city a more attractive place to live in.

Case C: Environmental protection of forests

Well-managed and protected forests are the cornerstone of a green infrastructure. They form a sink for GHGs and provide other valuable ecosystem services, such as biodiversity and water conservation as well as innovation potentials. Therefore, governments (should and do) look for ways to protect forests and improve their ecological quality both at home and abroad.

However, in doing so, they are likely to encounter various challenges: in OECD countries, forest cover has been expanding largely due to afforestation of unused agricultural land. Since food security issues have recently regained political salience, competing land claims for different purposes (agriculture, infrastructure, urban or industrial development) have to be navigated.

Shifting towards the sustainable management of forest might therefore result in negative economic effects in the short run, in particular in regions with structural dependence on

timber. In addition, an expanding forest cover might attract wildlife species hitherto driven out, such as wolfs and bears. This in turn could have adverse consequences for farming activities. Moreover, if forest cover is to be further expanded for commercial purposes (e.g. due to more stringent protection of older areas), land rents might be driven up, with potentially adverse effects on food production and food security.

However, in the long run, both direct economic as well as environmental effects are projected to far outweigh the costs of forest protection: Apart from serving a growing demand for sustainably produced timber, well-maintained forests could attract substantial eco-tourism and recreational activities. Providing essential climate services as well as other public goods to surrounding inhabitants and the wider society will come at much lower cost compared to a business-as-usual scenario.

Many governments also push for forest protection in other countries, particularly in tropical regions. Schemes such as REDD+ aim at mobilising substantial resources to reimburse forest owners for ensuring sustainable forest management. Even though this could provide alternative livelihoods to locals, the important economic function of forest especially to poor people in the global south must not be underestimated: They rely on woodland for food, firewood, fodder, and a range of other services. Not adjusting the conditions of the programme to the needs of the local communities might further impair their already imperilled livelihoods, especially because land rights are fragmented or not documented. Funds provided for forest protection might consequently drive up rents for land, potentially entailing displacement and exacerbating poverty.

Note

1. The OECD Green Growth Strategy proposes 26 indicators to track progress – including at the international level – across four areas: i) transition to a resource-efficient, low-carbon economy; ii) natural asset base; iii) environmental quality of life; and iv) economic opportunities and effective policy.

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Better Policies for Sustainable Development 2016
A New Framework for Policy Coherence

Chapter 6

Tracking progress in policy coherence for development

by
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Monitoring policy coherence for sustainable development (PCSD) will require consideration of three key elements: i) institutional mechanisms; ii) policy interactions, including contextual factors; and iii) policy effects. This broader approach can be used to assess the extent to which domestic policies are aligned with international sustainable development objectives and contribute to the achievement of the Sustainable Development Goals (SDGs). The purpose of this chapter is to explore a selection of policy interactions related to food security, illicit financial flows, and green growth – the three priority areas for policy coherence identified in the 2012 OECD Strategy on Development. Identifying and understanding the different types of interactions between the SDGs and their respective targets can help policy makers to maximise synergies and exploit win-wins; avoid potential policy conflicts; manage trade-offs; and ultimately design coherent policies for sustainable development.

Introduction

Monitoring policy coherence for sustainable development (PCSD) will require consideration of three key elements: i) institutional mechanisms; ii) policy interactions, including contextual factors; and iii) policy effects (OECD, 2015a). This broader approach can be used to assess the extent to which domestic policies are aligned with international sustainable development objectives and contribute to the achievement of the Sustainable Development Goals (SDGs). The purpose of this chapter is to explore a selection of policy interactions (the second element) related to food security, illicit financial flows, and green growth – the three priority areas for policy coherence identified in the 2012 OECD Strategy on Development.[1] For an overview of the other elements, please refer to Chapter 2.

Identifying and understanding the different types of interactions between the SDGs and their respective targets will help policy makers to maximise synergies and exploit win-wins (pursuing multiple objectives at the same time); avoid potential policy conflicts (pursuing one policy objective without undermining others); manage trade-offs (minimising negative impacts on other policy objectives); and ultimately design coherent policies for sustainable development.

For each of the three priority areas, this chapter *first* outlines a selection of known interactions based on the analysis in chapters 3 (food security), 4 (illicit financial flows), and 5 (green growth). It does not attempt to map or provide an overview of all interactions; rather it uses a few poignant examples to illustrate how OECD analysis can support efforts to track progress in PCSD over time and in the context of the 2030 Agenda.

Second, the chapter suggests a number of OECD data and indicators that can be used to inform the selected interactions. Data and indicators to track progress on PCSD are likely to vary from country to country depending on their natural attributes, economy, institutional set-up, and political and social variables. Yet, some common indicator sets could be identified for cross-country comparisons and peer review. By monitoring the correlation and trends between these indicators, we offer an approach that countries might wish to use for assessing their own progress towards SDG target 17.14 – "enhancing policy coherence for sustainable development".

Third, the chapter provides an empirical overview of the evolution of a number of OECD country policies that could either contribute to or undermine the achievement of these targets. It concludes by listing OECD policy instruments that can be used to influence the interactions in one direction or another in order to maximise synergies and minimise trade-offs.

This exercise aims to contribute to monitoring policy coherence at the national level. It does not attempt to rank countries in any way, nor does it suggest exact cause-and-effect relations between the indicators mentioned. Importantly, it is undertaken in parallel with the UN-led process to monitor implementation of the SDGs at the global level (Box 6.1). The long-term objective is to create an online "OECD Coherence Monitor" whereby users can track progress for all three elements based on their national interests and priorities. This is

Box 6.1. **Towards a global monitoring framework for the SDGs**

A robust follow-up and review mechanism for the implementation of the new 2030 Agenda for Sustainable Development will require a solid framework of indicators and statistical data to monitor progress, inform policy and ensure accountability of all stakeholders. To this end, the United Nations Statistical Committee created an Inter-Agency and Expert Group on SDG Indicators (IAEG-SDGs). The Expert Group was tasked to develop an indicator framework for the goals and targets of the post-2015 development agenda at the global level and to support its implementation.

In developing the indicator framework, the Expert Group has had to consider the relationship between the global indicators and the indicators for regional, national and subnational and thematic monitoring. While it is expected that the global indicators will form the core of all other sets of indicators, additional and in some cases different indicators might be used for regional, national and subnational levels of monitoring. These indicators will be developed by Member States. In this regard, the proposed global indicator for target 17.14 to enhance policy coherence for sustainable development – *"The number of countries with mechanisms in place to enhance policy coherence for sustainable development"* – could benefit from further elaboration on what this means in practice. The OECD's work on policy coherence for sustainable development can offer such guidance, including tools for tracking progress at the national level.

Follow-up and review of SDG implementation will be conducted by the High-Level Political Forum (HLPF), which will meet every year under the auspices of the Economic and Social Council (ECOSOC), and every four years under the auspices of the General Assembly. The Forum is mandated to conduct national reviews and thematic reviews of the implementation of the Agenda, with inputs from other intergovernmental bodies and forums, relevant UN entities, regional processes, major groups and other stakeholders. So far, 22 countries have agreed to undergo voluntary national reviews at the 2016 HLPF: China, Colombia, Egypt, Estonia, Finland, France, Georgia, Germany, Madagascar, Mexico, Montenegro, Morocco, Norway, Philippines, Republic of Korea, Samoa, Sierra Leone, Switzerland, Togo, Turkey, Uganda, and Venezuela. .

Each year, the HLPF will meet under a thematic focus reflecting the integration of the three dimensions of sustainable development. Initial proposed themes include: ensuring that no one is left behind (2016); ensuring food security on a safe planet by 2030 (2017); making cities sustainable and building productive capacities (2018); and empowering people and ensuring inclusiveness: peaceful and inclusive societies, gender equality, education and health (2019). Goal 17 on the means of implementation will be addressed every year.

Source: http://unstats.un.org/sdgs/iaeg-sdgs; and *https://sustainabledevelopment.un.org/hlpf*.

work in progress and aims to complement other (non-OECD) initiatives to assess and/or monitor interactions between the SDGs and targets. These are described in more detail in the second half of the chapter.

Using OECD data and indicators to monitor SDG interactions

Global food security

In a world of unprecedented economic opportunities and with vast resources at our disposal, the fact that over 800 million people in the developing world still suffer from hunger represents one of the biggest incoherencies of our time. The main challenge in ensuring global food security is to raise the incomes of the poor. Agricultural development

and rural diversification will be needed to foster economic growth and job opportunities, while increased investment can help to close the yield gap between advanced and developing countries. Trade will also have an increasingly important role to play in ensuring global food security (OECD, 2013).

Contextual factors matter too – currently three key trends frame the future challenges facing our food and agriculture systems: growing and shifting food demand; constraints upon natural resources; and agricultural productivity uncertainties resulting from climate change. The choices made by policy makers and businesses today will be pivotal in determining the extent to which global food and agriculture systems will be impacted by these trials (OECD, 2016a). The consideration of several alternative "futures", which emphasise different challenges to varying degrees, can provide an important complement to efforts to monitor the past or present (Box 6.2).

Box 6.2. **Alternative futures for global food and agriculture**

Scenario analysis can facilitate the development of, and linkages between, different drivers and outcomes. It can contribute to the re-thinking of strategies with a view to the development of coherent, robust policy and private sector responses to avail of new opportunities and avoid more of the undesired outcomes. A new report by the OECD (2016) explores three scenarios for food and agriculture until 2050:

- *The Individual, Fossil Fuel-Driven Growth scenario* illustrates a world which is driven by sovereignty and self-sufficiency, characterised by the strong focus of individual regions on economic growth based on fossil energy sources and related technologies, and relatively minimal emphasis by governments or their citizens on environmental or social questions. Co-operation is limited to regional alliances.
- *The Citizen-Driven, Sustainable Growth scenario* portrays a world in which individual countries push for sustainable development of their economies, driven mainly by changes in the attitudes of its citizens. Global co-operation is relatively limited. Technologies are focused on natural resource savings and the preservation of the environment.
- *The Fast, Globally-Driven Growth scenario* represents a world that is characterised by a strong focus on international co-operation. Markets and large companies play key roles in economic development, while environmental issues receive less attention. Technologies flourish, particularly in the areas of food, feed and energy production.

These scenarios suggest that food prices may well continue to rise, but that future price increases should remain more limited as productivity and yields continue to rise. Farm incomes too should increase; however, agricultural sector contribution to GDP and employment will fall. And while each scenario faces its own priority challenges, they all see the environment being placed under increasing strain – albeit to varying extent.

Source: OECD, 2016a.

Sustainable Development Goal 2 – *End hunger, achieve food security and improved nutrition and promote sustainable agriculture* – calls for action on many fronts and simultaneous consideration of numerous targets across the SDGs. In general, as noted by ICSU and ISSC (2015), SDG 2 can be expected to move in tandem with goals 1 (Poverty); 3 (Health); 4 (Education); 5 (Gender equality); 10 (Inequality); and 12 (Sustainable consumption and

production), while there are likely trade-offs between this goal and the environmentally focused targets of goals 6 (Water and sanitation); 7 (Energy); 13 (Climate change); 14 (Oceans); and 15 (Ecosystems and biodiversity).

Table 6.1 selects three targets (A-C) for which it identifies critical interactions and relevant indicators and data for tracking progress. It is followed by an empirical overview of the evolution of these interactions and associated policies over time.

Table 6.1. **A selection of interactions related to food security**

	SDG/Target	Interaction (synergy or potential trade-off)	Data/Indicator to assess interaction	Policy instrument to influence interaction
A	**2.1** End hunger	**6.1** Ensure universal access to drinking water *Potential trade-off:* Agriculture is the largest user of water at the global level. **7.1** Ensure universal access to energy services *Potential trade-off:* Agriculture and energy production compete for water resources. **7.2** Increase the share of renewable energy *Potential trade-off:* Increasing the share of renewable energy could conflict with food security if food crops and biofuel crops compete for the same land. **12.3** Reduce food waste and food losses *Synergy:* Improved transport and post-harvest infrastructure would reduce food waste. FAO estimates that each year, approximately one-third of all food produced for human consumption in the world is lost or wasted. Food waste is also a source of GHG emissions, and has a large water footprint.	• Nutrition • Agricultural water withdrawal • Irrigated land area • Energy production • Share of renewable energy • Share of biofuels • Overweight and obese population	• Aid for food and nutrition security • Irrigation subsidies • Energy subsidies • Support to biofuels • Biofuels mandates
B	**2.c** Correct trade restrictions and distortions in agricultural markets	**10.1** Achieve and sustain income growth of the poorest *Synergy:* Trade raises overall incomes through the benefits to exporters (higher prices) and consumers (lower prices).	• Trade in food and agriculture products • Food prices • Tariffs • NTMs	• Producer Support Estimates • Support to agriculture that is most production-and trade distorting • Import and export restrictions
C	**2.3** Double agricultural productivity	**13** Combat climate change Potential trade-off: Agricultural activities are directly responsible for about 17% of global greenhouse gas emissions **14.1** Reduce marine pollution Potential trade-off: Agricultural nutrients and fertilisers contribute to marine pollution.	• GHG emissions from agriculture • Polluter-Pays-Principle	• Support to agriculture that is most environmentally harmful • Support to fertilisers

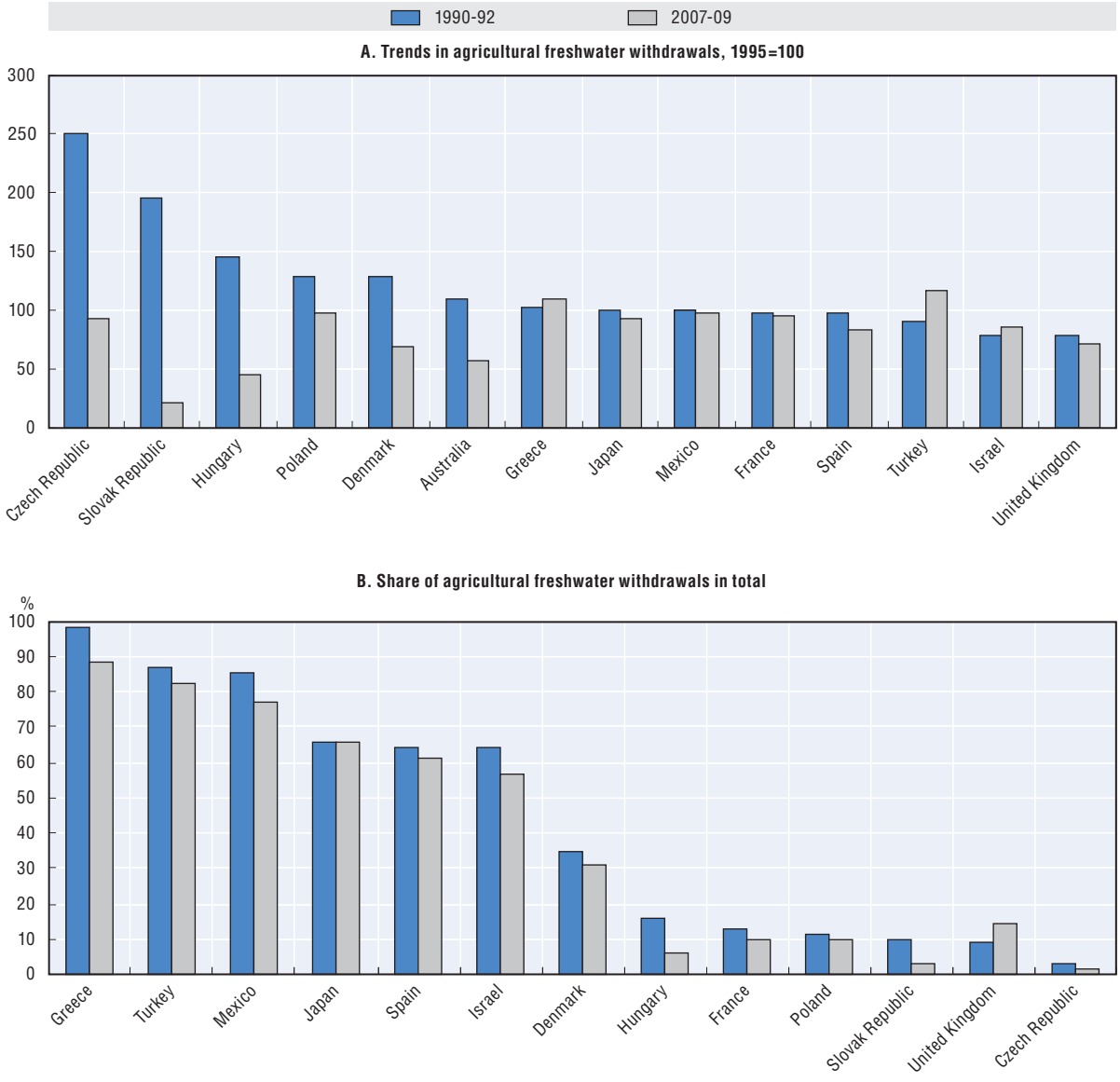
Source: Author's own illustration.

A) Potential trade-offs: Ending hunger/manage water sustainably/ensure energy access/increase biofuels production

Demand for water, energy and food are expected to increase further. Currently, agricultural water withdrawal accounts for 44% of total water withdrawal in OECD countries; for an average of 74% in the BRICS countries; and for more than 90% in least developed countries. At the same time, some 580 billion cubic metres of freshwater are withdrawn for energy production every year – about 15% of the world's total water withdrawal (FAO-AQUASTAT and IEA, 2015a).

Overall, withdrawals of freshwater resources by agriculture have declined in most OECD countries for which data are available (Figure 6.1). Agriculture's withdrawal of freshwater as a share of total withdrawals has also decreased in recent years as compared

Figure 6.1. **Agricultural water withdrawals in selected OECD countries**



1. 1994-95 for Belgium and Mexico.
2. The statistical data for Israel are supplied by and under the responsibility of the relevant 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.

Source: OECD (2013), *Agri-Environmental Indicators: Environmental Performance of Agriculture 2013* (database).

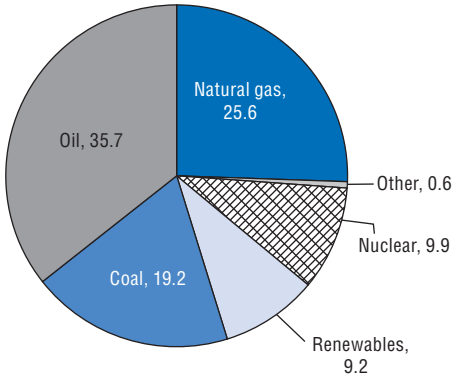
with the early 1990s. These declining trends have been driven by a mix of factors, including near stable or reduced irrigated areas; improvements in irrigation water management and technological efficiency; release of water to meet environmental needs; and a slowdown in the growth of agricultural production (OECD, 2014a).

Energy subsidies to pump irrigation water from aquifers can lead to unsustainable water uses. They illustrate inconsistent water, food and energy policies, usually motivated by food security issues and the willingness to support farmers. To overcome this dilemma, energy subsidy reform is required, whereby innovative reform strategies are needed to

ensure that impacts on the poorest and their businesses are mitigated, guaranteeing a transition to sustainable agriculture. Such reform has to integrate the "nexus" approach to energy, water and food, targeting at the same time improvements to the economy, the conservation of natural resources and improved food security (*www.iisd.org*).

Production and use of biofuels are also promoted and supported by governments in many OECD countries, as well as in a number of countries outside the OECD area. In 2014, the share of renewables in OECD total primary energy supply was 9.2%; the share of biofuels and waste in renewables was 5.1% (Figure 6.2).

Figure 6.2. **Fuel shares in OECD total primary energy supply, 2014**



1. "Other" includes energy sources not classified elsewhere such as non-renewable combustible wastes, ambient air for pumps, fuel cells, hydrogen etc.

Source: IEA, 2015b.

Biofuel support polices concerning domestic markets can be clustered into three different categories: payments, tax rebates or exemptions, and mandates or targets. Payments increase the economic incentives to produce, consume or store biofuels. Tax rebates or exemptions are meant to stimulate consumption of biofuels. Both categories typically do not specify a goal measured in quantitative terms. Mandates in contrast are a legal means by which, for example, the petroleum industry is forced to blend a certain share or volume of biofuels into fuels of fossil origin. Targets are less binding than mandates because they are voluntary and are not effective at the individual agent level.

A fourth category of policies relevant to biofuels comprises sustainability criteria which are applied for biofuels in an increasing number of countries. These criteria modify the effects of support policies as they generally require biofuels to comply with certain, mainly but not only environmental, conditions to qualify for other support measures or to count towards biofuel mandates (OECD, 2014a).

However, while contributing only little to reduced GHG emissions, biofuel subsidies add to a range of factors that raise international prices for food commodities. The OECD Fertiliser and Biofuels Support Policies Database compiles policies relating to support within the fertiliser and biofuels sectors of several countries. It shows that payments to consumption (including tax measures) are the most widely applied measure (*www.oecd.org/tad/agricultural-policies/support-policies-fertilisers-biofuels.htm*).

B) Synergy: Correct trade restrictions and price distortions/income growth

Open markets have a pivotal role to play in raising production and incomes. Trade enables production to be located in areas where resources are used most efficiently and has an essential role in getting food from surplus to deficit areas. Trade also raises overall incomes through the benefits to exporters (in the form of higher prices than would be received in the absence of trade) and importers (through lower prices than would otherwise be paid), while contributing to faster economic growth and per capita incomes. Nevertheless, countries may need to have in place parallel measures to maximise the benefits and costs of trade reform (OECD, 2013).

An immediate contribution that OECD countries can make to improve global food security is thus to eliminate trade-distorting agricultural support that prevents an efficient allocation of resources. The use of price-based support, for example, requires restrictions on market access and, when countries have produced surpluses, has often led to the use of export subsidies. The former harms developing country exports, while the latter depresses international prices, making conditions more difficult for competitors on international markets and for import-competing producers on domestic markets.

On average, OECD countries have reduced the amount of support that they provide to agriculture, and remaining support is less production and trade distorting than before (Figure 6.3).

C) Potential trade-offs: Agricultural productivity/climate change/marine pollution/ deforestation

With its impacts on the climate, agriculture has both direct and indirect consequences for the implementation of SDG 13 to "take urgent action to combat climate change and its impacts". The reverse is also true: climate and climate change have important implications for the future of agriculture. Considering increased demand for food and the limited availability of new land for agriculture, the key to securing adequate food production will be to raise agricultural productivity sustainably.

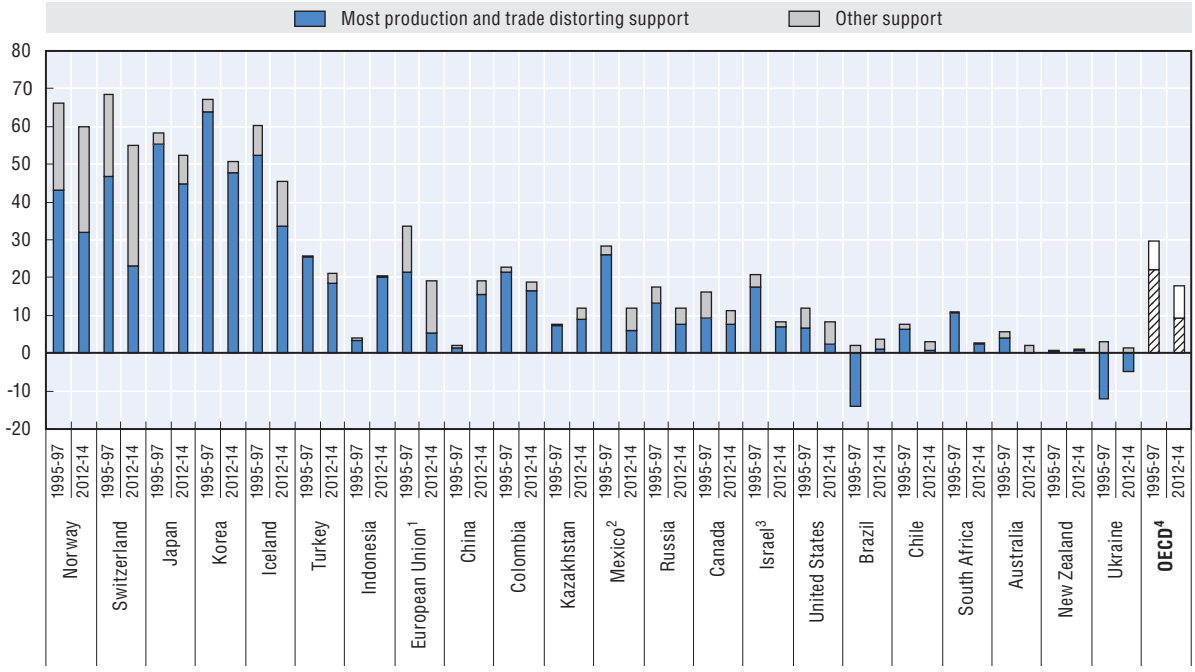
Agricultural activities are directly responsible for about 17% of global greenhouse gas (GHG) emissions (Tubiello et al., 2014) and are thus expected to be part of the global mitigation effort. Moreover, agriculture is a major driver of land use change, land clearing and deforestation, which roughly accounts for an indirect additional 7-14% of global GHG emissions (IPCC, 2007). While a strong commitment from the sector to reduce its carbon footprint would help, a diffuse and fluctuating nature of emissions from agriculture makes it relatively difficult to measure the progress of emission reductions.

The way agricultural land is used and managed influences land cover and soil quality in terms of nutrient content and carbon storage. Nutrients, such as nitrogen, phosphate and potash, are essential to maintain and raise crop and forage productivity. Most of these nutrients, which are applied annually are absorbed by crops; however, when applied in excess they can leak into the groundwater, be emitted from soil to air, or runoff into the surface water. To this end, nearly all OECD countries apply a range of policy instruments (e.g. payments, taxes, regulations) to address nutrient pollution of water and air (OECD, 2014b).

Indeed, as shown in Figure 6.4, OECD countries have made a concerted effort to reduce the most environmentally harmful types of agricultural supports and have achieved a decrease from over 85% of the total in 1990-92 to 49% in 2010-12 (OECD, 2014b).

Figure 6.3. **Composition and evolution of most production and trade distorting support**

Percentage of gross farm receipts

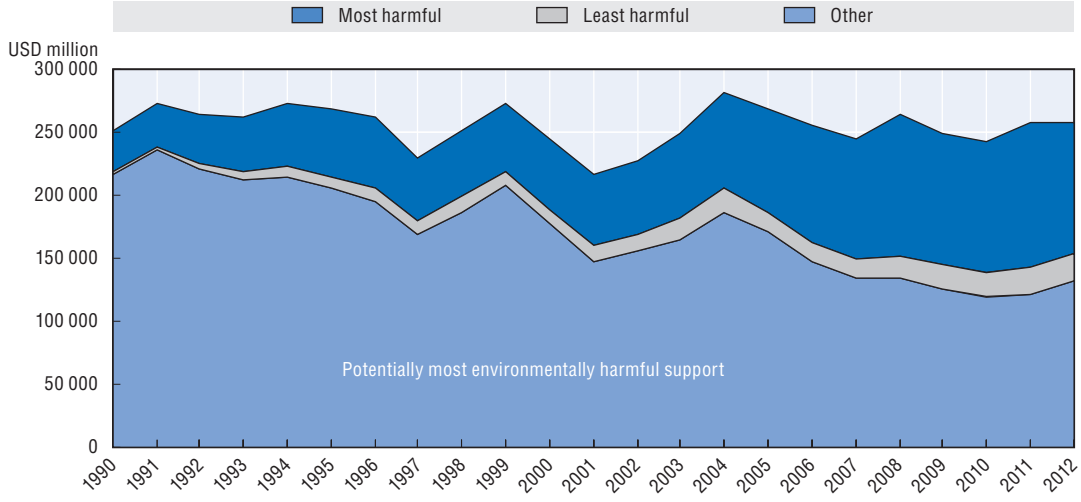


Note: Countries are ranked according to 2012-14 levels

1. EU15 for 1995-97; EU27 for 2012-13; and EU28 from 2014 when available.
2. For Mexico, 1995-97 is replaced by 1991-93.
3. 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.
4. The OECD total does not include the non-OECD EU Member States. The Czech Republic, Estonia, Hungary, Poland and the Slovak Republic are included in the OECD total for all years and in the EU from 2004. Slovenia is included in the OECD total from 1992 and in the EU from 2004.

Source: OECD (2015), "Producer and Consumer Support Estimates", OECD Agriculture statistics (database).

Figure 6.4. **Evolution of producer support in OECD countries by potential environmental impact in the OECD area**



Source: OECD (2013), "Producer and Consumer Support Estimates", OECD Agriculture Statistics Database.

At the same time, fertiliser support policies, which aim to reduce crop production costs and increase yields, can have unintended negative effects on water quality (von Lampe, M. et al., 2014).

The overall economic, environmental and social costs of water pollution caused by agriculture across OECD countries are likely to exceed billions of dollars annually, although no satisfactory estimate of these costs exists (OECD, 2012a). Going forward, the challenge is to seek ways to increase production while minimising farm nutrient losses and subsequent damage to the environment.

Illicit financial flows

Combating illicit financial flows (IFFs) is a major challenge for all governments, and an increasingly important priority for the international community. Estimated to far exceed ODA, IFFs are a significant barrier to sustainable development and to the implementation of the SDGs.

IFFs stem from corruption, crime, terrorism, and tax evasion; and use channels ranging in sophistication from cash smuggling and remittance transfers, to trade finance and shell companies. They affect (and are affected by) many wider policy objectives and involve many disparate actors across a variety of governmental and non-governmental policy disciplines. To effectively combat IFFs, law enforcement and customs authorities need to increase awareness, and the financial sector and vulnerable professions need to take preventive measures. Transparency in corporate structures is essential and steps must be taken to promote public sector integrity and support asset recovery. International co-operation lies at the heart of the solution.

Sustainable Development Goal 16 – *Promote peaceful and inclusive societies for sustainable development* – includes a target to "by 2030, significantly reduce illicit and arms flows, strengthen recovery and return of stolen assets, and combat all forms of organised crime". However, efforts to reduce IFFs must be carefully designed so that they do not work at cross-purposes with other SDGs and targets, e.g. by undermining financial inclusion, legitimate capital flows and productive investment.

Table 6.2 selects three targets (D-F) for which it identifies critical interactions and relevant indicators and data for tracking progress. It is followed by an empirical overview of the evolution of these interactions and associated policies over time.

D) Potential trade-offs: Strengthen financial regulation/improve financial inclusion/ transaction cost of remittances

Financial regulation is central to efforts to prevent IFFs. However, if regulations are overly cautious they can have the unintended consequence of excluding legitimate businesses and consumers from the financial system. Financial inclusion, a significant enabler for development, suffers as a result. The tensions between measures to reduce IFFs and financial inclusion are well known and quite complex. For example, preventive measures to counter money laundering require financial institutions to verify the identity of their customers. However, many people in developing countries lack identity documentation and risk being excluded from access to financial services by stringent customer identification rules. Conversely, financial inclusion must take advantage of technologies which are difficult to regulate from an IFFs policy perspective. This is not only an issue for developing countries: financial inclusion is also a challenge in OECD countries, several of which have initiatives to ensure that basic financial services are available to all citizens.

Table 6.2. **A selection of interactions related to illicit financial flows**

	SDG/Target	Interaction (synergy or potential trade-off)	Data/Indicator to assess interaction	Policy instrument to influence interaction
D	**10.5** Improve and strengthen financial regulation	**8.10** Access to financial services *Potential trade-off:* Stronger regulations might have unintended negative impacts on financial inclusion. **10.c** Reduce the transaction costs of remittances *Potential trade-off:* Stronger regulations may hinder licit remittance flows or increase their transaction cost.	• Transaction costs of remittances	• OECD/INFE Financial Literacy and Financial Inclusion Toolkit
E	**16.4** Reduce IFFs and arms flows	**12.2** Achieve sustainable management of natural resources, including: **14.4** End IUU fishing; and **15.7** End poaching and trafficking of protected species of flora and fauna *Synergy:* Exploitation of natural resources is a driver of corruption and source of IFFs.	• Value of illicit trade	• CleanGovBiz Integrity Toolkit
F	**17.1** Strengthen domestic resource mobilisation	**16.4** Reduce IFFs and arms flows Synergy: Tax evasion is a major source of illicit funds, which weakens the capacity of countries to fund their own development through DMR.	• Tax revenue • Number of exchange agreements • Revenue losses from BEPS	• Aid to tax-related activities • EOI and AEOI • BEPS Action Plan

Source: Author's own illustration.

For a large portion of the world's population, the informal sector is the only form of financial intermediation available. Informal operators typically provide money remittances from migrants, but in some countries they may offer a much wider range of services. Left unregulated, the informal sector can be exploited as a channel for IFFs, or can exploit its customers who are not protected by the authorities. Some countries have responded by prohibiting informal providers altogether, sometimes with the unintended consequence of denying people access to even basic financial services, or of driving activity even further underground. Other countries have sought to license, regulate and supervise these organisations, so as to reduce their vulnerability but recognise their importance to their customers.

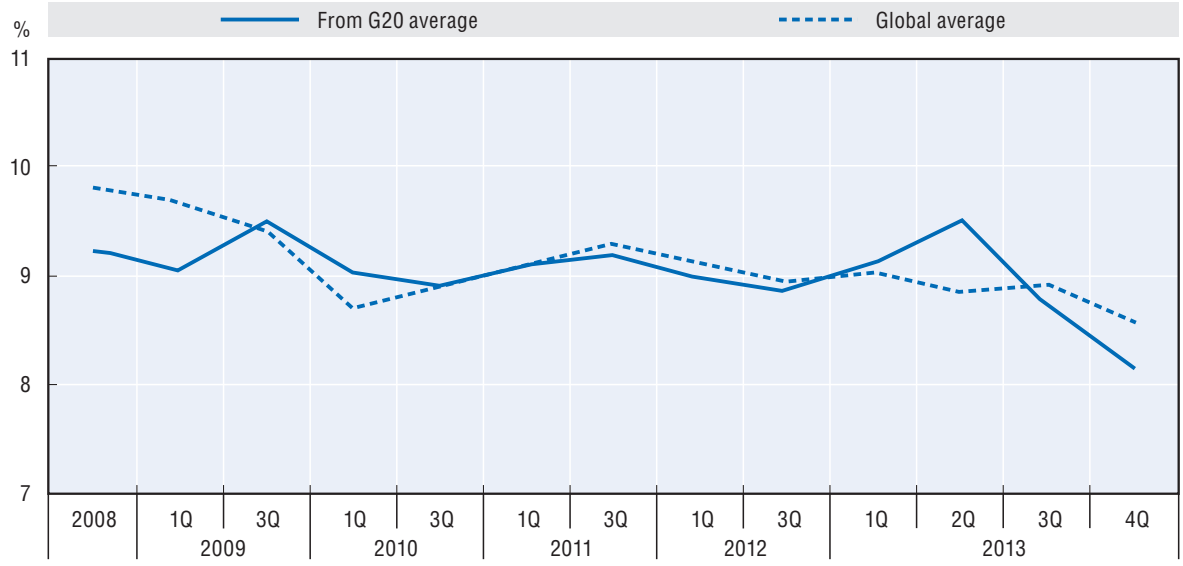
De-risking is a relatively recent phenomenon, whereby financial institutions cease to do business with customers that are perceived to carry a high risk. The effects of this behaviour by banks are felt most severely by money and value transfer services (MVTS) providers and non-profit organisations (NPOs). MVTS are critical channels for remittance flows sent by migrants to their home countries – a major source of finance for many developing countries: worldwide remittances to developing countries were estimated at USD 351 billion in 2012, up from USD 123 billion in 2000 (OECD, 2014c). Countries thus need to balance their efforts to reduce financial risk with measures to ensure that remittance flows and associated transaction costs are not adversely affected. Recent data shows that during the first four months of 2013, the global average cost of sending remittances fell from 9% of their value to 8.6%, while the cost of remitting from G20 countries declined for the first time in three years, from 9% to 8.2% (Figure 6.5).

E) Synergy: Reduce IFFs/manage natural resources sustainably

Exploitation of natural resources is a driver of corruption and source of illicit funds. This includes, among other things, extractive industries, forestry and fisheries, and illegal trade in for example environmentally sensitive goods (Table 6.3).

Figure 6.5. **The cost of transferring USD 200 from G20 countries is falling**

Sending cost as a % of remittance value



Source: World Bank, 2013.

Table 6.3. **Summary of illicit markets and values**

Market	Estimated value of illicit international trade USD
Drugs	320 billion
Humans	31.6 billion
Wildlife	7.8 to 10 billion
Counterfeiting	250 billion
Human organs	614 million to 1.2 billion
Small arms & light weapons	300 million to 1 billion
Diamonds & coloured gemstones	860 million
Oil	10.8 billion
Timber	7 billion
Fish	4.2 to 9.5 billion
Art & cultural property	3.4 to 6.3 billion
Gold (3 countries only)	2.3 billion
Total	**639 to 651 billion**

Source: Global Financial Integrity, 2011.

Extractive industries can provide critical economic opportunities and public revenues for sustainable development in resource-rich countries. However, if not properly managed, they can be associated with environmental degradation, lack of economic diversification, conflicts, corruption and illicit financial flows. Several factors make extractive sectors prone to IFFs, including high-level political discretionary control, limited competition, and complex technical and financial processes. Also, resource-rich countries tend to underperform in revenue collection (Le Billon, 2011).

Legally logged timber is another vital source of income for communities in developing countries. However, the illegal production and trade in timber is a significant concern with a wide range of infringements within the producing country, including non-payment of taxes and export duties. Similarly, illegal, unreported and unregulated (IUU) fishing rob

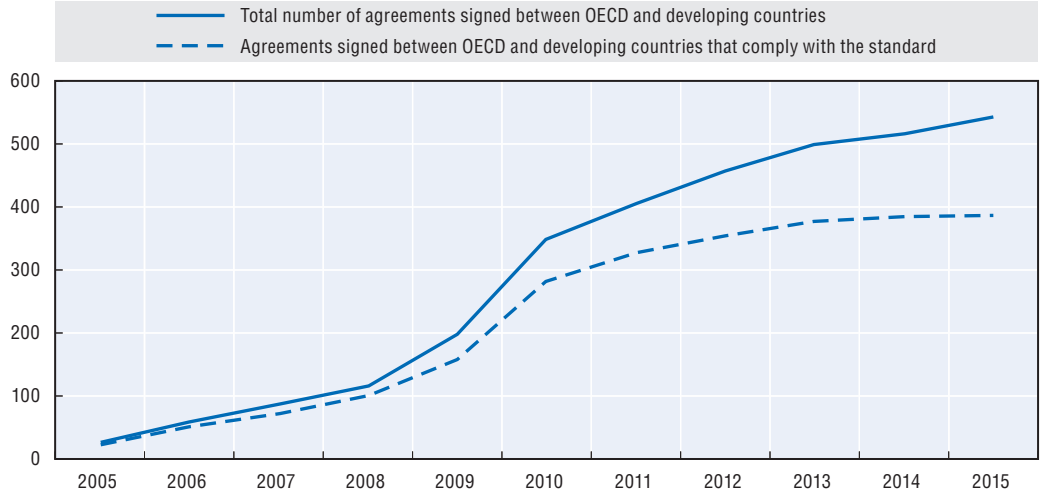
countries of much-needed resources and generate illicit funds. Finally, demand for goods such as elephant ivory and rhino horn has driven dramatic growth in illegal wildlife markets in recent years. Taken together, all forms of wildlife trafficking constitute one of the most lucrative forms of illicit trade, and the sector has more than doubled since 2007 (OECD, 2012b).

F) Synergy: Strengthen domestic resource mobilisation/reduce IFFs

Domestic resource mobilisation (DRM) provides a sustainable basis for development and reduces low-income countries' dependency on other sources of finance, e.g. development assistance. At the same time, a stable, credible and fair tax system facilitates trade and investment, and promotes state-building by encouraging governments to be more accountable to their citizens. Conversely, an absence of measures to support DRM and tax transparency can create opportunities for tax evasion and tax fraud.

Enhanced co-operation, including exchange of information (EOI) between tax authorities, is crucial in bringing national tax administrations in line with the globalised economy and contributes to reducing IFFs. Since 2000, the number of agreements on exchange of information between OECD countries and developing countries has steadily increased (Figure 6.6). Taking a step towards even greater transparency, the OECD – under a mandate from the G20 – released a new global standard for the automatic exchange of information (AEOI) between jurisdictions in 2014. The Standard provides for the systematic and periodic transmission of tax information by countries to the residence country concerning various categories of income, such as dividends, interest, gross proceeds, royalties, salaries, pensions, etc. More than 90 countries and jurisdictions have already publicly committed to implementation, while more than 50 have committed to a specific and ambitious timetable leading to the first automatic information exchanges in 2017 (*www.oecd.org/tax/automatic-exchange*).

Figure 6.6. **Number of exchange of information agreements between OECD and developing countries which meet the Global Forum Standard, signed between 2005 and 2015**



Source: Global Forum on Tax Transparency @ OECD 2015.

However, globalisation and the fluid movement of capital, including the rise of the digital economy, leave some gaps and mismatches that can be exploited to generate double non-taxation. Base Erosion and Profit Shifting (BEPS) refers to tax planning strategies that aim to artificially shift profits to low or no-tax locations. To help governments combat BEPS, the G20/OECD BEPS Action Plan identifies 15 actions for putting an end to international tax avoidance. Among other things, the Action Plan will contribute to introducing coherence in the domestic rules that affect cross-border activities.

Revenue losses from BEPS are conservatively estimated at USD 100-240 billion annually, or anywhere from 4-10% of global corporate income tax (CIT) revenues. Given developing countries' greater reliance on CIT revenues as a percentage of tax revenue, the impact of BEPS on these countries is particularly significant (*www.oecd.org/ctp/beps.htm*).

Green growth

The inherently broad scope of the green growth agenda necessitates consideration of a large number of Sustainable Development Goals and targets. Specifically, policy makers need to recognise and promote synergies between economic and environmental policies and objectives, while at the same time minimising potential conflicts and trade-offs. The OECD conceptual framework for monitoring progress towards green growth focuses on the environmental performance of production and consumption, and on the key drivers of green growth, such as policy instruments and innovation (OECD, 2015b). The scope of this section is to explore the interactions between green growth objectives and a number of other policy objectives in the context of the SDGs.

Table 6.4 selects three targets (G-I) for which it identifies critical interactions and relevant indicators and data for tracking progress. It is followed by an empirical overview of the evolution of these interactions and associated policies over time.

Table 6.4. **A selection of interactions related to green growth**

	SDG/Target	Interaction (synergy or potential trade-off)	Data/Indicator to assess interaction	Policy instrument to influence interaction
G	**2.3** Double agricultural productivity	**15** Protect, restore and promote sustainable use of terrestrial ecosystem, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss *Potential trade-off:* Intensive agriculture might have adverse effects on biodiversity **6** Water; **7** Energy *Potential trade-off:* For an analysis of the water-energy-food nexus, see the section on food security above.	• Total factor productivity • Resource productivity • Agricultural land cover • Farmland bird index	• Biodiversity response policy indicators • Biodiversity-related ODA
H	**8.1** Sustain per capita economic growth	**15** Protect, restore and promote sustainable use of terrestrial ecosystem, sustainably manage forests, combat desertification and halt and reverse land degradation and halt biodiversity loss *Potential trade-off:* Poorly managed economic growth might impact on the environment	• Environmental Policy Stringency Index (EPS) • Burdens on the Economy due to Environmental Policies Index (BEEP)	• Environmentally related taxes • Tradable permits
I	**12.c** Rationalise inefficient fossil fuel subsidies	**13** Combat climate change Synergy: Reduced GHG emissions is necessary in order to stop global average temperatures from rising	• GHG emissions • Fossil fuel production and consumption	• Fossil fuel subsidies • Carbon pricing

Source: Author's own illustration.

G) Potential trade-offs: Double agricultural productivity/Sustainable use and management of ecosystems, forests, land and soil

Green growth in the area of agriculture implies ensuring that enough food is provided in an efficient and sustainable manner for a growing population. This means increasing output while managing scarce natural resources; reducing the carbon intensity and adverse environmental impacts throughout the food chain; enhancing the provision of environmental services such as carbon sequestration, flood and drought control; and conserving biodiversity. However, the relationship between agriculture and green growth is complex, and the food and agricultural sectors can generate both environmental harm and conserve environmental services (OECD, 2012c). Moving towards greener growth in the food and agriculture sectors will therefore involve both synergies and trade-offs (Table 6.5).

Table 6.5. **Synergies (+) and trade-offs (-) between agriculture and green growth (GG)**

	Economic contribution of agriculture to green growth	Environmental contribution of agriculture to green growth	Social contribution of agriculture to green growth
Economic contribution of green growth to agriculture	Agriculture as a driver of economic development while GG can improve agricultural performance (+)	Green labels and payments for eco-services can contribute to economic returns in agriculture (+)	Higher skilled jobs and activities can diversify and contribute to rural development (+)
Environmental contribution of agriculture to green growth	Environmental measures may slow agricultural growth in the short term (-)	GG will yield environmental co-benefits in agriculture through resource conservation and sustainable use (+)	Reform of support to relieve environmental stress and payments for environmental services can enhance farm incomes in rural areas (+)
Social contribution of green growth to agriculture	GG may detract from efforts to improve food security in the short term (-)	GG will necessitate structural adjustment measures in transition periods (-)	Food security, poverty reduction, and rural development will be enhanced in the long run through GG (+)

Source: OECD, 2012c.

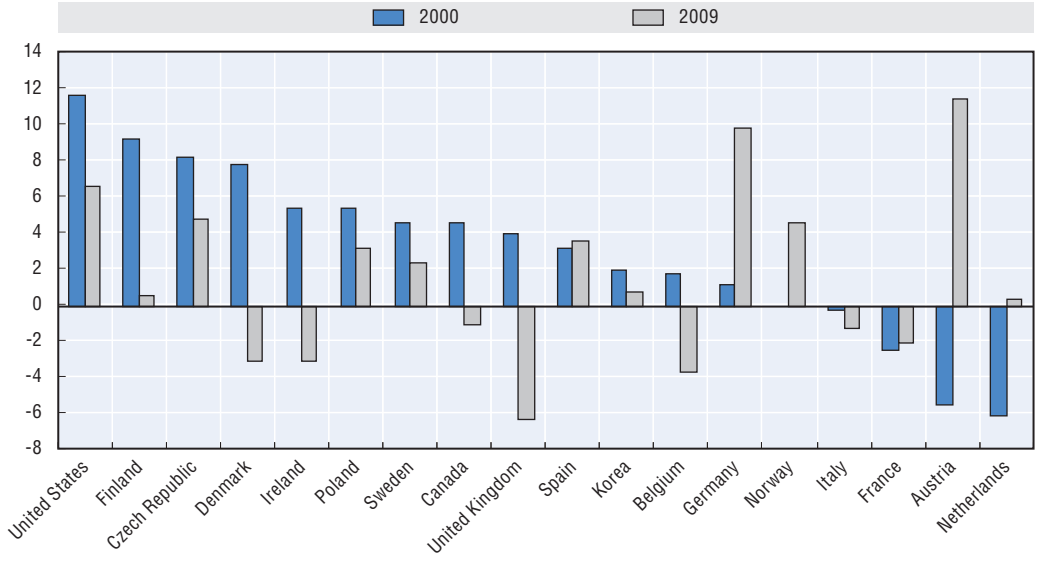
Agricultural growth can arise from a number of sources: changes in real (adjusted for inflation) prices (or the "terms of trade" effect), increased agricultural land and greater yields. Greater efficiency in overall input use is known as growth in total factor (input) productivity (TFP) or multi-factor productivity. TPF of agriculture (including forestry, hunting and fishing) has grown at a slower rate in the 2000s relative to the 1990s in most countries for which data is available (Figure 6.7). Austria, Germany, the Netherlands, Norway and Spain are the exceptions.

Resource productivity, in turn, refers to the effectiveness with which an economy or a production process is using natural resources. Improving resource productivity is often assumed to lead to a parallel reduction in environmental impact to help avert the possibility of resource scarcity and environmental degradation. However, unless such improvements outweigh economic growth, there is a risk that the associated negative environmental impacts might increase. Protecting and managing the natural resource base cannot, therefore, rely on improvements in resource productivity alone; it will also be necessary to de-link economic growth from environmental pressures (OECD, 2014d).

While productivity indicators and their inverse – decoupling trends – show whether production has become greener in relative terms, they do not show whether environmental pressure has also diminished in absolute terms. Hence, from an environmental perspective it is useful to also monitor the presence of absolute decoupling (OECD, 2014d).

Agriculture's impact on the natural asset base concern issues such as freshwater availability (for an analysis of the water-energy-food nexus, see the section on food

Figure 6.7. **Total factor productivity (TFP) of agriculture, annual growth rates (%)**



Note: Includes forestry, hunting and fishing. Data for 2009 refer to the year 2008 for Austria, the Czech Republic, Ireland the United Kingdom; to the year 2007 for Canada, France and Norway; and to the year 2006 for Korea and Poland.
Source: OECD (2014), *Productivity by industry*, OECD Productivity Statistics (database), *http://doi/10.1787/data-00627-en*.

security above), biological diversity and ecosystems, including species and habitat diversity, as well as the quality of land and soil resources.

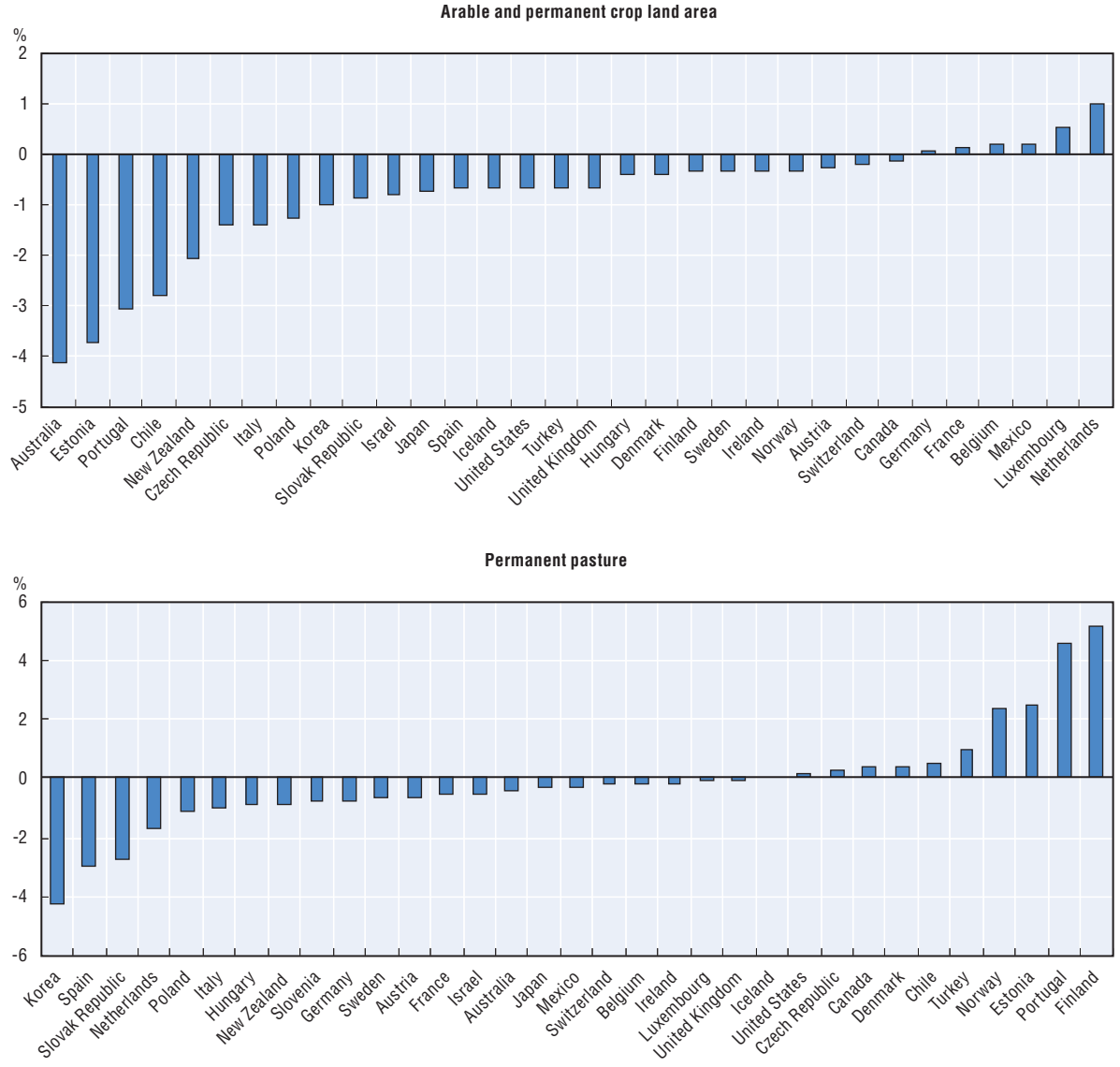
Loss of biodiversity has been identified as one of the most pressing global environmental issues and its conservation is a key concern for sustainable development. Agriculture is crucial in biodiversity preservation as it is a major user of land and water resources that certain genetic resources and wild species depend on. For example, in nearly all OECD countries the agricultural land area decreased over the 1990-2010 period in terms of both arable and crop land, most being converted to use for forestry and urban development. Permanent pasture, which represents a major share of agricultural semi-natural habitats also declined in most OECD countries (Figure 6.8). During the same time period, trends in OECD farmland bird populations declined continuously for almost all countries. While it is complex to prove causal relations between the decline in pasture land areas and the decline in bird populations and other wildlife species, it is likely to have been one of the contributing factors (OECD, 2014b).

H) Potential trade-offs: Sustain per capita economic growth/Sustainable use and management of ecosystems, forests, land and soil

In the aftermath of the financial crisis, some governments have raised concerns that stringent environmental and climate policies might undermine productivity growth. However, OECD research shows that efforts to improve growth and achieve ambitious environmental goals can go together, and should be stepped up (OECD, 2014d).

Although no one instrument can be considered best to address every environmental challenge, there has been a growing movement towards environmentally related taxation (and tradable permits) in OECD economies (Figure 6.9). Taxes directly address the market failure that causes markets to ignore environmental impacts. A well-designed environmental tax increases the price of a good or activity to reflect the cost of the environmental harm that it imposes on others. The cost of the harm to others – an "externality" – is thereby internalised

Figure 6.8. **Trends in agricultural land cover, change over the period 1990-2010 or most recent year**

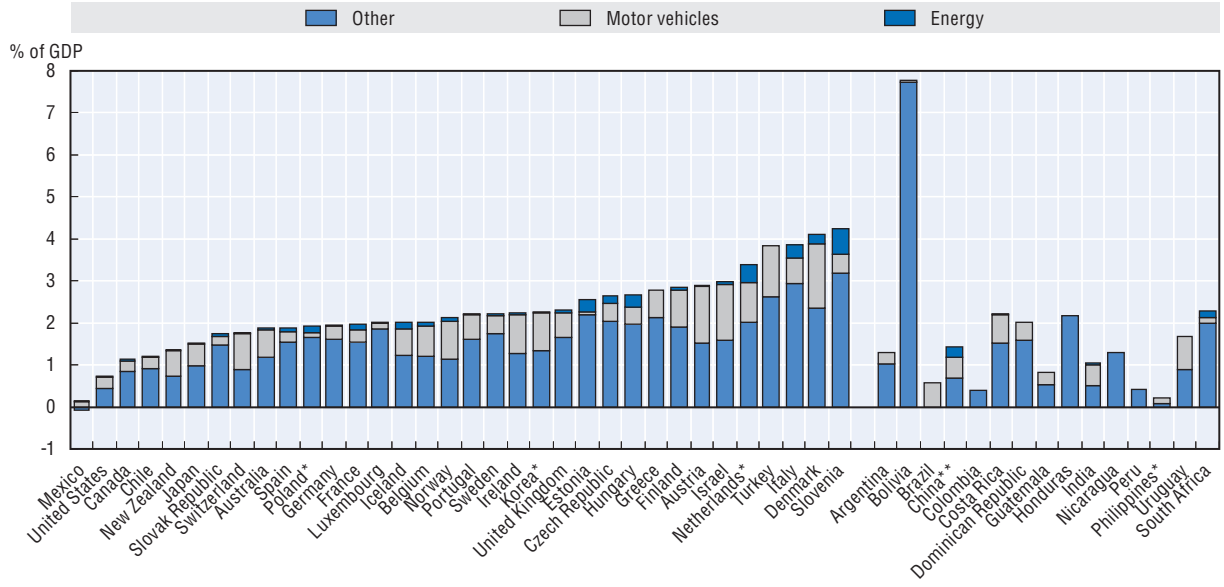


Note: Data for 2010 refer to the year 2009 for Austria, Canada and Israel; to the year 2008 for Chile and Italy.
The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities.
The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.
Source: FAO, FAOSTAT (database), *http://faostat.fao.org/*.

into market prices. This ensures that consumers and firms take these costs into account in their decisions (OECD, 2010).

To help governments foster new, cleaner technologies and allow competitive measures to remove old, polluting technologies and processes, the OECD has developed the Environmental Policy Stringency Index (EPS) – a proxy that summarises and compares the stringency of policy instruments among countries and over time. It currently focuses on climate and air pollution in energy and transport, and covers such policies as taxes, feed-in-tariffs, renewable energy certificates, R&D subsidies and emission limit values.

Figure 6.9. **Environmentally related taxes in OECD countries and selected non-member economies**



* = 2013 figure; ** = 2012 figure.

Source: OECD (2016), *Database on instruments used for environmental policy 2016*.

The EPS indicator scores of OECD countries show that environmental policy stringency has been increasing in all OECD countries over the past two decades. Empirical applications of the EPS indicator give some preliminary indications of the effect of environmental policy stringency on economic outcomes (OECD, 2016b):

- The tightening of environmental policies observed in OECD countries has had little effect on aggregate productivity growth (although effects are differentiated within the economy).
- There is no evidence that stringent environmental policies harm aggregate trade and overall country competitiveness.
- However, environmental policies are found to have a significant effect on trade specialisation, with a positive relationship between a country's stringency and its specialisation in exports of "environmental" products.

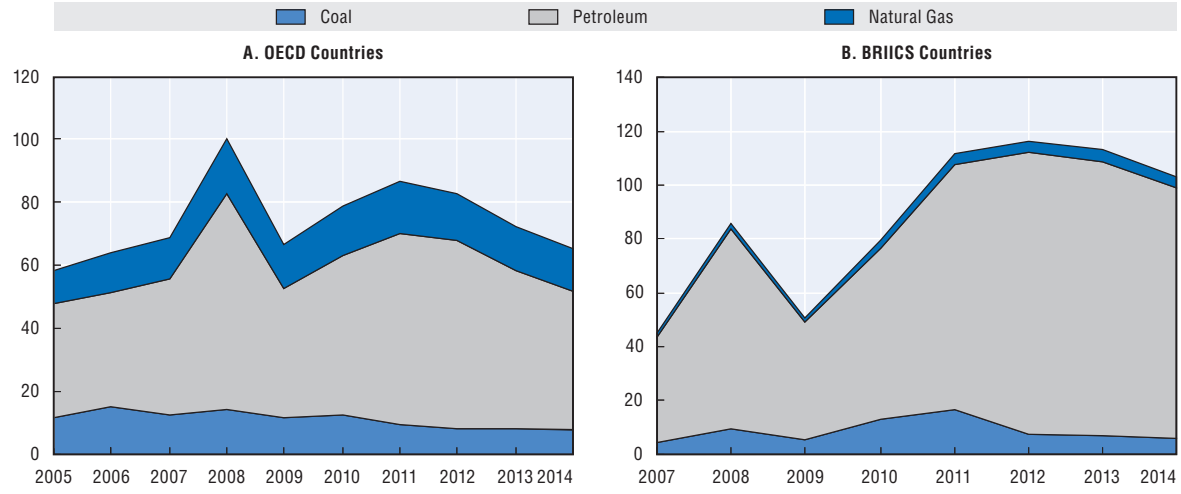
I) Synergy: Rationalise fossil fuel subsidies/combat climate change

Support for environmentally harmful consumption or production, such as that associated with fossil fuels, undermine sustainable development and efforts to mitigate climate change. Governments currently spend an estimated USD 640 billion a year on environmentally harmful support for fossil fuel, with an estimated USD 550 billion spent by emerging and developing countries (OECD, 2015a).

A key lesson from OECD work on measures supporting fossil fuels is that transparency matters. By identifying and documenting almost 800 individual policies that support the extraction, refining, or combustion of fossil fuels in OECD countries and large emerging economies, the OECD online Inventory of Support Measures for Fossil Fuels highlight the need for governments to periodically review their budgets and tax codes in light of changing circumstances and evolving policy priorities.

Taken together, the almost 800 measures contained in the Inventory had an overall value of USD 160-200 billion annually over the period 2010-14 (OECD, 2015c). This includes both support provided by OECD countries and that provided by a selection of partner economies (Brazil, the People's Republic of China, India, Indonesia, the Russian Federation, and South Africa). Compared with analysis in 2013, which focussed on OECD countries only, support now seems to follow a downward trend after having peaked twice in 2008 and 2011-12 (Figure 6.10). In both OECD and partner countries, the decline in total support comes from lower international oil prices but also in important policy changes. This signals an intention on the part of many governments to depart from earlier practices and move toward growth patterns that are more sustainable fiscally and environmentally.

Figure 6.10. **Total support for fossil fuels**



Source: OECD Companion to the Inventory of Support Measures for Fossil Fuels 2015.

Greenhouse gas emissions too have been declining in recent years in almost all OECD countries. They fell by almost 5% since 2008 in the OECD area. This is partly due to a slowdown in economic activity following the 2008 economic crisis, but also to a strengthening of climate policies and changing patterns of energy consumption. As a result, emission intensities per unit of GDP and per capita decreased between 2000 and 2012 in almost all OECD countries, revealing a strong overall decoupling from economic growth (Figure 6.11). However, reductions in national emissions may also be the result of offshoring domestic production and the associated emissions (OECD, 2015d).

An overview of non-OECD initiatives to assess interactions between SDGs and targets

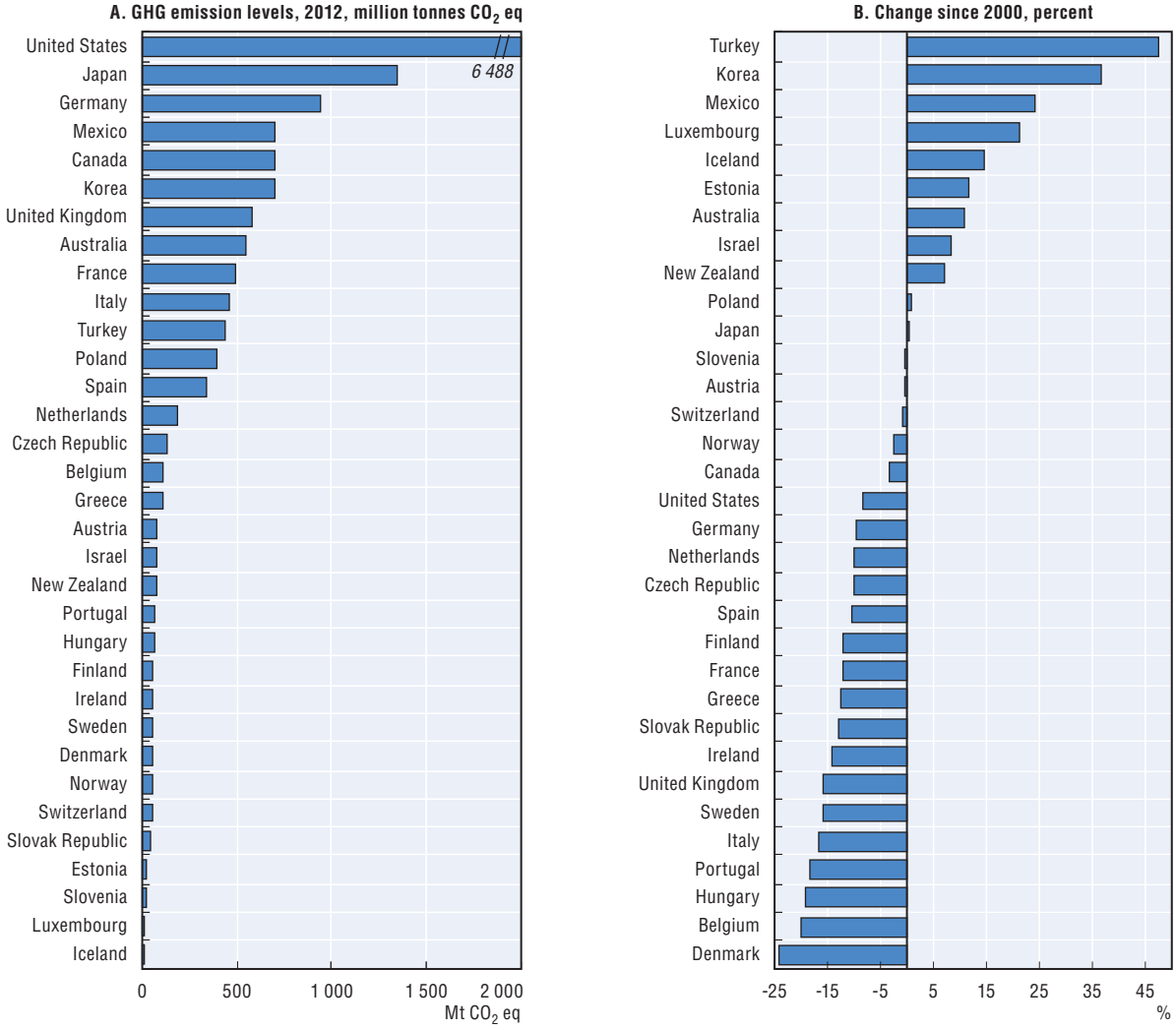
This section provides an overview of non-OECD initiatives to assess and/or monitor interactions between the SDGs and targets.

Modelling tools for sustainable development policies

By Diana Alarcon and Eduardo Zepeda, United Nations Department of Economic and Social Affairs (UN DESA)

Implementation of the 2030 Agenda requires greater technical capacities to assess the inter-linkages across the multiple dimensions of development and the impact that

Figure 6.11. **a) GHG emission levels since 2012, million tonnes CO_2 eq. and b) Change since 2000, percent**



Source: OECD (2014), "Greenhouse gas emissions by source", *OECD Environment Statistics* (database), *http://dx.doi.org/10.1787/data-00594-en*.

alternative policies may have in different sectors and different variables. UN DESA is committed to contribute building governments' capacities on the use of quantitative modelling tools to inform development policy decisions. This will contribute to strengthen countries' efforts to pursue national sustainable development strategies and the 2030 Agenda. With the intention of expanding access to the suite of modelling tools used in regular capacity development projects, UN DESA recently launched a web-based platform: *Modelling Tools for Sustainable Development Policies*.[2]

Policies to advance sustainable development have a level of complexity that cannot be captured by one single all-encompassing model. Instead, UN DESA has assembled a suite of modelling tools that, when used separately each one of them can address specific aspects of sustainability with sufficient detail to make it useful for policy decision making. The same tools, used in combination can inform the design of comprehensive sustainable development strategies and provide a useful mapping between national priorities and the 17 Sustainable Development Goals contained in the 2030 Agenda.

The intention of making all modelling tools available through the web-platform *Modelling Tools for Sustainable Development Policies* is to ensure maximum transferability and ownership of modelling tools to Member States. This is in recognition that building capacity for the formulation of sustainable development policies requires greater technical capacities across a larger number of people within governments and in the development community. Modelling tools, to the extent possible, are developed through the use of open source software, and they make transparent use of data and modelling codes. The web platform will support the development of a community of practice that will facilitate continuous validations of modelling tools by scientists, academics and development practitioners. Continuous development of these tools and methodologies will be critical to ensure the incorporation of new appropriate tools, to improve existing ones and to enhance the inter-tool interactions. Currently the suite includes the following modelling tools:

- Economy-wide modelling.
- Integrated assessment of climate, land, energy and water systems (CLEWS).
- Energy systems dynamic modelling.
- Geo-spatial electrification to model universal access to electricity by 2030.
- Household survey based micro-simulation of socio-economic impacts and electricity consumption.

Economy-wide models

Economy-wide models are a useful tool to assess the implications that alternative development policies and shocks have throughout the economy, including employment, consumption, sectors' output, public budgets, and external sector accounts, among others. These models are useful to assess the direct and indirect economic impacts of alternative policies and external shocks.

UN DESA has been supporting countries to build analytical skills on the use of economy-wide models (widely known as computable general equilibrium models). Countries have used these models to assess the impact of policies – e.g. public spending to achieve the Millennium Development Goals (using the MAMS[3] model); cash-transfer programs, external shocks – e.g. changes in remittances (using UN DESA's own model); and more recently investment in renewable energy, electricity trade, changes in oil prices (using UN DESA's own models).

The web platform provides an illustration of how the effects of a fuel tax policy can have a diversity of impacts depending on how taxes are used. The example illustrates impacts on several socio-economic indicators in Bolivia, Costa Rica and Uganda. The illustration presents results for the following scenarios and impact indicators:

Policy scenarios fully recycling fuel tax-revenue to: expand the public budget across all spending lines; increase investment in education; increase spending on primary education; increase spending on infrastructure. Impact of policy scenarios are shown for six socio-economic indicators: real GDP; primary completion rate; under-five mortality; maternal mortality; proportion of the population with access to safe water; proportion of the population with access to sanitation.

The illustration shows the potential trade-offs and synergies of alternative policies. For example recycling the fuel tax to invest in infrastructure or education in Uganda has the unintended effect of raising infant mortality, but if the tax is used to expand the budget

across the board, infant mortality decreases as health spending increases. In Bolivia, using the fuel tax to increase investment in infrastructure has a positive impact in all selected indicators i.e. education, health, and sanitation as well as GDP. In Costa Rica, however, health indicators improve only when the fuel tax is used to expand the public budget, while other policy scenarios either produce negligible or undesired changes.

Global CLEWS

UN DESA is using the Global CLEWS model to illustrate the relationships among water, energy, climate, and land use at the global scale.[4] The model analyses inter-linkages across four different scenarios. All scenarios follow current assumptions for energy supply and renewable energy generation potentials and explore the way taxes on the use of fossil fuels, or outright limits, affect water consumption, emissions and total investment in energy. The *Baseline* features greenhouse gas emissions are expected to increase average temperature to between 4°C and 6°C. Consumption and production grow according to trend and no new environmental regulations are considered. A second scenario looks into a world with an increase of 4°C in temperature by limiting the use of fossil fuels such that average global temperature does not increase above 4°C. A more ambitions scenario, 2°C, sets limits on the use of fossil fuels such that average global temperature does not increase above 2°C. A final scenario, *carbon tax*, sets no limits on the use of fossil fuels but incorporates a global carbon tax increasing from USD 1 per ton CO_2 eq. in 2016 to USD 25 in 2050.

This model sheds light on some of the following questions: How is water consumption affected in each scenario? How do CO_2 emissions increase or decrease in each scenario? How do these scenarios affect the total investment in energy generation and material production?

The visualisation aims to make apparent that a desirable outcome in one of these areas may have an undesirable effect on another. Further development of scenarios in the model helps to explore relevant policies to achieve the SDGs.[5]

Country CLEWS model

A national CLEWS model is used to illustrate the inter-linkages among renewable energy, water, land use, emissions, and energy dependency. In the web platform the use of this model in a country context is illustrated for the case of Mauritius (developed in collaboration with International Atomic Energy Agency, IAEA; and the Royal Institute of Technology, Division of Energy Systems Analysis, KTH Sweden). The model uses a basic optimisation process to find the overall lowest cost alternative to meet an exogenously defined set of demands. The main building blocks are plant by plant representation of the energy sector and a land supply curve disaggregating arable land into different types of uses (i.e. different yields) and water supply (i.e. irrigation vs. rain-fed). The illustration features 48 different scenarios defined as combinations of renewable energy policies and assumptions about water availability to climate change impacts are taken into account.

The illustration shows the result of 48 scenarios on CO_2 emissions, water and land use, energy import dependence, and the composition of electricity generation by source. The illustrations feature four targets setting the contribution of renewable sources in the generation of electricity at 0, 20, 35 and 50%; four targets fixing the ethanol content in the fuel mix used in transport of 0, 20, 35 and 50%; and three water availability-climate change scenarios – i.e. no change in historical patterns, moderate reduction, and strong reduction in water availability.

The modelling of the climate, land-use, energy and water systems in Mauritius, a country where sugar production is important, shows that boosting production of bio-fuels for national energy security and to facilitate a transition to sustainable energy sources may compromise water security. Results suggest that boosting production of bio-fuels in pursuit of more sustainable energy supply and national energy security will certainly reduce emissions and will decrease dependence on energy imports, but it also shows that it may compromise water security. This result owes to the fact that increasing sugar cane production for bio-fuels requires a substantial increase of water withdrawals, especially after 2020. In the most ambitious combination of renewable energy policies, the use of water increases 30% under no climate change assumptions, but it rises by close to 100% under drastic climate change conditions. The risk of water scarcity worsens if climate change brings less rainfall and higher temperatures to the country.

A model to simulate universal access to electricity

The electrification modelling tool uses open geo-spatial data to simulate the provision of universal access to electricity by 2030 with the least cost technology options for each area of 10 by 10 kilometres in 44 African countries (developed by researchers at KTH). The model estimates the total cost of achieving universal access to electricity for various technology options, providing a first insight into energy planning.

The model currently considers 6 technology options grouped in three types. The first type is connection to centralized grid, referring to the national interconnected network, including actual and planned distribution and transmission lines, as well as power generating stations from all sources, e.g. fossil fuel, geo thermal, hydro, and others. The second type is connection to a mini-grid, i.e. to small networks already existing or to be built when feasible, capable of generating and distributing electricity to villages or neighbourhoods. Modelling explicitly considers three technologies to power mini-grids: diesel, wind and solar technologies. The third type is stand alone, referring to the provision of electricity to single households, with the choice of two technologies: solar photovoltaic panels and diesel generators.

Modelling considers 10 alternative scenarios based on five levels of energy consumption per household and two diesel prices (0.32 and 0.70 USD per litre). The five levels of electricity consumption per household start with 22 kWh per year (enough for task lightning and powering one cell phone or radio). The next is 224 kWh per year (sufficient for general lightning, air circulation and one appliance such as a television). A third level of consumption assumes 696 kWh per year (for general lightning, air circulation, television, and a few additional light electric appliances). The fourth level of consumption is 1 800 kWh per year (for general lightning, air circulation, television plus a few additional light, medium or continuous electric appliances). The final and highest level is 2 195kWh per year (for general lightning, air circulation, television, heavy or continuous electric appliances).

For each country, the visualisation shows a map identifying the lowest cost technology for each 10 by 10 kilometres geo-spatial area. The map is constructed based on existing and planned electricity lines (as of 2012). Estimations are based on the number of people estimated to live in each geo-spatial unit by 2030.[6] The visualization displays the additional cost of providing universal access to electricity per country, based on various technology choices and on the number of people receiving electricity by technology.

This model suggests that a variety of technology combinations can give the lowest cost option for electrification in these 44 countries. The mix of technologies depends on

the level of electricity to be provided, the suitability of locally deployed technologies and the price of diesel. Two country examples, perhaps extreme, can illustrate the options opened to countries to meet the energy for all goal.

In South Africa about 85% of the population currently has access to electricity. By 2030, 60 million more people will require access to electricity; ensuring universal access will require a total investment ranging from one to USD 15 billion, depending on the desired level of consumption to be achieved and the price of diesel. If consumption is 22 kWh per year per household, 37 million people will have access to electricity through the centralized grid as the lowest cost option. The remaining 23 million people will opt for access through a de-centralized energy source (such as solar panels, wind or diesel generators). If consumption is 2 195 kWh per year per household 45 million people will find that electricity access through the central grid is the lowest cost option, while 15 million people will find de-centralized energy sources to be more competitive.

In contrast, in Chad where only 6% of the population have access to electricity now, making electricity available to the entire 2030 population will require reaching 22 million more people. The model estimates this can be done at a total cost ranging from USD 70 million to USD 21 billion. If electricity consumption is 22 KWh per year per household, only 1 million will find access through a connection to the central grid as the cheapest option; if consumption is 2 195 kWh per year per household, about 7 million people will opt to be connected to the central grid. Differences in population density and coverage of existing and planned transmission lines between these two countries explain the sharp contrasts in electrification paths between South Africa and Chad.

Energy Systems Dynamic Models

Energy systems dynamic models can assist medium and long term energy planning by identifying the minimum cost path to meeting energy demand under alternative scenarios and investment portfolios. This model allows a comparison of the investment and generation costs of different scenarios; for example, scenarios increasing the use of renewable sources of energy, or, policies to ensure national energy security, or programs to guarantee universal access to modern energy by a certain date.

UNDESA, in partnership with KTH, has piloted capacity development in selected countries to support efforts in medium-long term energy planning. These projects are usually based on the use of the Open Source Energy Modelling System model (OSeMOSYS), a powerful yet open, flexible and transferable tool.

An interactive visualization of the electricity system is illustrated in a hypothetical country Atlantis. The visualization allows analysing the feasibility of generating electricity from a variety of plants and technologies, including wind, hydro, solar, and nuclear, among others. The interactive visualization presents the results of the lowest cost combination of the technologies under four scenarios: a reference scenario; universal access to electricity by 2030; 50 per cent of electricity generated from renewables; climate change.

Socio-Economic Micro-Simulation

Microsimulations are a useful methodology to undertake detailed evaluations of the socio-economic impacts of alternative development policies and shocks on households. It is a powerful tool for informing policy decisions on poverty eradication, inequality reduction, enhanced food security and energy access. UNDESA, in collaboration with other

partners, have used the methodology to simulate the poverty and distributional impacts of specific policies and economic shocks. Examples of policies that can be simulated include the introduction of taxes and subsidies, transfers –in kind or cash – to households, access to modern energy, among many others.

Through the Modelling web platform UNDESA makes available a Python code developed by the International Policy Centre (Brasilia) to estimate the demand for electricity from household survey data, as an example of the kinds of questions that can be entertained through this methodology. Estimating the demand for electricity is a critical step in the design of a medium to long term energy plan. Frequently, estimates are based on time series with few observation points or on data from other countries or regions. Household surveys offer an alternative estimation route based on observed electricity demand by households with different income levels and at different points in time. The python code is open and can be downloaded from the website.

Towards action on the SDGs with a view to interactions and coherence: Emerging approaches

By: Stockholm Environment Institute (SEI)

A) Analysing interactions between SDGs and targets

SEI has explored the application of a Nexus approach to identify interactions among the SDGs, examine different types of interactions and how integrated targets can be set. Nexus analyses typically aim to illuminate cross-sectoral interactions and facilitate integrated planning and decision-making. They can also help clarify how best to allocate resources between competing needs in order to support agreed development pathways. The nexus approach emerges from systems analysis but is only recently beginning to take hold in policy-making and planning. The guiding principles of the nexus approach are to promote sustainable and efficient resource use, to ensure access to resources for the most vulnerable and to maintain healthy and productive ecosystems. These principles are also reflected in the SDG targets seeking to integrate economic, social and environmental dimensions of development.

A Nexus approach can be applied in several ways to explore different approaches to SDG integration, for example how the achievement of targets within one goal area might affect targets under another goal area, or how individual targets might serve multiple goals. For purposes of illustration SEI, in Weitz et al. (2014), explored the interactions between the water, energy and food-related SDGs through three complementary approaches. First;

1. *Screening for interactions among proposed targets*. Some of the targets identified focus on ensuring access to resources, some on efficiency, and some on long-term sustainability. The three are interlinked and – in line with the universality principle – each country would emphasise the targets that best fit its priorities and needs and through which it can best contribute to the achievement of the SDGs at global level. Screening each water, energy and food target for relevance to the two other goal areas showed that most of the targets are inherently cross-sectoral. The screening was made at a conceptual level, and considered generally known interlinkages. However, local resource characteristics, economic, social and political realities influence how targets interact and the analysis must therefore take place at the scale of action in order to support decision-making.
2. *Exploring the nature of interactions*. In order to address the connections between targets effectively, it is necessary to understand the nature of interactions. This analysis showed

three main types of interactions, as targets can: i) be interdependent (one target has to be realised in order for another to be viable, usually because access to water, energy or land for food production needs to be ensured); ii) impose conditions or constrain one another (arguably, these targets are essential to the long-term success of a wide range of other targets, as they ensure that development is sustainable over time); or iii) reinforce each other (renders another target easier to achieve). Trade-offs or conflicts may result from interactions, for example as targets compete for the same resources and the expansion under one target impedes expansion under another target.

3. *Identifying 'nexus' targets between sectors*. Mapping out the connections and identifying linking targets at the nexus of different sectors can help ensure the SDGs sustainability by showing all the targets that require a resource, and address efficiency by establishing targets for resource use that crosses different sectors. This bottom-up way of identifying targets offer opportunity to avoid constructed conflicts at the stage when goals are set, and is hence more proactive than assessing conflicts within a goals framework. While the global SDGs are now set, the approach can be used for target-setting at national level. This would mean that national targets for the SDGs are not necessarily set according to the structure of the global framework but around issues that are of priority to several sectors in a country.

The nexus approach is flexible enough to handle different levels of data availability and capacities to gather and analyse data. Where data already exists, nexus tools can be used to quantify relationships between sectors. Where data quality or accessibility is poor, the nexus approach can inform qualitative analyses, and also help to identify data needs. The three approaches could also be used as facilitative tools for cross-sector collaboration, where various sector representatives jointly identify cross-sector interlinkages and their relationships.

Second; subsequent analysis by SEI has developed a more elaborate view of the different potential interaction relationships. Moving beyond the dichotomy of synergy and trade-offs opens up entry points for negotiating priorities, and for enhancing understanding of how synergies can be captured, spillovers addressed, and when there are in fact true dilemmas. It equips "coherence" and "integration", sometimes perceived to add complexity or to focus on conflicts, with a more constructive narrative.

In a forthcoming paper SEI further explores the need to complement Nexus analysis with analysis of the decision-making process and the wider political economy that determine how priorities are set and trade-offs between various societal objectives are negotiated and handled. It will put forward an analytical framework for exploring governance issues pertaining to the water-energy-food nexus.

Third; on coherence between the global vision set out in Agenda 2030 and actions in and by countries SEI, in Weitz et al. (2015), has proposed that for any country, implementation of Agenda 2030 will require consideration to three dimensions of action:

1. *The domestic dimension* includes goals and targets dealing with issues that are more or less permanently on the country's policy agenda. It asks how a country performs and will work to achieve the SDG targets "at home".
2. *The development co-operation dimension* includes a country's contribution to and impacts on poverty and development challenges abroad. It asks how a country can support other countries in achieving the SDG targets.

3. *The international dimension* includes how activities in and by a country affect sustainable development internationally (e.g. global public goods or resource sustainability). It asks how country x's activities contributes to the global achievement of the SDGs and affects the underlying resources for making global progress.

As countries develop their national action plans, interpreting each target along these three dimensions gives an understanding of the targets that capture the many different issues a target can raise and the various actors that would need to be involved in their implementation. Keeping these three dimensions present is a simple but effective tool to maintain the universality of the agenda as well as supporting policy coherence (both vertically and horizontally), as the SDGs are translated from a global vision to country action and implemented.

B) Tracking progress in individual SDGs

In the report "Sustainable Development Goals for Sweden: Insights on setting a national agenda" (Weitz et al., 2015), SEI qualitatively screened the relevance of targets, identified challenges in analysing status and goal achievement, and made an illustrative interpretation of some of the targets by assessing status and trends, policy efforts and level of achievement. The targets selected were such that had not been achieved, as measured by existing data or as commonly described in the political debate; had featured recently on the political agenda; and/or had been more or less successfully dealt with and thus offered potential for international learning.

1. The SEI paper defined the relevant targets as follows:
   - Targets that are *applicable* in country x – that is, deal with phenomena that exist in the country, given domestic environmental, social and economic conditions;
   - and that are *not yet achieved* in country x – that is, currently achieved and likely to remain so over the coming 15 years
2. The SEI paper identified the following challenges in interpretation:
   - *Scale*. The issues that some targets refer to a specific scale (national or global) while others do not, and when referring to an end state at global level (e.g. increase the share of renewable energy in the global energy mix) there is very little guidance on what action or desired end state is expected at the national level.
   - *Multidimensional*. The issue that targets address many issues with sometimes diverging trends calling for different policy responses. Making one joint assessment of how a country is performing on these targets is clearly difficult or soon misleading.
   - *Ambiguous wordings* make many targets vague. For example, the issue that an end state is qualified in terms like "safe", "effective", "sustainable" or "reliable", or calls for an action like "promote", "enhance" or "strengthen".
   - *"Zero visions"*. The issue that targets are set to eliminate or end a condition but clear criteria are lacking for determining when qualitative conditions are met (e.g. "women's full and effective participation").
   - *Data availability*. For some of the more complex or qualitative targets data is scarce, e.g. those referring to impacts along supply chains.
3. The type of results generated:

The study was a pilot study and a trial for a more formal and detailed exercise, such as for example a comparative gap analysis. The type of results generated includes a summary

review of status, trends, policy and achievement for a selection of targets and the identification of key challenges for analysis. A key message is that it presents one way of interpreting the targets, not a scorecard, and as such highlights the large space for interpretation left in the global framework that must be handled at national level. Arriving at a scorecard or performing a gap analysis, requires a more robust analysis including identification of context specific SMART national targets through broad stakeholder involvement. As the status, trends and policy on targets are linked an iterative process is needed to set targets, ambition levels and action plans.

SEI has also carried out research into the various dimensions of implementation and action, and discussed how one can strive for coherence across these. In an early contribution by Nilsson et al. (2013), the main dimensions of an energy SDG are elaborated, along with the different dimensions of implementation; capacity and knowledge; governance and institutions; public policy; and investment and finance. The paper elaborates on challenges related to ensuring that these different layers of implementation all work towards the ultimate goal within the SDG framework. In Gupta and Nilsson (2016), an analysis is made of SDG 6 on Water and Sanitation, considering how to ensure integration and coherence across different types of interventions, across institutional arrangements, capacity development and to policy interventions.

The SDG Dashboard and Index: Getting Started with the Sustainable Development Goals

By: Guido Schmidt-Traub, David Durand-Delacre, and Katerina Teksoz, Sustainable Development Solutions Network (SDSN)

At the end of 2015, the world's governments adopted the Agenda 2030 for sustainable development, including 17 Sustainable Development Goals (SDGs), to guide the global development for the next fifteen years. The SDGs are focused on a critical range of global issues – eradicating extreme poverty and diseases, ensuring quality education, gender equality and environmental sustainability, as well as combating the dangers of climate change. In the words of the UN Secretary-General Ban Ki-moon "The seventeen Sustainable Development Goals are our shared vision of humanity and a social contract between the world's leaders and the people …they are a to-do list for people and planet, and a blueprint for success."

Achieving these ambitious goals will require unprecedented mobilisation of stakeholders and focused problem solving, which in turn depend on effective stock-taking of countries' priorities and monitoring of progress. The UN Statistics Commission has recently recommended a first set of 241 global indicators for the SDGs. Some of these indicators are underpinned by comprehensive data, but most require major efforts in data collection, and a substantial number need more technical work to develop definitions and launch the process of data collection. It will therefore take time until UN member states dispose of the data to track progress towards the SDGs. Indeed investing in the capacity of countries to monitor the goals should be an important priority for early action.

Yet, implementation of the SDGs cannot wait until a comprehensive monitoring framework is in place. Countries need to take stock of where they stand today with regards to achieving the SDGs, identify priority areas for early action, and start preparing long-term strategies to meet all the goals by 2030. To support governments, civil society, business, universities, and other stakeholders in getting started with the SDGs, the SDSN is developing

an SDG Dashboard and an SDG Index. A preliminary draft has recently been launched for public consultation (*www.unsdsn.org*), and a thoroughly revised version will be launched before the 2016 High-Level Political Forum (HLPF) in July 2016. We hope that both tools will help countries in operationalising the SDGs and starting the process of implementation, as described in the SDSN Guide to Getting Started with the SDGs (*https://sdg.guide/*).

The SDG Dashboard and SDG Index pursue different and complimentary aims. The purpose of the Dashboard is to consolidate available data for each SDG and compare it visually against performance thresholds by labelling the respective goals as green, yellow, or red. The resulting Dashboard highlights areas where a country needs to make the greatest progress towards achieving the goals by 2030. In particular, it shows that OECD countries face significant challenges in meeting many of the SDGs even though they have achieved prosperity for most of their citizens. Civil society, governments, businesses, and other stakeholders can use the Dashboard to discuss priorities for early action and the need to redirect development resources towards different policy areas.

The SDG Index aggregates country data into a composite index for SDG progress to compare countries' starting points on the goals and benchmark them with regional averages. The Index will help attract political attention to the goals, make them easier to communicate in each country, and encourage countries to measure their performance using a broader metric than gross domestic product (GDP) per capita or even the Human Development Index. We hope the index will raise awareness of the goals and support a broad public conversation on the importance of achieving them. Together with the Dashboard it also highlights gaps in the availability of essential SDG data that must be closed quickly.

In developing the SDG Dashboard and Index, we focus on internationally comparable data that is available for at least 80% of countries with a population greater than one million (i.e. 120 countries). Countries with small populations are included if they have data for at least 80% of the selected variables. Yet data availability remains poor for the vast majority of SDG indicators proposed by the UN Statistics Commission, so we include data from other official and non-official sources. The lack of country-level data comes as a surprise to some observers, which may be partly explained by the fact that the monitoring of the Millennium Development Goals focused primarily on regional aggregates.

When the SDGs were crafted it was agreed among member states that they should reflect the outcomes of the Paris climate conference in December 2016. Unfortunately, this has yet to be reflected in the targets for Goal 13 and proposals for official indicators, which include no variables that would allow tracking progress towards the overarching goal of limiting global warming to "well below 2°C". We therefore include various indicators to track the emission of greenhouse gases.

In some areas data availability requires us to choose inferior metrics over better alternatives. For example, there is widespread agreement that access to water supply should measure access as well as the quality of the drinking water, but data availability for access to "safe water" remains poor. For this reason the SDG Dashboard and Index retain the inferior "access to improved water source". In other critical areas we are unable to identify robust metrics that meet the strict standards of data availability. For example, the SDG Dashboard and Index do not adequately cover sustainable agriculture, sustainable consumption and production, sustainable cities, or the quality of education.

These gaps underscore that the SDG Dashboard and Index cannot serve as a monitoring tool for the SDGs. Such monitoring must be undertaken using broader sets of

indicators, and it will need to build statistical capacity over time to measure important SDG priorities for which data is unavailable today. Instead the SDGs Dashboard and Index aim to support the process of operationalising the goals over the short term, which includes highlighting critical gaps in data availability.

Using z-scores the data for each indicator is transformed into normally distributed variables, which are then tested for statistical significance before aggregating them for each goal. This ensures that each goal has the same weight in line with the letter and spirit of the SDGs adopted in September 2015. The choice of aggregation formula has important implications for the results. This applies in particular to the question whether goals can be substituted, i.e. whether progress in one dimension (e.g. GDP) can offset regress in another (e.g. ocean health or air quality). These issues will be discussed in detail in the technical documentation accompanying the forthcoming report on the SDG Dashboard and Index.

A single, global SDG Dashboard is important to operationalise the universal SDG agenda, which applies to every country. At the same time, limitations in available data are severe. Moreover, richer countries have already achieved many of the social and economic milestones set out in the SDGs and therefore need to focus on targeted policy priorities where greater progress is needed. Such priorities become difficult to identify and communicate using globally comparable data that shows limited variation among richer countries.

For these reasons we propose a separate Dashboard and Index for the 34 OECD countries. This Dashboard considers a richer set of underlying data and focuses on the policy priorities where OECD countries face the greatest challenges. For example, most rich countries have eliminated extreme headcount poverty, measured as incomes less than USD 1.90 PPP per day. So the dashboard for OECD countries focuses on relative poverty. Similarly, countries might have addressed key dimensions of a goal (e.g. hunger and nutrition), but might face major challenges in one area (e.g. widespread obesity). In such instances, it may be more appropriate to describe a richer country's challenge as "red" instead of averaging across all indicators.

The SDG Dashboard and Index for OECD countries also include data that should be widely available for all countries. In this way they outline a possible set of priority metrics, which the international community might help support in every country. Over time we intend to extend the tools to non-OECD countries that have the necessary data.

Initial reactions to the draft SDG Index and Dashboard have been encouraging and show that these tools can help stimulate important debates on how to achieve the SDGs at the country level. At the same time, the limitations in terms of data and approach are obvious and will require better answers over time. The SDSN will therefore document the methods, data, and findings transparently, so that users can understand the choices and assumptions made as well as their implications on the results. The SDSN intends to publish periodic updates to the SDG Index and Dashboard to incorporate lessons learnt and better data. In particular, we hope that additional data can be identified for those countries that are currently excluded from the SDG Index, so that the world will soon have a comparable metric across all countries. In this way every country will be able to take stock of where it stands with regards to achieving the SDGs and benchmark itself with the countries it considers peers.

Seeing the whole: A methodology for analysing SDG interlinkages and improving policy coherence

By: Stakeholder Forum, Bioregional and Newcastle University[7]

The creation of the Sustainable Development Goals represents a major effort by the international community to bring the whole range of global goals and aspirations together in a single well-balanced agenda for action towards 2030. That effort now needs to be carried through into well-integrated national implementation strategies and policies. An understanding of interlinkages between different policy areas and targets will be crucial to achieving optimal coherence in the policy responses to the SDGs.

Some targets are more challenging for some countries – others for other countries. Each country therefore has to develop its own national strategy for SDG implementation and decide on the appropriate weight and attention to give to each of the targets.[8] Similarly, the linkages between different targets may have different features in different countries, and each country will need to analyse the significance of these linkages for themselves in developing their own strategies.

Nevertheless there are certain common features of the relationship between different targets in the global SDG set that can usefully be analysed at a general level. Such analysis can then help to pinpoint coherence issues that recur in many different contexts and which will need attention by strategists and policy-makers seeking to implement the SDGs in an integrated way in any part of the world.

In this pilot research project the authors *first* sought to develop a new taxonomy and system of classification for understanding the types and strengths of interlinkages between different SDG targets in general. *Secondly*, we tested the methodology by applying it to explore the links between the targets in one specific SDG (SDG 12 on Sustainable Consumption and Production [SCP]) and other targets within the SDGs. In a *third* body of work, focusing on the EU as an example, we identified EU law and policy relevant to the targets of SDG 12 (Ensure sustainable consumption and production patterns), and assessed the alignment of these policies with SDG 12.

A methodology for assessing interlinkages

First, a methodology was designed to identify and analyse different types of linkages between various SDG targets. Targets can enable, support, repeat or sometimes conflict with one another, and these different types of linkage are policy-relevant in different ways. Since there is – to our knowledge – no existing typology of interlinkages between goals and targets in print, we created a new classification of the types of interlinkages. This identifies eight types of interlinkages under three broad categories, as shown in Table 6.6.

This approach fulfils three key criteria for such a typology:

1. It *fits the complexity we encountered*, as it allows each interlinkage to be classified by its unique characteristics in any one, or all, of these types of interlinkages.
2. It *allows us flexibility* to deal with targets that specify multiple sets of objectives and processes
3. It *allows for expression of complex relationships* in more manageable and understandable classifications.

It is important to note that we do not claim these categorisations to be *mutually exclusive* we find target-to-target links to manifest multiple relationships.

As well as classification, we endeavoured to give a numerical value to each interlinkage and sum these to yield a total score, taking the sub-categories of each of the three relationships to represent an aspect of the strength of the connection. *Disenabling* was accorded a score of

Table 6.6. **Assessment methodology**
Classification of type and nature of SDGs interlinkages

Category	Category definition	Type	Type definition	Score
Supporting	Targets that support one another tend to do so by fulfilling objectives expressed by each target	**Commonly supporting**	Both targets contribute to the same objective	1
		Mutually supporting	Target A's objective is achieved by Target B's means of implementation and vice versa	2
Enabling	Targets that enable one another satisfy this relationship by having an impact on the achievement of another target	**Disenabling**	Implementing Target B may hinder or reverse the achievement of Target A (e.g. by competing with it for resources, or more fundamentally because the typical means of implementation of the first target actually worsen the underlying problem which the second target is addressing)	0
		Indirect enabling	Target B's implementation indirectly enables the achievement of Target A	1
		Direct enabling	Target B's implementation directly enables the achievement of Target A	2
		Direct enabling in both directions	Target B's implementation directly enables the achievement of Target A, and Target A's implementation directly enables Target B's achievement	3
Relying	Targets that rely on one another derive from a relationship of logical necessity which exists between the two targets	**Partial reliance**	Target B is a subcategory of Target A and adds some detail as to how Target A can be achieved	1
		Full reliance	Target B's implementation is necessary for, but not intrinsic to, Target A's achievement	2

zero – though in some cases this might even require a negative score, depending on how it is interpreted and implemented. *Commonly supporting, indirect enabling*, and *partial reliance* were all accorded one point, as these are notable, but not especially close relationships. *Mutually supporting, direct enabling* and *full reliance* were awarded two points, reflecting the closer and more significant connection posed by such linkages between targets. Importantly, these may hold more significance for those tasked with implementing such targets. *Direct enabling in both directions* carried three points in the weighting, signifying how inextricably linked targets are in this case, and the potential powerful implications for policy-makers.

This exercise of assigning a rating to each dimension, and aggregating them, yields a score we have termed *strength*. We offer this in the report as an initial "at a glance" assessment of the overall density of the interlinkages across all of these categories.

Applying the methodology to an analysis of SDG 12 – Ensuring sustainable consumption and production patterns: Key findings

In order to test the methodology we sought to apply it to analysing the linkages between the targets in SDG 12 – Sustainable Consumption and Production and all the strategies in other goals that are related to SCP. The eight types of interlinkages identified in Part I of the study formed the basis for the assessment and evaluation of the relevant SCP interlinkages (of which we identified 25 in our report). In identifying interlinkages for this pilot, we started with the connections which Bioregional had previously identified in their report on Sustainable Consumption and Production and the Post-2015 Sustainable Development Goals (Bioregional, 2014). In addition to this, the research team analysed the full list of targets to identify any missing interlinkages for inclusion in this analysis.

The methodology we developed identified markedly different types of linkage between targets, some of which are more significant than others. In some cases a target under one SDG virtually repeats one under another goal, or else provides a little more detail about the content of an objective. Such a weak linkage does not demonstrate any significant opportunity for better integrated policy making.

In other cases, however, the interlinkage is more significant – where for example one target is a driver or enabler for another one, or else a precondition for its achievement.

Where one target's success depends on another target (full reliance), or where the means and ends of the targets are interlinked (mutually supporting), policy-makers will have greater impact if they implement both at the same time. The analysis can thus help to identify opportunities for more joined-up policy-making.

In other cases, there may actually be tension or conflict between targets. Whilst it is important for targets to facilitate and complement one another, it is of equal importance for the inappropriate implementation of one target not to undermine the potential for achieving another. In the case of SCP, for example, there is potential for the pursuit of the economic growth objectives in the SDGs to prejudice the achievement of more sustainable consumption and production if executed inappropriately.

Lastly, our analysis identified some missing interlinkages in the SDGs and targets – where we would expect to find a link but that link is not present. There were a number of missing economic links identified, for example, which shows a missed opportunity for full integration of this aspect within the SDG agenda. Such gaps illustrate the point that although the SDGs are a vast and challenging agenda for the world they do not necessarily represent a total description or blueprint of what needs to be done to achieve SCP or overall long term sustainability for the world. Sustainable development policy-makers will need to avoid making SDG implementation target by target the be-all and end-all of their approach.

Our report's analysis of current EU action and policy initiatives on SCP illustrates this point. It indicates that while at EU level the Commission has action in hand on most of the specific SCP targets under SDG 12 there is still more to be done in Europe (as elsewhere) to tackle the full range of linked targets that would need to be advanced at both EU and Member State level to move Europe more decisively towards truly sustainable patterns of consumption and production.

Looking to further work one might envisage using the methodology to analyse a wider range of linkages between the 169 targets in the SDGs, and identifying "clusters" of targets interlinked in particular ways. It might also be useful to apply it in different country settings where the relative significance and level of transformation implied by the different targets and the strength of the linkages between them may differ.

It should be emphasised also that the methodology itself is an innovation that is still at an early stage of development. The authors have already themselves noted some elements in the proposed typology of linkages and in the scoring system which would repay further examination. They will welcome any comments and suggestions as to how the approach could be further refined and improved so as to make it more fit for the important purpose of improving policy integration and coherence throughout the SDG implementation process.

The iSDG model: An interactive policy simulator for the Sustainable Development Goals

By: The Millennium Institute, Washington, DC.

Designing coherent policies for the Sustainable Development Goals presents at once huge challenges and opportunities. The SDGs are interlinked in complex and often subtle ways. Actions to achieve progress in one SDG sector may cause underachievement or failure in another (Young et al. 2014; Pedercini et al. 2010). By the same token, a successful SDG initiative in one sector might create synergies for improvements in another. The SDGs can be thought of as a complex system of interwoven feedback loops, lengthy time lags between causes and effects, and nonlinearities that are often unrecognised. Such systems are known to present serious impediments to learning and policy design (Groesser and

Schaffernicht, 2008; Sterman, 1994). Within this difficult learning environment there is a need for tools to aid learning and policy design focused on SDG attainment.

Recognising this need, the Millennium Institute has developed the Integrated Sustainable Development Goal (iSDG) model. The iSDG model is an interactive simulation model designed for policy-makers and planners or others concerned with achieving the Sustainable Development Goals. The iSDG model is a national scale model of relatively course detail and does not replace finer resolution sector-focused models. The iSDG model is intended to help policy-makers and planners make sense of the complex and interlinked SDG system, and to help them design efficient pathways to their goals. The iSDG model can be calibrated for any country or region with data sourced locally or from international databases.

The iSDG model

The iSDG model builds on the Millennium Institute's Threshold 21 model, a fully integrated multi-sector national planning model that has been used in over 40 countries. The iSDG model is developed with System Dynamics methodology using the Vensim DSS software.[9] The user interface is developed in Sable software.[10]

As shown in Figure 6.12, the iSDG model contains 30 interlinked model sectors distributed within the three core dimensions of sustainability: society, economy, and environment. The model maps key feedback loops running between and within sectors as well as nonlinear relationships and time lags that generate the complex systemic behaviours characteristic of interactions between SDGs.

The iSDG model is intended as an interactive learning platform, giving policy-makers and planners opportunity to learn and build intuition through virtual experiments or "what-if" scenarios within the complex SDG system. It is expected that this mode of experiential learning will help policy makers identify trade-offs, synergies, and high leverage intervention points that will inform their policy decisions.

To promote model-based learning, a strong emphasis is placed on transparency and user-friendliness. Extensive documentation is available online including detailed descriptions of each model sector. Video and written support materials are provided online that explain how to set up and run the model. Example simulations are performed on video.

The model user interface is intuitive. The behaviour of the system is shown in both time series graphs and numerical tables. Causal diagrams are used to show linkages between the SDG system's behaviour and underlying structure. The model simulates almost instantly. This speeds the learning process and helps build user intuition.

Example simulation of the iSDG model

This section gives an overview of the iSDG user interface with an example of a simple policy simulation for a low-income eastern African country.

The model features a user dashboard with a table of icons for each of the 17 SDGs (Figure 6.13). A red horizontal bar (shown in black in Figure 6.13) under each icon represents the expected attainment of the SDG by year 2030 if current policies remain unchanged and if no unexpected external shocks occur – "business as usual" conditions. After a simulation is run, a blue horizontal bar (shown in grey in Figure 6.13) appears underneath the business-as-usual bar indicating SDG attainment under the simulated policy or policies. This provides users a quick view of the state of attainment across all 17 SDGs.

Figure 6.12. **Structural overview of the iSDG model showing the distribution of model sectors within economic, social, and environmental dimensions**

Clicking an icon opens a window in which interventions for a particular SDG can be entered. In this example SDG 2 – "End hunger, achieve food security and improved nutrition and promote sustainable agriculture" – is chosen.

When the simulation is run a causal map emanating from the policy intervention is automatically shown (Figure 6.14). Clicking on any of the variables in the diagram reveals the trajectory of the variable over the time horizon of the SDGs. This causal diagram shows the connection between model behaviour and structure, a critical element of model-based learning.

In the example simulation, investment in training causes a great increase in area under sustainable management, reaching 100% by year 2029 (Figure 6.15). The growth is driven in part by self-reinforcing word-of-mouth feedback.

The patterns shown below demonstrate some of the impacts of investing in sustainable agriculture within the "no hunger/agriculture" SDG and cutting across other SDGs. The

Figure 6.13. **User dashboard icons for the 17 SDGs**

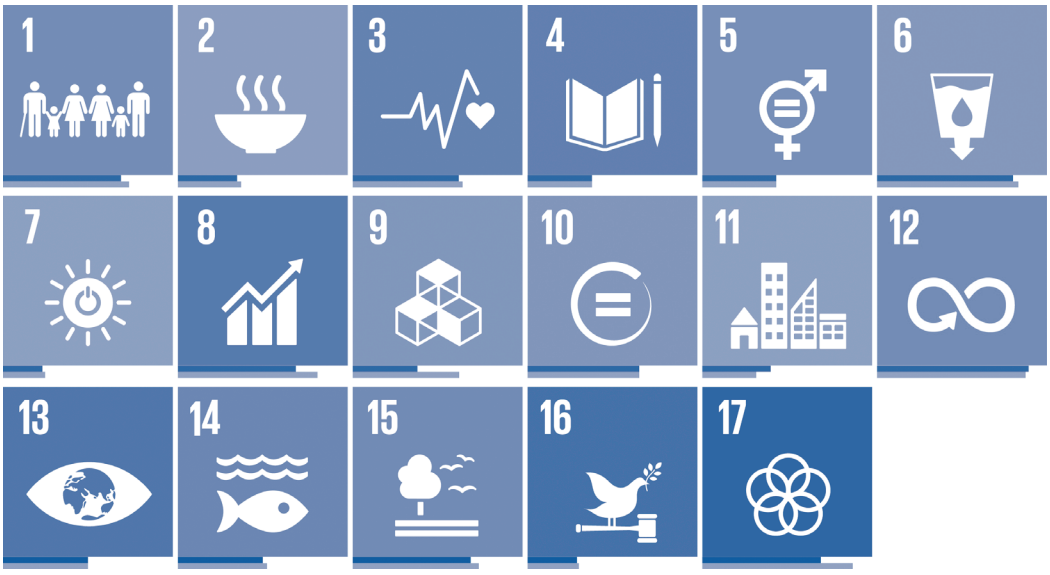
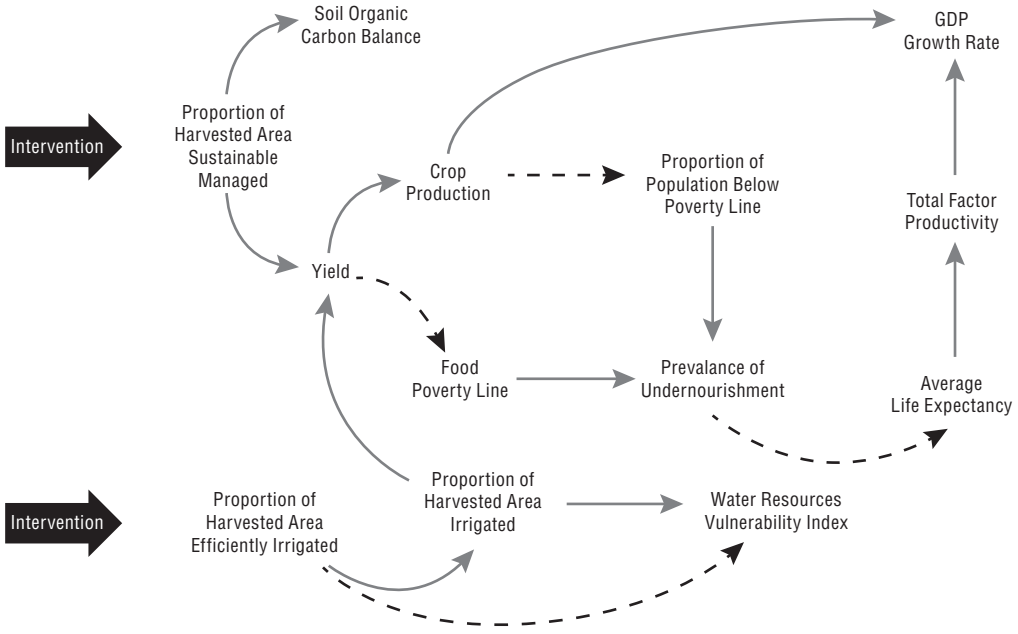


Figure 6.14. **Simplified causal map of "no hunger/sustainable agriculture" sector**

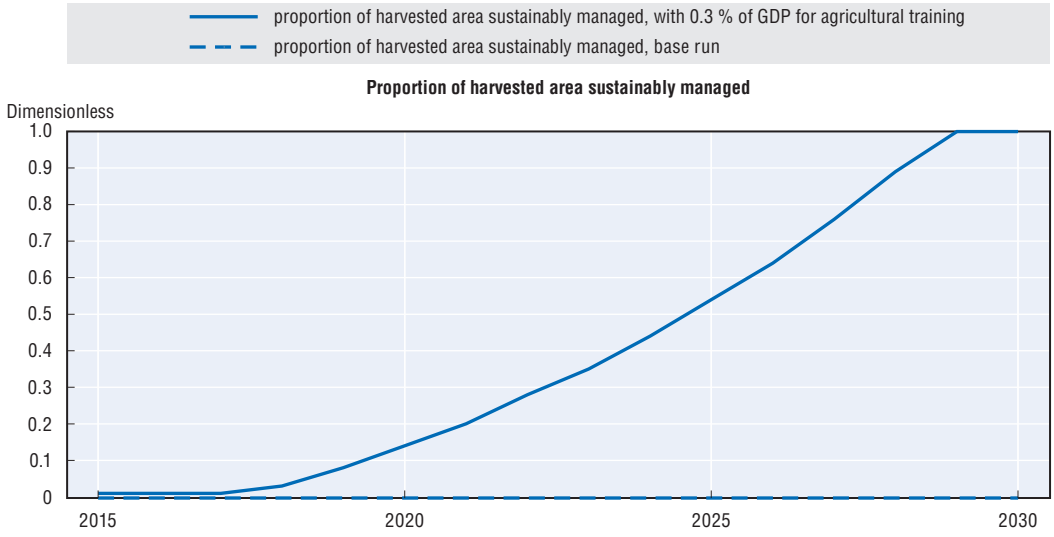


Note: Solid arrows (blue in the actual iSDG model) indicate positive causal linkages (changes in the variable at the arrow's base tend to cause changes in the same direction in variables at the arrow's point). Dashed arrows (red in the actual iSDG model) indicate negative causal linkages (changes in the variable at the base tend to cause changes in the opposite direction in the variable at the point).

patterns are best interpreted with reference to the causal map in Figure 6.16. Improved yields increase cereal production, rural incomes improve with crop production, decreasing the proportion of the population below the poverty line (SDG 1, "No poverty").

The example provided above focuses for simplicity on a single policy intervention. A key strength of the iSDG model is the support of simulation of a broad variety of policies

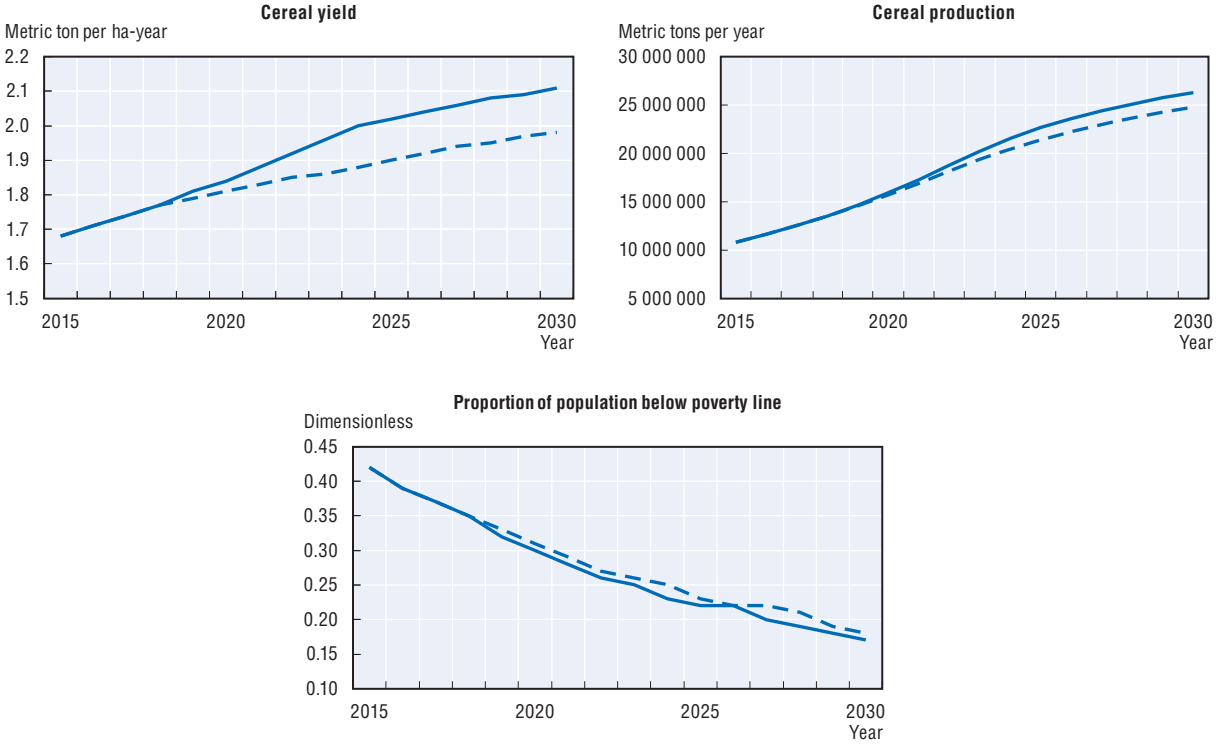
Figure 6.15. **Simulated trajectories of proportion of harvested area under sustainable management**



Note: The curve with diamond shaped markers is the policy response; the curve with square markers is business-as-usual.

Figure 6.16. **Simulated trajectories of: the impacts of investing in sustainable agriculture**

(a) Yields of cereals in metric tons per ha and year
(b) Crops production of cereals in metric tons per year
(c) Proportion of population below poverty line



Note: Curves with diamond shaped markers represent the case under the policy of 0.3% allocation of GDP for agricultural training. Curves with square markers are the base case (business as usual).

simultaneously and the assessment of positive and negative synergies. This feature is of primary importance in order to establish policy coherence across sectors for an effective use of resources towards achieving the SDGs.

Conclusion

Many aspects of the SDGs are interlinked with complex feedback loops making the impacts of policies difficult or impossible to intuit.

Because of its integrated and transparent structure, the iSDG model can reveal chains of impacts from policy interventions, helping policymakers identify trade-offs, synergies, and leverage points. The interactive nature of the iSDG model provides means to design and test evidence-based policies to improve efficiencies, reduce risks, and increase the likelihood of achieving the Sustainable Development Goals.

Visit *www.isdgs.org* for a demo version of the iSDG model and full supporting documentation.

Reporting on SDG target 17.14 – the case of the European Union

By: Wiske Jult, 11.11.11 – The Flemish Coalition of the North-South Movements, and Jussi Kanner, Kehys – the Finnish NGDO Platform to the EU

The report of the UN Secretary-General on Critical milestones towards coherent, efficient and inclusive follow-up and review at the global level emphasises that "the integrated and indivisible nature of the Goals should lead to a review system that promotes a cross-cutting understanding of the significant interlinkages across the Goals and targets". The report further proposes that Goal 17 should remain a recurring topic in the HLPF every year. These two points provide a promising platform for reporting on policy coherence for sustainable development (PCSD) in the 2030 Agenda framework.

More coherent policies for sustainable development is key for making the 2030 Agenda a success. Therefore monitoring and reporting on the SDG target 17.14 should not be limited to the global single indicator, which is defined as number of countries with mechanisms in place to enhance policy coherence of sustainable development. Rather, it should cover a much broader area and adopt various approaches. A good starting point would be the three institutional building blocks of policy coherence (OECD 2009): political commitment; co-ordination mechanisms; and monitoring systems, analysis and reporting. Any reporting that presents progress in enhancing PCSD needs to also look at the way these mechanisms are being used, but also asses how inclusive and transparent these mechanisms are. But above all it is one thing to have a mechanism in place, but more importantly it should lead to better and more coherent policy making. Measuring impact and effects is therefore key.

While reporting, the building blocks should be complemented by the new aspects that were introduced in the 2015 Better Policies for Development report (OECD 2015a), namely: policy interactions; contextual factors; and effects. The emphasis on the integrated and indivisible nature of the Goals and targets furthermore call for review of the effects at three levels: i) effects of a given countries' external policies on sustainable development in other countries, ii) effects of a given countries' internal policies on sustainable development in other countries, and iii) effects of a given countries' policies on sustainable development in that country itself. Given the massive scope of such an exercise we recommend to link the analysis to the annual theme of the HLPF, and identifying relevant cross-sectoral policy

interactions across SDG Goals and targets. This could be done for instance following the model presented in the 2015 Better Policies for Development report.

As for the European Union, there is a great opportunity coming up in 2017. Food security has been proposed by the Secretary-General as the annual theme of the HLPF. It has been one of the five PCD priorities of the EU since 2009, in addition to which there is already a wealth of analytical material compiled by OECD and others on how to apply a policy coherence lens to global food security. That is to say there is a clear opening for the EU to step up and show global leadership in promoting PCSD. This would also allow EU to sharpen its own analysis and reporting on PCSD and how it has been adopted in EU policy making. So far the biennial PCD reports have been used to showcase existing policies and how coherent they are, not really looking into the system itself.

We would like to see the EU – and any other countries reporting as well – present its PCSD mechanisms in various institutions and show how these mechanisms have been used and had impact. The sustainability impact assessments would be an interesting example to this point. The EU could also provide its analysis on the main policy issues regarding food security, and where the key policy interactions with other SDGs lie.

To conclude, reporting and monitoring of the implementation of Agenda 2030 should entail a broader scope than the existing indicator. It should cover mechanisms to enhance policy coherence for sustainable development, but also the utilisation and benefits of these mechanisms. We would like to encourage the EU to take the opportunity to voluntarily report to the HLPF in 2017.

Notes

1. For a more in-depth analysis of the three topics, see previous editions of Better Policies for Development: 2013 edition for food security; 2014 edition for illicit financial flows; and 2015 edition for green growth.
2. *https://unite.un.org/analytics/desa/modellingtools*.
3. MAMS stands for Maquette for MDG Simulations general equilibrium model developed by the World Bank.
4. The original model was developed by the Royal Institute of Technology (KTH) in Sweden and the UN Division for Sustainable Development.
5. Another initiative, not in the Modelling Tools… website, is presented in UN DESA Working Paper No. 141 by David Le Blanc. He illustrates the SDGs a network of targets, creating a "map of the SDGs". Around each SDG, a number of targets are linked only to that goal, giving rise to flower-like structures around the goals. Other targets are linked with more than their own goal and provide the structure of the network.
6. This is obtained by applying the UN national population growth rate to the population living in each geo-spatial unit in 2012.
7. This text presents a summary of a recent research report funded by Finland and undertaken jointly by authors from Stakeholder Forum, Bioregional and Newcastle University, Seeing the Whole: Implementing the SDGs in an integrated and coherent way, available at *www.stakeholderforum.org*.
8. See for example the recent report by Stakeholder Forum which analysed the nature of the transformational challenge that the SDGs represent to the developed countries, and how this differs from the challenge they represent to the developing countries, Universal Nature of the SDGs: Challenges for Developed Countries, available at *www.stakeholderforum.org*.
9. Vensim is a product of Ventana Systems Inc., USA.
10. Sable is a product of Ventana Systems UK Ltd., United Kingdom.

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Chapter 7

Implementing the 2030 Agenda nationally

The 2030 Agenda presents national governments with both opportunities and challenges. This chapter provides an overview of 18 countries' initial efforts to "nationalise" the agenda and adapt it to their own country context and priorities.[1] *It is based on responses to the following six questions:*

1. *In what way is your country aligning its national strategies to the 2030 Agenda and setting national targets?*
2. *What steps are being taken to integrate the SDGs into national policy frameworks, break out of policy silos and apply integrated and coherent policy approaches?*
3. *How is your country updating institutional settings and strengthening co-ordination mechanisms for improved coherence and effective SDG implementation?*
4. *Is your country applying an intergenerational timeframe when designing policies for the implementation of the SDGs?*
5. *How are current monitoring mechanisms being aligned with the new agenda in order to track progress in SDG implementation?*
6. *Are efforts being made to involve multiple stakeholders, e.g. CSOs, NGOs, and the private sector in these processes?*

Austria

Aligning national strategies to the 2030 Agenda

By decision of the Austrian Council of Ministers of 12 January 2016, the Austrian Government has requested all Ministries to integrate the SDGs into their relevant programs and strategies and, in case the need arises, to develop new action plans and measures for coherent implementation of the 2030 Agenda.

Integrating the SDGs into national policy frameworks

As a first step, Ministries have been requested to perform a gap-analysis of existing policies and strategies in order to identify possible needs for further action.

The SDGs have already been fully incorporated into some new policies and programs, such as the Three-Year Programme guiding the Austrian development co-operation from 2016-18.

Updating institutional settings and strengthening co-ordination mechanisms

Austria has launched SDG implementation with a Decision of the Austrian Council of Ministers of 12 January 2016, based upon a national stocktaking exercise. In line with the universal, integrated and interrelated nature of the 2030 Agenda, the Decision of the Council of Ministers emphasises a mainstreaming approach: setting the focus on aligning regular national policy frameworks on sectoral levels with the SDGs (like an SDG lens).

A working group chaired by the Federal Chancellery and the Ministry of Foreign affairs has been established – with particular involvement of the Federal Ministry of Labour, Social Affairs and Consumer Protection, the Federal Ministry of Agriculture, Forestry, Environment and Water Management and the Federal Ministry of Science, Research and Economy as well as all the other Ministries which are affected by the implementation of the 2030 Agenda – to provide guidance on the drafting of national monitoring reports according to the reporting requirements and to initiate a priority setting process for the respective reporting period.

The inaugural meeting of the working group was held at a senior official level on 16 February 2016.

Applying an intergenerational time frame to policy design

Intergenerational time frames are, where applicable, being integrated into new national policies and strategies. In 2016, the Austrian Court of Auditors will focus its work on the overarching issue of "sustainable development and intergenerational justice".

Monitoring SDG implementation

The Austrian Parliament and the Austrian Government have the overall oversight over tracking progress in the SDG implementation.

Specialised Agencies, such as the Auditor General and Statistik Austria – the national statistics office – contribute within their mandate to this task.

Involving multiple stakeholders

All relevant stakeholders, government entities as well as NGOs, the private sector, and academia, have been fully integrated into the process leading to the inter-governmental negotiations as well as to the endorsement of the Agenda 2030 by Heads of State/Heads of Government.

Numerous national policy frameworks (e.g. the national poverty reduction goal defined within the EU-2020 framework) rely on well-established multi-stakeholder advisory groups (e.g. Austrian Platform for the implementation of the EU 2020 poverty reduction goal). These existing multi-stakeholder groups will be utilised in mainstreaming the SDGs in their respective national policy framework.

Denmark

Aligning national strategies to the 2030 Agenda

The Danish government is determined to follow up on the 2030 Agenda and has decided to formulate an action plan for Denmark's follow-up. The action plan will focus on both the national and international dimensions of the agenda. At the same time the 2030 Agenda action plan will be reflected in new strategy for Denmark's development co-operation and humanitarian action, which is expected to be launched in the second part of 2016. Multiple stakeholders, including civil society organisations, non-governmental organisations, the private sector and academia, are involved in the preparation of the strategy. The action plan and the new strategy for Denmark's development co-operation and humanitarian action will provide a solid foundation for facilitating PCD and an integrated approach to the integration of the 2030 Agenda.

Denmark's action plan will both highlight the Danish positions of strength such as sustainable growth and employment, a strong welfare society and development assistance, as well as identify areas, where additional efforts are needed. Additionally, the Danish PCD Action Plan, "A Shared Agenda – Denmark's Action Plan for Policy Coherence for Development", which was launched in June 2014, will complement the follow-up on the 2030 Agenda. The objectives of the PCD Action Plan are to foster positive synergies between other policy areas and development policy, as well as to address possible negative effects of other policy areas on developing countries and sustainable development. The PCD Action Plan is primarily focused on the formulation of the development policies of the European Union, and Denmark will therefore work towards an ambitious implementation of the 2030 Agenda at the EU level.

Integrating the SDGs into national policy frameworks

An inter-ministerial group consisting of all the Danish ministries and under the auspices of the Ministry of Foreign Affairs has formulated the Danish position in the preparation of the 2030 Agenda and will continue to function as the core national co-ordination mechanism. This set-up enables an integrated and coherent approach for effective SDG implementation, including a balanced approach to the integration of the three dimensions of sustainable development – economic, social and environmental. The national bureau of statistics, Statistics Denmark, which has been actively involved in the formulation of indicators for the SDGs, is also involved in developing the monitoring mechanisms that will allow Denmark to track progress in the SDG implementation.

Estonia

Aligning national strategies to the 2030 Agenda

The Estonian Sustainable Development Commission will launch a comparative analysis of the Estonian Sustainable Development Strategy "Sustainable Estonia 21", which will show to what extent the Estonian strategy is in compliance with Agenda 2030.

The Government Office will initiate a gap-analysis of Estonian Government policies in the light of Agenda 2030. This will give an overview of how many sustainable development goals and targets are covered by the governments' policy measures. An Inter-ministerial Working Group of Sustainable Development is going to be involved in the process.

During 2016, a review of Estonian Sustainable Development indicators will match our national indicators to the SDG indicators. This will involve the Working Group of Sustainable Development, the National Sustainable Development Commission and the Statistics Office of Estonia.

Estonia is among the first countries to present a voluntary national review at the UN 2016 High Level Political Forum about implementing Agenda 2030. Preparations for drafting the report are currently underway.

Updating institutional settings and strengthening co-ordination mechanisms

Implementation and monitoring of sustainable development issues is co-ordinated by the Government Office Strategy Unit, which also co-ordinates the Estonian competitiveness strategy Estonia2020 and drafts and monitors the Government Action Plan. This helps to maintain the coherence between these horizontal strategies (*https://riigikantselei.ee/en/sustainable-development*).

Monitoring SDG implementation

Estonia plans to use the already functioning national co-ordination system for sustainable development issues (Sustainable Development Commission, Inter-Ministerial Working Group on Sustainable Development) also for co-ordinating the implementation of Agenda 2030.

Involving multiple stakeholders

In 1996, the Estonian Sustainable Development Commission was formed. It was chaired by prime minister.

In 2009 the Commission was reformed and now it consists of non-governmental umbrella organisations, which cover different fields of sustainable development (for example education, environmental protection, culture, children, health, academy, private companies, agriculture, etc).

Finland

Aligning national strategies to the 2030 Agenda

For Finland, the universal and transformative Agenda 2030 and its Sustainable Development Goals and targets mean the need for a careful review of our development co-operation policy and practices, but as importantly, also domestic policies and measures in various sectors. Finland needs to work on goals and targets of, for example, biological diversity, citizens' wellbeing and equality, sustainable consumption and production, efficient

energy use, renewable energy, and climate change mitigation and adaptation policies. On the other hand, eradicating poverty, ensuring global food security and promoting peaceful and inclusive societies are goals which Finland implements best by intensifying its development and foreign policies.

According to the Government Programme on 2015, a National Agenda 2030 Implementation Plan will be drawn up by the end of 2016. This Plan will outline (among other things) how Finland in various policy sectors and in international co-operation will carry out the principles, goals and targets of the Agenda 2030, and how the progress of the implementation will be monitored and reviewed. It identifies Finland's strengths as well as major gaps and challenges and offers solutions and tools to improve the efficiency.

To guide the preparation of the National Agenda 2030 Implementation Plan, an external gap-analysis will be conducted to look into Finland's readiness to implement the (global) Agenda 2030. The objective of the report is to draw a baseline for Finland's implementation measures and, in particular, to point out those goals and targets where Finland needs most to catch up.

The most important policy instrument to outline Finland's development co-operation is the Government Report to Parliament on development policy that was adopted in February 2016.

Integrating the SDGs into national policy frameworks

The key measures to put the Agenda 2030 into practice are the integrated policies and measures taken in various Government sectors as part of the implementation of national and EU legislation, national sectoral or thematic strategies and action plans, as well as international agreements and commitments. To ensure the integrated approach (on the implementation), it was decided that from 1st January 2016, the Prime Minister's Office is in charge of the national implementation.

The Prime Minister's Office conducted a survey in February-March 2016, encompassing all Government Ministries in order to explore the existing and missing policy instruments for implementation in Finland. The Ministries were asked to identify which goals and targets they are covering and by which policies and measures. The measures can vary from national and EU legislation to sectoral or thematic strategies and action plans, as well as implementation of the international agreements and commitments. The survey compiles all relevant policies and measures, indicates the state of play and budgetary status, and analyses areas of insufficient action or potential for cross-sectoral co-operation.

Updating institutional settings and strengthening co-ordination mechanisms

Finland gets ready for the implementation of Agenda 2030 in a comprehensive and inclusive manner. The Prime Minister's Office (PMO) is in charge of the co-ordination of the national implementation. The PMO acts as the Coordination Secretariat and will include representatives from the PMO, Ministry for Foreign Affairs and the National Commission on Sustainable Development. The Secretariat, establishing an operational hub, works closely together with the Co-ordination Network, comprising all Government Ministries.

Applying an intergenerational time frame to policy design

Finland's main tool to adapt the global goals and targets into national and local objectives and action is called *Society's Commitment to Sustainable Development "The Finland*

We Want 2050", adopted in December 2013. It is Finland's long-term inter-generational strategic sustainable development framework with a vision, principles and objectives in a transition to sustainable development. Compared to conventional national sustainability strategies, the Society's Commitment also contains an implementation mechanism. The strategic part of the Society's Commitment will be updated by May 2016 to meet the spirit and ambition of the Agenda 2030. Its time-frame is up to year 2050.

Monitoring SDG implementation

Finland is committed to providing a systematic, open, transparent, inclusive and participatory follow-up and review for implementing the Sustainable Development Goals and targets at all levels. Monitoring the progress and reviewing the achievements on a regular basis is essential for ensuring accountability to citizens and the global community.

The state and trends of sustainable development in Finland are monitored and reviewed by 39 national sustainable development indicators. They were identified in 2014 to measure progress of the eight strategic objectives of the Society's Commitment. These indicators will be revised and updated to support the follow-up of Agenda 2030, thereby complementing the global sustainable development indicators. Indicator work will be part of the national monitoring and reviewing scheme of implementing Agenda 2030.

The Prime Minister-led multi-stakeholder National Commission on Sustainable Development will be one of the key bodies to oversee the national implementation process and assess the progress made. National, global and possibly regional indicators and assessment schemes will be key tools for the National Commission in this follow-up. Results of the assessments will be discussed and published widely. In addition, the Finnish Development Policy Committee follows the implementation of Agenda 2030 in Finland from the development policy point of view.

Involving multiple stakeholders

Finland has a long tradition of involving civil society in promoting sustainable development. There are two major multi-stakeholder committees in Finland to support and promote sustainable development policies:

The Development Policy Committee is a parliamentary body whose mission is to follow the implementation of the (global) sustainable development goals in Finland from the development policy perspective and to monitor the implementation of the Government Programme and the Government's development policy guidelines.

The National Commission on Sustainable Development is a Prime Minister-led partnership forum that has operated in Finland for 23 years without interruption, with the aim to integrate sustainable development into Finnish policies, measures and everyday practices.

Both committees encompass a membership with a large variety of non-governmental stakeholders, private sector actors, interest groups and civil society organisations. In addition, a Sustainable Development Expert Panel, comprising eminent professors from different disciplines, challenges and boosts the work of the National Commission on Sustainable Development and adds a critical voice in the sustainability debate, when needed.

The secretariat of the Development Policy Committee is located in the Ministry for Foreign Affairs. Co-ordination of the National Commission on Sustainable Development was relocated from the Ministry of the Environment to the Prime Minister's Office in

January 2016, yet the Secretary General of the Commission continues to operate from the Environment Ministry. In order to improve policy coherence between these two committees, their collaboration will be intensified, for example through joint meetings, workshops and discussion papers.

One important voluntary means of implementation in Finland is "*The Finland We Want 2050*" commitment. This is Finland's strategic framework for sustainable development but functions also as one of the key multi-stakeholder implementation tools for Agenda 2030. By the end of 2015, over 200 organisations from companies to ministries, schools, municipalities and CSOs, as well as individual citizens have already joined the Society's Commitment by launching their own operational commitments and thereby contributing their part to the achievement of sustainable development (in Finland).

Germany

Aligning national strategies to the 2030 Agenda

Germany has a National Sustainable Development Strategy in place since 2002, guided by the principles of international responsibility, intergenerational equity, quality of life and social cohesion. This is accompanied by a "sustainability architecture" and mechanisms for its monitoring and regular revisions. In line with our cabinet's decision, this strategy provides the essential framework for the national implementation of the 2030 Agenda. Consequently, the Federal Chancellery is leading a process to revise this strategy in order to adapt it to the transformative 2030 Agenda by the end of 2016. All ministries, parliament, federal states and local level, civil society, private sector and academia are involved in this process. The new strategy will be structured along the 17 SDGs. Though the globally agreed targets and indicators serve as orientation for the national set of targets and indicators, the latter will be modified to match the German context. The revised strategy will also consider the global and planetary impacts of domestic actions and contribute to resolving global and transformative challenges.

Integrating the SDGs into national policy frameworks

As sustainable development is a guiding principle of all policies of the German government, the responsibility for the National Sustainable Development Strategy does not lie with one of the ministries, but with the Federal Chancellery. The National Sustainable Development Strategy further formulates goals and measures for key policy fields. Its revision serves to adjust, strengthen and add sustainability relevant policies of all ministries. In addition and due to the nature of the German federal system, two thirds of the German federal states, the Bundesländer, have their own sustainable development strategies in place or are in the process of developing them. Based on these and the broad and intensive local-agenda-21-process as follow-up to the Rio-Summit of 1992, local communities are conceptualising ways to implement the strategies in their local contexts and to renew, strengthen and intensify their local sustainability policies.

With regards to international co-operation, the German Government is taking the 2030 Agenda as guideline and supports its implementation within its various bilateral co-operations. This includes supporting partner countries in their efforts to adapt national policies to the implementation of the agenda, to strengthen their resource base through the Addis Tax Initiative, and to contribute to international monitoring and review. In this context, the German Government is committed to the broad range of Means of

Implementation defined by the AAAA, including mobilisation of domestic and private resources as well as the provision of ODA to complement national efforts, especially in the poorest and most vulnerable countries.

Updating institutional settings and strengthening co-ordination mechanisms

Within the framework of our National Sustainable Development Strategy, we have already set up the architecture with various institutions, mechanisms and instruments for its steering, monitoring and regular revisions. The central steering body is the State Secretaries' Committee on Sustainable Development, chaired by the Head of the Federal Chancellery, which oversees the updating and monitoring of the Sustainable Development Strategy. The Parliamentary Advisory Council on Sustainable Development, composed of 17 Members of the Parliament, provides parliamentary advice, and evaluates the sustainability impact assessment of the Federal Government. The sustainability impact assessment of laws and decrees is a prerequisite for their consideration by the cabinet. The benchmarks for the impact assessment are the targets, indicators and so called management rules of the Sustainable Development Strategy.

In order to benefit from external expertise, the German government also put in place the German Council for Sustainable Development in 2001. The Sustainable Development Council advises the Federal Government on all matters relating to sustainable development. Around fifteen individuals from businesses, trade unions, churches, the media, and consumer and environmental associations meet regularly to discuss various aspects of sustainability. They are appointed for three years by the German Chancellor. The Council works independently and tables proposals on how the Strategy should move forward. The government's high-level commitment to the principle of sustainability politically fosters all efforts undertaken to contribute to the Strategy's goals and ensures an efficient cross-sectoral co-ordination of the whole government's sustainability activities.

In 2009 and 2012, the German Federal Government invited an international Peer Group to review progress on sustainable development in Germany, and to make recommendations for strengthening transformation to a more sustainable society and economy.

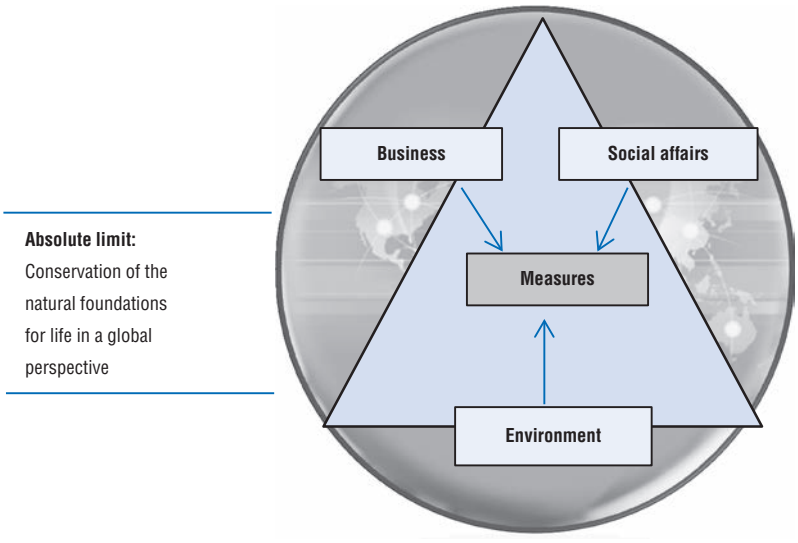
For the German Federal Government, sustainability requires a holistic and integrated approach. It is only when interdependencies are detected, disclosed and taken into account that long-term, stable solutions to existing problems and conflicting objectives can be identified.

Economic performance, environmental protection and social responsibility should be combined in a way that enables sustainable decisions based on all three aspects to be considered in a global context. The absolute limit is reached when the Earth's capacity to sustain life is involved. It is within this framework that the realisation of the various political goals should be optimised.

Applying an intergenerational time frame to policy design

Intergenerational time frames are applied in Germany's main social, economic and environmental policy planning in order to achieve greater positive impacts for future generations. Examples are the "Energiewende" and the introduction of the minimum wage. With regard to SDG implementation Germany will also design intergenerational policy solutions given that the revised German Sustainable Development Strategy will be aligned to the fifteen-year time frame of the 2030 Agenda. In the context of its climate policy,

Figure 7.1. **Sustainability goal triangle**



Germany already committed itself to a long-term objective: At the 41st G7 summit at "Schloss Elmau" 2015 – under the German presidency – the G7 agreed "[…] that deep cuts in global greenhouse gas emissions are required with a decarbonisation of the global economy over the course of this century".

Monitoring SDG implementation

The Federal Government reports to the public once every four years on the progress made in the implementation of the National Sustainable Development Strategy. The Strategy includes a Management Concept whose rules, targets and indicators are currently also being revised to meet the principles of the 2030 Agenda. A set of sustainability indicators measures and discloses progress in sustainable development which makes the strategy transparent, tangible and assessable. The Federal Statistical Office publishes an independent report on the status of the sustainability indicators once every two years. In addition, departmental reports are presented to the State Secretaries' Committee on Sustainable Development. They indicate the ministries' approaches to sustainable development issues.

Involving multiple stakeholders

The German Federal Government has carried out regular consultations with a broad range of stakeholders since before the Rio+20 Conference. In particular, the German Federal Government organised five Dialogue conferences between October 2015 and February 2016 aiming at including civil society stakeholders, academia, the business sector and other experts in the revising process of the National Sustainable Development Strategy. The various stakeholders discussed necessary actions and means for a successful ambitious national implementation of the 2030 Agenda, including the challenge and potential of a closer and more effective multi-stakeholder-co-operation envisaged in the 2030 Agenda. Furthermore, the first draft of the revised National Sustainable Development Strategy will be open to public consultations. A regular Dialogue Forum on the 2030 Agenda will continue to be held during the implementation phase of the 2030 Agenda.

Greece

Aligning national strategies to the 2030 Agenda

Overview of the Action Plan a) – f):

a) Hellenic Aid is currently in the process of identifying the government body which will have the responsibility of co-ordinating our country's participation in the global process of implementation of the SDGs, and the overall policy co-ordination that will be necessary to achieve this implementation. A starting point might be to map and review existing strategies or plans to identify the most appropriate instruments for national implementation of the SDGs. This will be the basis for taking stock of where the country, sector, region or city stands with regard to achieving the global goals and targets, identifying gaps and proposing areas for change within the national context and set national targets that are achievable.

b) The co-ordination process will be guided by the following concrete targets:

- The "alignment" of national policies and priorities with the SDGs.
- The identification of possible institutional adaptations necessary for the successful implementation of the SDGs and the establishment and promotion of co-operation mechanisms among stakeholders at home and abroad to this end.
- Coherent approach across sections (cross-departmental coherence, synergies and interlinkages).
- The adoption of a mechanism for effectively monitoring and evaluating progress towards achieving the SDGs and for providing feedback for the fine tuning of policies and practices.

c) Once established, the governmental co-ordinating body will, in the first instance, convene a broad meeting of representatives from different institutional stakeholders (including all relevant ministries, the Hellenic Statistical Authority (ELSTAT), local government, leading players from the private sector and civil society, academia etc.), with the aim of drafting a "National Strategy" for achieving the SDGs.

d) Stakeholders will also contribute to the drafting of relevant "Sector Specific Programmes of Actions" for achieving the SDGs in the country and abroad, in their areas of competence. Parameters that shall be factored into the drafting of both National Strategy and "Sector Specific Programmes of Actions" include:

- Existing policies, objectives, priorities and commitments of our country.
- The means of achieving sustainable development strategy in accordance with the current policy priorities and existing conditions.
- The need for policy coherence between the different stakeholders.
- The impact on state budget.
- The UN indicators.

e) The above factors will be of primary importance in the formulation and establishment of national and sector specific strategies, given that the SDGs are universally applicable to all countries, but in the framework of different national circumstances, capacities and levels of development.

f) A Special Group of Experts will be established, staffed by leading experts from all relevant ministries, ELSTAT, academics and institutional stakeholders. It will be tasked with compiling the final version of the National Strategy (overall design, implementation

modalities, monitoring and evaluation tools) in line with the drafting process referred to above. The same group will be tasked with reviewing of the "Sector Specific Programmes of Action" to ensure coherence and harmonisation with the established "National Strategy", with the aim of achieving the SDGs in Greece and abroad by 2030.

g) Implementation of the National Strategy and the "Sector Specific Programmes of Action", by Ministries and other relevant agencies/bodies, will be performed within a framework of perpetual monitoring and evaluation by the Special Group of Experts, who will provide feedback for the fine tuning and adaptation of implementation strategies.

h) Regular progress reviews (tracking progress and reporting) will be conducted by the national co-ordinating institution (para.1), in co-operation with the Hellenic Statistical Authority (which will record statistical data towards achieving SDGs in accordance with UN indicators), with the support of the Special Group of Experts.

Integrating the SDGs into national policy frameworks

The Greek Government has not finalised its approach yet. It is still at the process of drafting its strategy, which will be done in close collaboration and consultation with all stakeholders.

ELSTAT, as a member of European Statistical System (ESS) and of UNECE, has contributed with feedback to several rounds of comments on the measurability of Targets and Indicators.

- The implementation of the SDGs is a country-led process.
- The indicator selection to measure progress in achieving the SDGs should be done by the authorities and the entities responsible for policy planning and implementation in collaboration with the statistical authorities. The follow up and monitoring of progress of implementing the SDGs through selected indicators can be pursued by independent entities – such as the statistical offices. In this regard competent ministries will feed ELSTAT with data, via their certified statistical correspondents.

Updating institutional settings and strengthening co-ordination mechanisms

The inter-ministerial committee will be responsible for strengthening coordination mechanisms for improved coherence and effective SDG coordination.

Furthermore, due to financial constraints, we will try to work with the existing budget by redistributing funds. The SDGs are considered as an opportunity. However, additional demand on data and indicators in a situation of limited resources could critically affect NSIs production and modernisation processes.

The existence of a legal basis on EU-level would empower the national statistical systems to obtain the additional resources and funding required to cope with expanded responsibilities. Moreover, according to the Commitment on Confidence (CoC) in statistics (signed by the Hellenic Government, Government Gazette 40/29.2.2012), the Hellenic Government has made the commitment to secure adequate and stable resources necessary to maintain and further improve the quality and coverage of Greek statistics.

Monitoring SDG implementation

National ownership in the reviewing process by MS as well as the involvement of National Statistical Systems are of key importance for the follow up of SDGs since information should be aggregated at sub-regional, regional and global levels.

The ongoing work conducted by Eurostat (ESS Big Data Action Plan and Roadmap), the UNECE (High-level Group for the Modernisation of Statistical Production and Services) and the Global Working Group on Big Data for Official Statistics is generally supported. The World Forum on Sustainable Development Data could also play an active role to bridge the gap between official statistics and data scientists.

Good governance, technical guidance and quality are necessary to ensure comparability of the data at different levels.

Furthermore, there must be a common reporting template, defined by the international statistical community, referring to the quality and comparability of SDGs indicators. Special attention should be given to the quality aspects of administrative data.

Reporting will need to be revisited after the overall review mechanism at global level has been designed and the discussion of how to set the Agenda of the HLPF has been concluded. For instance, we will need to prepare differently if every year all SDGs are being reviewed and differently if each year a cluster of only 4-5 SDGs are reviewed so that all 17 SDGs are reviewed in a 4 year period between two HLPFs at UNGA level.

Involving multiple stakeholders

Close collaboration with civil society, the private sector and local governments is envisaged through regular meetings and platforms for exchange of experiences and ideas. The Ministry of Foreign Affairs is facilitating a process to engage ministries in a multi-stakeholder dialogue with non-state representatives of the private sector and businesses, in order to take in to account their priorities when prioritising targets and designing required actions to implement them.

Italy

Aligning national strategies to the 2030 Agenda

Regarding national strategies for the domestic application of the 2030 Agenda and the setting of national targets, Italy will work on the basis of its National Strategy for Sustainable Development, resulting from the Johannesburg Summit, expanding beyond the environmental pillar to other key pillars of sustainable development. This process may also include the creation of new governance structures for its implementation and to assure policy coherence.

The Italian Government has already promoted reforms and other provisions (that have been adopted by the Italian Parliament), among others in the areas of poverty, employment and education, development co-operation that are very much consistent with the SDGs and is preparing a National Green Act that will thoroughly revisit our internal environmental regulation. Moreover, Italy has recently passed an act to review the already cited National Sustainable Development Strategy that will be a building block in the coming years for the implementation process at the national level.

At the same time, we are also gathering ideas and collecting information about what is being considered by other countries. Initial inter-ministerial and multi-stakeholder discussions have inevitably focused on what kind of governance structures may be needed for the Strategy's updating, for its implementation and to assure policy coherence at all levels of decision-making. A necessary and preliminary element of this reflection is what decisions will be taken at the EU-level for the internal application of the Agenda.

As for the external application of the 2030 Agenda (development co-operation with partner countries), Italy has already begun to update its Triennial Policy Document for Development Co-operation (2016-19). Special focus will be dedicated on ways to incorporate both the integrated vision and the innovative sectors of the 2030 Agenda. We expect that the new Document will be adopted by the middle of this year.

Integrating the SDGs into national policy frameworks

From the point of view of the "external dimension", the 2014 Development Co-operation Reform Law, establishes that the Triennial Policy Document for Development Co-operation (2016-19) is the result of a broad participatory process, led by the Ministry of Foreign Affairs and International Co-operation, that includes: the Inter-ministerial Committee for Development Co-operation (CICS – Comitato Interministeriale per la Co-operazione allo Sviluppo), the National Council for Development Co-operation (CNCS – Consiglio Nazionale per la Co-operazione allo Sviluppo), a multi-stakeholder/multi-level public-private forum that includes a strong presence of civil society, NGOs, private sector and local government; Parliamentary and Regional review; and a final approval of the Triennial Policy Document by the Council of Ministers. As such, it is the main policy document for all levels of government and public-private organizations that receive public funds for development co-operation. At the same time, an annual Report to the Parliament on Development Co-operation, regarding activities of the previous year, is attached to said policy document and follows a similar process of vetting and approval.

Regarding the "domestic dimension", as previously mentioned, the mechanisms and processes are still being considered. Among other important possibilities, the Chamber of Deputies of the Italian Parliament has established a 2030 Agenda Committee that will soon promote a survey on its implementation. The reformed Senate could have an effective role in evaluating the impact of legislation in the light of the Agenda.

Updating institutional settings and strengthening co-ordination mechanisms

In terms of development co-operation, Italy's 2014 Development Co-operation Law has set up a strong governance structure of the sector that includes the Inter-ministerial Committee for Development Co-operation (CICS – *Comitato Interministeriale per la Co-operazione allo Sviluppo*), the multi-stakeholder National Council for Development Co-operation (CNCS – *Consiglio nazionale per la Co-operazione allo Sviluppo*), Parliamentary oversight, local government involvement, and Council of Ministers approval processes. Moreover, a specific working group of the CNCS has been constituted on the topic of "2030 Agenda implementation, aid effectiveness, coherence and evaluation".

This new governance structure will no doubt be closely considered also in relation to the institutional settings for the "internal dimension" of the 2030 Agenda, which are being evaluated at the moment. The final objective is to assure co-ordination and coherence between both institutional dimensions (internal/external).

Applying an intergenerational time frame to policy design

On the external application, the issue has been taken into consideration throughout the process of elaborating the Triennial Policy Document for Development Co-operation (2016-19), which fully integrates the SDGs in its framework as well as all the key pillars of sustainable development. No specific policy recommendations have yet emerged on how to best treat this aspect in policy-design, but it remains an important element in policy-thinking.

Monitoring SDG implementation

Italy has been an active participant in the work of the UN Statistical Commission on SDG indicators. Italy also agrees with the recommendations made by the Independent Expert Advisory Group on the Data Revolution for Sustainable Development, appointed by the UN Secretary General, and has joined the Partnership for Sustainable Data. In the context of the European Union, Italy has followed the work on Results Based Management (RBM) and Frameworks (RBF). Nationally, the Italian Institute for Statistics (ISTAT) is already developing innovating approaches such as the elaboration of a "well-being indicator" and will remain a key institution in the monitoring process. On the development side, Italy has developed a systematic collaboration with both Academia and ISTAT, also in terms of strengthening mechanisms in partner countries for tracking impact and progress of development assistance programs.

The UNECE region already has a high degree of homogeneity and collaboration in the statistical and other sectors that are relevant for the follow-up and review of the Agenda 2030. UNECE might be of further help in the creation of standard guidelines and templates for national reports and elaboration of regional thematic reports, among other themes that have been in discussion following the publication of the Report of the UN Secretary-General on critical milestones towards coherent, efficient and inclusive follow-up and review of Agenda 2030.

Involving multiple stakeholders

CSOs, NGOs and the private sector are involved though the National Council for Development Co-operation (CNCS – *Consiglio nazionale per la Co-operazione allo Sviluppo*) from the point of view of the external application of the Agenda 2030. The CNCS has also the prerogative to establish specific working groups. So far, four specific groups have been created: i) Agenda 2030, aid effectiveness, coherence and evaluation; ii) Strategies of development co-operation; iii) Role of the private sector; and iv) Migration and development. From this initial experience, similar arrangements might be also considered for the internal application of the Agenda. There is no doubt that the 2030 Agenda will need to be adapted to national circumstances and level of development. Ideally, the Agenda deserves a further level of adaptation to guarantee local ownership. This can be achieved by mobilizing local authorities and other stakeholders at the local level.

Furthermore, around 80 Civil Society organizations, foundations and other non-governmental institutions have recently established a "National Alliance for Sustainable Development", the goal of which is to spread knowledge about the SDGs, raise awareness at the citizen level – especially among youth and students – and stimulate Public Institutions' action for the 2030 Agenda implementation.

Prestigious academic and research Institutions have lately formally launched the Italian hub of the Sustainable Development Solutions Network with the aim of suggesting to the government and the private sector technological solutions that will help to reach the SDGs.

Ireland

1. Overall planning

Ireland is actively considering the most appropriate institutional arrangements for implementation, monitoring and review of the 2030 Agenda at national, regional and global levels.

Given that effective implementation of the 2030 Agenda at national level will require a broad and integrated domestic policy response across the economic, social and environmental pillars of sustainable development, the national implementation framework will have to provide for the coordinated involvement of many different parts of government as well as outreach to a broad group of stakeholders.

Box 7.1. **National Responses: the example of Education**

The Department of Education and Science recently presented its strategy regarding "Education for Sustainable Development in Ireland" to a range of stakeholders across government and civil society whose key principles include a number of commitments relevant to the SDGs not least of which are the i) promotion of active democratic citizenship and inclusion as a means of empowering the individual and the community and ii) recognition that sustainability requires interdependence and interconnectedness across other sectors. The Irish Global coalition for Education has committed to develop a strategy and create an alliance around SDG 4 that would focus on advocacy for education in development aid policy, education for sustainable development and global citizenship, and lifelong learning and inclusive education.

The Central Statistics Office (CSO) will perform a key role as part of the implementation framework and will support the development of national objectives and indicators that best align with the 2030 Agenda.

2. Integration

Ireland set up an interdepartmental coordination mechanism to ensure coherent and comprehensive Irish positions in the negotiation process for the 2030 Agenda which involved a thorough consideration of national policies within the context of the new SDGs. In many respects, existing policies and strategies in Ireland already integrate many of the goals envisioned in the SDG's e.g., our current national sustainable development plan, and our international development policy. Where this is not the case, it is envisaged that our national implementation framework will facilitate the necessary integrated approach to implementation, as well as further progress on alignment of the goals and targets with relevant national policies as required.

3. Governance

As part of its consideration of the most appropriate institutional framework for implementation of the Agenda, Ireland is examining the adequacy of the existing governance mechanisms based on the principles mentioned above.

The government framework for sustainable development in Ireland, Our Sustainable Future, is one example of where government departments and others come together through participation in a steering committee to work towards a national response to sustainable development and a sustainable future for Ireland's citizens and our partner countries.

4. Intergenerational timeframe

This will be considered as part of the national implementation framework. Clearly given that today's youth will be the generation that will experience the impact of the success or

failure of the SDGs, consideration is being given to ensuring that SDG implementation will be inclusive and responsive to the needs of the youth.

5. *Monitoring*

Effective implementation of the 2030 Agenda at national level will require a broad and integrated domestic policy response across the economic, social and environmental pillars of sustainable development, as well as outreach. At the global level, Ireland's implementation of the SDGs also requires ensuring that Ireland in its programming and policies, supports the delivery of the SDGs in developing countries. Keeping Ireland's policy position under review at Government level will require close coordination across all Departments and a suitable mechanism is being actively considered to achieve this.

6. *Stakeholder involvement*

Policy making with strong stakeholder involvement, which is already well integrated into our national policy making, will also play an important role in implementation of Agenda 2030. As mentioned above Ireland is considering a national implementation framework that will facilitate outreach to a broad group of stakeholders.

An example of local stakeholder involvement is the Climate Finance working group under which the Dept. of Finance, Dept. of Public Expenditure, Dept. of Foreign Affairs and Trade, and Dept. of the Environment are working together to establish a plan for the scale-up of future climate finance flows as required under the Paris Agreement. Work includes research into potential contributions from the private sector and innovative sources to support developing countries.

Japan

Aligning national strategies to the 2030 Agenda

The Government of Japan is now making the necessary arrangements to develop a national implementation system to lead full and effective implementation of the 2030 Agenda, including inter-ministerial co-ordination mechanisms to ensure integrated and coherent policy approaches.

National implementation plans, targets, policies and monitoring mechanisms will be discussed under the implementation system after its establishment.

In parallel, relevant ministries are now mapping out their policies and initiatives relating to the SDGs in order to analyze existing gaps on SDG implementation and to integrate the SDGs into their policy frameworks.

Involving multiple stakeholders

The Government of Japan has been putting much importance on the involvement of relevant stakeholders even before the intergovernmental negotiations on the 2030 Agenda started. For instance, the Ministry of Foreign Affairs has carried out regular consultations with NGOs and international organisations more than 10 times since March 2012 in addition to informal consultations on various occasions.

This principle applies to the ongoing co-ordination process to develop a national implementation system. Regular consultations will be continued throughout the process and the new system will be developed so as to include regular dialogue mechanisms with multiple stakeholders, including NGOs, CSOs, the private sector and academia.

Each ministry has also been involving a broad range of stakeholders to develop its own initiatives to achieve the SDGs. In this regard, the Ministry of the Environment hosted a national-level stakeholders' meeting in March 2016, bringing together civil society, the private sector and academia to share lessons and advanced cases across the country.

Parliamentarians are also keen on the steady implementation of the 2030 Agenda. A non-partisan study group was established in March 2016 to provide necessary advice and support to the government.

Latvia

Aligning national strategies to the 2030 Agenda

Latvia has a well-coordinated planning system. Its Sustainable Development Strategy until 2030 (Latvia 2030), with indicators, targets and measures underpins the highest level medium-term planning document, the Latvian National Development Plan 2014-20 (NDP2020). The NDP2020 has three levels of indicators and their targets – on a macro level, on a priority level and in twelve areas. The National Development Plan is supported by numerous policy framework documents and plans that elaborate on how the indicators are to be achieved. In addition, line ministries have their respective policy framework documents that cover areas not defined by the NDP2020. A subsequent medium-term national development plan will be created for the time period starting from 2021.

Any changes to the existing NDP as well as new targets, actions and measures for the next NDP will be introduced through mid-term reviews of the currently effective policy frameworks and plans. In Latvia, mid-term reviews include feedback from various stakeholders, involving the expertise of line ministries. It is during the mid-term reviews that new indicators and targets can be discussed, new actions considered and respective costs assessed. For the NDP2020 the mid-term review will take place in 2017.

A preliminary comparison of the 2030 Agenda sub-goals to targets and performance indicators in current Latvian policy documents reveals that Latvia already has many domestic level indicators with targets that match the 2030 Agenda goals and targets.

For the sake of analysis, the SDG targets are divided into three main groups: 1) those that could apply to Latvia's positions on global issues; 2) those that could apply to Latvian development co-operation; 3) those that could apply domestically; 4) those that do not apply to Latvia and will not be tracked in Latvia. The MFA will have a decision making prerogative in the cases of 1) and 2).

Regarding 3) Latvia (the Central Statistical Bureau) is currently doing a full mapping of the 169 sub-goals that "could apply domestically" and their respective indicators to identify whether these or similar indicators are already included in Latvia's planning documents. Ministries will afterwards be informed of these indicators and will further decide whether to consider them in their mid-term reviews of planning documents.

The remaining indicators will be examined based on several criteria: 1) what national issue/problem they resolve; 2) whether there are obstacles for development unless the specific targets are set at the national level; 3) whether there are stakeholders that perceive the specific issue as a priority.

Results will be included in the 2017 mid-term review of Latvia's National Development Plan 2014-2020 in the form of options for the next development plan, and, if additional fiscal space can be allocated to the current NDP, some activities could still take place in the current period.

In regard to 2) "could apply to Latvian development co-operation", Latvia will continue to put particular emphasis on fostering the implementation of Sustainable Development Goals:

Goal 5 "Achieve gender equality and empower all women and girls";

Goal 8 "Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all";

Goal 16 "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels".

In line with the Addis Ababa Action Agenda, Latvian development co-operation puts an even higher focus on partner country capacity building and technical co-operation, stressing Multi stakeholder and triangular co-operation.

Integrating the SDGs into national policy frameworks

The development of new planning tools or processes at the regional and local level has not been envisaged in the near future, since the existing ones are comprehensive, extensive and sufficient.

The Cross-Sectoral Coordination Centre has developed a national logframe, which assesses the 169 targets against the national policy planning documents. First, the SDGs are divided in the three main groups (see answers to question 1). Second, the responsible institution and, if applicable, institutions with shared responsibility are identified. The goals solely applicable to development co-operation (bilateral or multilateral) are mapped. Similarly, the goals applicable to state owned enterprises are mapped as well. Thirdly, the SDG indicators for each of the targets are mapped against the Latvia2030 and NDP2020 performance indicators. Fourthly, the responsible institution gives opinion regarding the need to include the non-existent or partially covered SDG indicators in NDP2020 or the next NDP. Lastly, possible discussion issues are noted.

As regards development co-operation policy, Latvia is in the final stages of developing its new mid-term policy planning document entitled "The Development Co-operation Policy Guidelines for the time period of 2016-2020". Contribution to the implementation of the 2030 Agenda, including the Addis Ababa Action Agenda, in the developing countries is recognized as the overarching goal in the document.

According to the Development Planning System Law, sustainable development strategies and development programs are also developed at regional and local levels. Development planning documents are elaborated taking into account the sustainable development principle. The development planning documents in Latvia's planning regions and local governments are cross-sectoral and cover the planning functions and issues which are relevant for the development of the respective territory. Accordingly, actions intended at the regional and local levels contribute to the implementation of national sustainable development goals. The Ministry of Environmental Protection and Regional Development provides planning regions and local municipalities with the methodology of devising respective sustainable development strategies and development programs.

Updating institutional settings and strengthening co-ordination mechanisms

The Cross Sectoral Coordination Centre is responsible for long-term and medium-term planning in the country. The Ministry of Foreign Affairs is responsible for development

co-operation priorities, and Latvia's positions on global issues are determined by the relevant ministries.

Latvia is not planning to develop new mechanisms to support the implementation of the Sustainable Development Goals. Instead, for example in development co-operation, there are plans to strengthen and/or expand the existing ones, and establish new working groups where necessary.

The Ministry of Foreign Affairs implements and reviews the policy in close co-operation with the Consultative Council in Development Co-operation (established by the Minister of Foreign Affairs in 2005). The regular meetings of the Council constitute the main coordination mechanism for the implementation of the 2030 Agenda. The Council includes expert representatives from all line ministries, as well as The Latvian Platform for Development Co-operation (LAPAS), the Latvian Association of Local and Regional Governments, the Latvian Chamber of Commerce and Industry, the Latvian Confederation of Employers, the Latvian Rectors' Council, the European Affairs Committee of the Latvian Parliament, the State Chancellery, and the Latvian School of Public Administration.

Applying an intergenerational time frame to policy design

The Latvian Sustainable Development Strategy until 2030 (Latvia 2030) underpins the highest level medium-term planning document, the Latvian National Development Plan 2014-2020 (NDP2020). The National Development Plan is supported by numerous policy framework documents and plans that elaborate on how the indicators are to be achieved. In addition, line ministries have their respective policy framework documents that cover areas not defined by the NDP2020.

In order to ensure real, sustainable development gains, the NDP2020 structures its SDG human development priorities to strengthen human resilience (securitability).[2] This approach takes into account both objective indicators and subjective perceptions, because both effect action. The NDP2020 sets the agenda to ensure the ability of people to be and feel secure and return to a sense of security (while doing no harm to others) and have agency, so people may develop themselves and promote sustainable development in an ever changing world.

Monitoring SDG implementation

Currently the Central Statistical Bureau is mapping the SDG indicators – which of the existing ones do not apply to Latvia, are similar indicators or already available. These data, both on existing and new indicators, will play a major role in monitoring the progress under the SDGs, and a strong co-ordination role of the Central Statistical Bureau will be essential. Demand for data must go hand in hand with the development of the statistical capacity.

Further new data requests will be evaluated in the frame of preparation of the Official Statistics Programme, where appropriate, in accordance with procedures as set out in the Statistics Law. While planning the Official Statistics Programme, new data needs will be assessed against the available resources and the need for additional financing will be indicated where necessary.

Both the localized SDG targets and the assessment thereof will be integrated into the medium term planning system. Every other year, the Prime Minister reports on progress toward the medium-term national development plan and the sustainable development

strategy. The report includes indicators and an assessment (from -2 to +2) of achieving the targets. The body of the report includes policy assessments derived from academic studies, surveys, expert commentaries, media etc., line ministry assessment and other relevant information, as well as recommendations.

Involving multiple stakeholders

Latvia's policy-making process is inclusive, and co-operation is ongoing at many different levels. When ministries begin work on policy documents, they usually inform the public via their web-sites; they also have working groups and standing committees on issues dealing with development. All policy documents are published on the Cabinet of Minister's website before being accepted and are open to comments from interested stakeholders in an inclusive negotiation process. A monthly meeting takes place between the Prime Minister and the interested NGOs. Latvia's plans of mainstreaming the SDGs in the planning process were presented and discussed at these meetings. The Cross- Sectoral Coordination Centre and line ministries respond to requests from NGOs, the UNESCO Latvian National Committee and other non-state actors about future plans. NGOs will be providing information on their roles in implementing the NDP2020, which already includes many targets in line with the SDGs. Data and analysis is shared by the academic sector. The Employers' Confederation and the Confederation of Trade Unions participate regularly in policy discussions, and they are also members, together with representatives of the academia, in the National Development Council.

No formal partnerships will be signed, since this would rather exclude stakeholders than guarantee inclusivity.

With regard to development co-operation mechanisms, Latvia will strengthen the existing ones to broaden their scope, if necessary.

The Netherlands

Aligning national strategies to the 2030 Agenda

The 2030 Agenda calls on countries to implement the agreements nationally, where necessary, through policy initiatives, consulting with stakeholders and producing progress reports. The Netherlands is expected to achieve many of the SDGs. Current Dutch and European policies will be analysed to see to what extent they are up to the task and where the goals present challenges for Dutch policy. An exploratory study by the Netherlands Environmental Assessment Agency (PBL) shows that many of the Netherlands' existing policy goals to improve the living environment are sufficiently ambitious. The PBL advises the government to adjust or supplement policy on a number of components (nationally or at European level) so as to achieve the goals by 2030. Examples include sustainability education, raising awareness of climate mitigation and adaptation, and early warning on climate change.

The starting point in implementing the SDGs nationally is that it is a government-wide responsibility. The seventeen goals can only be achieved if they are addressed together in an integrated strategy. Ministries are responsible for implementing the goals that lie within their own policy areas. The Netherlands is in favour of a pragmatic approach towards implementation of the 2030 agenda. To avoid increasing the administrative burden, efforts to achieve the goals will tie in as far as possible with existing consultation fora, policy processes and reporting procedures.

The Minister for Foreign Trade and Development Co-operation has appointed a high level national co-ordinator for SDG implementation, to co-ordinate the efforts of the different social partners to implement the agenda. The co-ordinator is at the Ministry of Foreign Affairs and has been asked to present an action plan in June 2016 and to advise on a permanent base for national co-ordination. The various ministries are therefore taking the next steps in the policy areas for which they are responsible, such as designating focal points and elaborating existing and proposed policies to meet the 169 targets. In essence, the national co-ordinator will:

- oversee and drive the actions of the government and all relevant stakeholders in society on implementation and monitoring;
- give advice on a permanent structure for co-ordination of the national implementation by summer 2016; and
- analyse current policies and initiatives of ministries relevant for national implementation, and opportunities and ambitions for extra efforts in the future by executing a mapping exercise.

Each line ministry has a focal point that is in contact with the co-ordinator for national implementation.

The Minister for Foreign Trade and Development Co-operation will outline the Netherlands' efforts on national implementation and monitoring to parliament in spring 2016. The focus of the Netherlands' international implementation of the SDGs was communicated to parliament on 28 September 2015.[3]

Besides its efforts at national level, the Netherlands is also contributing to worldwide implementation of the 2030 Agenda through its policy on foreign trade and development co-operation, as presented in the policy document "A World to Gain". This will be supplemented by implementing the Plan of Action for Inclusive Development and Growth, which introduces twenty measures to promote work for women and young people and a political dialogue to increase efforts to benefit the poorest and most vulnerable groups in developing countries. The government will report to parliament on the progress of the Plan of Action in the autumn of 2016. In addition, the Netherlands will aim to increase attention for deprived groups in current programmes. The stricter agenda for policy coherence for development also strengthens the conditions for achieving the SDGs worldwide. In this context, the Netherlands is focusing on seven policy areas: trade and investment, reducing the costs of remittances, food security, access to medicines, tax evasion, making value chains sustainable, and climate change. The government will report on progress in these areas in summer 2016.

Applying an intergenerational time frame to policy design

The Netherlands is currently in the process of executing a mapping exercise.

Monitoring SDG implementation

An analysis of the impact of the SDGs on Dutch environmental policies was requested by the ministries of Foreign Affairs, Economical Affairs and Infrastructure & Environment. It was carried out by the Netherlands Environmental Assessment Agency (PBL) and published in January 2016. In this report, a number of possible monitoring mechanisms has been analysed, including the long-standing Monitor Duurzaam Nederland ("Sustainability Monitor of the Netherlands").[4] As the monitor includes all three pillars of sustainable

development, the Netherlands has initiated steps to integrate the 230 global indicators into this existing tool. An analysis of the extent in which the monitor covers all the SDGs is currently undertaken.

A consultation with all relevant stakeholders on the national SDG report will take place, and the extent to which implementation of the climate agreements reached in Paris and the 2030 Agenda can be jointly achieved will also be explored. The Netherlands is not seeking to set up new institutions and agree on new competences, but to strengthen networks that promote co-operation between governments, businesses, civil society organisations, philanthropists and knowledge institutions in implementing the agenda. One important measure is to set up an overarching internet platform, where all stakeholders can upload initiatives aimed at achieving the goals.

Furthermore, the National Statistical Bureau of the Netherlands (CBS) was very much involved in the process of formulating the SDG indicators, as a member of the Inter-Agency and Expert Group on SDGs. In that capacity the Netherlands will continue to contribute to the international work on refining the indicators, implementing the measurement framework and ensuring quality data in the upcoming year, as agreed in last March in the annual meeting of the statistical commission in New York. The Netherlands is currently exploring the different options of strengthening statistical capacities and is a member of the board of Paris21 (Partnership in Statistics for Development in the 21st Century).

Involving multiple stakeholders

In the Netherlands, many businesses, civil society organisations, philanthropists, knowledge institutions and government authorities are willing to help implement the SDGs using their knowledge and through innovation and investment:

- At the UN Sustainable Development Summit last September, the Dutch prime minister called for businesses to play a major role in implementing the SDGs. Paul Polman, CEO of Unilever, was closely involved in developing the 2030 Agenda. A number of major Dutch companies (e.g. DSM, Unilever, Heineken, Akzo, KLMand Philips) and banks (ABN, Rabobank, ING and ASN) have signed an international Business Manifesto.
- A number of social initiatives have been instigated. The Netherlands is proud to already have in place a broad coalition of over 75 different stakeholders referred to as the "Global Goals Charter NL", from companies to banks to civil society organizations, which have signed a charter and will contribute to the implementation of the SDGs and to achieving the goals in areas like water, food, health and sustainable cities.[5] Besides companies, the partners include many civil society groups with a good international reputation in a wide range of areas. Central, provincial and municipal governments and the water authorities are exploring how they can best contribute to implementing the new Agenda.
- Dutch knowledge institutions have an important role to play. As a member of the UN Statistical Commission, Statistics Netherlands (CBS) is helping to develop indicators to monitor progress on achieving the new goals. The Commission will publish its advice in a report in March 2016. The Netherlands Organisation for Scientific Research (NWO) will initiate a research programme focusing on the SDGs, and several universities are involved in implementing the new agenda as well.
- Moreover, Partos, the Foundation Max van der Stoel (FMS) and Woord en Daad initiated The Dutch Project "*Ready for Change? Global Goals at home and abroad*", co-financed by the European Commission. In co-operation with a large number of Civil Society Organisations,

knowledge institutions, environmental organisations and (social) entrepreneurs, they advocated during the Dutch EU presidency for a coherent and ambitious implementation of the SDGs in the Netherlands and in the EU. The implementation of the SDGs requires a common approach of governments, research institutions, the private sector and CSOs.

Poland

Aligning national strategies to the 2030 Agenda

As far as national implementation of SDGs is concerned, the Polish Government is currently reflecting on how best to adapt global goals to national frameworks and how the co-ordination structure of SDGs implementation should be established to ensure the efficiency of this process at national level.

The bottom-up approach from a local implementation to a global level will be extremely important. The global SDGs should be translated into local language and change into practical activities.

In the context of international development co-operation Poland will use existing structures, mechanisms and tools to implement SDGs. The main tool for the external implementation of the 2030 Agenda by Poland will be the new *Multiannual Development Co-operation Programme* for the period 2016-20. It was adopted last October and was designed to take the SDGs into account. This document will shape Polish development and humanitarian aid for the next 5 years. The goals of Polish development co-operation are in line with the SDGs. The annual development co-operation plans will aim to implement the SDGs through Polish aid programmes as well.

Our international development co-operation will focus primarily on good governance, democracy and human rights, human capital, entrepreneurship and the private sector, sustainable agriculture and rural development, environmental protection, all of which are covered by the new 2030 Agenda.

The introduction of SDG 16 is one of the major changes in comparison with MDGs. The issues of good governance, security and human rights are presented not only as goals themselves but also as means to implement other SDGs, for they create conditions for sustainable development. Therefore, Poland will put special emphasis on the implementation of SDG 16.

The goals and priorities for Polish development co-operation have been chosen on the basis of partner countries' development priorities, in line with their national development strategies and in consultation with the representatives of respective countries. The Multiannual Programme as well as annual plans were also consulted with Polish diplomatic missions in partner countries and subject to the Development Co-operation Policy Council discussion.

Integrating the SDGs into national policy frameworks

Poland is now considering several options of SDGs implementation but some steps concerning coherent policy approaches have been taken already. The principle of PCSD and a political commitment on PCSD were incorporated into the new Multiannual Development Co-operation Programme 2016-2020, which was adopted by the Council of Ministers on 6 October 2015. The document describes the crucial elements considered to be key to PCSD implementation such as: ensuring consistency with the global SDGs; support SDGs implementation during international negotiations, introducing sustainable development

criteria/elements into public policies and change national policies with a view to fostering global development.

Moreover according to the Multiannual Programme, the relevant government administration bodies (ministries) are responsible for PCSD co-ordination within their competences and for ensuring that the sectoral policies being implemented are consistent with the SDG's and contribute to global development.

There is also a commitment in the Multiannual Development Cooperation Programme 2016-20 regarding an impact assessment of domestic policies on the developing countries: "*national policies' impact on the potential of social – economic development in the priority countries of Poland's development co-operation is evaluated in the framework of impact assessment and public consultations of the government legislative process*". A chapter concerning Policy Coherence for Sustainable Development and its implementation in Poland is also a part of the Annual Development Co-operation Plan for 2016

Updating institutional settings and strengthening co-ordination mechanisms

As far as coherence is concerned, to the Development Act from the year 2011 states that "the minister responsible for foreign affairs shall coordinate development co-operation by, inter alia, providing opinions on government programmes and strategies with regard to their cohesion vis-a-vis development co-operation…".

The minister of foreign affairs co-ordinates development co-operation by proxy of the National Coordination for International Development Co-operation who is appointed from among the group of Secretaries or Under-Secretaries of State in the Ministry of Foreign Affairs.

The National Coordinator for International Development Co-operation is the Chair of the Development Co-operation Policy Council – a consultative and advisory body attached to the Minister for Foreign Affairs. The Council's main responsibility is to define development co-operation priorities but it also reviews draft government documents relating to development co-operation. In 2015, the Development Co-operation Policy Council was also established – a forum where PCSD issues, including suggestions on new priority areas and topics, will be discussed. The Development Co-operation Policy Council is composed of representatives of different ministries, parliamentarians, NGOs, employers' organisations and academia, thereby offering the possibility of wide consultations.

Poland's National Focal Point for PCD is placed at the Department of Development Co-operation in the Ministry of Foreign Affairs. An intra-governmental network of PCD focal points was established in September 2012, composed of experts representing different line ministries: finance, agriculture, internal affairs, defence, environment, development, labour and social affairs.

As mentioned above, according to the political commitment made in the Multiannual Development Co-operation Programme 2016-20, the relevant government administration bodies are responsible for PCD co-ordination within their competences and for ensuring that the sectoral policies being implemented are consistent with the SDGs, and contribute to global development. PCD contact points at the ministries are responsible for in-house co-ordination of PCD.

The Multiannual Co-operation Programme 2016-2020 identified a PCSD-priority area: fighting illicit financial flows in such thematic areas as combating tax avoidance and money laundering. Being a principal agency in this field, the Ministry of Finance will draft annual action plans for the PCSD priority area, following consultations with the ministries

and central administration bodies whose competences overlap with the priority area, and in co-operation with the Ministry of Foreign Affairs. The creation of a priority area for PCSD in Poland should strengthen the implementation of SDG target 16.4 and the related SDGs.

The annual action plans for the PCSD priority area for the year 2016 were a subject of consultation in the Development Co-operation Policy Council in November 2015 and were approved for implementation in 2016.

Formally, the annual action plans elaborated in the framework of a priority area for PCSD in Poland should include indicators which then should be taken into account by reporting on the implementation of the action plans.

Following the political commitment made in Multiannual Development Co-operation Programme 2016-2020 a report on the performance of annual action plans for the priority area will be presented at a Development Co-operation Policy Council meeting. Every new priority area for PCSD, if it will be established, should be implemented in the similar way.

PCSD is also promoted through Poland's co-ordination system for to EU issues. Governmental instructions prepared before EU Council meetings have to be approved by the *Committee for European Issues* (composed of deputy ministers from different ministries). This allows the co-ordination of positions and ensures more coherence in Poland's position towards EU legislative proposals.

In March 2015, the Ministry of Foreign Affairs introduced in the document "*Guidelines for Regulatory Impact Assessment*" a new question concerning an impact of a regulation on social and economic development of Poland's priority countries (defined in the Multiannual Programme of Development Co-operation). This document was adopted by the Council of Ministers in May 2015. It creates the basis for evaluation of national policies' impact on the potential of socio-economic development in the priority countries of Poland's development co-operation conducted in the framework of impact assessment and public consultation of the government legislative process. The Ministry of Development and the Chancellery of The Prime Minister are responsible for co-ordination of this process.

Applying an intergenerational time frame to policy design

In the context of international development co-operation, the current time frame for the implementation of the SDGs is defined by the Multiannual Development Co-operation Program for the period 2016-20.

Monitoring SDG implementation

Similarly to the SDGs, Polish priority areas of development co-operation will be complemented by specific targets, enabling measurement of the effectiveness of the activities carried out within the framework of Polish aid.

Involving multiple stakeholders

The implementation of SDGs in development co-operation will involve civil society organisations (both Polish and from partner countries), academia, local authorities and business, as defined by the Multiannual Development Co-operation Program for the period 2016-20 and the Act on Development Co-operation.

NGO's and private sector representatives are member of the Development Co-operation Policy Council managed by the Ministry of Foreign Affairs (Development Co-operation Department), which defines development co-operation priorities taking into account the SDGs.

Portugal

Aligning national strategies to the 2030 Agenda

The Ministry of Foreign Affairs, in articulation with the Ministry of Planning and Infrastructures, will assume the overall co-ordination of the implementation of the 2030 Agenda, taking into account the need for close articulation between its internal and external dimension.

In the framework of the Inter-ministerial Committee for Foreign Policy (CIPE), the Ministry of Foreign Affairs – led by the Secretary of State for Foreign Affairs and Co-operation – has put in place a structured dialogue process in order to set up an institutional framework for the implementation of the SDG.

This process will lead to the allocation of roles and responsibilities and the creation of consultation and reporting mechanisms, with the ultimate goal of ensuring the implementation of the SDGs in a consistent and integrated manner.

Discussions on the institutional model of implementation, monitoring and review of the 2030 Agenda will be followed by the establishment, in each ministry, of a framework for implementation and monitoring of its responsibilities regarding the implementation of the SDGs, and also the appointment of focal points for all issues related to the implementation of the 2030 Agenda.

There is a multiplicity of strategies in different sectors, which can be important baselines for the implementation of the SDG's, for instance: Europa 2020; Portugal 2020; National Strategy for the Sea 2013-20; Climate Policy Strategic Framework (comprising a National Program on Climate Change 2020-30 and a National Strategy for Adaptation to Climate Change); the Portuguese Green Growth Commitment[6]; the National Program on Combating Desertification; the Strategy on Biodiversity 2020; the National Strategy on Security and Development; the Strategic Concept for Portuguese Co-operation for 2014-20, and others.

Integrating the SDGs into national policy frameworks

Portugal expects to create an institutional framework that brings together the necessary political and operational tools to promote the implementation of the 2030 Agenda in a consistent and integrated manner, both at internal and external levels.

With this in mind, *existing institutional structures* will be mobilised, to assume the following roles and responsibilities:

- *The Inter-ministerial Committee for Foreign Policy (CIPE)*, chaired by the Secretary of State for Foreign Affairs and Co-operation, will be the main forum for inter-ministerial co-ordination of both the internal implementation of the SDG's by line ministries, and the reporting that will feed the follow-up and monitoring processes at national, regional and global levels.
- *The Inter-ministerial Commission for Co-operation (CIC)*. Under the leadership of Camões IP, the CIC will lead, co-ordinate and monitor the integration of the SDGs in development co-operation, putting into practice the external dimension of the implementation of the 2030 Agenda. Camões IP also participates in the Inter-ministerial Committee for Foreign Policy and is the national focal point for PCD. Furthermore, the CIC was mandated, in 2014, to address Policy Coherence for Development.

The 2030 Agenda and this institutional setting therefore provide an important opportunity to further advance on policy coherence for development. Camões IP will work with the focal points of the different Ministries on a national PCD work plan based on the SDGs.

Currently, Portugal is using OECD analysis to establish a conceptual framework and tools supporting focal points of the different ministries in promoting and disseminating PCD in their own ministries, which can be extremely important.

Applying an intergenerational time frame to policy design

The implementation process and respective time frame is still being defined.

Monitoring SDG implementation

This is still being defined. Some of the national strategies mentioned in question 1 already have monitoring mechanisms that may have to be adapted, but a final decision can only be taken at a later stage.

Permanent co-ordination with the National Statistics Institute will be maintained in terms of monitoring and review processes. National Statistics Institute (INE) will be given due prominence in the provision and processing of data to evaluate the level of achievement of the SDGs according to the indicators that will be defined.

Involving multiple stakeholders

A public consultation, led by civil society, is already taking place and will continue during the whole first semester of 2016, aiming at the definition of a cross-sectoral national plan of action for civil society's participation in the implementation of the 2030 agenda.

Also, the *Global Compact Portuguese Network* is currently working on the operationalisation of an "Alliance for SDGs", gathering the business sector, and other relevant stakeholders, either from the private and civil society level, but also from the government side as well. The aim is to foster institutional collaboration and sharing of information and good practices among engaged actors.

Moreover, the Inter-ministerial Committee for Foreign Policy will also provide an institutional setting under which multiple stakeholders will be brought on board and given the opportunity to engage with ministerial representatives on the implementation of the 2030 Agenda, thus strengthening consistency across sectors.

Slovak Republic

The Slovak Republic was actively contributing to the drafting of the SDGs and is now responsibly preparing for their implementation. It is aware of the importance of having an efficient institutional mechanism to co-ordinate preparation and integration of the goals into the national policy framework. Therefore, the Government of the Slovak Republic adopted on 2 March 2016 the Governmental Resolution on Implementation of Agenda 2030 for Sustainable Development. It stipulates that the responsibility for SDGs implementation is divided between the Government Office of the Slovak Republic at the national level in order to assure cross-ministerial coherence, monitoring and control, and the Ministry of Foreign and European Affairs of the Slovak Republic at the international level.

The Office of the Government is in charge of drafting the overarching strategy at the national level. It builds on the previously adopted and implemented Action Plan for Sustainable Development (2005-10) as a result of the National Strategy for Sustainable Development of the Slovak Republic. The national strategy currently under preparation will be aligned with and reflect the Agenda 2030, as well as priorities of other important documents, namely EU 2020 Strategy. It is proposed that monitoring and reporting mechanisms

supporting the SDGs implementation using SDGs indicators and possible complementary national indicators will be run by the Statistical Office of the Slovak Republic.

Spain

Preparing the PCD National Report

Policy coherence for development is part of the strategy of the Spanish Co-operation as it is specified in the Master Plan of the Spanish Co-operation 2013-16 and in the International Co-operation Law (1998).

The OECD states that coherence implies the "the systematic promotion of mutually reinforcing policy actions across government departments and agencies creating synergies towards achieving the agreed objectives".

In the case of Spain, PCD aims to know and understand the impact of all the Spanish policies other than ODA on developing countries.

By law, the Secretary-General for Development Co-operation (SGCID) must inform every two years about the compliance of the PCD principles among all departments of the Spanish Government. Once the report is finished and approved by the Council of Co-operation for Development it is sent to the Spanish Parliament.

The Policy for Coherence Unit of the Spanish Ministry of Foreign Affairs is the unit in charge of the Spanish PCD report 2015. Right now we are at the last stage of the PCD national report 2013-14 preparation process.

It is worth mentioning that during 2013 the PCD focal points network was re-launched. Each Ministry, including for the first time the Ministry of Foreign Affairs and Co-operation, appointed a focal point with the rank of General Director to this network in order to assist the PCD unit (at the Ministry of Foreign affairs) to compile our biennial PCD report and spread the word within their own ministries.

In comparison with the 2013 Spanish national report on PCD, the 2015 PCD report entails a change of paradigm. Regarding the 2013 PCD report itself, as a general assessment, according to the PCD Committee of the Spanish Co-operation Council's work plan, additional efforts were needed to dynamise PCD debates, and to analyse the information in order to produce conclusions on the state of PCD in Spain rather than to just collate a report mainly describing facts.

In 2015 the OECD Development Assistance Committee (DAC) conducted the periodic review of the individual development co-operation efforts of the Kingdom of Spain. The peer review of Spain was prepared by a team consisting of representatives of the Secretariat and two examiners from Germany and United Kingdom. The document states the progress made on PCD by Spain through the IV Master Plan as it reaffirms the responsibility of the Spanish co-operation on this matter. Furthermore, the 2015 peer review highlights the improvements made regarding the flow of information between government departments. Finally, the report emphasises the Spanish commitment to global public goods in its external and domestic policies related to finance and environment.

In order to manage efficiently the Spanish efforts on PCD some needs have been identified:

- To ensure development concerns are taken into account in both domestic and foreign policies, Spain should select priority issues, and analyse, monitor and report the effect of their related policies on developing countries.
- Give the policy coherence and co-ordination bodies a mandate to address domestic policies.

- The V Master Plan should establish clear priorities on PCD.
- Reinforce Spanish capacities on policy analysis.
- Conduct a PCD analysis less descriptive and more analytical.

For that reason, the 2015 PCD report's new paradigm has required a change of methodology for its implementation. We have achieved this new way of working thanks to the close co-operation between the DAC Unit of the OEDC and the SGCID.

In previous reports, we used to send a form to the different units involved in the process and wait for their answers. It was a simple compilation of information but we did not go further in analysing our policy implications. With this report, we intend to get better and more valuable information. Since last July we have been doing a "Tour de Table" at every Ministry in order to explain the type of information we need to conclude the report. Most of our counterparts previously believed that the information they had to report was related to Official Development Assistance. We therefore had to insist that what we needed was not ODA information, which we already have, but rather information on every other action with impact in developing countries, both at national and international level.

It was our intention too to work on indicators. However, after contacting every unit we have realised that work needs to be carried out in order to raise awareness and carry out methodological work in order to prepare units for this mindset change. We envisage that the 2030 Agenda is the adequate background to build on this culture. Hence we have decided to start building the culture and assimilate the results in our next National Report (2017).

As PCD implies many cross-cutting issues concerning different bodies, we have had at least one meeting at every Ministry of the Spanish Government and some independent bodies of the Spanish general administration.

As a novelty, we have set up thematic focal points both at the SGCID and the administrative bodies in order to collect and screen the information before adding it to the report. We have tried to reach the largest number of units included in the organisation chart of the Spanish administration.

For that purpose we created a template in which every administrative body included its information according to a specific questionnaire. Once we received the information from the different bodies we had to homogenise it in order to make it match with the eight guidelines of the Master Plan of the Spanish Co-operation 2013-16. In this regard, we have gathered all the documents and analysed them through a standardised format in order to change a focus based on the structure of the administration to a cross-cutting approach.

The main purpose of the 2015 PCD National Report is to bring to light our strengths and weaknesses on the PCD issue in order to improve our impact in developing countries and make the Spanish Government resources in this area more efficient.

In order to achieve that goal we need a "whole-of-government" approach on the PCD policy and make sure that the National State Administration as a whole understands that every unit has a key role to play. We still believe that a higher political engagement is key to pursue this ambitious goal.

The report was presented to the Council of Co-operation for Development in May 2016. The next stage of the procedure will be to send it to the Spanish Parliament in order to inform the representatives of the citizens.

Sweden

Aligning national strategies to the 2030 Agenda

The Swedish Government intends to appoint a committee/delegation to promote Swedish implementation of the 2030 Agenda. The first step in the process is to identify the areas where action and measures need to be taken.

A number of government agencies will be given the assignment to, within their respective field, contribute to the identification and analysis of how Sweden today relates to the goals and objectives of the 2030 Agenda, and to analyse the Swedish condition for implementation. The government intends to send a translation of the 2030 Agenda to a wide range of stakeholders in order to give them an opportunity to contribute to the work.

The committee/delegation will in March 2017 submit a proposal to government (also based on contributions from agencies and other stakeholders) for a comprehensive action plan for Sweden's implementation of the Agenda. The intention is to build mainly on existing structures for national planning, review and follow-up.

The Swedish Government has re-launched Sweden's Policy for Global Development in order to strengthen the government's work on Policy Coherence for Sustainable Development (PCSD) in response to the universal Agenda 2030 and the new global goals (SDGs). PCSD work concerns coherent actions at both national and international level. All Government Ministries are tasked with developing action plans on PCSD in relation to the SDGs. These action plans will be finalised in March 2016 and will be revised every year. These action plans contain operational goals for each Ministry's work on PCSD related to SDGs.

Integrating the SDGs into national policy frameworks

The Swedish government functions through a well-established whole-of-government approach. The Swedish model of governance is based on decisions being taken by the government as a whole. This provides a good basis for coherent decision making in support of the implementation of the Agenda (see also above concerning the government's re-launch of Sweden's Policy for Global Development).

Sweden will also adopt a new aid policy framework where the starting point is the 2030 Agenda and PCSD.

Updating institutional settings and strengthening co-ordination mechanisms

This will be further elaborated by the Government Offices and the committee/delegation in its work to establish a proposal for an action plan. The intention is to build mainly on existing structures for national planning, review and follow-up.

In general, the Swedish Government has a whole-of-government approach in response to the Agenda 2030 and the SDGs. All Ministers in Government are responsible for implementation of the Agenda in their respective field. Some Ministers have been given special tasks when it comes to the implementation. The Minister for Public Administration (at the Ministry of Finance) is co-ordinating the national implementation, the Minister for Strategic Development and Nordic Co-operation (at the Prime Minister's Office) is responsible for analysis and future issues concerning the implementation, and the Minister for International Development Co-operation (at the Ministry for Foreign Affairs) is co-ordinating Swedish policy for the international implementation.

At the Ministry for Foreign Affairs, the international implementation of Agenda 2030 together with Financing for Development (Addis Ababa Action Agenda) and the Government co-ordination of PCSD will be clustered in a co-ordination group.

Applying an intergenerational time frame to policy design

This will be further elaborated by the Government Offices and the committee/delegation. But the long term nature of the Agenda 2030 and the SDGs will require long term solutions that take into account an intergenerational time frame.

In the Swedish implementation of the Agenda 2030 and the SDGs, the Swedish environmental goals will play an important role. The Swedish Parliament (Riksdag) has set a number of environmental objectives to promote sustainable development. The overall goal is to hand over to the next generation a society in which the major environmental problems in Sweden have been solved, without increasing environmental and health problems outside Sweden's borders.

Monitoring SDG implementation

The government intends to assign the task to elaborate a proposal for national indicators for follow-up to the government agency Statistics Sweden. Other stakeholders, such as authorities and civil society, will also be consulted in the process.

The committee/delegation's proposal for a comprehensive action plan for Sweden's implementation of 2030 Agenda will also contain proposals for effective forms of monitoring of the implementation at local, regional and national level in Sweden. These proposals shall, wherever possible, be based on existing statistics and established monitoring structures and forms of consultation.

Availability and accessibility to reliable information and data will be particularly challenging in many developing countries. Sweden has excellent and well documented expertise in working in the area of statistics in our development programs. Statistics Sweden has co-operated with the government agency for development co-operation, Sida, for many years. This work will continue with the aim of promoting better availability of statistics regarding the implementation of Agenda 2030, especially in LDCs.

The next PCSD report to Parliament (due in spring 2016) will contain operational goals in relation to PCSD and the SDGs. These goals will be reported on in the next PCSD report to Parliament in 2018.

Involving multiple stakeholders

Of great importance for the achievement of the objectives in the 2030 Agenda is that it is implemented at local and regional level, where municipalities, county councils, and government agencies operate and interact with the local business community, social partners and civil society. Sweden wants to build on good experiences and lessons-learnt from the Agenda 21 implementation.

An important task for the committee/delegation will be to include different stakeholders in the whole process of implementation.

In February and March 2015, the Ministry for Foreign Affairs organised a comprehensive consultation process on the 2030 Agenda. In total, about 200 people participated, which together represented about 130 different civil society organizations, business associations, trade unions, policy and research institutions and government agencies. The purpose of

the consultations was to obtain expert knowledge of relevant Swedish actors, to share information on the process and the negotiations on the 2030 Agenda and to initiate broad support in Sweden for the 2030 agenda.

Concerning the Government's PCSD work, there is continuous dialogue with representatives from civil society. For example, the government arranged a conference together with the NGO community (Concord) in spring 2015 when re-launching the Swedish Policy for Global Development. Three special PCSD topics were discussed: capital flight and tax evasion, sustainable business, and sustainable energy. The Ministers for Enterprise and Innovation, the Minister for Development Co-operation, the State Secretary at the Ministry of Finance, responsible for tax issues, were presenting the issues. More than 200 representatives from civil society were invited.

Switzerland

Aligning national strategies to the 2030 Agenda

Switzerland is committed both internationally and nationally to implementing the 2030 Agenda and to attaining its Sustainable Development Goals by 2030. In a number of decisions between December 2015 and end of February 2016, the Swiss Government defined the next steps with regard to the implementation of the Agenda 2030. Major strategic documents include Switzerland's Sustainable Development Strategy 2016-19, its Dispatch on Switzerland's International Co-operation 2017-20, as well as a series of responses to individual interventions by the Parliament.

During a transitional phase in 2016 and 2017, certain policy issues and questions relating to institutional arrangements will be examined and modifications proposed where deemed necessary. The transitional phase will notably include the following activities:

- Status analysis of the extent to which the 2030 Agenda is already implemented in sectoral policies in Switzerland (gap analysis), and identification of future action areas with regard to the SDG.
- Strengthening of Agenda 2030-related perspectives within existing planning and reporting instruments of the Federal Council (4 Years Legislature Programme; Annual Work Plans, Annual Reports to the Parliament).
- Review and modification of existing organizational structures of the Federal Administration as deemed necessary to implement the 2030 Agenda.
- Strengthening existing statistical systems of indicators to ensure reporting to the UN and on the Sustainable Development Strategy.

This work will be managed by an inter-ministerial co-ordination group set up for a fixed period, based on a joint programme of work. At the end of the transitional phase, the Ministries involved will submit a report to the Federal Council on the status of implementation and on any action or amendments that may be required. They will also propose the way forward for Switzerland's implementation of the 2030 Agenda. This report must be submitted by January 2018.

Integrating the SDGs into national policy frameworks

In the context of the strategic decisions aforementioned, the Government also stressed its willingness to ensure a high level of policy coherence for sustainable development. Pragmatically, this stance is based on an understanding that Policy Coherence for

Sustainable Development as a concept is not simply synonymous with the implementation of the Agenda 2030 as such. Rather, PCSD aims at the necessity to address distinct nexus issues between a limited number of specific sectoral policy areas – issues which will need to be further studied and addressed with particular policy measures and solutions. As critical policy areas for Switzerland, the government identified international financial flows and related tax issues; environment; international trade, investment and corporate responsibility; migration; and health.

The government's commitment to implement also presents new challenges for the organisational structure and processes of the Federal Administration. Building on existing structures and processes, the aim is to arrive at an efficient process within the Confederation to implement the 2030 Agenda in domestic and foreign policy. The inter-ministerial co-ordination group mandated to review existing structures and processes will include representatives of several Ministries and will be led by the Federal Office for Spatial Development (ARE) and by the Swiss Agency for Development and Co-operation (SDC).

Monitoring SDG implementation

In implementing the 2030 Agenda, the Federal Council will also review and adapt, as deemed necessary, existing monitoring mechanisms at different levels. Notably, in view of further improving policy coherence of sustainable development, conceptual work is under way to develop a monitoring system, including relevant indicators. Moreover, the existing comprehensive sustainable development monitoring system – MONET – was already amended to include the Sustainable Development Goals and will be further developed to serve both national and international reporting.[7]

Based on enhanced evaluation and monitoring systems, the Swiss Government will report on its implementation efforts through various different channels. At international level, this includes reporting towards key indicators, which are set by the UN Statistical Commission. At national level, existing mechanisms and instruments will be used more systematically, among themselves in particular the Annual Foreign Policy Reports, the Annual Foreign Economic Reports, and the Government's Annual Report – all reports to be submitted to Parliament. With regard to the *Dispatch on Switzerland's International Co-operation 2017-20,* a mid-term review will allow the Swiss Parliament to be kept up to date with the results achieved during the 2017-20 period, and a final report on the implementation of the dispatch is published every four years. A similar reporting rhythm is currently being discussed for the *Sustainable Development Strategy 2016-19*.

Involving multiple stakeholders

Traditionally, non-governmental stakeholders from the private sector, the civil society and the academia, as well as the cantons and municipalities contribute to an important degree to the design and the implementation of Swiss public policies. This is also acknowledged by the Swiss Government for the implementation of the Agenda 2030. Already in the pre-Summit phase, the government established a dialogue platform at national level.

These organizations and institutions will continue to play an important role in the transitional phase. By 2018 the government will also decide on their role with regard to different reporting processes.

Turkey

Aligning national strategies to the 2030 Agenda

Turkey has made a preliminary analysis of the consistency between SDGs and the 10th National Development Plan. This analysis has shown that there is high consistency between the SDGs and the Plan. However, each SDG target does not have its place in the national agenda. Hence, there is a need to work on these targets and indicators in more detail to set Turkey's national development priorities according to national circumstances and guided by the aspirational global SDGs. Consequently, there is also a need for a stocktaking analysis of SDG targets and their relevant indicators. That kind of analysis could be a good starting point to assess the progress on SDGs in the coming 15 years. That analysis will reveal the focus areas and indicate where to start.

Integrating the SDGs into national policy frameworks

In Turkey, national development plans are basic policy documents that are effective for the whole decision making system as they are adopted at the National Assembly. The National Plan is thus the basic instrument to insert the SDGs into the national context. A two-layered approach is foreseen to prioritise the SDGs according to the current 10th Development Plan, its annual programmes and the related strategy documents.

First, and as mentioned above, there is a need for a stocktaking analysis of SDG targets and its relevant indicators in Turkey. That kind of analysis could be a good starting point to assess the progress on SDGs in the coming 15 years. That analysis will reveal the focus areas and indicate where to start.

Second, a survey of relevant stakeholders for analysing the opinions on the priority targets and policies is planned to be made. A multi-stakeholder based analysis, covering government, CSOs and business is expected to be implemented. This survey will be supported through relevant stakeholder meetings.

The 2030 Agenda is expected to affect the development strategies of the 11th Development Plan.

Updating institutional settings and strengthening co-ordination mechanisms

Turkey has a National Sustainable Development Council (NSDC), under the leadership of the Ministry of Development. The Ministry of Development has been the main body for co-ordinating and convening the technical work in the SDG-OWG and post-2015 process. Although it was established to co-ordinate and monitor the work for sustainable development policies, it needs to be updated according to the SDGs. We are currently discussing its role and the members of the commission. We aim to extend its role and increase the number of members in order to have a better understanding of the drivers of SDG progress. We also aim to increase the level of the members, so that issues regarding policy conclusions would be at the decision making level. We have to reiterate that these are only initial thoughts and the process can change overtime. The 2030 Agenda is expected to put a more concrete agenda for Turkey. NSDC may have a role for the follow-up and review process of both the global SDGs and their respective national targets. In line with this experience, the Ministry of Development will continue to co-ordinate the follow-up for implementation of SDGs.

Monitoring SDG implementation

In terms of monitoring the SDGs at national level, Turkey has already a national sustainable development indicator set, composed of 132 indicators under 10 categories since 2000. We will further develop this monitoring framework in light of proposed SDGs global indicators according to our national priorities and capabilities.

Turkey will develop its current set by taking into account the results of UN Statistics work for a global common monitoring framework and the national priority list of SDGs that will be determined through a national prioritisation process. For strengthening capacity, Turkey will need to implement projects for new data collection and for field survey based assessments. However, this planning will be done according to the results of UN Stats work.

Involving multiple stakeholders

The SDGs provide an agenda that gives responsibility not only to government but also to business, citizens and CSOs. Participation for implementation should start from the decision making process during the formulation of prioritisation of national SDGs. Turkey aims at convening a participatory process in the planning, implementation and review process. As indicated above, the National Sustainable Development Council is planned to be strengthened to have a co-ordinating role especially for the implementation and assessment process.

Further, new communication methods are planned to be established with academia, CSOs and businesses to monitor their activities regarding SDGs.

Notes

1. Countries that have contributed to this overview by responding to six broad questions include: Austria; Denmark; Estonia; Finland; Germany; Greece; Italy; Ireland; Japan; Latvia; The Netherlands; Poland; Portugal; Slovak Republic; Spain; Sweden; Switzerland; and Turkey.
2. The NDP2020 in English can be downloaded here: *www.pkc.gov.lv/images/NAP2020%20dokumenti/NDP2020_English_Final__.pdf*.
3. See: *www.government.nl/government/contents/members-of-cabinet/lilianneploumen/documents/letters/2015/09/28/letter-by-ploumen-to-house-of-representatives*.
4. The Sustainability Monitor is also referred to in the OECD document "National approaches to implementing the SDGs: Identifying successful practices from early experiences" [C(2016)5].
5. See: *www.worldconnectors.nl/en/themes/post-2015-agenda*.
6. The Portuguese Green Growth Commitment is an initiative launched by the Portuguese government in the area of sustainability, which is the result of a comprehensive process of public discussion, with the involvement of more than 90 organizations from the civil society. This Commitment is an ambitious long-term strategy that establishes goals and initiatives in all national sectors that contribute to green growth, such as water, energy, forest, sea, tourism, etc. The Green Growth Commitment sets 14 quantified goals for 2020 and 2030, designed to promote growth, efficiency and sustainability. There is a high relevance of some of the measures envisaged in this Commitment for the attaining of the Sustainable Development Goals.
7. For more information: Its 75 or so regularly updated indicators give an overall picture. This system takes a holistic approach which measures the quality of life of the present generation, as well as fairness of distribution geographically and over time. It observes whether – and in what areas – Switzerland is on the path to sustainable development. The indicators are not selected on the basis of political targets. Instead, they are founded on a consistent methodological concept comprising a reference framework and a systemic structure. This ensures MONET's independence, transparency and completeness.

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Better Policies for Sustainable Development 2016

A NEW FRAMEWORK FOR POLICY COHERENCE

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