



OECD Development Co-operation Working Papers No. 14

Green Growth and Poverty  
Reduction: Policy  
Coherence for Pro-poor  
Growth

**Michael King**

<https://dx.doi.org/10.1787/5k3ttg45wb31-en>

# Green growth and poverty reduction: Policy coherence for pro-poor growth

Michael King  
*Trinity College Dublin, Ireland*

OECD DEVELOPMENT CO-OPERATION  
WORKING PAPER

The Development Assistance Committee: Enabling effective development

December 2013



## Green growth and poverty reduction: Policy coherence for pro-poor growth

Michael King<sup>1</sup>

### Abstract

This paper explores the policy coherence for development (PCD) dimensions of green growth strategies pursued by OECD member states. The coherence challenge is to design OECD green growth policies in order to maximise the positive synergies and minimise the negatives effects on pro-poor growth in developing countries. Coherence issues across three cross-cutting themes, climate change, biodiversity and innovation policy, are considered, before a comprehensive set of PCD issues related to agricultural livelihoods, fisheries livelihoods and the energy and minor sectors in developing countries are discussed. In doing so three PCD case studies, Anti-Counterfeiting Trade Agreement (ACTA), the reform of EU biofuels policy and EU fisheries access, are presented and lessons for the green growth agenda are derived.

### Key Words

Policy Coherence for Development, Green Growth, Pro-poor Growth, Intellectual Property Rights, Biofuels Policy, Fisheries Policy

### Acknowledgements

The author would like to thank Shannon Wang, Earnan O’Cleirigh, Jan Corfee-Morlot, Anna Drutschinin and Juan Casado-Asensio for assistance and helpful comments and the members of ENVIRONET and the Green Growth and Poverty Reduction Task Team who provided feedback.

---

<sup>1</sup> Michael King is Assistant Professor of Economic Policy at the Department of Economics, Trinity College Dublin and Research Associate at the Institute for International Integration Studies (IIIS), Trinity College Dublin.

## Acronyms

ACTA	Anti-Counterfeiting Trade Agreement
CBD	Convention on Biological Diversity
CFP	Common Fisheries Policy
CMD	Clean Development Mechanism
DEFRA	Department for Environment, Food and Rural Affairs, United Kingdom
DFID	Department for International Development, United Kingdom
DWF	Deep water fleet
ECDPM	European Centre for Development Policy Management
EU	European Union
FAO	Food and Agriculture Organisation
FPA	Fisheries Partnership Agreement
GDI	Green Development Initiative
GGs	Green growth strategies
IEA	International Energy Agency
IFPRI	International Food Policy Research Institute
IPRs	Intellectual Property Rights
LDCs	Least developed countries
MSC	Marine Stewardship Council
NGOs	Non-governmental organisations
OECD	Organisation for Economic Cooperation and Development
PCD	Policy coherence for development
REDD	Reducing Emissions from Deforestation and Forest Degradation
TRIPS	Trade Related Intellectual Property Rights
UNEP	United Nations Environmental Programme
UK	United Kingdom
USEIA	United States Energy Information Administration
WCPO	Western and Central Pacific Ocean
WIPO	World Intellectual Property Organisation

## Table of contents

GREEN GROWTH AND POVERTY REDUCTION: POLICY COHRENCE FOR PRO-POOR GROWTH.....	7
1. Introduction.....	7
1.1 The Potential Dividend of OECD Green Growth Strategies for Developing Countries.....	9
1.2 Complexities in the Pursuit of Green Growth PCD.....	10
1.3 Innovations in PCD Institutions.....	11
2. Green Growth Policy Coherence Issues.....	12
2.1 Cross-sector Themes.....	13
2.1.1 Climate Change Policy.....	13
2.1.2 Biodiversity policy.....	15
2.1.3 Innovation policy.....	16
2.1.4 Case Study 1: IPRs and the Anti-Counterfeit Trade Agreement (ACTA).....	16
2.2 Agricultural Livelihoods.....	18
2.2.1 Agricultural Supports.....	19
2.2.2 Quality Related Non-tariff Barriers and Consumer Preferences.....	19
2.2.3 Biofuels Policy.....	20
2.2.4 Land Purchases.....	22
2.2.5 Case Study 2: EU Reform of Biofuels Policies.....	22
2.3 Fishing Livelihoods.....	23
2.3.1 Fisheries Access Agreements.....	24
2.3.2 Fishing Supports.....	25
2.3.3 Sustainability Measures.....	25
2.3.4 Case Study 3: Reform of EU Fisheries Access Agreements.....	26
2.4 Energy and Mining Sectors.....	27
2.4.1 Fossil fuel supports.....	28
2.4.2 Transparency in Extractive Industries.....	28
3.3.1 Cross-sector Issues.....	31
3.3.2 Agricultural Livelihoods.....	33
3.3.3 Fishing Livelihoods.....	33
3.3.4 Energy and Mining Sectors.....	34

Tables

Table 1. Mapping OECD Policies to Developing Country Sectors ..... 12

Boxes

Box 1. Nauru Agreement and Best Practice in Fisheries Agreements..... 27

## Executive Summary

The pursuit of green growth strategies (GGS) by OECD countries has gathered pace in the last decade as concerns over climate change, energy security and the vulnerability of eco-systems have heightened. Green growth puts human well-being at the centre of development, while ensuring that natural assets continue to provide the resources and environmental services to support sustainable development (OECD 2013a).

OECD country GGS are important to developing countries in two major ways. Firstly, developing countries are the most vulnerable to climate change and tend to be more dependent than advanced economies on the exploitation of natural resources for economic growth (OECD, 2013b). Secondly, GGS policy instruments alter production and consumer behaviour and incentives for innovation in OECD countries, that in turn leads to price changes that affect the disposable incomes of, and technologies available to, the poor as well as and incentives for producers in least developed countries (LDCs) (OECD, 2013b).

This paper highlights opportunities for synergies between green growth strategies and pro-poor growth in developing countries and important issues of policy incoherence with development outcomes within the green growth agenda. The framework of Policy Coherence for Development (PCD), which has legislative basis in a number of OECD member countries and an official mandate of the OECD, is employed to identify issues of relevance to developing countries within OECD country GGS.

Section 2 outlines a comprehensive set of PCD issues within the GGS of OECD countries that are important for pro-poor growth in developing countries. First, the PCD dimensions of cross-sectoral issues such as climate change, biodiversity and innovation policy are explored and the main recommendations include:

- The adoption of an ambitious and globally binding climate change agreement for the post-2020 period will play a significant role in protecting livelihoods in developing countries. In the absence of a meaningful agreement, the consequences of inaction for the world's poor are likely to be disproportionate and extreme.
- Capacity building efforts could focus on helping low-income countries take advantage of their environmental assets and benefit from international market-based financing mechanisms.
- Improvements in design of cap-and-trade emission trading systems and the inclusion of emerging and low-income economies could open up opportunities for poor people in developing countries to be compensated for carbon absorption activities in agriculture and forestry.
- OECD countries could increase their funding for adaptation projects and for mainstream development efforts to be more resilient to the impacts of climate change.
- Efforts to strengthen global efforts that transfer some of the global value from protecting biodiversity to the local decision-makers and land owners who bear the cost of protecting it could be further encouraged.
- OECD countries could consider further financial and technical support for LDCs to develop and manage certification systems that are accessible by small landholders and cooperatives.

A pro-development regime for the intellectual property rights could be considered and efforts to encourage developing countries to embark on low-carbon, environmentally friendly development paths could continue to be a priority for development diplomacy and aid programmes.

Second, a range of additional OECD country policies are considered from the perspective of their relevance to developing country sectors, specifically; agricultural livelihoods, fishing livelihoods and the energy and mining sector. The main recommendations are as follows:

- To achieve pro-poor green growth, agriculture in developing countries requires unhindered access to global markets, access to new environmentally friendly technologies and investment, and an enabling environment to allow small landholders to participate in wider markets. Stable and undampened world prices will provide the right forward signal to encourage productivity improving investment in agriculture in developing countries.
- Further decoupling of agriculture subsidies from production levels in favour of green growth objectives in OECD countries can lead to more coherent policies and increased price competitiveness for developing countries.
- To help mitigate the exclusion of small-scale farmers from OECD markets as a result of certification schemes and non-tariff barriers, development aid can play a role in supporting both the development of co-operatives to pool farmer's resources and reach specified standards and capacity-building for national quality assurance institutions.
- OECD country biofuel policy could be subject to on-going evaluation into its impact in developing countries. It is now clear that first generation biofuels support policies resulted in important negative impacts in developing countries.
- While OECD country policies are not fully responsible for large land purchases in developing countries that may undermining pro-poor growth, errors of omission may occur if actions to support developing countries efforts successfully manage their natural resources as an asset for inclusive pro-poor growth are not pursued through development dialogues.
- Despite recent reform efforts particularly in the EU, OECD countries have a distance to travel to ensure all Fisheries Access Agreements are consistent with the strictest sustainability standards. Improving monitoring capacity for fish stocks in developing countries as well as OECD country capacity to monitor DWFs are important initial steps.
- From a policy coherence perspective, a case can be made for OECD country fishing supports to be reduced or at least linked to improved adherence to verifiably sustainable fishing practices.
- The removal of support to fossil fuel in OECD countries is expected to lead to downward pressure on world market prices that might lead to lower fossil fuels prices for consumers in LDCs. In any case, subsidy removal will improve incentives for green innovation and the use of renewable energy.
- OECD countries have a responsibility to ensure that private actors investing in green energy sectors as well as traditional oil, gas and other minerals in LDCs behave in an environmentally responsible manner and adhere to anti-corruption conventions. While a number of best practice multilateral conventions exist in these regards, there are weaknesses in enforcement mechanisms.

To provide greater depth to the discussion, three PCD case studies are presented. The case studies include the recent Anti-Counterfeiting Trade Agreement (ACTA), the reform of EU biofuels policy and EU fisheries access agreements.

The paper concludes with a number of recommendations for strengthening PCD institutions in OECD countries. These include improved legislative underpinnings, co-ordinating mechanisms and monitoring, as well as complementary capacity building in developing countries to support more successfully representation of their interest during international negotiations. Finally, OECD countries could work towards the inclusion of emerging economies in global agreements on climate change and biodiversity and use environmental diplomacy and supportive stances in intellectually property rights, to encourage the pursuit of pro-poor GGS by emerging nations.



# GREEN GROWTH AND POVERTY REDUCTION: POLICY COHRENCE FOR PRO-POOR GROWTH

## 1. Introduction

1. Policy Coherence for Development (PCD) is achieved when all national and multilateral policies across the full range of internationally relevant policy areas support the attainment of pro-poor growth in developing countries. PCD helps represent the interests of developing countries within developed country, regional and global policy-making processes and seeks to ensure that investments in official aid are not undermined by damaging non-aid policies (Barry et al, 2010). Within the context of OECD green growth policies, the coherence challenge is to design OECD policies to maximise the positive and minimise the negatives effects on pro-poor growth in developing countries (OECD, 2013a; OECD, 2013b).

2. The OECD's work on PCD was first mandated at the 2002 OECD Ministerial Council Meeting as part of the "OECD Action for a Shared Development Agenda ".OECD Ministers renewed their commitment to PCD in the 2012 OECD Strategy on Development where they described best practices on PCD promotion, improved methods of PCD assessment and a future focus on three key issues; global food security, illicit financial flows and green growth (OECD, 2012a). Among OECD members, the European Union (EU) has provided for a legal basis for PCD. Re-using language that had been in the EU Treaties since 1992, the Treaty for European Union, which entered into force in December 2009, states that the Union "(...) shall take account of the objectives of development cooperation in the policies that it implements which are likely to affect developing countries." Of these development objectives, the primary objective is defined by the Treaty as "the reduction and, in the long term, the eradication of poverty."

3. Green growth puts human well-being at the centre of development, while ensuring that natural assets continue to provide the resources and environmental services to support sustainable development (OECD 2013a). The pursuit of green growth strategies (GGS) by OECD countries has gathered pace in the last decade as concerns over climate change, energy security and the vulnerability of eco-systems have heightened. While the broad concept of GGS is relatively new, many of the central elements have been in place in OECD countries for many years such as sustainable development strategies, climate change mitigation and adaptation strategies and energy and climate change strategies. Three broad categories of environmental policy instruments are employed by OECD member states: regulatory instruments (e.g. emission standards, product bans); economic instruments which can be differentiated into price-based (subsidies, taxes, charges) and rights based instruments (e.g. tradable permits, rights, offset schemes, quotas, refund systems) and voluntary or negotiated environmental instruments (e.g. voluntary codes, eco-labelling schemes, public-private partnerships) (Borkey et al., 1999; Whitten et al., 2003, cited in OECD, 2013b).

4. OECD country GGS are important to developing countries in two major ways. Firstly, developing countries are the most vulnerable to climate change and tend to be more dependent than advanced economies on the exploitation of natural resources for economic growth (OECD, 2013b). Secondly, GGS policy instruments alter market structure and production and consumer behaviour in

OECD countries, and lead to price changes that affect the disposable incomes of the poor and incentives for producers in least developed countries (LDCs) (OECD, 2013b).

5. Recent PCD reports have considered the coherence of elements of green growth related policies on development outcomes. In 2012, the OECD's *"Policy Framework for Policy Coherence for Development"* specifically addresses issues within environmental, agricultural and fisheries policy. In similar fashion the EU's *"2011 Report on Policy Coherence for Development"* considered climate change and food security as two of its five themes.

Discussion of OECD country GGS in this paper could take two important points into consideration. First, green growth related policy efforts are only the beginning of efforts to reduce the effects economic growth strategies have on depletion and degradation of natural resources and ecosystem respectively (Millennium Ecosystem Assessment 2005; UNEP, 2012). Second, the phrase OECD country GGS could not suggest the presence of integrated and comprehensive strategies to enhance the environmental sustainability of growth strategies. In many cases, GGS are a collection of often disconnected and incremental policy amendments that together edge the economy towards a more sustainable growth path.

6. This paper highlights opportunities for synergies between green growth strategies and pro-poor growth in developing countries and important issues of policy incoherence on development outcomes within the green growth agenda. Section 2 outlines a comprehensive set of PCD issues within the GGS of OECD countries that are important for pro-poor growth. In each case the focus is on the policy coherence dimension of the green growth policy. In doing so three PCD case studies are presented and lessons for the green growth agenda are derived. The case studies include the recent Anti-Counterfeiting Trade Agreement (ACTA), the reform of EU biofuels policy and EU fisheries access agreements. The purpose of these case studies is to provide further depth on selected key issues. They have been chosen to illustrate the potential for policy coherence reforms, the central relevance of domestic interest groups and the complexities in deciphering the route to greater coherence. Section 3 then provides a set of recommendations for OECD policymakers.

## 1.1 *The Potential Dividend of OECD Green Growth Strategies for Developing Countries*

7. The implementation of green growth strategies in industrialised countries can provide opportunities for pro-poor growth in developing countries where trade, investment and financial linkages exist and these include:

- The diffusion of technical innovations in the areas of renewable energy, agricultural production and ICT to developing countries. OECD country policies designed to facilitate green growth innovation can be specifically formulated to help support welfare improving solutions to poor households in developing countries.
- Increasing demand in OECD countries for sustainably produced and transported food products can create new export opportunities for developing countries.
- The protection of common environmental resources and the moderation of climate change can help underpin livelihoods in developing countries for many years to come.

8. To realise the potential dividend for developing countries continuous reflection on the externalities of OECD GGS will be required. It remains conceivable that OECD country GGS will have a net negative impact on developing countries as many channels exist through which GGS can adversely affect pro-poor growth and poverty reduction in developing countries. Three examples include:

- OECD country's biofuels policy, if not managed sustainably, can lead to environmental degradation in developing countries, undermining the sustainability of incomes and increasing the price of food, and thereby reducing the purchasing ability of net food consuming households.
- Although the long-term process of structural change in OECD countries towards services and less intensive carbon manufacturing is an evitable outcome of modern economic development, nationally based emissions targets in OECD countries can further encourage the outsourcing of emission intensive production process to developing countries in the absence of global agreement for emission reductions.
- Fisheries agreements between OECD countries and coastal developing countries can, in the absence of sophisticated fisheries management systems in developing countries, undermine the sustainability of livelihoods and undermine pro-poor growth.

## 1.2 Complexities in the Pursuit of Green Growth PCD

9. Realising these gains from GGS for developing countries can be hindered by the failure of policy processes to consider the coherence dimension. Improved coherence can be particularly difficult to attain when powerful domestic stakeholders are set to lose from potential reforms (Barry et al., 2010). Powerful interest groups play a key role in policy formulation across the OECD in agriculture, fisheries and traditional industry.

10. Furthermore, the practice of PCD is often complicated by a number of inherent challenges. These challenges ensure that quantifying causal chains from OECD policies to developing-country outcomes is a complex process requiring significant discourse and research. As identified in Barry et al, 2010, four inherent PCD challenges related to GGS include:

- **Trade-offs between development and environmental objectives:** It is not always obvious how to value the relative contribution of an OECD policy to short term industrialisation and environmental degradation, for example, or between agricultural production and the protection of biodiversity.
- **Heterogeneity between and within developing countries:** This creates both winners and losers in response to changes in OECD policies. The same subsidy, tariff or certification system is likely to have heterogeneous effects depending on whether households or countries are net producers or consumers of the effected produce, and their capabilities to adapt to these policy changes.
- **Conflict between short-term gains and long-run sustainability:** Agricultural development strategies can deliver employment and improved food supply in the short term at the expense of sustainability. Increased rates of soil depletion, deforestation and desertification can undermine long term livelihoods and food security.
- **Institutional capacity:** Even “coherent” green-growth policies may have negative effects on development outcomes when developing country institutions fail to successfully manage opportunities or have sufficient safeguards in place to protect the poor (Barry et al., 2009).

11. This issue of developing country institutional capacity is worthy of further exploration. Given that the objective of OECD GGS is a significant transformation in the agriculture and fisheries sectors and the structure of energy inputs across industry, it seems apparent that the ability of developing countries and poor households to take advantage of these opportunities will be highly dependent on the strength and sophistication of local institutions. For example, the ‘greening’ of consumer demand in OECD countries will significantly alter import demand from developing countries. Economic history tells us that export performance is highly dependent on the quality of local institutions (Greif, 1993). With stricter food safety regulations and the introduction of certification systems, the relative sophistication of developing country institutions will partially determine which countries and which groups will build export market share and those that are adversely affected.

### 1.3 Innovations in PCD Institutions

12. To help improve coherence a number of OECD countries have taken steps to institutionalise the practice of PCD within domestic policy frameworks. Such reforms tend to include some combination of the following: (1) the adoption of whole of government PCD commitments, (2) the establishment of inter-departmental committees for the consideration of PCD views in the policy formulation process, (3) mandating parliamentary oversight of policy from a PCD perspective or (4) investments in related research or advocacy. Notable examples in this regard include the Netherlands, the UK, Sweden, Ireland and the EU (Barry et al, 2009).

- **The Netherlands:** Dutch foreign policy has the explicit aim to promote policy coherence between development and relevant non-aid policies. To support this, the Dutch government established a formal Policy Coherence Unit in the Ministry of Foreign Affairs to screen all EU legislation, to proactively influence specific national policy debates and raise awareness of PCD both domestically and internationally.
- **United Kingdom:** The UK does not use the label ‘policy coherence’ but has set poverty eradication as an objective for the whole of the government in its 2000 White Paper on International Development *Eliminating World Poverty: Making Globalisation Work for the Poor*.
- **Sweden:** In 2003 the Government Bill *Shared Responsibility: Sweden’s policy for Global Development* was passed by the Swedish Parliament. The Bill legislatively enshrined development goals to be the responsibility of all government departments.
- **Ireland:** Following recommendations in the Government *White Paper on Irish Aid* (2006), Ireland established the Inter-Departmental Committee on Development in 2007 to achieve a more cohesive whole of government approach to overseas development.
- **European Union:** Europe’s commitment to PCD, originally enshrined in the 1993 Maastricht Treaty, has been restated in subsequent treaties. DG Development publishes a bi-annual report on PCD and seeks generally to promote development considerations with other Directorates General.

For more in-depth guidance on PCD institutional mechanisms see the OECD’s Council Recommendations on Good Institutional Practices on Promoting PCD from 2010 (OECD, 2010).

13. To help track progress towards coherence, tentative attempts to measure progress towards PCD have begun. Since 2008, a coalition of Swedish Non-governmental organisations (NGOs) have published the Swedish Coherence Barometer and in 2012 Ireland published a set of PCD indicators for policy coherence. In 2012, the Dutch and German governments funded a study by the European Centre for Development Policy Management (ECDPM) on international options to measure policy coherence for development as part of the new development-reporting framework post-2015 (see Keijzer et al, 2012 for further details) and the OECD committed to work with partner organisations in 2013 to develop robust PCD indicators to monitor progress and assess the impact of diverse policies on development. The OECD has committed initially to develop indicators for the three priority areas of global food security, illicit financial flows and green growth. The challenge of measuring PCD measurement is discussed in detail for these three policy areas in the 2013 OECD publication ‘Better Policies for Development’ (OECD, 2013c).

14. While significant question marks remain, it may be reasonable to argue that, when combined with high level governmental commitment, increased discussion and greater monitoring of PCD

tends to improve coherence over time, if only in policy areas that do not conflict with important national interests.

## 2. Green Growth Policy Coherence Issues

15. This section outlines a comprehensive set of PCD issues relevant to the GGS of OECD countries and important for pro-poor growth. Three cross-sectoral themes are first considered; climate change policy, biodiversity policy and innovation policy as each in turn affect economy-wide developing country livelihoods. The remainder of the section is structured by which developing country sector the OECD policy is most, but not exclusively, related to. Table 1 links OECD policies to each of these sectors as well as outlining the three cross-sectoral issues. The three case studies, chosen to provide greater depth to selected key issues, are also highlighted in Table 1.

**Table 1. Mapping OECD Policies to Developing Country Sectors**

Developing Country Sector	Relevant GG OECD Country Policies	Case Study
Cross-sector Themes	Climate Change Policies, Biodiversity and Innovation Policy.	IPRs and the Anti-Counterfeit Trade Agreement (ACTA)
Agricultural Livelihoods	Subsidies, Tariffs, Biofuels Policy, Consumer Preferences, Certification, Land Purchases.	Reform of EU Biofuels Policy
Fishing Livelihoods	Fisheries Agreements, Subsidies, Tariffs, Sustainability Measures, Certification.	Reform of EU Fisheries Access Agreements
Energy and Mining Sectors	Anti-Bribery Policy and Fossil Fuel Subsidies.	N/A

## 2.1 Cross-sector Themes

16. The recent policy coherence literature has identified the challenge of mapping specific OECD policies to a series of impacts across a diverse set of developing countries (Keijzer et al, 2012). This is particularly true for OECD policy areas that impact on multiple productive sectors of the economy. Climate change policy, biodiversity policy and innovation policy fall within this category and have been identified as cross-sector themes for this paper. For example, OECD climate change policy can provide opportunities for agri-sector carbon mitigation projects in developing countries as well as altering the distribution of fish resources, while OECD innovation policy can be supportive of advancement across all sectors of developing country economies.

### 2.1.1 Climate Change Policy

17. Tackling climate change is one of the major international challenges of this century. While OECD country carbon emissions are largely responsible for climate change to date, it is widely acknowledged that the effects of climate change will fall disproportionately on LDCs and the poor within those countries. In addition, the impacts of climate change and related policy responses will be cross-sectoral, affecting developing country livelihoods, particularly in sectors such as agriculture, fishing and energy and mining. Climate change policy is divided into distinct but related responses; mitigation policies with the goal of reducing carbon emissions and adaptation policy with the aim of supporting efforts of affected communities to react to climate change.

18. First, mitigation strategies addressing climate change differ across OECD countries. However, the majority of climate change-related policy initiatives in OECD countries provide incentives and subsidies, involve regulatory instruments or are related to education and outreach activities (OECD, 2013a). However, what matters most for LDCs is not necessarily how emissions are cut in OECD countries, although this can be important if environmentally damaging activities are simply transferred to LDCs, but the success of these mitigation efforts at a global level.

19. While emission reductions have been achieved in some OECD countries, the absence of an ambitious globally binding agreement means that an irreversible and damaging increase in global temperature is likely by 2050. Some progress towards an agreement has been made. The 2011 Durban climate change conference led to an agreement to start work on a new climate change deal for 2020 that would have legal force. While critics argue that this delay means the globe has signed up to potentially devastating levels of climate change, the outcome of these negotiations will be particularly important for low income households in developing countries.

20. In the meantime, coherence opportunities and concerns exist under the Kyoto Protocol, the present climate change agreement. Under the original Kyoto Agreement developed countries promised to reduce their emissions between 2008 and 2012 to 5% below 1990 levels. To support this objective, the Clean Development Mechanism (CDM) allows developed countries to purchase offsets from projects that reduce emissions in developing countries as an alternative to more challenging or expensive domestic reductions (Barry et al., 2009). As a result, the CDM can not only help protect the environment in developing countries, but create local economic opportunities. However, capacity constraints and a relative lack of competitiveness in developing cheap carbon credits have meant that sub-Saharan Africa has not gained much from international market-based financing mechanisms such as the CDM (OECD, 2013b).

21. At the Doha climate change conference in 2012 an eight year extension, and partial amendment, of the Kyoto Protocol was agreed. However, with only 15% of the global carbon dioxide emissions covered by the Protocol due to the lack of participation of Canada, Japan, Russia, Belarus, Ukraine, New Zealand and the United States and due to the fact that developing countries like China (the world's largest emitter), India and Brazil are not subject to any emissions reductions under the Protocol, there are significant question marks over its effectiveness.

22. An often cited weakness of the Kyoto protocol is the focus on production emissions within a country's boundaries. As a result, the achievement of targets in OECD countries has benefitted from the long-term structural change underway towards services and less intensive carbon manufacturing, a process facilitated by the emergence of carbon intensive manufacturing in developing countries. For example, the Department of Environment, Food and Rural Affairs in the UK estimated that CO<sub>2</sub> emissions associated with imported goods and services consumed in the UK rose by 59% since 1993 (DEFRA, 2012). The obvious alternative strategy of consumption targets is not necessarily superior as there is greater uncertainty in consumption-based reporting and it is undermined by the fact that policymakers are unable to reduce the carbon embedded in imports.

23. One OECD mitigation policy that has the potential to improve livelihoods in developing countries is the global extension of cap and trade systems. Cap and trade emission trading systems impose an upper limit (cap) on the total amount of emissions produced, and tradable emission permits are issued to individual firms which can be traded amongst participants. Such systems increase the cost to firms engaged in emission intensive production methods and help meet national emission reduction targets. Launched in 2015, the EU Emission Trading System (ETS) has inspired some US states, New Zealand and Switzerland to launch their own schemes (Calel and Dechezlepretre, 2012). However, ever-changing market conditions and the youth of these complex institutions have led to significant implementation issues and question marks over their effectiveness. The hope remains that improvements in design in next generation systems can deliver better results. Recently, the EU has set out a vision for linking these systems into one market and if emerging economies are incorporated into the system, not only is there a potential for significant gains in global emission reductions but opportunities could be provided for poor people in developing countries to be compensated for carbon absorption activities in agriculture and forestry.

24. OECD climate change adaptation policies are of direct interest to the most vulnerable in developing countries. Adaptation to climate change will involve both stand-alone adaptation policies and the integration of adaptation measures into existing development interventions (OECD, 2009a). First, for adaptation projects the identification of current and future vulnerabilities and climate risks is a first step before the design of adaptation efforts (OECD, 2009a). Second, mainstream development efforts need to support adaptation and be made more resilient to the impacts of climate change. In a narrow engineering sense, this could involve taking climate change into account in the design of bridges and other infrastructure; or at a policy level this could involve considering the implications of climate change on a variety of development activities, including poverty reduction, sectoral development, and natural resource management (OECD, 2009a).

25. Until recently, adaptation measures received little attention at global climate change negotiations. In 2001, parties at COP7 in Morocco established three funds dealing with adaptation, the Least Developed Countries Fund, the Special Climate Change Fund and the Adaptation Fund. However, it was not until the 2010 Cancún Agreements that an Adaptation Framework with an associated Adaptation Committee was adopted and the Green Climate Fund recognised the need for balanced treatment of



adaptation and mitigation (OECD, 2012c). However, there is still a long way to go before the right instruments and institutions are in place to explicitly incorporate climate change risk and adaptation into policies and projects (OECD, 2012c).

26. Irrespective of the nature of the policy interventions, the cost of managing the adaptation process globally is staggering. In 2012 the World Bank estimated that the cost of adapting to a 2 degrees warmer world by 2050 lies in the range of USD 70-100 billion a year by 2050. These figures should be considered against the fact that global annual average temperature is expected to be 4 degrees above pre-industrial levels by 2100 (World Bank, 2012).

### 2.1.2 Biodiversity policy

27. Biodiversity describes the number, variety and variability of living organisms. The OECD's business-as-usual scenario projects biodiversity, measured as terrestrial mean species abundance, will decline by about 10% between 2010 and 2050 globally (OECD, 2012c). Biodiversity is particularly important to the poor in developing countries, as the majority of the economically active population are dependent on the environment through agriculture, livestock, hunting, fishing, forestry and foraging. In particular, biodiversity supports hydrological services, climate regulation, soil management, pollination services, desalinisation, biosphere resilience as well as tourism and pharmaceutical research (Barry et al, 2009).

28. The framework for concerted international action on biodiversity is the United Nations Convention on Biological Diversity (CBD) which was signed in 1992. While the Convention aimed to significantly reduce biodiversity loss by 2010, it lacked sufficient financial and coercive instruments to move beyond aspirations. The key to addressing biodiversity protection is the development of financial mechanisms that can transfer some of the global value from protecting biodiversity to the local decision-makers who bear the cost of protecting it (Barry et al., 2009). The Green Development Initiative (GDI), similar to the Clean Development Mechanisms (CDM), is an attempt to achieve this and is designed to certify the supply of biodiversity-protected areas in developing countries, which can be sold in the form of GDI credits to buyers in developed countries (GDI, 2011). The initiative is an opportunity to generate ongoing international financial support for biodiversity conservation. Similar programmes in the forestry sector include the Reducing Emissions from Deforestation and Forest Degradation (REDD) and REDD+ which offer forest owners new financial opportunities to support conservation efforts (Emerson et al., 2010).<sup>2</sup>

29. OECD countries' certification policies for forestry imports can promote sustainable management of resources but when overly stringent may become non-tariff barriers. Many of the world's poorest countries are endowed with significant forestry resources but are susceptible to illegal and unsustainable logging practices. It is suggested that certification systems adopt a stepwise approach that strives for gradual improvements in legal forest compliance and forest management standards (OECD, 2013b). In March 2013, all EU member states agreed to prohibit imports, sale or commercial use of illegally sourced timber and wood products. The EU Timber Regulation (EUTR) is designed to make commercial entities accountable for the timber and wood products they buy and use.

---

<sup>2</sup> REDD initiatives provide a financial value for the carbon stored in trees with the intention of making forests more valuable standing than cut down. REDD+ strategies go beyond deforestation and forest degradation, and include initiatives such as conservation, sustainable management of forests and enhancement of forest carbon stocks.

30. In the area of marine biodiversity and conservation, improved sustainable management of fisheries sector can be a driver of sustainable fish stocks and at the same time support livelihood opportunities in LDCs. All efforts to strengthen adherence to responsible fishing practices can be considered beneficial to LDCs in the medium to long-run. Since 1995, the UN Food and Agriculture Organisation (FAO) has been promoting its voluntary Code of Conduct for Responsible Fisheries which includes rules and norms for responsible fish production to ensure sustainability in production and diversity. However, question marks exist over how effective OECD or partner government's fisheries management systems are at monitoring fishing practices and protecting fish stocks.

### **2.1.3 Innovation policy**

31. The spread of technology to developing countries has long been considered an important ingredient in development strategies and a potential catalyst for convergence in income levels. Through GGS, OECD countries are now heavily investing in green energy technology and more environmentally friendly food and agricultural processes and technology (OECD, 2013b). The diffusion of these innovations to developing countries can help improve the lives of the poor through off-grid low cost energy devices as well as improve agricultural productivity and sustainability through advanced agri-processes and seed varieties.

32. Over the last decade OECD countries have increased public investment (through subsidies, grants and tax credits) in green energy technology to develop low carbon energy sources, energy efficient production and sustainable infrastructure (OECD, 2013b). These investments are likely to reduce demand for fossil fuels globally, benefitting the majority of LDCs that are fossil fuel importers, and facilitating the diffusion of green technology to LDCs. For example, recent innovations in wind, solar energy and geo-thermal energy production in OECD countries will disseminate to developing countries through development co-operation and private investment. If such innovations provide reliable and low cost energy to poor households without the need to construct energy grids, a significant step towards ending global poverty will be made.

33. Likewise OECD countries' innovation policies in food and agriculture can be directed towards specific challenges faced by poor households in developing countries. Sustaining agricultural yields in the face of climate change and loss of biodiversity, and sustainably increasing them to meet population increases is likely to require improvements in environmentally friendly fertilizer, seed varieties, animal medicine, irrigation methods, crop rotation, the diffusion of organic farming, conservation agriculture and agroforestry and improved effectiveness of national quality assurance institutions.

34. In short, a pro-development regime for the intellectual property rights for such innovations could be considered and efforts to encourage developing countries to embark on low-carbon, environmentally friendly development paths could continue to be a priority for development diplomacy and aid programmes.

### **2.1.4 Case Study 1: IPRs and the Anti-Counterfeit Trade Agreement (ACTA)**

35. The recent *Anti-Counterfeiting Trade Agreement (ACTA)* is the latest development in a 40 year debate around global enforceability of intellectual property rights (IPRs). The agreement was motivated by the perceived lack of progress towards multilateral enforcement of intellectual property rights, either at the WTO council on Trade Related IPRs (TRIPs) or the World Intellectual Property

Organisation (WIPO). The goal of the ACTA is to create improved international standards as to how to act against large-scale infringements of IPR.

36. The negotiating parties were dominated by high income economies whose economic strategies depend on industries that require IPR protection, i.e. high quality products and brands (trademarks, geographical indications), innovative industries (patents) or entertainment (copyright). The concern is that abuse of these rights by counterfeiters who free-ride on the innovative and quality-enhancing efforts undertaken in OECD countries has a negative impact on growth and employment in OECD countries (European Parliament, 2011). Signatories of the agreement include Australia, Canada, Japan, Korea, Morocco, New Zealand, Singapore, Switzerland, Mexico, the United States, and the European Union.

37. In separate bilateral agreements, the EU has in recent years attempted to export strict IPR through Free Trade Agreements with LDCs, paving the way for seizures in developing countries and impeding, for example, generics medicine trade (IMVF, 2011). Indeed, the European Commission now explicitly states that the EU could seek to strengthen IPR provisions in future bilateral agreements (IMVF, 2011).

38. The issue of cross-border enforceability of IPRs has been contested ever since the establishment of the World Intellectual Property Organisation (WIPO) as a specialised UN agency in 1970. However as WIPO had no independent powers of enforcement, the contest moved to GATT negotiations in 1986, before TRIPS was to become an integral part of the Marrakesh Agreement establishing the WTO in 1994 (Barry et al., 2009).

39. Despite these developments until relatively recently it was taken for granted that developing countries would not be overly diligent in recognising intellectual property rights (IPRs) and in collecting IPR-related licensing fees. Successful Asian economies had a history of copying all forms of western technology that they could acquire. Authors continue to debate, even now, whether today's poorest countries could be overly assiduous in enforcing IPR laws (Saint-Paul, 2005).

40. A number of special cases of IPRs that have important development implications exist and include; generic medicines and traditional technology, such as in the area of food, and elements of biodiversity such as plant and animal genetic sequences.

41. While incentives must be in place to encourage research into and development of medicines for diseases prevalent in developing countries, IPR protection of new medicine can prevent affordable access to life saving medicine for poor households. Recognition of this issue can be seen in the 2001 WTO unanimous decision to allow members with insufficient ability to manufacture generic drugs to import them. However, not all countries have ratified this amendment and in practice the waiver has turned out difficult if not impossible to use and only one developing country, Rwanda, has called upon it in a transaction with Canada (IMVF, 2012). An example of continued OECD country opposition to this waiver can be seen from the 2007 effort by Thailand to circumvent pharmaceutical patents in order to boost its supply of cheap medicines and the subsequent objection by the European Commission.

42. Notoriously, patents of turmeric, basmati rice and oil from the (Indian) neem tree have all been granted by the US Patent Office and, while many of them have been overthrown following legal action, the cases nevertheless have had to be pursued (Barry et al., 2009). TRIPs has also facilitated the global patenting of genetic sequences of animal and plant varieties. Though nothing is being invented, the discovery is held to be in showing the impact of the gene sequence and this information has been

deemed eligible for protection by the US Patent Office. In some cases this has extended to the patenting by local subsidiaries of MNCs of indigenous plant and animal species so that they become available only under licence to local organisations (Barry et al., 2009).

43. Such PCD issues have been acknowledged by the OECD. In 2003, the OECD argued that “Ways must be found to encourage research that delivers global public goods that help facilitate access by partner countries to products and services that improve their health, education, science and technology bases” (OECD, 2003). To this end, Stiglitz proposes two immediate measures: an international agreement recognising traditional knowledge and prohibiting bio-piracy and the incorporation into TRIPS of the biodiversity property rights defined in the Convention on Biological Diversity (Stiglitz, 2006). The Convention on Biological Diversity emphasises the rights of local and indigenous communities to reap a share of the benefits from their own biodiversity-related traditional knowledge and informal innovations. Examples include knowledge of herbs and plants that have medicinal properties that are of great value to pharmaceutical research and innovative new plant varieties developed by farmers who select the seeds that perform best season after season (Kirton and Guebert, 1999). Similar proposals have been advanced by Norway (Norwegian Government, 2006).

44. Given these significant policy coherence issues with the global enforcement of intellectual property rights, the Anti-Counterfeiting Trade Agreement (ACTA) or similar strict IPR rules may have important developmental impacts, in particular if adherence is a condition for future bilateral trade or other agreements with OECD countries. In particular, a pro-development regime for the intellectual property rights could be considered, with at a very minimum, easily accessible waivers for life saving medicine and significant protection of indigenous knowledge.

## 2.2 *Agricultural Livelihoods*

45. The promotion of agriculture remains central to the prospects of developing country’s efforts to drive economic growth and reduce poverty. Three quarters of poor people in developing countries live in rural areas and there is evidence to suggest that more than 80% of the decline in poverty rates between 1993 and 2002 in developing countries is attributable to better economic conditions in rural areas (World Bank, 2008). Hunger and malnutrition are widespread in developing countries. The FAO estimates that 842 million people suffered from under-nutrition in 2011-2013, while environmental degradation, climate change, rising competition for water and land and doubts about future technological adoption rates create rising uncertainties about global food security (FAO, 2008; FAO, 2010; FAO, 2013a; World Bank, 2008).

46. To achieve pro-poor green growth, agriculture in developing countries requires unhindered access to global markets, access to new environmental friendly technologies and investment to improve agriculture productivity, and an enabling environment to allow small landholders to participate in wider markets. Stable and un-dampened world prices will provide the right forward signal to encourage productivity improving investment in agriculture.

47. This section explores four aspects of OECD policies that affect agricultural livelihoods in developing countries; (1) agricultural supports, (2) non-tariff barriers and consumer preferences, (3) biofuels policy and the broader phenomenon of (4) land purchases. OECD countries’ agricultural subsidies and tariffs have traditionally been challenged for their incoherence, but more recently non-tariff barriers

driven by food safety regulations and consumer preferences have discriminated against developing country exports. Policies designed to increase the global production of biofuels have a particularly important, and yet diverse, effect on livelihoods in developing countries. In addition, the recent trend towards large scale land purchases raised questions marks for pro-poor growth. To provide further depth and illustrate the success of PCD efforts a case study on the reform of EU biofuels policy is presented.

### **2.2.1 Agricultural Supports**

48. Farming subsidies in OECD countries lead to lower imports from or greater exports to developing countries, reducing the prices their farmers receive and undermining growth opportunities. The decoupling of subsidies from production levels in favour of green growth objectives in some OECD countries has also led to more coherent policies and increased price competitiveness in developing countries. This reform makes subsidy payments conditional on meeting environmental, health or animal welfare standards and represents a win-win for GGS and policy coherence.

49. While OECD agricultural subsidy reduction provides incentives for producers in LDCs to increase their production by responding to higher global prices, net food consumers in developing countries may face higher prices in the short run. However, the elimination of such subsidies would improve the cost competitiveness of LDC exports and earn much-needed export revenues. Consumers would not necessarily face higher prices in the medium to long run as LDCs and emerging economies build production capacity. Ensuring that this long term increase in agricultural yields is achieved in a sustainable manner is an important shared objective.

50. OECD countries employ tariffs protection selectively to protect important domestic production systems. The continued protection of cotton industries in the US is a prime example. However, the advent of bilateral free trade agreements has built on the earlier success of the WTO and reduced tariffs for LDC produce entering OECD markets. Recent research shows that agricultural goods entering Australia, Switzerland and the EU from LDCs faced a zero average tariff in 2010, while the average tariff for the US and Japan was less than 5% (King and Matthews, 2012). However, tariff rates for agricultural goods from emerging economies, home to hundreds of millions of poor households, can be considerably higher.

51. Despite declining tariff barriers into OECD countries the export performance into the OECD of least developed countries since 2002 has been modest, reflecting the potential negative impact of non-tariff barriers and weak exporting institutions. For example the market share in goods of the 15 Southern African Development Community (SADC) members into the OECD has increased from 0.43% 2002 to 0.64% in 2011 (Comtrade, 2013).

### **2.2.2 Quality Related Non-tariff Barriers and Consumer Preferences**

52. Quality related non-tariff barriers form part of a set of policy responses pursued by OECD governments to protect consumer, the environment and animal welfare. The OECD classifies three type of quality related non-tariff barriers in the agri-sector: sanitary and phytosanitary measures to protect human, animal and plant health, technical barriers to trade that protect consumers by upholding the technical characteristics of products and other technical measures (OECD, 2013d). The OECD estimates that, while it is difficult to calculate the economic impact of non-tariff barriers, the trade cost impact of NTMs are more important than prevailing tariff rates in obstructing trade (OECD, 2013d). An unintended consequence of quality related non-tariff barriers is to restrict or discriminate against imports from the poorest countries who have least capacity to meet the often evolving market access requirements. As a

result an increase in the income inequalities between large and small scale producers can occur as small scale producers are less able to deal with increasing bureaucratic requirements of certification (OECD, 2013b).

53. Often driven by the private firms and consumer advocacy groups in OECD countries, but sometimes supported by government policy, private sector organic, carbon or other environmentally related certification schemes can improve information in the hands of consumers and can, in theory, promote sustainable agricultural production in LDCs. While such privately organised certification schemes do not prevent access to OECD markets, they can reduce the price received by suppliers across the developing world unable to meet standards and increase the transaction costs faced by LDC suppliers who attempt to reach certification criteria. In addition, fragmentation of these private sector initiatives and ever-changing standards can pose particular problems to LDC producers.

54. To help mitigate the exclusion of small scale farmers from OECD markets as a result of such certification schemes and non-tariff barriers, development aid can play a role in supporting both the development of co-operatives to pool farmer's resources and reach specified standards and capacity building for national quality assurance institutions. In addition, OECD countries could conduct systematic regulatory impact assessment prior to policy changes and take developing world exporters into consideration and provide sufficient notice to exporters of indented policy changes (OECD, 2013d)

### **2.2.3 Biofuels Policy**

55. Based on a triumvirate of policy objectives, concern for climate change, energy security and rural development, OECD countries' policy for biofuels has been proactive and interventionist over the last decade. With production expected to grow more than threefold by 2030 and with developing countries endowed with arable land and a comparative advantage in sugar cane or palm oil in a position to take advantage, biofuels will remain an important focus for policy coherence for years to come (OECD, 2013b).

56. Biofuels comprise mainly of ethanol from cereals and sugar crops, and biodiesel from vegetable oils such as rapeseed or canola oil. The US and Brazil remain the largest ethanol producers with 61% and 26% of global ethanol output in 2011, respectively, while the European Union accounts for about 44% of global biodiesel production (USEIA, 2013). The US is the second largest biodiesel producer (16%) but Argentina (12%), Brazil (11%) and Indonesia (5%) enjoy significant global market shares in biodiesel production in 2011 (USEIA, 2013).

57. In OECD countries, biofuels remain highly dependent on government support. The OECD projected that public support to biofuels in the US, EU and Canada would rise to USD 25 billion by 2015 (OECD, 2008a). Support for biofuels can be broken down into three types of policies as follows: budgetary support measures, use mandates or quotas and trade restrictions.

58. First, budgetary support measures take the form of tax concessions for biofuel producers, retailers or users, or direct support to biomass supply or biofuel production capacities, each of which represent a direct cost to OECD taxpayers. Data from the Global Subsidies Initiative (GSI) estimate total annual subsidies to liquid biofuels over the period 2006-2007 amount to USD 8.1 billion in the US (0.06% of GDP) and USD 3.1 billion in the EU (0.02% of GDP) (King and Matthews, 2012).

59. Second, mandates or quotas require biofuels to represent a minimum share in electricity production or transport fuel usage. Mandates result in higher production costs and result in increased

consumer fuel prices. For example, the EU Biofuels Directive 2003 set “reference values” of a 2% market share for biofuels in 2005, 5.75% in 2010, and 10% by 2020. The European Council has subsequently established an overall binding target of a 20% share of renewable energy sources in energy consumption and a 10% binding minimum target for renewable energies (including but not confined to biofuels) in transport to be achieved by each Member State. See section 2.2.5 for details on the recent reform of EU biofuels policy.

60. Third, trade restrictions, mainly in the form of import tariffs, protect the less cost efficient domestic biofuel industry from competition from lower-cost foreign suppliers and result in higher domestic biofuel prices. These measures impose a cost burden on domestic biofuel users and limit development prospects for alternative suppliers (OECD, 2008a). King and Matthews (2012) show that of six nations surveyed MFN (most favoured nation) tariffs per hectoliter were highest in Norway (EUR 257), Russia (EUR 100) and lowest in the US (EUR 27) and Japan (EUR 24). Where preference trade agreements exist, the MFN tariff is superseded. For example in the case of the EU, a zero tariff applies to LDCs rather than the EU’s MFN tariff of EUR 42 per hectolitre. Nevertheless, major bioethanol exporters in the developing world remain outside of such preference agreements.

61. Biofuels promotion policies in developed countries can be linked to a series of unintended and heterogeneous effects in developing countries. Winners and losers will be unevenly distributed through the developing world depending on whether a country or household is net food exporter/producer or what timeframe is considered when factoring in the health of ecosystems in the face of increased feedstock production in the short term.

62. First, with biofuel fuelled machines competing with hungry mouths for consumption of agri-produce, higher prices cause a direct negative welfare effect on net food consuming households and net food importing LDCs. Criticism of the effects of OECD country biofuel policy in developing countries emerged at the time of the food price spike in 2006-2008 (Oxfam, 2008). While estimates differ of the precise contribution which diversion of agricultural crops into biofuel feedstock made to the sharp increase in food prices experienced between 2006 and 2008, there is no doubt that it was a contributory factor (Barry et al, 2009). Indeed, it was estimated in 2008 that OECD biofuel policies would increase average wheat, maize and vegetable oil prices by about 5%, 7% and 19%, respectively, in the medium term (OECD, 2008a).

63. Second, existing, and any additional support for biofuel consumption, have important implications for global land use and are likely to accelerate the expansion of land under crops particularly in Latin America, large parts of Africa and certain parts of Asia (e.g. Indonesia) (OECD, 2008a). Concerns over the effects of increasing production on forests, biodiversity and fragile eco-systems have been expressed, and care is needed to avoid accelerated deforestation, run-off of nutrients and pesticides and other environmental damages (OECD, 2008a). Indeed, when deforestation occurs to pave the way for mass biofuels production, increases in carbon emissions can actually occur.

64. Finally, recent research has suggested that the emission reductions from some biofuels have not been as impressive as originally thought. Ethanol based on sugar cane, the main feedstock used in Brazil, generally reduces GHG emissions by 80% or more over the whole production and use cycle, relative to emissions from fossil fuels (OECD, 2008a). However, less impressive results are found for biofuels from wheat, sugar beet or vegetable oils which produce emission savings of 30% to 60%, maize based ethanol generally allows for savings of less than 30% (OECD, 2008a).

#### **2.2.4 Land Purchases**

65. It has been estimated that as much as 227 million hectares of land in developing countries has been purchased or leased between 2001 and 2008 by wealthy private actors and emerging economy governments (Oxfam, 2011). Concern has been raised over the legitimacy of some of the sales within the context of weak property rights for indigenous people and how pro-poor future business plans may be.

66. While it remains possible that these land purchases will help the development of rural infrastructure and support rural employment, the benefits to the local communities will depend heavily on priorities for land use and how investment projects are designed and managed (IFPRI, 2009). The outcome for the rural poor will depend on the level of respect of both formal and informal local property rights, the degree and quality of employment opportunities for locals, the level of responsible agricultural investment and the respect for and investment levels in environmental resources. In particular, the selling of land to foreign commercial interests can, in some cases, undermine local food supplies and force locals to farm less productive land, with consequences for livelihoods and environmental sustainability.

67. The literature suggests that developing country institutions play a central role in determining the impact of foreign investment in developing countries on pro-poor growth. First, the degree of democratic and civil society scrutiny of the sale process is likely to be a good predictor of the appropriateness of the sale from a pro-poor perspective. Second, the subsequent strength and enforceability of labour and environmental regulations will help determine the pro-poor outcome of the investment.

68. While OECD country policies are not fully responsible for these land purchases, although biofuel policies have contributed to the demand for land, errors of omission may occur if efforts to support developing countries successfully manage their natural resources to deliver inclusive pro-poor growth are not pursued through development dialogues.

#### **2.2.5 Case Study 2: EU Reform of Biofuels Policies**

69. In the last ten years, the EU and member states have used both legislation and excise duty reliefs to promote biofuel production and use across the Union. As mentioned in Section 2.2.3, the EU Biofuels Directive 2003 set reference values for biofuels market share rising to 10% by 2020. In parallel, the European Council established an overall binding target of a 20% share of renewable energy sources in energy consumption and a 10% binding minimum target for renewable energies (including but not confined to biofuels) in transport to be achieved by each Member State (Barry et al, 2009). In addition to official targets, the EU imposes high tariffs on non-preferential suppliers of bio-ethanol to support domestic producers of biofuels.

70. As previously mentioned OECD members and EU biofuels policy came in for particular criticism during the food price spike of 2007-2008. The criticisms centered on the role biofuels policy played in rising global food prices, incentivising land grabbing in developing countries and delivering lower emissions reductions than initially thought.

71. Reacting to these criticisms, the EU has been proactive in reforming its biofuels policies as follows:



- First, in order to avoid negative environmental side effects of increased production of biofuels, the Renewable Energy Directive 2010 obliges all biofuels counted towards EU targets, whether of EU origin or imported, be produced in compliance with the EU sustainability criteria. This certification is likely to help ensure the sustainability of natural assets in areas of biofuels production in developing countries, although it is important to ensure that the criteria do not act as a non-tariff barrier to exports.
- Second, the EU established a system for monitoring the impacts of EU biofuels policy in the EU and third countries in 2010. To support this monitoring effort, the European Commission launched a biofuels baseline in 2008 to underpin bi-annual impact reports. As part of this new commitment in 2013, the EU published an extensive review of the impact of EU biofuels production on developing countries. The range of developing country impacts that were investigated included economic impacts (food prices, land tenure systems, investor's strategies and business models), environmental impacts (land degradation, deforestation, water resources management, biodiversity, GHG emission and land use changes) and social impacts (land and food rights, gender and technology transfer) (EU Commission, 2013).
- Third, in 2012 the European Commission published a proposal to amend previous renewable energy directives. The proposals suggest that the use of biofuels from crops could be limited to 5% of total energy consumption in the EU transport sector in 2020, with a corresponding increase in the target for advanced non-land using biofuels made from municipal waste, algae and agricultural residues. This proposed change will reduce demand for crop based biofuels from developing countries, hindering growth prospects in this sector. However, it remains to be seen if other OECD countries will follow the EU's lead in this regard.
- Fourth, the proposals lay out a vision of no subsidies for land based biofuels after 2020. Such a development would provide a more level playing field for developing country biofuel exporters.

72. Despite the existence of losers in developing countries from the reform of EU biofuels policy, it seems reasonable to conclude that greater policy coherence with overseas development objectives has been achieved since 2010. Nevertheless, as noted earlier, significant environmental issues remain in the supply of biofuels from developing countries to OECD countries and the loss of competitiveness for developing world exporters from OECD subsidies and tariffs. In addition, to support pro-poor growth it is important to design biofuel policies in such a way as to ensure that export opportunities are open to small farmers and community cooperatives and not only available to large landowners who can afford to meet the sustainability criteria of EU renewable energy standards.

### 2.3 *Fishing Livelihoods*

73. Fisheries play a very important role in revenue generation, livelihoods and food security in many developing countries. Fish exports are a significant source of foreign exchange earnings for least developed countries (Barry et al, 2009). Total world fish exports amounted to €95 billion in 2009, with the developing country share just below 50% (FAO, 2013b). Many coastal developing countries have significant fishing industries and these countries include emerging economies such as China, Thailand, Vietnam, Chile, Indonesia and Peru but also LDCs such as Bangladesh and Senegal. In addition, according

to the FAO around 60% of people in many developing countries depend on fish for over 30% of their animal protein supplies.

74. OECD fisheries' policies consist of a wide range of instruments and tools for the management and promotion of fisheries. These can be broken down into (1) access agreements, (2) fishing supports (financial transfers and tariff barriers) and (3) sustainability measures and this section explores each in turn.

OECD policies have policy coherence implications when weak institutional structures for fisheries management exist in both developed and developing countries. When monitoring of fish stocks is inadequate, decisions about catch limits are made with inaccurate information and regulation of fishing practices is inadequate, policies such as subsidies and access agreements can lead to over-fishing and fish stock depletion. Depleted fish stocks have implications for the food security of growing for industrial and micro fisheries in developing countries today and long into the future.

### **2.3.1 Fisheries Access Agreements**

75. OECD countries gain access to LDC waters through fisheries partnership agreements. Significant financial resources are provided to LDC governments in exchange for access rights to LDC waters. Such agreements allow distant water fleets (DWFs) to access 'surplus' fish stocks that the host country does not have the capacity to harvest to their full potential. The US has a regional treaty with Pacific countries for access to tuna resources. Japan, Republic of Korea and China have agreements in the Atlantic, Indian and Pacific Oceans and mainly target high-value tuna species, as well as white fish and squid (DFID-MRAG, 2013). The EU has access agreements in West Africa, Indian Ocean, and the Pacific Ocean.

76. For example, in 2008 the EU had 15 fishing agreements with LDCs, paying €146 million per year in compensation. However, weaknesses in fisheries management systems in LDC mean that it is uncertain how damaging partnership agreements are to fish stocks and the sustainability of local fishing livelihoods. In most cases, the opportunity to strengthen fisheries management systems is lost as the money transferred to LDC governments is not earmarked for the sector.

77. Fisheries Access Agreements (FAAs) have been criticised on a number of levels. First, the extent to which surplus fish resources exist has been questioned for some countries, while their existence often is the legal basis for agreement (Barry et al., 2009). Second, FAAs have in some cases contributed to changes in African consumption patterns, from high value fish to low value fish or even to poultry imported OECD countries (OECD, 2008b). Third, the fact that the OECD governments often pay the fee for DWFs access represents a further subsidy to the sector. Fourth, where a fee is paid to the local government, any development impact is limited if the money simply disappears into the national budget and is not used to further develop the fisheries sector or for investment in other parts of the economy (Barry et al., 2009). Fifth, DWFs access to developing country waters does not always fall under an official fisheries agreement. In 2007, only half of the EU's distant-water fleet availed of negotiated fishing arrangements. The other half of the EU's distant-water fleet made its own bilateral arrangements with third countries, the details of which are not available to the public although these vessels receive support from the EU budget (Tindall, 2010). See section 2.3.4 for further details on the EU fisheries access agreements and the approach of the South Pacific Islands to access agreements.

### 2.3.2 Fishing Supports

78. OECD fishing industries remain heavily subsidised. Financial transfers such as market price support, direct payments and income support can affect exports and prices of fish products in developing countries, thereby distorting trade and undermining the fisheries sector and livelihoods in these countries (OECD, 2012a). In 2007, Finland provided financial transfers to fisheries sector equivalent to 78% of the total landed value and the US provided subsidies equivalent to 49% of the total landed value. At the lower end, Australia and the EU as a whole provided subsidies equivalent to 5% of total landed value (OECD, 2009b, King and Matthews, 2012).

79. Fishing subsidies can increase fishing capacity and contribute directly to the over-exploitation of fish stocks (Barry et al, 2009). The depletion of fish stock in OECD waters will likely increase demand for imports from LDCs and increased OECD country fishing efforts in LDC waters. While there may be a short term gain in LDC livelihoods, the additional demand for LDC fish is likely to have devastating long term effects on stocks and undermine the long term sustainability of local fishing sectors. In addition, OECD financial transfers to the fishing sector and tariffs undermine the ability of these countries to export into key markets as most of the top fish importing nations are OECD countries. While OECD subsidies reduce market prices and represent a net welfare gain for net fish consumers, the reality is that LDCs do not import fish in great numbers.

80. Tariff barriers increase the cost of developing country exports into OECD markets. In similar fashion to biofuels, OECD countries impose significant tariffs on fish imports from external countries. Russia, the EU and China imposed tariffs on fish and fish product imports of 13.5%, 11.8% and 10.7% respectively in 2008 (King and Matthews, 2012). In the EU case however, when trade preferences for developing countries are taken into account, the effective EU's tariff falls, although its average tariff applied to developing country exports of 2.3% is still greater a number of other OECD members countries. Where LDCs are sustainably managing their marine resources, these tariffs can reduce both short term revenue and long term revenues to the developing country fishing sector.

### 2.3.3 Sustainability Measures

81. Improved sustainable management of fisheries sector can be a driver of sustainable fish stocks and at the same time support livelihood opportunities in LDCs. All efforts to strengthen adherence to responsible fishing practices can be considered beneficial to LDCs in the medium to long-run. Sustainability measures comprise of efforts to monitor fish stocks, restrict catch levels where appropriate, eradicate illegal, unreported and unregulated fishing and protect marine environments. Since 1995, the FAO has been promoting its voluntary Code of Conduct for Responsible Fisheries which includes rules and norms for responsible fish production to ensure sustainability in production and diversity.

82. One commonly employed OECD member state policy is fish certification. Fish certification promotes sustainable production by reducing illegal, unreported and unregulated fishing, ensuring the quality of fish products and improving the international tradability of goods from LDCs (FAO, 2010, OECD, 2012b). Alternatively, imposing certification system may become a non-tariff barrier depending on size and complexity of the system (OECD, 2012b).

83. However, question marks exist over how effective OECD or partner government's fisheries management systems are at monitoring fishing practices. Despite efforts, the FAO classified 85% of fish types globally as fully exploited, over exploited or depleted, and therefore unable to sustain current catch levels, in 2008 (FAO, 2010). This was the highest recorded level.

#### 2.3.4 Case Study 3: Reform of EU Fisheries Access Agreements

84. The EU has made two efforts to reform its fisheries agreements in the last 10 years. In response to criticisms, the EU proposed in 2004 that access agreements with third countries should be replaced by Fisheries Partnership Agreements (FPAs). The FPAs are intended to demonstrate the EU's commitment "both to sustainable and responsible fisheries policy and to poverty reduction in developing countries" (Bretherton and Vogler, 2008). For example, the process of jointly agreeing on the use of the financial contribution has led to most of these funds being used for the conservation and sustainable management of fisheries resources (European Commission, 2007).

85. Despite these efforts the criticisms persist. Bretherton and Vogler (2008) highlight the tension between the aims of the Agreements to support the activities of the EU's distant-water fishing fleets and to establish sustainable fisheries outside Community waters, with individual member states putting very different emphases on these two objectives. Indeed, the EU's 2009 Green Paper on the future of fisheries policy, the European Commission referred to five 'structural failings' which seriously hampered the successful implementation of the Common Fisheries Policy (CFP). These were: (1) a deep-rooted problem of fleet overcapacity; (2) imprecise policy objectives resulting in insufficient guidance for decisions and implementation; (3) a decision-making system that encourages a short-term focus; (4) a framework that does not give sufficient responsibility to the industry; and (5) lack of political will to ensure compliance and poor compliance by the industry.

86. In February 2013, the EU agreed to a proposal to reform the EU's Common Fisheries Policy. Fish quotas will be based on maximum sustainable yield, a system which requires catch levels no more than a given stock can reproduce in a given year. The policy will also include a ban on discarding, the practice of throwing surplus fish back into the sea, dead or dying, because they fall outside the permitted quota.

87. Overall these reforms represent an 'on paper' improvement in coherence with environmental and by extension development objectives, but significant question marks remain over whether additional resources required to ensure compliance with these new procedures will be made available. Indeed, if compliance is onerous on fleets and developing countries will enter into bilateral deals or joint ventures that lack transparency and monitoring mechanisms.

88. Efforts at improving the coherence of OECD country fisheries policies have occurred with the EU taking the lead. However, the evidence suggests that the stocks of many fish types are perilously close to collapse due to overfishing and responsibility for this can be traced to ever-growing consumer demand in OECD countries and the global reach of OECD fishing fleets. In particular there is reason to believe that fisheries access agreements fall short of best practice. Box 2 discusses the case of the Nauru Agreement in the South Pacific and some guiding principles for fisheries agreements.

## Box 2. Nauru Agreement and Best Practice in Fisheries Agreements

The Western and Central Pacific Ocean (WCPO) is the main fishing ground for tunas, accounting for around 60 % of world catches (EU, 2012). In order to pool their fisheries management resources and negotiate better deals, eight island states in the South Pacific signed the Nauru Agreement on tuna purse seine fishing licences in the region.<sup>3</sup> As part of the agreement a licencing system known as the Vessel Day Scheme was established to constrain and reduce catches of target tuna species, and increase the rate of return from fishing activities through access fees paid by DWF.

The Nauru Agreement was recently awarded Marine Stewardship Council (MSC) certification, the highest benchmarks for credible certification and eco-labelling, including the UN Food and Agriculture Organization guidelines and the ISEAL Code of Good Practice. This was the first MSC award involving low income countries. Details of the MSC standards can be found at this link: <http://www.msc.org/about-us/standards>.

In 2001 the World Wildlife Fund suggested a list of ten best practice principles for negotiating fisheries partnership agreements which remain relevant today (Martin, et al, 2001).

- Access agreements should only be granted under the auspices of a fully developed fisheries management plan.
- The total catch permitted to a DWF as well as the total fishing capacity of that fleet should be consistent with a sustainable level of fishing, based on a clear scientific assessment of the state of stocks.
- Arrangements for access should ensure that the distant water fleet assumes its proportionate share of the environmental costs of sustainable fishing in the fisheries for which access has been granted.
- The interests of small-scale, artisanal fishers of the coastal State should be protected.
- The flag State should take such action as may be necessary to ensure that its flag vessels comply with the fisheries laws and regulations of the coastal State, including prosecution and appropriate punishment under its own domestic laws for serious violations.
- The distant water fleet should cooperate with the coastal State in carrying out scientific research on the status of stocks and should undertake to collect and report in an accurate and timely manner data on catch and effort.
- The coastal State should ensure, directly or through third parties, that its monitoring, control and surveillance capabilities are adequate to enforce its fisheries laws and regulations.
- The terms and conditions for fishing under access arrangements should be based on best fisheries management practices.
- The negotiation of and terms and conditions of access agreements should be transparent.
- Before an access agreement is renewed, the parties should conduct a thorough review of the status of the fishery resources concerned.

Innovative approaches to building local fishing capacity while supporting livelihoods are also worthy of consideration. As an alternative to fisheries access agreements exists, the island state of Niue negotiated a joint venture with a New Zealand firm to facilitate all foreign commercial tuna vessels fishing in Niue's zone to offload their catches at a local facility (Campling et al, 2007 and Gillett, 2011). Only vessels that agree to these terms were licensed. Another approach is pursued by Papua New Guinea where the longline fishery is fully domesticated, restricting the participation to only nationals or citizen companies with limited allowance for dry charter of additional foreign vessels (Kumoru, 2008 and Gillett, 2011).

## 2.4 Energy and Mining Sectors

89. Many LDCs are endowed with significant untapped mineral resources. If managed successfully, these resources can underpin pro-poor growth long into the future. However, recent research has illustrated how resources revenues can hinder economic growth and undermine political

---

<sup>3</sup> Purse Seine is an efficient method of catching large numbers of fish. A purse seine is a net set vertically in the water. When a school of tuna is sighted, the purse seine vessel encircles the school and traps them in the net by linking back up with a smaller vessel.

stability in weak institutional settings. The challenges of managing natural resources for pro-poor growth is set out in OECD's policy guidance note "Natural Resources and Pro-Poor Growth: The Economics and Politics" (OECD, 2009c).

90. OECD green growth strategies play a key role in outcomes in the energy and mining sectors in low-income countries. Many of the developing world consequences of GGS in the energy sector have been discussed elsewhere such as the impact of climate change policy, biofuels policy and innovation policy. For example, OECD innovation policies that allow the diffusion of technology can play a central role in transforming energy generation in LDCs. Two additional issues considered here include (1) fossil fuel supports and business ethics of OECD private sector firms engaged in energy and mining activities, under the heading (2) transparency in extractive industries.

#### **2.4.1 Fossil fuel supports**

91. Despite recent policy initiatives to incentivise private investment in renewable energy, it is estimated that OECD countries spent between \$55 to \$90 billion a year during the period 2005-2011 to support the production and consumption of fossil fuels (OECD, 2013e). Most support measures take the form of tax expenditures encouraging the extraction of hydrocarbons and coal or the consumption of refined fuels in the transport sector. Direct budgetary transfers are also often provided to support (i) the consumption of energy by low-income households, (ii) the redeployment of resources in declining fossil-fuel industries (e.g., hard coal in Europe), and (iii) research and development in relation to fossil fuels (OECD, 2013e).

92. The removal of support to fossil fuels in OECD countries is expected to lead to downward pressure on world market prices that may lead to lower fossil fuels prices for consumers in LDCs. Whether there would be a net welfare gain to net consumers of fossil fuels in LDCs will depend first on the extent of the global price reduction, and second on characteristics of the local market such as distribution margins and competition in the retail sector, trade costs, and the price controls for local petroleum products.

93. Fossil fuel subsidies are even more significant in developing countries. The International Energy Agency (IEA) estimates that price-driven consumer subsidies in 37 emerging and developing economies totalled about USD 523 billion in 2011 (IEA, 2012). This represents almost five times the yearly bilateral aid ODA flows to developing countries (Burniaux and Chateau, 2011). The removal of these subsidies will likely hurt oil exporting nations and heavy users of fossil fuels in developing countries such as exporters. However, as fossil fuel subsidies in developing countries tend to be regressive as the poor use less fossil fuels, their removal would free up tax revenue for pro-poor investments.

94. Nevertheless, the environmental gains of removing fossil fuels subsidies are substantial. Using the IEA estimates of fossil-fuel subsidies in 37 emerging and developing economies, the OECD estimates that a gradual and co-ordinated subsidy removal could reduce global GHG emissions by 6% by 2050 (OECD, 2013e). Similarly, a reduction or elimination of fossil fuel supports in OECD countries can form an important part of efforts to reduce carbon emissions.

#### **2.4.2 Transparency in Extractive Industries**

The exploitation of natural assets in least developing countries offers an opportunity to accelerate pro-poor growth if properly managed. According to Paul Collier and Anthony Venables, the true African asset portfolio is likely to be very heavily skewed towards natural assets (Collier and Venables, 2008). To realise

this dividend successfully, OECD-based private actors are likely to play a significant role in the extraction process. However, extractive industries are characterised by government control of and discretion over access, lump sum returns, and in countries with weak accountability and transparency norms have poor records for corruption. Research by the World Bank and others has shown that countries that tackle bribery and corruption can boost national incomes and significantly reduce the effects of poverty.

95. With significant profits at stake and the award of extraction rights or energy licences at the behest of local officials, the energy and mining sectors are particularly open to bribery and corruption. While there is evidence to suggest that public officials in some LDCs have become wealthy from natural resources, multinational enterprises have also earned windfall profits from access agreements that represent poor value for local citizens (Standing, 2007).

96. As GGS are pursued in the decades ahead and innovation and expertise are developed, significant additional opportunities for OECD private actors will emerge in developing countries. OECD firms operating in energy and natural resource markets in developing countries will increasingly specialise in green growth related activities; both the greening of traditional energy sources and mining activities and the development and roll-out of renewable energy projects.

97. If properly regulated, private actors from the OECD can play a constructive role in the eradication of corruption in these sectors. A starting point for regulation is the OECD Declaration on International Investment and Multinational Enterprises, recently updated in 2011, which has a set of environmental requirements that could be adhered to when OECD-based private actors invest in developing countries. However, more robust adherence to the OECD declaration is required and question marks remain over the willingness of OECD countries to enforce compliance.

In addition, the 1997 OECD Convention on Combating Bribery of Foreign Public Officials in International Business Transactions, adopted in 1997, requires signatory countries to criminalise foreign bribery. However, Transparency International (TI) found in 2012 that 18 of the 37 signatory countries displayed little or no enforcement of the convention. Nevertheless, the 19 countries described as having active or moderate enforcement represented over 50% of global exports.

98. OECD countries have a responsibility to ensure that private actors investing in both traditional energy and mining activities and green energy in LDCs behave responsibly towards the environment and adhere to anti-bribery conventions. In terms of capacity in developing countries, OECD countries through development policies can help to strengthen the contractual bargaining ability of LDCs and strengthen the voice of civil society to ensure citizens receive a fair amount of profits from issuing mining licences to OECD commercial actors and local natural assets are protected.

## 3. Conclusion and Recommendations

### 3.1 Conclusions

99. Green Growth Strategies in OECD countries represent both opportunities and risks for developing countries. The diffusion of green innovation and increased demand in OECD countries for sustainably produced and transported food products represent potential opportunities for developing countries, while the improved protection of common environmental resources and the moderation of climate change will have significant benefits in developing countries.

100. The precise policy approach taken by OECD countries to, for example, intellectual property rights, the reform of distortionary trade policies and climate change negotiations, will largely determine the impact of GGS on developing countries. Coherence improving reform is possible with OECD countries, and EU biofuels policy and the decoupling of EU agricultural subsidies from production and towards environmental objectives, are prime examples.

101. However, the ability of developing countries to take advantage of green growth related opportunities will in many cases depend on the strength and sophistication of local institutions. For example, the 'greening' of consumer demand in OECD countries will significantly alter import demand from developing countries and successful exporting strategies will have to be supported by locally managed quality assurance schemes.

102. Some lessons from recent coherence improving reforms are possible. First, commitment to monitor the external effects of an OECD member state policy can be the first step in moving towards greater coherence as was the case with EU biofuels policy. Second, enlightened reform processes may achieve 'on-paper' coherence but ineffective monitoring mechanisms can prevent more coherent outcomes. Third, where clear conflicts of interest are demonstrated and progress towards policy coherence is achieved 'on paper', real progress can be restricted thereafter by powerful interests groups and uncommitted nation states (e.g. IPRs and low cost medicine for the world's poor).

103. More generally, the pursuit of PCD is complicated by a number of inherent challenges. Trade-offs between development and environmental objectives, heterogeneity between and within developing countries, inter-temporal considerations and LDC institutional capacity all complicate efforts to determine coherent policies.

104. Despite the lack of hard evidence of the effectiveness of PCD mechanisms in OECD countries, it is reasonable to argue that increased discussion of and high level commitments towards PCD tends to improve coherence over time, in particular in policy areas that do not conflict with important national interests. Options to institutionalise PCD in domestic policy processes include the adoption of a whole of government approach to development, the establishment of a coordinating mechanism between government departments and the introduction of parliamentary oversight from a PCD perspective. Continued investment in PCD research and the development of indicators will help chart a course towards greater coherence (Keijzer et al., 2012; PEP, 2012).

105. To conclude, this paper makes four PCD related recommendations for green growth policy-makers and 17 policy related recommendations as follows.



## 3.2 PCD Recommendations

- **Strengthening institutions for PCD:** The continued evaluation of GGS from a policy coherence perspective would benefit from a further strengthening of PCD institutional mechanisms in OECD countries. Enhanced efforts to embrace whole of government approaches to development assistance or through inter-departmental coordination mechanisms can help ensure GGS are supportive of pro-poor growth in developing countries. This could happen both within the OECD countries and at OECD countries' field offices where trade, development and commercial relations exist with developing countries, e.g. embassies of OECD countries in developing countries. In addition, regional and global policy coherence could be pursued within the context of a multi-polar global economy, the importance of mutually supportive policies and the involvement of emerging economies (OECD, 2013c).
- **Improved Monitoring of PCD:** Criticism of continued issues of incoherence in OECD policies towards developing countries has emerged alongside calls to improve monitoring mechanisms. Efforts to monitor PCD in Ireland and Sweden could be advanced at a global level and form a component of the post-2015 development monitoring agenda. Monitoring efforts could focus on the heterogeneous effects and be most sensitive to the poor in developing countries. In addition, efforts to assess the external effects of OECD policies could be done in partnership with developing country institutions to help build evaluation capacity and awareness of the relevance of a wider spectrum of OECD policies for development strategies.
- **Capacity Building in Developing Countries:** The ability of developing countries to take advantage of trade opportunities and protect marine and environmental resources depends heavily on the quality and sophistications of local institutions. Efforts could be expanded to help build developing country capacity in areas relevant to OECD GGS; in particular institutions to monitor and protect environmental resources and comply with increasingly demanding environmentally related trade certification system.
- **Emerging Economies and PCD:** Rapid economic growth means that emerging economies are increasingly important in efforts to limit the impact of climate change and protect biodiversity. In addition, non-DAC members emerging economies have begun to play significant roles in natural resource management in LDCs. As a result, OECD countries could work towards the inclusion of emerging economies in global agreements on climate change and biodiversity and use environmental diplomacy and supportive stances in intellectual property rights, to encourage the pursuit of pro-poor GGS by emerging nations.

## 3.3 Policy Recommendations

### 3.3.1 Cross-sector Issues

- **Climate Change:** The adoption of an ambitious and globally binding climate change agreement for the post-2020 period will play a significant role in protecting livelihoods in developing countries. The consequences for the world's poor of inaction, as outlined by recent IPCC

reports, are likely to be disproportionate and extreme. The meaningful inclusion of non-Kyoto developed countries and emerging economies in any global agreement will be critical to success.

- **Climate Change:** While opportunities exist to access international market-based financing mechanisms funding such as the CDM, the participation of low-income countries especially in sub-Saharan Africa has been modest. Capacity building efforts could focus on helping low-income countries take advantage of their natural advantages in environmental assets and benefit from such schemes. In parallel, the entry criteria for such funding schemes could facilitate the involvement of small scale mitigation projects in LDCs.
- **Climate Change:** The potential linking of OECD country's cap and trade systems opens up the potential to include emerging and low-income economies. This could lead to significant gains in global emission reductions and opportunities for poor people in developing countries to be compensated for carbon absorption activities in agriculture and forestry. Improvements in design of these cap and trade systems will be necessary in advance on any expansion to developing countries.
- **Climate Change:** Adaptation to climate change will be costly and the costs will be particularly challenging for low-income countries. It is recommended that OECD countries increased their funding for adaptation projects and for mainstream development efforts be made more resilient to the impacts of climate change.
- **Biodiversity:** Efforts to strengthen global efforts to protect biodiversity could be encouraged. In particular, programmes that transfer some of the global value from protecting biodiversity to the local decision-makers and land owners who bear the cost of protecting it could be supported (e.g. the Green Development Initiative (GDI), Reducing Emissions from Deforestation and Forest Degradation (REDD) and REDD+).
- **Biodiversity:** Trade based timber and fish certification systems can help ensure sustainable forestry and fish stocks and if adopted in a stepwise fashion can bring gradual improvements in compliance with best practice while minimising risk of simply acting as non-tariff barriers. OECD countries could consider further financial and technical support for LDCs to develop and manage certification systems that are accessible by small landholders and cooperatives.
- **Innovation Policy:** The diffusion of OECD green growth innovation to developing countries can help improve the lives of the poor through off-grid low cost energy devices and improved agricultural productivity and sustainability. A pro-development regime for the intellectual property rights could be considered and efforts to encourage developing countries to embark on low-carbon, environmentally friendly development paths could continue to be a priority for development diplomacy and aid programmes. In reality, the presumption that innovation in OECD countries will filter down to pro-poor efforts in developing countries, faces significant challenges in the face of stricter IPRs.

### 3.3.2 *Agricultural Livelihoods*

- **Agricultural Supports:** To achieve pro-poor green growth, agriculture in developing countries requires unhindered access to global markets, access to new environmentally friendly technologies and investment, and an enabling environment to allow small landholders to participate in wider markets. Stable and un-dampened world prices will provide the right forward signal to encourage productivity improving investment in agriculture in developing countries and benefit directly net producers of subsidised products. Further research estimating the distributional impacts in LDCs of OECD country subsidy removal can improve the imperative for reform (see for example Boysen and Matthews, 2012).
- **Agricultural Supports:** Further decoupling of agriculture subsidies from production levels in favour of green growth objectives in some OECD countries can lead to more coherent policies and increased price competitiveness for developing countries. Such an approach makes subsidy payments, if they are to continue, conditional on meeting environmental, health or animal welfare standards and represents a win-win for GGS and policy coherence.
- **Quality Related Non-tariff Barriers and Consumer Preferences:** To help mitigate the exclusion of small-scale farmers from OECD markets as a result of certification schemes and non-tariff barriers, development aid can play a role in supporting both the development of co-operatives to pool farmer's resources and reach specified standards and capacity-building for national quality assurance institutions. In addition, OECD countries could conduct systematic regulatory impact assessment prior to policy changes, take developing world exporters into consideration and provide sufficient notice to exporters of indented policy changes (OECD, 2013d).
- **Biofuels:** OECD country biofuel policy could be subject to on-going evaluation into its impact in developing countries. It is now clear that first generation biofuels support policies resulted in important negative impacts in developing countries. The example of EU reform, which began with a commitment to establish a system of monitoring the impacts of EU biofuels policy in third countries, suggests that progress can be made to improve policy coherence.
- **Land Purchases:** Concern has been raised over the legitimacy of some large land sales in developing countries to wealthy private actors and emerging country governments within the context of weak property rights for indigenous people and how pro-poor future business plans may be. While OECD country policies are not fully responsible for these land purchases, although OECD country biofuel policies have contributed to demand for land, errors of omission may occur if efforts to support developing countries successfully manage their natural resources as an asset for inclusive pro-poor growth are not pursued through development dialogues.

### 3.3.3 *Fishing Livelihoods*

- **Fisheries Access Agreements:** FAAs have been criticised on a number of levels. Even in the absence of complete and accurate data on fish populations, it is highly likely that FAAs are leading to the over-exploitation of fish stocks in developing countries. Despite recent reform

efforts particularly in the EU, OECD countries have a distance to travel to ensure all FAAs are consistent with the strictest sustainability standards. Improving monitoring capacity for fish stocks in developing countries as well as OECD country capacity to monitor DWFs are important initial steps.

- **Fisheries Supports:** OECD fishing subsidies can increase fishing capacity and contribute directly to the over-exploitation of fish stocks and have policy coherence implications when weak institutional structures for fisheries management exist in both developed and developing countries. From a policy coherence perspective, a case can be made for fishing supports to be reduced or at least linked to improved adherence to verifiably sustainable fishing practices.

#### **3.3.4** *Energy and Mining Sectors*

- **Fossil Fuel Supports:** The removal of support to fossil fuel in OECD countries is expected to lead to downward pressure on world market prices that might lead to lower fossil fuels prices for consumers in LDCs. In any case, the removal of these subsidies will improve incentives for green innovation and the use of renewable energy.
- **Transparency in Extractive Industries:** OECD countries have a responsibility to ensure that private actors investing in green energy sectors as well as traditional oil, gas and other minerals in LDCs behave in an environmentally responsible manner and adhere to anti-corruption conventions. While a number of best practice multilateral conventions exist in these regards, there are weaknesses in enforcement mechanisms.

## 4. References

- Barry, F., M. King and A. Matthews, (2010), "Policy Coherence for Development: Five Challenges", *Irish Studies in International Affairs* 21, pp 207-223.
- Barry, F., M. King and A. Matthews (2009), *Policy Coherence for Development (PCD): The State of Play in Ireland*, ABIA/IIS Research Publication, Dublin.
- Börkey, P., M. Glachant, and F. Lévêque (1999), "Voluntary Approaches for Environmental Policy in OECD Countries: An Assessment", Centre d'économie industrielle (CERNA), Paris.
- Bretherton, C., and J. Vogler (2008), "The European Union as a Sustainable Development Actor: the Case of External Fisheries Policy", *Journal of European Integration*, 30, 3, pp 401 – 417.
- Burniaux, J. and J. Chateau (2011), "Mitigation Potential of Removing Fossil Fuel Subsidies: A General Equilibrium Assessment", *OECD Economics Department Working Papers*, No. 853, OECD Paris.
- Boysen, O. and A. Matthews (2012), "Impact of the EU Common Agricultural Policy Reform on Uganda", Overseas Development Institute Report, London.
- Calel, R. and A. Dechezlepretre (2012), "**Environmental Policy and Directed Technological Change: Evidence from the European Carbon Market**", *Centre for Climate Change Economics and Policy Working Paper* No. 87.
- Collier, P. and A. Venables (2008), *Managing the Exploitation of Natural Assets: Lessons for Low Income Countries*, Oxford Centre for Analysis of Resource Rich Economies.
- Campling, L., E. Havice and V. Ram-Bidesi (2007), *Pacific Island Countries, the Global Tuna Industry and the International Trade Regime – A Guidebook*, Forum Fisheries Agency, Honiara.
- Comtrade (2013), *International Merchandise Trade Statistics (IMTS)*, United Nations Statistics Division. Accessed on 04/04/2013.
- DEFRA (Department of Environment, Food and Rural Affairs) (2012), *UK's Carbon Footprint 1993 – 2010*, 13 December 2012.
- DFID-MRAG (2013) *Fisheries and Access Agreements*, Policy Brief No. 6.
- Emerson, J., D. Esty, M. Levy, C. Kim, V. Mara, A. de Sherbinin, and T. Srebotnjak (2010), *2010 Environmental Performance Index*. New Haven: Yale Center for Environmental Law and Policy.
- European Commission (2007), *EU Report on Policy Coherence for Development*, COM(2007) 545, Brussels.
- European Commission (2011), *EU Report on Policy Coherence for Development*, Brussels, 15.12.2011 SEC(2011) 1627 final.
- European Commission (2012), *Proposal for a Directive of the European Parliament and of the Council amending Directive 98/70/EC and Directive 2009/28/EC*, Brussels, 17.10.2012, COM(2012) 595 final.
- European Commission (2013), *Assessing the Impact of Biofuels Production on Developing Countries from the Point of View of Policy Coherence for Development*, FWC COM 2011 - Lot 1 – Studies and Technical Assistance in all Sectors.
- European Parliament (2011), *The Anti-Counterfeiting Trade Agreement (ACTA): An Assessment*, Directorate-General for External Policies of the Union, Directorate-General for External Policies of the Union, Brussels.
- European Union (2012), *Ex-post Evaluation of the Current Protocol to the FPA between the EU and Kiribati, and Ex-ante Evaluation with Analysis of Impacts of a Future Protocol: Final Report*, Brussels.
- FAO (Food and Agricultural Organisation) (2008), *The State of Food and Agriculture: Biofuels – Prospects, Risks, and Opportunities*, FAO, Rome.

- FAO (2010), *The State of the World Fisheries and Aquaculture*, FAO, Rome.
- FAO (2013a), *The State of Food Insecurity in the World: The Multiple Dimensions of Food Security*, FAO, Rome.
- FAO (2013b), *International Trade in Fishery Commodities by Principal Importers and Exporters*, FAO, Rome.
- Gillett, R. (2011), *Fisheries of the Pacific Islands: Regional and National Information*, RAP Publication 2011/03.
- Government of Ireland (2006), *White Paper on Irish Aid*, Dublin.
- Green Development Initiative (GDI) (2011) "Mobilising Private Sector Finance for Biodiversity Conservation and Sustainable Use", Presentation at OECD, 09/03/2011.
- Greif, A. (1993), "Contract Enforceability and Economic Institutions in Early Trade: the Maghribi Traders' Coalition". *The American Economic Review* 83 (3), pp 525–48.
- Headey, D. and S. Fan (2008), "Anatomy of a Crisis: The Causes and Consequences of Surging Food Prices", *Agricultural Economics*, Vol. 39, pp. 375-391.
- IEA (International Energy Agency) (2012) *World Energy Outlook 2012*, Paris.
- IFPRI (2009), "*Land Grabbing*" by Foreign Investors in Developing Countries: Risks and Opportunities, IFPRI Policy Brief 13, April 2009.
- Instituto Marques de Valle Flor (IMVF) (2012), *Policy Coherence for Development Manual: From Policy Incoherence to Fair Politics*.
- Keijzer, N. (2011), *Fishing in Troubled Waters? An Analysis of the Upcoming Reform of the Common Fisheries Policy from the Perspective of PCD*, ECDPM Discussion Paper 120, Maastricht.
- Keijzer, N., M. King, E. Spierings and A. Matthews (2012), *Measuring Policy Coherence for Development*, Study commissioned by The Netherlands Ministry of Foreign Affairs and the German Federal Ministry for Economic Cooperation and Development.
- Kelleher, K., and M. Weber (2006), *Toward Sustainable Management of World Fisheries and Aquaculture*, World Bank, Washington D.C.
- King, M. and A. Matthews (2012), *Policy Indicators for Ireland*, IIS ABIA Technical Report, Dublin.
- Kirton, J. and J. Guebert (1999), *Looking to the Environment for Lessons for Global Health Diplomacy*, A Study Prepared for the WHO.
- Kumoru, L. (2008), *Papua New Guinea*, Working paper 23, Scientific Committee, Fourth Regular Session, 11-22 August 2008, Port Moresby, Papua New Guinea.
- Martin, W., M. Lodge, J. Caddy, and K. Mfodwo (2001), *A Handbook for Negotiating Fishing Access Agreements*, A World Wildlife Fund Publication
- Millennium Ecosystem Assessment (2005), *Ecosystems and Human Well-being*, Island Press, Washington, D.C.
- Norwegian Government (2006), "Amending the TRIPS agreement to introduce an obligation to disclose the origin of genetic resources and traditional knowledge in patent applications", WTO Communication from Norway.
- OECD (Organisation for Economic Cooperation and Development) (2003), *Policy Coherence: Vital for Global Development*, Policy Brief, OECD Publishing, Paris.
- OECD (2008a), *Biofuels Support Policies: An Economic Assessment*, OECD Publishing, Paris.
- OECD (2008b), *Fisheries: Improving Policy Coherence for Development*, OECD Publishing, Paris.
- OECD (2009a), *Integrating Climate Change Adaptation into Development Co-operation*, Policy Guidance Note. OECD Publishing, Paris.
- OECD (2009b), *Review of Fisheries in OECD Countries*, OECD Publishing, Paris.

- OECD (2009c), *Natural Resources and Pro-Poor Growth: The Economics and Politics DAC Guidelines and Reference Series*, OECD Publishing, Paris.
- OECD (2010), *Council Recommendations on Good Institutional Practices on Promoting PCD*, OECD Publishing, Paris.
- OECD (2012a), *OECD Strategy on Development*, Meeting of the OECD Council at Ministerial Level, Paris, 23-24 May 2012.
- OECD (2012b), *Rebuilding Fisheries: The Way Forward*, OECD Publishing, Paris.
- OECD (2012c), *OECD Environmental Outlook to 2050: The Consequences of Inaction*, OECD Publishing, Paris.
- OECD (2013a), *Putting Green Growth at the Heart of Development*, OECD Publishing, Paris.
- OECD (2013b), *Moving towards Green Growth: Implications for the Least Developed Countries*, OECD, unpublished.
- OECD (2013c), *Better Policies for Development: In Focus: Policy Coherence for Development and Global Food Security*, OECD Publishing, Paris.
- OECD (2013d), *Non-Tariff Measures in Agri-Food Trade: Improving Policy Coherence for Development*, OECD Publishing, Paris.
- OECD (2013e), *Inventory of Estimated Budgetary Support and Tax Expenditures for Fossil Fuels 2013*, OECD Publishing, Paris.
- OECD Task Team on Green Growth and Poverty Reduction (2012), *Policy Coherence and Pro-poor Green Growth*, prepared by Hannah Ryder and Armand Rioust de Largentaye for the Task Team, unpublished.
- Oxfam International (2008), *Another Inconvenient Truth*.
- Oxfam (2011), *Land and Power: The Growing Scandal Surrounding the New Wave of Investments in Land*, Oxfam Briefing Paper 151.
- Poverty-Environment Partnership (PEP) (2012) *Building an Inclusive Green Economy for All: Opportunities and Challenges for Overcoming Poverty and Inequality*, A Joint Agency Paper.
- Saint-Paul, G. (2005), "To What Extent Should Less-Developed Countries Enforce Intellectual Property Rights?", *World Economics* 6, 3, 175-196.
- Tindall, C. (2010), *Baseline study on the CFP External Dimension and Global Fisheries Governance*, Technical Report. London: DEFRA.
- Transparency International (2012), *Exporting Corruption? Country Enforcement of the OECD Anti-Bribery, Convention Progress Report*
- Standing, A. (2007), "Corruption and the Extractive Industries in Africa: Can Combating Corruption Cure the Resource Curse?", IISS Paper 153.
- Stiglitz, J. (2006), *Making Globalization Work*, New York, Norton.
- US Energy Information Administration (USEIA) (2013), *Online Database*, Accessed on 28/2/2013.
- Whitten, S., M. van Bueren, and D. Collins (2003), *An Overview of Market-Based Instruments and Environmental Policy in Australia*, Commonwealth Scientific Industrial Research Organisation (CSIRO).
- World Bank (2008), *Agriculture for Development, World Development Report 2008*, Washington, D.C., World Bank.
- World Bank (2012), *Turn Down the Heat: Why a 4°C Warmer World Must be Avoided*, Washington, D.C., World Bank.
- UNEP (2012), *Global Environment Outlook*, Progress Press, Malta.

