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POLICY COHERENCE FOR DEVELOPMENT: MAPPING ISSUES OF INCOHERENCE AND PROPOSED ACTIONS

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This document is submitted for DISCUSSION under Item 4 of the Draft Annotated Agenda of the 936th DAC Meeting [DCD/DAC/A(2011)11].

It is intended to provide a basis for the DAC to identify substantive areas of focus in Policy Coherence for Development where the Committee has comparative advantage and added value.

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I. Introduction

1. The 2011 Ministerial Council Meeting (MCM) focused on the topic of development in a significant way. Ministers called for a more coherent approach to development by leveraging the Organisation's interdisciplinary expertise, i.e. combining its wide experience in multiple policy areas with its development expertise. They also endorsed the *Framework for an OECD Strategy for Development*, which provides key elements for establishing a comprehensive Organisation-wide *Strategy for Development* by next year's MCM.

2. Among other things, the *Strategy* is expected to encourage the identification of both negative and positive impacts of OECD policies on developing countries, building on the 2008 Ministerial Declaration on Policy Coherence for Development (PCD). On this basis, the Organisation would then assess, monitor, and ensure that policies in different areas are coherent with development objectives, while ensuring that trade-offs between policy objectives are properly addressed. [1]

3. The PCD concept and approaches address both policies that play a complementary role or synergise with development co-operation policies and those that harm or are incoherent with development objectives. While in recent years the OECD has emphasised the former[2], there is a body of earlier and ongoing work that provides both analysis and analytical frameworks to help deal with issues of policy incoherence in various areas (e.g. trade; agriculture, including the cotton sector; migration; environment, fisheries; finance; information technology; infectious diseases; whole-of-government approaches to conflict and fragility).

4. At the DAC meeting of 14 December 2010, members agreed to carry out a mapping exercise to list key incoherent policies hampering development[3]. Subsequently, Heads of Agency at the Senior Level Meeting of 6-7 April 2011 emphasised the need to examine incoherent policies as an integral part of DAC's role in aid and beyond[4]. Ministers above also recommended the upcoming *Strategy* to identify negative impacts of OECD policies on developing countries and encouraged members to analyse the costs of incoherent policies.

5. The mapping exercise in this paper therefore identifies some of the current domestic policies that are incoherent with or harmful to development objectives and development effectiveness, as well as corresponding work to address them. Rather than attempting a comprehensive inventory, the mapping suggests a few priority topics for an in-depth focus where DAC involvement could make a difference, as agreed at the SLM. Section II discusses selected policies and aspects of incoherence with development

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1 *Framework for an OECD Strategy on Development*: http://www.oecd.org/dataoecd/8/17/48106820.pdf , para. 8 and para. 9 on page 5.

2 This is shown in the several exercises that have been carried out in recent months to document the different activities related to PCD by the Organisation: *Better Policies for Development: Recommendations for Policy Coherence, Report on the DevGoals Exercise,* and *The Role of the DAC in OECD-Wide Development Work and PCD [DCD/DAC(2010)46]*.

3 Summary Record of the 926th Meeting [DCD/DAC/M(2010)12/FINAL.

4 Summary Record of the Senior Level Meeting [DCD/DAC/M(2011)3/PROV]

objectives that they raise, while Section III describes ongoing activities and approaches to address them. Section IV covers relevant work of other organisations. All these aspects are summarised in the Annex. Section V then proposes an action plan with a tentative timetable for greater DAC involvement in selected issues of incoherence for consideration by the Committee.

II. Mapping Selected Issues of Incoherence

6. This mapping focuses on four broad areas where incoherence issues arise and where the OECD is already carrying out relevant work - Trade, Investment, Green Growth, and Finance. Before dealing with each in turn, four caveats should be noted:

- Without specific, evidence-based impact studies, it is not possible to generalise or make judgements regarding negative impacts of policies on individual countries. Evidence adapted to country contexts continues to be a significant missing element of the PCD knowledge base.
- Some relevant work carried out by other OECD Committees, as well as other international organisations and civil society organisations (CSOs), is not primarily intended to benefit or prevent harm to poor countries, such as in the removal of subsidies, trade liberalisation, anti-bribery, responsible investment, transparent financial systems, and so on. These activities are often carried out to induce overall economic welfare gains through increased competitiveness, fairness and transparency, despite the immediate losses to some interest groups, particularly in OECD countries. Greater policy coherence for development may nonetheless be a related outcome with potential gains for poor countries.
- Some activities "on developing countries" by various OECD Committees do not clearly distinguish between OECD members and non-Members or between developed and developing countries. Some of their activities target mostly the emerging economies, while others try to look at the policy impact of developed countries and emerging economies on the poorer countries.
- Critical issues in some areas have more to do with the lack of implementation or enforcement of appropriate policies as opposed to policies themselves being harmful to developing countries. In other words, there are areas where global standards have been established, members have changed policies, but translation into effective action has been insufficient or slow.

Trade

7. Among the issues commonly raised of incoherence are those that arise in the area of trade. This is because the objective of protecting domestic businesses may have adverse effects on developing countries' production and exports. However, as tariff barriers have progressively been reduced by World Trade Organization (WTO) disciplines, issues arise increasingly in the area of non-tariff trade barriers, notably standards, i.e. environmental, health and safety standards can prevent developing countries' exports from penetrating OECD markets.

Investment

8. A major area of economic activity on which partner countries depend for their development is attracting investment. OECD Member governments need to promote and ensure responsible conduct by the corporate sector, such as respect for environmental and labour standards, human rights, anti-corruption, and so on, preventing them from cutting costs through exploitation that can be harmful to the people and sustainable development of developing countries. While it is ultimately the responsibility of the developing country governments themselves to check the behaviour of foreign investors operating in their countries, policies that regulate the supply side of investments by developed country companies are critically important, as are tools that help economic agents comply with government policies and regulations. Aid can also help build the capacity of partner countries in receiving responsible investment.

Green growth

9. In the evolving area of policies to promote green growth, two issues have been raised: one relates to the support for biofuels through subsidies and mandates and the other concerns possible taxation or tariffs on carbon heavy imports. While promotion of biofuels addresses energy security - particularly in times of high oil prices - and concerns over greenhouse gas emissions from fossil fuels, it could also jeopardise food security of poor countries by raising prices for their food imports. The most recent *Agricultural Outlook 2011-20* produced by OECD and the Food and Agriculture Organisation (FAO) raises the issue of biofuels, which was also addressed by the G20 agriculture ministers meeting - along with other topics such as food price speculation and export restrictions - as the current G20 Chair, France, has made food security one of the centrepiece topics. At the same time, the media criticised the G20 for not concluding on whether or how to end support on biofuels. On the other hand, the European Union recently changed its position on promoting biofuels among its members, in view of the negative impact on developing countries.

10. The possibility of taxation or tariffs in OECD countries on carbon heavy imports is also a measure to reduce greenhouse gas emissions. However, this could become a barrier to trade for developing countries by raising the costs and reducing their competitiveness on exports to developed country markets. Furthermore, it could also increase their import costs for essential goods and inputs. Although the implementation of this type of measure is still uncommon in most OECD countries, thus limiting material for empirical analysis, the potential negative impact on developing countries is already being debated in international fora.

Finance

11. In the financial sector, a serious issue receiving increasing attention concerns illicit financial outflows from developing countries, which have been estimated to outweigh ODA. Illicit flows undermine the potential for development in poor countries by depleting scarce resources.

12. Specific aspects concern efforts of OECD member governments to prevent bribery of companies to foreign officials in order to secure contracts or to discourage financial institutions from keeping anonymous bank accounts that could be used for money laundering. A related matter concerns the willingness or lack thereof of governments to exchange bank account information based on bilateral or multilateral agreements to prevent tax evasion. However, as policies and regulations to prevent some aspects of illicit flows are largely in place - particularly related to money laundering - the issue increasingly concerns how to ensure implementation, especially by strengthening capacity of both developed and partner country officials to apply and enforce existing provisions.

III. Activities and approaches to address incoherence

13. A substantial amount of work addressing issues of coherence includes some sort of peer reviewing, sometimes using OECD legal instruments, such as Conventions and Council Recommendations, and other international norms and metrics. Peer reviews are carried out by various OECD Committees, sometimes including the DAC and/or other international organisations. For example, as part of an OECD-wide initiative, the Development Co-operation Directorate (DCD), the Public Governance and Territorial Development Directorate (GOV), the Centre for Tax Policy and Administration (CTPA), Directorate for Financial and Enterprise Affairs (DAF), and the Financial Action Task Force (FATF) are planning to produce a comprehensive report on Member efforts to address illicit flows—anti-bribery, asset recovery, anti-tax havens, and anti-money laundering—covering institutional, regulatory, and legal aspects.

14. The review by GOVNET, in collaboration with the Stolen Asset Recovery Initiative (StAR) - a partnership between the World Bank Group and the United Nations Office on Drugs and Crime (UNODC) - examines DAC Member efforts to freeze and repatriate stolen assets back to developing countries[5], using the UN Convention Against Corruption (UNCAC) framework as the guide as well as commitments agreed at Accra as the mandate. Furthermore, under the Tax and Development work programme, the Global Forum on Transparency and Exchange of Information for Tax Purposes has also launched a peer review process in 2010 among adhering countries regarding the legal and regulatory framework and the implementation of internationally agreed tax standard, e.g. exchange of bank account information between countries for tax purposes.

15. The DAC and the Investment Committee have set up a working group with companies, CSOs, the International Conference on the Great Lakes Regions (ICGLR), United Nations, and World Bank (among others) to implement the *Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High Risk Areas*. The two Committees are tasked with monitoring its implementation and reporting back to Council in 2014.

16. Work that does not directly involve the DAC includes the Country Reports on the Adherence to the OECD Anti-Bribery Convention by the Investment Committee's Working Group on Bribery in International Business Transactions. The Reports cover the enforcement of the Convention by the signatories, including the number of prosecutions and fines carried out for violations. Another example is the Mutual Evaluations of the FATF and regional FATF type bodies, which carry out peer reviews of 36 members that include the BRICS in e.g. regulating financial institutions to carry out due diligence towards bank account holders and in prosecuting money laundering and terrorist financing.

17. The Committee for Agriculture (COAG)'s Working Party on Agricultural Policies and Markets also carries out annual country reviews of Members' agricultural policies, including various support measures, using indicators such as Producer Support Estimates and General Services Support Estimates. However, the Working Party does not specifically discuss reducing agricultural support for the benefit of developing countries, particularly as they are not members. These types of discussions and negotiations are deferred to the WTO.

18. On the Trade Committee side, it undertakes studies and related activities that examine policies on the developing country side[6]. In addition, it carries out the joint WTO-OECD Aid for Trade initiative with the DAC. The Trade Committee sees that aid policies can also support developing countries overcome structural and capacity limitations that undermine their ability to maximise the benefits from trade opportunities.

19. A different approach to address policy incoherence combines examination of specific member policies with potential impacts on developing countries. For example, the scoping paper by ENVIRONET and POVNET, *Implications of Green Growth Strategies in OECD and Emerging Countries for Poor Developing Countries,* first identifies significant green growth measures that OECD and emerging

5 *Meeting Accra's Anti-Corruption Commitments: A Call to Action*, A StAR/OECD DAC Publication.

6 For example, *Bilateral and Regional Trade Agreements and Technical Barriers to Trade: An African perspective.* The paper *Estimating the Constraints to Developing Countries Trade: A Taxonomy of the Binding Constraints to Trade Expansion of Landlocked Countries, Small and Vulnerable Economies, and Commodity Exporters* is part of the joint DAC-TC work on Aid for Trade and will be published in the development series. The Trade Directorate is also part of the *International Collaborative Initiative on Trade and Employment* with WTO, UNCTAD, World Bank, ILO, and regional development banks which shares studies and organise conferences on the relationship between trade and employment. For country studies, OECD focuses on its members while other organisations focus on developing countries.

economies are likely to adopt. It then assesses how these changes will impact key economic sectors of poorer countries, such as agriculture, forestry, fishery and natural resource extraction through trade and investment. The paper finally identifies policy responses that low income country governments may need to develop in order to maximise the economic opportunities and minimise the risks from the global greening process.

20. Another example includes the aforementioned OECD-FAO Agricultural Outlook 2011 which raises general concerns over high and volatile prices on the food security of poor households in developing countries. It then refers to biofuel policies of selected members such as that of the United Sates on tax credits and blending permissions, the European Union's Renewable Energy Directive that requires 10% renewable energy sources in transport fuel by 2020, as well as mandates of Canada and Australia to increase the share of ethanol in fuel.[7]

IV. Highlights of relevant work of other organisations

21. Other international and non-governmental organisations also address incoherence issues through important analyses and processes. A notable example is that of the WTO's Trade Policy Review Mechanism which assesses trade policies and practices of both developed and developing countries. In reviews of developed countries, there is a section on preferential tariff treatment for developing countries. These reviews for OECD countries were originally carried out by the OECD Trade Directorate until the establishment of the WTO in 1995 at which point the function was transferred and expanded to cover developing countries as well.

22. There are a number of international mechanisms in the area of addressing illicit finance flows. For example, the International Monetary Fund produces Reports on the Observance of Standards and Codes (ROSC), which summarise adherence to international standards and codes on anti-money laundering, terrorism financing, banking supervision, corporate governance, and so on, for both developed and developing countries. The IMF and FATF co-ordinate well so as to avoid duplicate reviews of the same countries. The UNODC carries out peer reviews of 140 adherents to the UN Convention Against Corruption (UNCAC). The summary reports are then discussed at the Conference of the Sates Parties to the UNCAC, whose aim is to improve the capacity of and co-operation between countries to implement the Convention. The discussion also includes issues around asset recovery, prepared by a dedicated Working Group on Asset Recovery which was established to develop knowledge, encourage co-operation, and identify capacity building needs in the area. The StAR initiative, as mentioned above, supports developing countries and financial centres to facilitate more systematic and timely return of stolen assets. It advocates implementation of UNCAC and other international standards to detect, deter and recover the proceeds of corruption, working with the above UN Working Group, FATF, and other multinational bodies.

23. Among non-governmental organisations, the Extractive Industries Transparency Initiative (EITI) carries out reviews of mostly resource-rich developing countries through the verification and full publication of company payments (mostly from developed countries) and government revenues from oil, gas and mining. EITI is a non-governmental organisation based in Norway, although many country governments and international organisations finance its operations.

24. Another example is Transparency International, based in Germany, but having national chapters in 90 countries and being financed by various governments and foundations. In particular, its Bribe Payers'

7 There is also a publication, *Case Studies of Costs and Benefits of Non-Tariff Measures: Cheese, Shrimp, and Flowers,* which examines, for example, the impact of non-tariff, sanitary and phytosanitary measures of OECD countries such as limiting the use of antibiotics in shrimp production. It carries out a modelling exercise which concludes that exporting countries such as India, Indonesia, and Vietnam would earn higher profits through improved production methods, a win-win situation with importing OECD countries.

Index ranks major exporting countries by the tendency of their firms to bribe abroad, based on a survey among senior business executives from companies in developed and developing countries, chosen by the volume of their imports and inflows of foreign direct investment. From its 2008 study, the following conclusion pertinent to OECD emerged: "While most of the world's wealthiest countries already subscribe to a ban on foreign bribery, under the OECD Anti-Bribery Convention, there is little awareness of the convention among the senior business executives interviewed in the Bribe Payers Survey. Governments have a key role to play in ensuring that foreign bribery is stopped at the source – and by making good on commitments to prevent and prosecute such practices"[8].

25. The most widely referred to and comprehensive initiative covering multiple policy areas of incoherence and synergies is the Centre for Global Development's Commitment to Development Index. Aside from assessing commitments to aid (e.g. ODA/GDP ratio, tied aid), it ranks DAC Members on other policy areas such as trade (tariffs and agricultural subsidies), investment (political risk insurance, prevention of double taxation, anti-corruption), migration (unskilled migrants, students, refugees), environment (greenhouse gas emissions, fishery subsidies, import of tropical timber), security (contributions to peacekeeping, arms exports), and technology (R&D spending, intellectual property rights). While the exercise may be questioned in terms of relevance of the selected indicators and their weighting vis-à-vis development impact, it has nevertheless been providing valuable information regarding member efforts toward PCD on a consistent basis since 2006.

V. Proposed actions

26. The DAC is invited to consider the following proposed actions related to PCD up to the end of 2012. These include reviews of analytical work, active relations with other OECD Committees, specific discussions at the Fourth High Level Forum on Aid Effectiveness (HLF4) in Busan, and country-focused impact analysis to strengthen the evidence base.

27. First, the proposal includes focused reviews of three topics where OECD policies and actions may have a significant impact on developing countries. A report by GOVNET and StAR on Member efforts to freeze and repatriate stolen assets is now available, as this is planned to be submitted to the HLF4, with the possibility of organising a side event to discuss the results (see below). The second review would focus on the OECD-wide report on illicit flows. Both reports concern Members' efforts toward contributing to the ability of developing countries to mobilise domestic resources. For the third topic, a review of the report on *Implications of Green Growth Strategies in OECD and Emerging Countries for Poor Developing Countries* is proposed. Further proposals will be made after the experience of reviewing these three reports, based on work either by the DAC, another Committee, or joint products.

28. The action plan also proposes invitations to bureau members of other Committees or their respective secretariat staff who are associated with topics that relate to harmful policies for developing countries, such as activities of COAG on non-tariff measures, Investment Committee on anti-bribery, or FATF on anti-money laundering. These sessions could provide the DAC with opportunities to deepen understanding of the work of other parts of the Organisation, which may in turn help the Committee in determining its role in promoting PCD as well as help DAC members promote this work in capitals.

29. The HLF4 in Busan will provide a good opportunity for the DAC to build awareness and promote "aid and beyond" and development effectiveness. For example, a high level side event is being planned to highlight international corruption issues and illicit flows which includes money laundering, tax evasion, and predatory transfer pricing. The objective is to garner political support for stronger commitments and ambitious targets in OECD countries to fight international corruption by adopting a whole-of-government

8 http://www.transparency.org/news_room/latest_news/press_releases/2008/bpi_2008_en

approach, improving policies and institutions, and promoting better use of tax information and audits. It will also examine how development co-operation can play a complementary role in helping partner countries address these issues.

30. In order to discuss harmful policies towards developing countries, examining impact evaluations would become essential. Therefore, a light stocktaking exercise is initially proposed to gather theoretical and empirical impact studies of incoherent policies that have been conducted by OECD or other institutions. The exercise is expected to shed light on critical areas where policy incoherence prevents poor countries from achieving the Millennium Development Goals and hinders development effectiveness, as well as to enable the DAC to prioritise its interests in incoherence, given its comparative advantage and added value.

31. Furthermore, as part of the Twelve Lessons series from Peer Reviews, there will be a booklet that proposes the 12 most important lessons in the area of PCD. On this particular topic, since the Peer Reviews focus mostly on the institutional and overarching policy approaches to PCD - as opposed to in-depth substantive and specific policies and their effects on developing countries - a pilot case study in a particular developing country could be carried out with a volunteer member or members. Terms of Reference for such a case study could be developed, with the view of implementing it in the biennium of 2013-2014 due the necessary preparation lead time and resource allocation.

Proposed Actions on PCD Related Activities

#	Activities	Schedule
1	Review of the report on repatriating stolen assets, for submission to HLF4	November 2011
2	Side Event at HLF4 in Busan on corruption and illicit flows	November/December 2011
3	Review of the report on *Implications of Green Growth Strategies in OECD and Emerging Countries for Poor Developing Countries*	December 2011
4	First presentation by a committee on work related to incoherence	January 2012
5	Review of report on stocktaking PCD impact studies	February 2012
6	Terms of Reference proposal for a country case study on PCD	April 2012
7	Review of the report on Illicit Flows	June 2012
8	Review of an additional topic on incoherence, to be determined later	July 2012
9	Second presentation by a Committee on work related to incoherence	September 2012
10	Review of Twelve Lessons on PCD from Peer Reviews	October 2012
11	PCD Focal Points meeting, organised by the PCD Unit	November 2012
12	Third presentation by a Committee on work related to incoherence	December 2012

VI. Questions for the DAC

1. Based on the above mapping exercise, does the DAC agree with the selected areas of focus for its future work on incoherent policies?
2. Does the Committee agree to the proposed actions and indicative timetable?

ANNEX

Mapping Issues and Activities on Incoherence

Area	Selected Incoherence Issues	OECD Work to address Incoherence	OECD Complementary Policy Work	Relevant Work by Other Organisations
I. Trade	Protectionism shields businesses and workers from foreign competition. However, trade barriers such as tariffs, quotas, rules of origin, etc. can be hurdles for developing countries' exports.	**Committee for Agriculture's Working Party on Agricultural Policies and Markets** carries out annual country reviews on agricultural policies, including various support measures, using indicators such as Producer Support Estimates and General Services Support Estimates.	**OECD (DAC and Trade Committee) and WTO** work on Aid for Trade which monitors aid to support developing countries to increase exports and access markets.	The **Doha Development Round of the WTO** is the trade negotiation forum to lower trade barriers. The **WTO's Trade Policy Review Mechanism** assesses trade policies and practices of both developed and developing countries. In the report for developed countries, there is a section on preferential tariff treatments for developing countries.
II. Investment	Businesses operating in weak governance zones often have little incentive or clear standards to grow their business responsibly. However, ignoring environmental and labour standards, human rights or inadvertently fuelling conflict hampers sustainable development.	The Council instructs **the DAC and the Investment Committee** to monitor the implementation of the *Recommendation on Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas*. The DAC and Investment Committee have set up a working group (including companies, CSOs, UN, World Bank and ICGLR) to implement the Guidance.	In following up on the Recommendation, there will be a joint **OECD-World Bank** stock-take of donor-supported programmes related to minerals (traceability, certification, training of customs officials, etc.) in the Great Lakes Region.	The **Extractive Industries Transparency Initiative (EITI)** carries out reviews of resource-rich developing countries through the verification and full publication of company payments (mostly from developed countries) and government revenues from oil, gas and mining.
			DAC and the IC are working on a mapping report on aid to leverage private investment for Africa's infrastructure.	

<table>
<tr><th>Area</th><th>Selected Incoherence Issues</th><th>OECD Work to address Incoherence</th><th>OECD Complementary Policy Work</th><th>Relevant Work by Other Organisations</th></tr>
<tr><td rowspan="2">III. Green Growth</td><td>Biofuels address energy security and reduction of greenhouse emissions from fossil fuels. However, support for biofuel production—e.g. through subsidies and mandates—in OECD and emerging economies could jeapordise food security of poor food importing countries by raising prices.</td><td colspan="2">The OECD (Trade Directorate) and FAO's Agriculture Outlook 2011-2020 projects that poor countries will suffer high food prices due to, inter alia, e.g. climate change, biofuels, trade restriction, and speculation.

A joint ENVIRONET and POVNET scoping paper The implications of green growth strategies in OECD and emerging countries for poor developing countries is under way. It identifies potential opportunities and risks of global transition to green growth on poor countries related to trade, investment, Clean Development Mechanism, and Reduced Emission from Deforestation and Degradation. A report Green Growth and Developing Countries is also being developed as a follow-up to the OECD's Green Growth Strategy.

ENVIRONET's preliminary report on "Green Growth: the Development Dimension" addresses how development agencies can support developing countries pursue green growth. It has a section on addressing incoherence</td><td rowspan="2">Food security was a central theme in G20 hosted by France and was discussed at the Agriculture Ministers' meeting.

UNEP's 600 page publication on Green Economy: Pathways to Sustainable Development and Poverty Eradication explains that greening of economies is an engine of growth and a vital strategy for poverty reduction.

UNCTAD analyses how "green" policy instruments (such as taxing carbon-intensive transport and green product certification) to be implemented by developed countries may impact the trade and development prospect of poor countries. Its Trade and Environment Review 2009/2010 warns of a risk that poor households may face adverse impact through less demand for export and high cost of "green" certification."</td></tr>
<tr><td>Taxation on carbon heavy transport and food items may contribute to reduced greenhouse emission. However, it could increase costs for developing countries to export products to developed country markets.</td><td></td><td>DAC and COAG had a joint meeting to explore working together on food security.</td></tr>
<tr><td>IV. Finance</td><td>Bribery by companies to developing country officials can provide an advantage to secure contracts. However, bribery can lead to inefficient and costly public services. It is essentially an invisible tax on the poor and an obstacle to a healthy investment climate.</td><td>Investment Committee Working Group on Bribery in International Business Transactions produces Member and other country reports on enforcement of the OECD Anti-Bribery Convention. The Working Group on Bribery Data on Enforcement of the Anti-Bribery Convention collects data on the number of prosecutions and fines in each country.</td><td>GOVNET's diagnostic tool (International Drivers of Corruption) to help donors analyse factors that could contribute to corruption in developing countries and introduce international instruments to address them.</td><td>United Nations Office on Drugs and Crime (UNODC) carries out peer reviews of 140 adherents to the UN Convention Against Corruption (UNCAC). Conference of the Sates Parties to the UNCAC is organised to improve the capacity of and co-operation between countries to implement the Convention and to review its implementation.

Transparency International's Bribe Payers' Index ranks 22 major exporting countries by the tendency of their firms to bribe abroad, based on the responses of senior business executives from companies in developed and developing countries, chosen by the volume of their imports and inflows of foreign direct investment.</td></tr>
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Area	Selected Incoherence Issues	OECD Work to address Incoherence	OECD Complementary Policy Work	Relevant Work by Other Organisations
IV. Finance (continued)	Large amounts of illicit financial flow can bring benefits to financial institutions. However, money laundering encourages crime and corruption, deprives developing countries of needed fiscal resources for development, reduces productivity in the economy's real sector, and distorts trade and capital flows to the detriment of long-term economic development.	The **Financial Action Task Force** housed in OECD carries out peer reviews of Member and other countries regarding the implementation of recommendations related to anti-money laundering and terrorist financing to e.g. regulate financial institutions to carry out due diligence towards bank account holders and prosecute money laundering.		The **IMF's Reports on the Observance of Standards and Codes (ROSC)** summarise developed and developing countries' adherence to international standards and codes on anti-money laundering, terrorism financing, banking supervision; corporate governance, etc.
	Allowing legally or illegally acquired funds to remain in secret accounts can bring businesses to financial institutions and secrecy jurisdictions. However, this could contribute to tax evasion in developing countries, depleting the already scarce public resources, which would particularly hurt the poor.	The **Global Forum on Transparency and Exchange of Information for Tax Purposes** carries out peer reviews of Member and other countries regarding implementation of internationally agreed tax standard, e.g. exchange of bank account information between countries.	The **Tax and Development Task Force** of the DAC and Committee on Fiscal Affairs in helping developing countries mobilise domestic resources though, e.g. assessing tax administration needs, best practices on tax incentives for investment, and strengthening capacity to implement transfer pricing rules and to implement the standards of the Global Forum.	The **UN Committee of Experts on International Cooperation in Tax Matters,** a subsidiary body of the ECOSOC, reviews the *UN Model Double Taxation Convention between Developed and Developing Countrie*s and the *Manual for the Negotiation of Bilateral Tax Treaties between Developed and Developing Countries*. **Tax Justice Network** carried out a study *Mapping the Faultlines*, which includes a database on tax havens, such as number of relevant companies, share of financial services GPD, financial service workforce, etc.
	Cross-border proceeds from criminal activities, corruption, and tax evasion remaining in foreign jurisdiction can be good business for financial institutions and other sectors. However, neglecting to repatriate stolen assets back to the developing countries deprive them of scarce public resources.	**GOVNET, in collaboration with Stolen Asset Recovery Initiative** (StAR—a partnership between the World Bank Group and UNODC)**,** will submit a report to HLF4 in Busan on DAC Member efforts to freeze and repatriate stolen assets back to developing countries.		The **StAR** helps developing countries establish the legal tools and institutions to recover proceeds of corruption through sharing knowledge and training in asset tracing and international co-operation on legal matters. The **Conference of the States Parties to the UNCAC's Working Group on Asset Recovery** develops knowledge on asset recovery, encourages co-operation, and identifies capacity building needs of developing countries.
	All of the above.	As part of an ***OECD-wide initiative,*** **DCD, GOV, CTP, DAF, and FATF** are planning to produce a report on Member efforts to address illicit flows—anti-bribery, asset recovery, tax havens, development policy, and anti-money laundering—covering institutional, regulatory, and legal aspects.		