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How did Policy Coherence for Sustainable Development (PCSD) emerge as a contributing factor to development, within the OECD and beyond?

The concept of Policy Coherence for Development (PCD) emerged in the early 1990s in the context of efforts by the OECD Development Assistance Committee (DAC) to strengthen aid effectiveness. Donor countries were responding to the high, market distorting, agricultural tariffs and subsidies prevailing at the time in OECD countries which were perceived to counteract the benefits of development cooperation and undermine production and trading efforts in developing countries. PCD was seen as needed to address the problems of "giving with one hand while taking away with another" and addressing the concerns of tax payers at home. A number of initiatives thus emerged to address policy incoherence:

• In OECD DAC: *Shaping the 21st Century*, 1995; *OECD Action for a Shared Development Agenda*, 2002; and a dedicated chapter on PCD in the DAC Peer Reviews starting in 2002*;*

• At OECD corporate level through the creation of a PCD Unit in the Secretary-General's Office in 2007*;*

• At the OECD ministerial level through the endorsement of *a Ministerial Declaration* on PCD in 2008; *Council Recommendations on Good Institutional Practices to Promote PCD*, 2010; and *Strategy on Development*, 2012;

• In OECD members through national PCD policies and strategies, institutional mechanisms, and reporting requirements; and

In the European Union (EU) through specific provisions in the Lisbon Treaty.

The global landscape has changed dramatically since the early 1990s. As highlighted in OECD's Strategy on Development in 2012:

> Development challenges are global challenges. Issues such as climate change, natural resources scarcity, and food and energy insecurity have implications for all. In a highly interconnected world, global shocks can reverberate quickly, and externalities such as macro-economic instability, social and economic inequalities, and conflict can have large and wide ranging spillover effects worldwide. Collective and coordinated action to address these challenges needs to transcend the old distinction between the "North" and the "South" (OECD, 2012).

These global changes also meant that a new and broader approach to PCD was needed, one which applied to all countries and all actors.

With the endorsement of the 2030 Agenda, the importance of policy coherence was recognised and reinforced as a key means of implementation, both in the

Financing for Development Action Agenda and in the Sustainable Development Goals - SDGs (SDG 17.14 on enhancing policy coherence for sustainable development). This importance of Policy Coherence for Sustainable Development - PCSD is also reflected in OECD's Action Plan for the Agenda 2030, endorsed in 2016. OECD has since then elaborated a definition for PCSD as well as guidance in the form of a PCSD Framework (OECD, 2016) together with three thematic modules on food security, illicit financial flows and green growth.

Is Policy Coherence for Sustainable Development a concept, a strategy, an approach or an instrument? Or is it all of this? What is the relevance of adopting PCSD as a way to alleviate poverty and promote development?

I would say "all of the above". We define PCSD as 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. This is translated into structures, processes and methods of work which can be applicable in different countries with diverse political and administrative contexts. The main objectives are to:

• Foster synergies across economic, social and environmental policy areas;
• Identify trade-offs and reconcile domestic policy objectives with internationally agreed objectives; and
• Address the spillovers of domestic policies.

Concepts and definitions are helpful as common reference for decision-makers, but effective implementation requires translating these concepts into more concrete, issues based actions that address specific sustainable development challenges, such as food security, illicit financial flows, or migration. A PCSD approach will then encourage all stakeholders to consider the possible policy trade-offs and well-being impacts "elsewhere" (particularly in poor countries) and "later" for future generations. PCSD can help policy makers reflect on questions such as:

• Do our trade or domestic (European Union) agriculture policies reinforce our development cooperation policies, or do they work at cross purposes?
• Do our migration policies, such as in the health care sector, potentially undermine prospects to achieve health related goals in countries of origin?
• How can we promote economic growth without undermining environmental sustainability or social cohesion?

For example, a PCSD approach to food security will take into account all aspects of food security (access, availability, utilisation, stability), as well as all dimensions of sustainability (economic, social, environmental). It will explore the

importance of foreign direct investment (FDI) and private investments in addition to public finance. It will look at actions to address food waste (estimates suggest that between 30-40% of it is lost or wasted worldwide), as well as the underlying causes of food insecurity such as poverty and gender inequality associated with land rights. It will consider illegal and unreported fishing (which costs the global economy over USD 20 billion each year) as well as to identify alternative sources of livelihood beyond agriculture and fisheries at local level. And it will look at ways for increasing agricultural productivity with measures to ensure a more sustainable use of natural resources such as water, land and forest.

What are the main costs of incoherences? Can you give examples?

Since PCSD is a tool and approach and not an objective *per se*, an assessment of costs would have to be done on a case by case basis, and taking into account social, economic and environmental costs. Fossil fuel subsidies is a good example of costs with multiple implications[2]. Consider for example that two-thirds of global energy investments go to fossil fuels. OECD countries together with the six major emerging economies spend collectively about US$200 billion annually subsidizing the extraction, refinement and combustion of fossil fuels at a time when one in five people globally lack access to modern electricity. Such subsidies can have economic costs by distorting trade and competitiveness; environmental costs through overuse of natural resources and carbon emissions that spill over globally; redistributional costs when those subsidies benefit primarily the better off at the expense of the poor; and health impacts affecting livelihoods – air pollution kills more than three million people prematurely across the world every year. A PCSD approach can inform policy makers – and civil society – of the wide range of potential costs from action or inaction, address those conflicts at an early stage of policy making and seek win-win options for future action. A win-win can be achieved, for example, when a country, such as Indonesia, undertakes reforms to reallocate the vast sums involved in fossil fuel subsidies for improved health and education programmes as well as social protection particularly targeted for the poor.

What is (or can be) the role of Policy Coherence for Sustainable Development in the new 2030 Agenda and the 17 Sustainable Development Goals (SDGs)?

Both the 2030 Agenda and the Addis Ababa Action Agenda recognise the importance of PCSD for implementing the new agenda. SDG 17.14 specifically calls

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[2] See OECD-IEA analysis of fossil fuels and other support, available at http://www.oecd.org/site/tadffss/

for countries to "enhance policy coherence for sustainable development" as a key means of implementation. This calls for an approach that goes well beyond development cooperation to engage all actors (public and private, local and regional, civil society, academia) and recognise the importance of good policies, good governance, enabling conditions. A PCSD approach to the SDGs would recognise the multidimensionality of poverty and highlight all costs associated with sustainability including the social, as well as the economic and environmental costs for current and future generations. PCSD can help raise awareness of – and act on – the potential trans-boundary effects of domestic policies and potential trade-offs in implementing the SDGs. For example, SDG targets on ending hunger can conflict with the production of biofuels if competing for the same land and water. Similarly, measures to address the risk of illicit financial flows can unintentionally increase transactions costs for remittances or limit access to financial services.

PCSD is largely about fostering dialogue and understanding among different policy communities and interests, and breaking down the silos. This idea was well captured by Ban Ki Moon at the 2015 Summit: "The 2030 Agenda compels us to look beyond national boundaries and short-term interests and act in solidarity for the long-term. We can no longer afford to think and work in silos". Similarly, Amina Mohammed, currently UN Deputy Secretary-General, stated in a speech at the OECD in 2015 that "all our policies and actions, domestic and internationally, impact on sustainable development and will drive effective implementation. The new agenda demands coherence across the whole range of policies that shape sustainable development".

What do you think could be the main priorities for PCSD efforts, both at global, national and local levels?

At the global level, the SDGs represent an international consensus on the major systemic challenges ahead, and policy coherence targets are highlighted in nearly half of the goals (see for example target 1.b; 5c; 8b; 9b; 11a and b; 12c; 16b). The important point is to seek coherence across the economic, social and environmental dimensions (horizontal coherence) and across international, national and local dimensions (vertical coherence) in implementing the SDGs. The SDGs are integrated and indivisible, so need to be addressed as a whole. There is the risk that efforts to prioritize some SDGs over others may result in cherry-picking those objectives that are the easiest to achieve. One approach would be to focus on some key areas which can have positive multiplier effects such as fostering an enabling environment for trade and responsible investment; and strengthening

institutions for global and national governance. Actions in these areas are important to enable other positive results.

At national level, priorities could be established once national level targets and indicators have been identified that are consistent with the SDGs, taking into account each country's specific context, conditions, and capacities. Governments can then identify priorities and action items on that basis, and in consultation with stakeholders at national and local levels. In many cases, countries will be able to build on existing sustainability initiatives and mechanisms including National Sustainable Development Strategies, but align them to the SDGs, focusing in particular on the critical interactions. For example, trade is a PCSD priority for many countries including the EU, and an important enabler for sustainable development. Trade facilitation measures can benefit all countries, exporters or importers, allowing better access to inputs for production and greater participation in the global value chains that characterise international trade today. According to OECD studies, reducing global trade costs by 1% would increase worldwide income by more than USD 40 billion, 65% of which would go to developing countries[3].

At the local level, it will be important for local authorities and subnational actors to engage in national plans for SDGs, considering that 60% of the SDG targets require action at the subnational and local levels, and that subnational governments – in OECD countries – are responsible for 59% of public investment in key areas such as transport, education, health, housing and water and sanitation. These levels of government are essential to deliver the economic, social and environmental transformations needed for achieving the SDGs.

The active engagement of civil society, the private sector, academia and science will be critical to progress at all these levels to inform policy making. These stakeholders have important roles to play in a wide range of areas, from mobilising resources, identifying innovative solutions, effecting change in production and consumption patterns, engaging in advocacy and accountability, and voicing the needs of unrepresented communities.

Do you feel that Policy Coherence for Sustainable Development is still approached on a very technical and bureaucratic way, disregarding the fact that reconciling interests and policies is mainly a question of political will and leadership?

Implementing the SDGs with a PCSD lens can be challenging because silo approaches tend to be entrenched in our institutional structures and working cul-

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[3] See OECD analysis on trade facilitation, available at http://www.oecd.org/trade/facilitation/

tures. Political will is critical, but our institutions and mandates are not always conducive to breaking down those silos and ensuring effective implementation. The 2010 Council Recommendations on Good Institutional Mechanisms for Promoting PCD highlight the importance of central oversight and coordination by the centres of government in order to steer policy making towards more coherent action and to complement bottom-up action (OECD, 2010). The 2016 *PCSD Framework* similarly recommends that the Centres of Government should have a key role in overseeing and coordinating the implementation of the SDGs – using a PCSD approach. The main reasons, as also highlighted in an OECD blog by Luis de Mello, Deputy Director of the OECD (Mello, 2016), are that the centres of government:

- Are policy neutral and can help overcome the obstacles to joined up governance;
- Have the mandate and convening power to bring different policy groups and stakeholders together, foster synergies, and manage and reconcile policy tensions;
- Can put pressure on policy departments or line ministries to adjust policies and commit resources;
- Can mobilise national capacity for monitoring and reporting.

Communicating PCSD simply and effectively is one of our biggest challenges. The SDGs provide a great opportunity as they cannot be achieved without an integrated or coherent approach bringing different stakeholders together for a dialogue. An early engagement with stakeholders can help identify the potential policy incoherencies but also facilitate a collective vision and action.

From your perspective, how can Policy Coherence for Sustainable Development be useful for developing countries?

The 2030 Agenda is a universal agenda which applies to all countries and actors, so PCSD is by definition relevant for all countries. More importantly, many of the major global challenges do not respect national boundaries. We are approaching a tipping point – the world's population is expected to reach 9 billion by 2050 which will put enormous pressures on natural resources. Demand for water and food will increase dramatically. And 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 with significant impacts on poor and vulnerable countries. These issues require a long term, collective approach.

While the advanced countries have a higher share of responsibility to address some of global challenges such as on climate change, and in achieving sustainable production and consumption patterns, developing countries will also need to act. They recognise that ensuring transformation will require good policies and good governance that balance economic, societal and planetary boundaries, in ways that are appropriate to their context and level of development.

One issue of growing concern for developing countries where a PCSD approach will be critical is air pollution. Cited by the World Health Organisation as "the world's largest single environmental health risk", air pollution hurts people everywhere, hinders economic development, contributes to climate change, and has considerable trans-boundary impacts. In Africa, for example, the total annual deaths from ambient particulate matter pollution across the continent, largely associated with rapid urbanisation, increased by 36% from 181,291 in 1990 to 246,403 in 2013 as reported in an OECD Working Paper (OECD, 2016). The large economic cost of air pollution signals the need for a comparatively large investment in the relevant mitigation measures, in particular, the "cleaning up" of road vehicles and of household fuel use. Action will be needed to improve access to electricity, using clean technologies, and developing mass public transportation systems as they have done with tramways in Rabat or Addis Ababa. And unlike the OECD countries and even Southeast Asia which could address their problems sequentially, Africans will have tackle many challenges simultaneously. Policy coherence is therefore much more of an imperative today, with action needed to address infrastructure, water, sanitation, domestic energy use, transport systems and more[4]. To ensure sustainability within countries, collective action will also be needed across all of Africa.

Many developing countries are already recognising the importance of a coherent approach as they develop and implement their SDG national strategies. Colombia has, for example, been at the forefront of developing integrated policy approaches bringing on board key stakeholders at national and local level. Ethiopia has aligned its national strategy to the SDGs, integrating a stronger "green" component to its plan and thus ensuring a more balanced and sustainable development strategy. China gives high priority to addressing climate change and urban pollution and has aligned its budget to those objectives. PCSD can help developing countries to deal with fragmented institutional structures, duplication and contradictory programmes that often limit sustainable transformation and lead to waste of resources.

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[4] African Economic Outlook 2016, with a special focus on African cities. Available at http://www.african economicoutlook.org/en/theme/sustainable-cities-and-structural-transformation

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