



Background note to inform discussion

Introduction

Italy is working towards ensuring policy coherence for sustainable development, i.e. designing its policies in a way that they balance synergies and trade-offs across policy areas, between present and future generations, and at home and abroad. To strengthen its efforts on policy coherence, Italy is collaborating with the OECD, supported by the European Commission, to inform the next National Sustainable Development Strategy and develop an action plan for PCSD. A series of workshops forms part of this collaboration and serves to engage key stakeholders in the Italian system and draw on their insights.

This second workshop focuses on the transboundary dimension of Italy's policies, and in particular the effects on developing countries (Policy coherence for development, PCD). In the case of Italy, this aspect is particularly relevant as Italy's policies have a significant influence on developing countries. Directly, as a large, globalised economy, accounting for around 1% of greenhouse gas emissions and more than 1% of global GDP, and an important development co-operation provider; but also indirectly, as a leading diplomatic power that can shape collective processes in the EU, G7, G20 (in particular through the Development Working Group), the UN and other international fora.

In its law on development co-operation 125/2014, Italy has enshrined an explicit commitment to reflect the impact of its policies on developing countries. The law's article 2 para. 2 states: "Italy shall make an utmost effort to guarantee that its policies, even when not directly linked to development co-operation, shall be coherent with the purposes and fundamental principles of the Law, in order to foster the achievement of development goals."¹ Furthermore, the outcomes of the first National conference on international cooperation (COOPERA, January 2018) stressed the need to strengthen coherence between domestic public policies and the objectives of development cooperation.

¹ 2. Original text : L'Italia si adopera per garantire che le proprie politiche, anche non direttamente inerenti alla cooperazione allo sviluppo, siano coerenti con le finalita' ed i principi ispiratori della presente legge, per assicurare che le stesse favoriscano il conseguimento degli obiettivi di sviluppo.

Objectives

Following up on these commitments, the objectives of this workshop are twofold:

1) Identifying activities for Italy's engagement: Participants identify concrete ideas how Italy could maximise the positive effects of its policies for developing countries, including through leading by example and mobilising other countries, and how it could minimise negative effects. Insights from this discussion should inform reflections on how the National Sustainable Development Strategy can integrate this global dimension.

2) Enhancing the political framework: Participants identify concrete ideas how political processes can better reflect the effects of Italian policies on developing countries, notably by understanding and monitoring the impact of policies, ensuring stakeholder discussion and mobilising the contribution of technical ministries.

Part 1 – Identify priority transboundary issues and objectives for Italy's policies

Italy's current National Sustainable Development Strategy follows the five pillars that shape the 2030 Agenda: People, Planet, Prosperity, Peace, and Partnership. Similarly, the Documento Triennale di Programmazione e di Indirizzo 2019 – 2021 organises Italy's priorities for its development co-operation by the same pillars. Considering the wide range of policies covered under each pillar, the workshop will focus on those three pillars prioritised under Italy's G20 presidency (People, Planet, Prosperity), and for each pillar proposes one topic.

- People: Migration and development.
- Planet: Sustainable production and consumption.
- Prosperity: Responsible business conduct.

For each topic, the following section provides very brief pointers to help participants share their views on what should be Italy's priorities for policy coherence for development in this field.

People - Focus of discussion: Migration and development

In the 2030 Agenda, States recognised “the positive contribution of migrants for inclusive growth and sustainable development” and committed to “cooperate internationally to ensure safe, orderly and regular migration involving full respect for human rights and the humane treatment of migrants regardless of migration status, of refugees and of displaced persons”. Migration has significant development potential: immigrants offer labour and skills, send remittances, and bring back know-how. Challenges often relate to integration, but also the pressures for and impact of emigration.

The [OECD DAC Development Co-operation Peer Review](#) had identified migration as an important area where Italy could invest in greater policy coherence, pointing to both strengths and challenges. [The Commitment to Development Index](#) indicated that efforts for migrant integration could be stronger, while the [Good Country Index](#) highlighted that costs of sending remittances were not lower than average, and that the share of hosted refugees could be higher.

Which activities could Italy undertake to build on its strengths to create positive impact for developing countries, lead by example and positively influence other States?

Which activities could Italy undertake to reduce negative effects on developing countries?

Below are some of the aspects that participants might wish to consider in their discussion:²

² A recent publication by KNOMAD, OECD and UNDP has proposed an indicator framework to measure progress towards policy coherence in migration and development across five dimensions. KNOMAD, OECD and UNDP (2020), “Measuring Policy Coherence for Migration and Development: A New Set of Tested

- The integration of migration and development in the policy framework and a specific strategy on migration and development.
- The engagement with the migrant diaspora in Italy and the integration of diaspora in Italian development co-operation programmes.
- Improve information about the role of migration and inclusion as key message in public awareness campaigns and citizenship education.
- Italy's role as an important arrival territory for migrants and host country of refugees and asylum-seekers, and measures for their integration.
- Support to financial inclusion of migrants and the reduction of costs for sending remittances.
- International engagement, notably on EU migration policies, and dialogue with partner countries.
- Italy's co-operation with countries of origin and transit to manage migration and protect migrant rights.

Planet - Focus of discussion: Sustainable production and consumption

In the 2030 Agenda, States committed "to making fundamental changes in the way that our societies produce and consume goods and services." Sustainable production and consumption are necessary to preserve resources on which humans depend, and contribute to the transition towards carbon-neutrality. Challenges often relate to the potential economic costs of adopting different modes of production and consumption.

Italy has a relatively lower CO2 footprint and material footprint per capita than a number of other countries ([UNDP's Planetary pressures adjusted Human Development Index](#)). The [European Environment Agency](#) sees Italy mostly on track against European goals regarding climate change and energy transition. However, [the Sustainable Development Solutions Network Spillover Index](#) flags threats to the environment embodied in imports to Italy. The OECD DAC Development Co-operation Peer Review had highlighted efforts to promote a circular economy.

Which activities could Italy undertake to build on its strengths to create positive impact for developing countries, lead by example and positively influence other States?

Which activities could Italy undertake to reduce negative effects on developing countries?

Below are some of the aspects that participants might wish to consider in their discussion:

- Regulatory frameworks and sectoral policies: environmental taxation (including fossil fuel subsidies), subsidies for ecologic innovation, extended producer responsibility; policies around key value chains, for instance in food, agriculture and fisheries, [extractive and material processing industries, textiles and electronics](#).
- Directs links with developing countries: reducing the impact of production and consumption on the Mediterranean, notably from pollution or unsustainable fisheries; reducing the export of (hazardous) waste to developing countries; trade with recycled material; sustainable tourism.
- Engaging with citizens: global citizenship education and consumer information to promote sustainable consumption.
- Engaging with businesses: providing information and advice to businesses on responsible business conduct in their sourcing (global supply chains) and production, setting incentives in trade and investment policies, promoting OECD due diligence guidance in key sectors such as garment and footwear.

- Leading by example in public institutions: this can for instance relate to public procurement, requirements for state-owned enterprises, or a focus on due diligence and sustainability in public financing (for instance investments of sovereign wealth funds).
- Development co-operation: support for circular economy in trade and value chains that include developing countries; integrating sustainable production and consumption in development finance, notably blended finance.
- International engagement: G20 presidency priority of sustainable urbanisation and energy efficiency; partnership with the United Kingdom to organise the COP 26 climate conference; engagement with EU, e.g. on the Circular Economy Action Plan, and the OECD.

Prosperity - Focus of discussion: Responsible business conduct

Responsible business conduct is essential to ensure the private sector fully realises its capacity to contribute to sustainable development. In the 2030 Agenda, States therefore committed to “foster a dynamic and well-functioning business sector, while protecting labour rights and environmental and health standards”. Challenges often relate to concerns of businesses regarding their capacity and cost for adopting different behaviours, as well as disadvantages in competition.

The development co-operation peer review and the Commitment to Development Index acknowledge Italy’s efforts for responsible business conduct, building on an action plan on business and human rights, a national contact point under the OECD guidelines for multinational enterprises and engagement in international initiatives on extractive industries. Italy is an important provider of foreign direct investment and has substantial trade links, including with developing countries.

Which activities could Italy undertake to build on its strengths to create positive impact for developing countries, lead by example and positively influence other States?

Which activities could Italy undertake to reduce negative effects on developing countries?

Below are some of the aspects that participants might wish to consider in their discussion:

- Legal and regulatory frameworks: implementation of the action plan on business and human rights; role of the national contact point under the OECD guidelines for multinational enterprises; consideration of due diligence requirements in legislation (also considered at EU level).
- Economic activities of public institutions: this can for instance relate to public procurement, requirements for state-owned enterprises, or a focus on due diligence and sustainability in public financing (for instance investments of sovereign wealth funds) or attention to responsible business conduct in export credits.
- Engaging with businesses: providing information and advice to businesses on responsible business conduct, setting incentives in trade and investment policies, promoting OECD due diligence guidance, focusing on important supply chains such as garment and footwear.
- Development co-operation: integrating responsible business conduct notably in development finance instruments, including blended finance, promoting an enabling environment for responsible business in partner countries and providing support to partner countries to integrate standards.
- International engagement: contributing to EU reflections on due diligence requirements and OECD work on responsible business conduct.

Part 2: Improving the framework for policy coherence

Policy coherence issues affect many diverse stakeholders and require political decisions on trade-offs. Quality information and political debate among stakeholders are therefore key factors in making progress towards more coherent policies.

1) Information on policy coherence issues

Quality information is essential so that stakeholders can discuss policy coherence issues, weigh different courses of action and track progress. The OECD DAC peer review identified challenges with regard to the identification and monitoring of coherence issues. In 2018, the first tri-annual National Conference for Development Co-operation had requested the National Council for Development Co-operation (CNCS) to identify the most critical policy coherence issues.

1.1 Generating information for policy formulation

DAC members use a variety of tools to identify opportunities for making domestic policies more coherent with development in partner countries. An important factor is often to understand effects at home. An evaluation from Norway found that the most difficult coherence dilemmas occur “when national sector interests are in opposition to global development objectives and the assumed domestic costs of a given policy change are high and immediate.”³ This is why domestic stakeholders are interested in understanding which costs and benefits options for adjustments would entail for them. As regards the effects on developing countries, a general understanding of the causes and magnitude of effects will often suffice to illustrate why policy coherence matters.

- **Dedicated analysis:** New Zealand commissioned a study to identify opportunities for making its policies more coherent with development in partner countries generally, while Finland and the Netherlands commissioned assessments for specific partner countries. As examples of a thematic analysis, the EU commissioned a study that weighed costs and benefits of options for promoting due diligence requirements in supply chains, while Ireland, the Netherlands and Norway published studies on the effects of their tax policies. In 2013, Italy commissioned a baseline study on business and human rights. Civil society organisations often also provide useful analysis on challenging issues, drawing on insights from CSOs in a specific developing country.
- **Regular mechanisms:** Sweden requires each ministry to articulate its global SDG contribution. The significant advantage of this approach is that technical ministries can mobilise their expertise to consider policy alternatives and consult concerned stakeholders and foreign ministries early on. The EU and Sweden systematically consult their embassies on policy coherence when formulating new policies. A growing number of DAC members require ministries to integrate a global development dimension in their regulatory impact assessments, and the EU and the Netherlands have developed dedicated guidance to do so.

Policy options for increasing information available when designing more coherent domestic, considering these points in the Italian context:

- Include effects on developing countries in Regulatory Impact Assessments for those policies and bilateral agreements (e.g. trade, migration) with a high impact on developing countries.
- Identify priority areas in the NSDS and/or Documento Triennale di Programmazione, where dedicated research on coherence issues will be conducted.
- Integrate seeking feedback on coherence issues when designing development co-operation country programmes.

³ Fafo Research Foundation in collaboration with the Peace Research Institute Oslo (PRIO) (2018), “Evaluation of Norwegian Efforts to Ensure Policy Coherence for Development”, <https://www.norad.no/en/toolspublications/publications/2018/evaluation-of-norwegian-efforts-to-ensure-policy-coherence-for-development/>.

1.2 Information on progress in implementing coherent policies

Information from monitoring and evaluation is essential to inform political debate, identify successes and challenges and consider adjustments. DAC members use different avenues.

- **Reporting progress against the SDGs and National Sustainable Development strategies:** Switzerland and Finland include indicators on spillovers in their SDG reporting. The Foreign Affairs Commission of the Italian Parliament launched in 2018 an assessment of the implementation of the international impact of Italy's action for implementation of the Agenda 2030.
- **Reporting progress on sectoral policies with a high impact on developing countries:** Italy undertook a multi-stakeholder review mid-term review of its action plan on business and human rights. The Netherlands has specifically evaluated its international responsible business conduct policy.
- **Reporting progress on the approach and efforts to policy coherence for development:** The EU, Norway and Sweden have evaluated their PCD efforts in general. The dedicated reporting to parliaments on both actions and progress on PCD is good practice (e.g. EU, Netherlands).

Some policy options in the Italian context for reflecting coherence in SDG or co-operation reporting mechanisms:

- The NSDS monitoring system could be designed in a way to include the transboundary dimension. This could relate to specific progress indicators, but also to reporting on actions taken to enhance Italy's contribution to global SDGs beyond development co-operation. Italy could also include give visibility to this global dimension in its Voluntary National Reviews.
- During the DAC peer review, Italy had also indicated that policy coherence issues could be included in the annual co-operation report.
- Information produced for meetings of the National Council for Development Cooperation CNCS could include a dimension on the impact of domestic policies on Italian development co-operation priorities.

2) Mechanisms for debating and integrating coherence considerations in the decision making cycle

Mechanisms should allow all relevant stakeholders to regularly exchange views, foster mutual understanding and help identify ways to address stakeholder concerns.

2.1 Mechanisms to exchange on policy coherence issues

Many DAC members have set in place cross-ministerial and multi-stakeholder bodies to ensure coherence for development cooperation policies. In Italy, law 125/2014 established the Inter-Ministerial Council for Development Co-operation (CICS) to ensure policy coherence for development cooperation. In addition, the National Council for Development Co-operation (CNCS) has a multi-stakeholder composition and one of its working groups has a specific mandate to discuss policy coherence. Italy also has experience with multi-stakeholder processes, for instance in developing its action plan for business and human rights, or the platform on energy and development. All of these dedicated mechanisms come in addition to the mechanisms for exchanging on policy coherence for sustainable development, such as the Cabina di Regia Benessere Italia, the territorial working parties established by the MITE with Regions and Metropolitan areas as well as the Forum for sustainable

development, engaging civil society in the implementation of the NSDS, the steering committee set up for implementing the OECD-MiTE PCSD project, the regular consultation across government and the political debate in Parliament.

Policy options and questions to enable effective dialogue mechanisms for coherence between national policies, global sustainable development and development co-operation objectives:

- Are key stakeholders represented, notably those with critical expertise and those most affected by a change in policy (e.g. migrant communities/diaspora networks, private sector organisations, local authorities etc.)?
- Is debate (formal and informal) regular and substantive enough to allow for continuous exchange, weigh options and jointly assess progress?
- Can participants discuss openly about concerns and policy alternatives?
- How do different consultation mechanisms interact (e.g. through joint sessions)?

2.2 Mechanisms to influence national decisions:

In many DAC members, line ministries are required to reflect the effects on developing countries in regulatory impact assessments. The Sustainability Check in Luxembourg for instance foresees that every legislative proposal is checked for its contribution to the SDGs and its impact on third countries. However, undertaking impact assessments and leading stakeholder dialogue require time, knowledge, skills and financial resources. Evaluations and studies have therefore underlined the need for dedicated resources for PCSD.

In Italy the Deputy Minister of Development Co-operation has the power to raise policy coherence issues in ministerial council meetings, and the Inter-Ministerial Council for Development Co-operation (CICS) is mandated to arbitrate such conflicts.

Policy options and questions to provide entry points in the policy cycle for coherence between national policies, global sustainable development and development co-operation objectives:

- Require each ministry to articulate its global SDG contribution and consult concerned stakeholders, including the foreign ministry, early on when considering policy alternatives. To build capacity, systematic training or the appointment of dedicated focal points can be options.
- Clarify what follow up is given to the results of formal dialogue mechanisms, i.e. the reports are received by the parliament, the Ministry of finance and other high-level bodies (i.e. the CIPESS) and used in decision making (i.e. budget and policy formulation, etc) ?
- Are the formal dialogue mechanisms for policy coherence consulted when new legislations, regulations for impact assessment (RIAs), investment assessments are produced?
- To what extent is policy coherence discussed with partner countries and stakeholders when bilateral development co-operation strategies/country programmes are prepared (e.g. in the co-operation programme, Luxembourg and Cabo Verde committed to coherent policies and agreed to raise policy coherence issues in their dialogue).