

The Global Challenge of Economic Exclusion

Government Communication on
Policy Coherence for Development 2012



REGERINGSKANSLIET

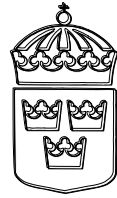
Government Offices
of Sweden

Cover: Ministry for Foreign Affairs,
Communications Dept.
Photo: iStockphoto/Duncan Walker
Printed by: Elanders, 2014
Article no: UD 14.007

Additional copies of this brochure can be downloaded
or requested from www.sweden.gov.se or via e-mail:
information-ud@gov.se

Government Communication

2011/12:167



Implementation of Policy Coherence for Development – Focus: the Global Challenge of Economic Exclusion

Skr.
2011/12:167

The Government hereby submits this communication to the Riksdag.

Stockholm, 28 June 2012

Carl Bildt

Gunilla Carlsson
(Ministry for Foreign Affairs)

Main contents of the communication

In this communication, the Government reports to the Riksdag on the implementation of “Policy Coherence for Development” that has its basis in the bill “Shared Responsibility: Sweden's Policy for Global Development” (Government Bill 2002/03:122). Sweden's Policy for Global Development entails a widened view of development, where all governmental policy areas shall contribute. Development assistance is just one component. Focus within the Swedish Policy Coherence for Development agenda was in 2008 (Government Communication 2007/08:89) defined in the form of six global challenges (Oppression, Economic exclusion, Migration flows, Climate change and environmental impact, Conflicts and fragile situations, and Communicable diseases and other health threats). In this communication, the Government assesses its work with the six global challenges 2010-2012, reported in an appendix. A general conclusion from the assessment is that government progress is good with regard to the formulation of Policy Coherence for Development, but that work remains with regard to coordination and cooperation within the policy.

This communication places particular focus on the global challenge of Economic exclusion. This challenge is defined as the lack of opportunity for poor countries and people to participate in, contribute to or benefit from the potential of the global economy. To counteract economic exclusion, inclusive growth is necessary. Inclusive growth refers to growth patterns where the whole society, including poor and vulnerable people, participates, contributes and benefits.

The global financial and economic crisis has, in combination with other crises and challenges, seriously affected poor countries and poor people. The crisis has emphasised the need for different systems for adaptation and risk management, not least with regard to financial markets. In the communication, the Government highlights its work with financial markets connected to development, and emphasises the issue of capital flight and tax evasion as an obstacle to development.

Agriculture, forestry and fishing are central for food security, export and employment in many of the poorest countries. The sudden and severe fluctuations in food and commodity prices in recent years have had a negative effect on food security in many developing countries. In this communication, the Government highlights its work to contribute to an increased export of agricultural products from developing countries. The Government emphasises potential conflicts of objectives/interests within the EU's trade, agriculture and fisheries policies, as well as within bioenergy production.

The basis for trade, growth and employment in all countries, including developing countries, is the private sector. Companies can, among other things, contribute to an increased tax base. Corporate Social Responsibility (CSR) is important, as is the role of the private sector in development, e.g. through contributing to employment, entrepreneurship and innovation. In this communication, the Government highlights its work with business and development, and emphasises potential conflicts of objectives/interests within Swedish export promotion and state ownership.

The Government will follow up and intensify the work on different sets of questions within the global challenge of Economic exclusion, inter alia, through outreach activities. Actors from different parts of Swedish society, along with international experts, will be invited to discuss different sets of questions. The next government communication on the implementation of Policy Coherence for Development will focus on another of the six global challenges. The ongoing work relating to the six global challenges within the Government Offices will continue, with a focus on important EU processes and future key issues. Finally, the Government will consider different inter-ministerial working methods for international issues where, inter alia, Policy Coherence for Development can be handled. An external evaluation will also be issued, focusing on working methods and management of Policy Coherence for Development within the Government Offices.

1.1	A widened view of development – global challenges	4
1.2	Government assessment of Policy Coherence for Development 2010-2012 – summary.....	5
1.3	Assessment analysis – a good policy in need of enhanced coordination and cooperation	6
1.4	Conflicts of objectives and interests within Policy Coherence for Development	8
2	The global challenge of Economic exclusion – international outlook.....	8
3	The global challenge of Economic exclusion – examples of Government work and conflicts of objectives and interests	13
3.1	Focus area: Financial markets	13
3.1.1	Government work on financial markets.....	13
3.1.2	Conflicts of objectives/interests: Capital flight and tax evasion	18
3.2	Focus area: Trade in agricultural products	23
3.2.1	Conflicts of objectives/interests: The EPA agreements and development.....	26
3.2.2	Conflicts of objectives/interests: Fisheries policy and development.....	29
3.2.3	Conflicts of objectives/interests: Global food security – EU Agricultural Policy and high, volatile food prices.	33
3.2.4	Conflicts of objectives/interests: Bioenergy production and food security	39
3.3	Focus area: Swedish trade and investment	42
3.3.1	Government work on business and development.....	42
3.3.2	Conflicts of objectives/interests: Swedish export promotion and development	50
3.3.3	Conflicts of objectives/interests: State ownership and development	55
4	Government implementation of Policy Coherence for Development 2012-2014 – the road ahead	60
	Appendix: Government assessment of Policy Coherence for Development 2010-2012.....	61
	Extract from the minutes of the Cabinet meeting of 28 June 2012.	87

Sweden's Policy for Global Development

Overall objective: To contribute to the achievement of equitable and sustainable global development

Policy Coherence for Development

Political decisions within different governmental policy areas shall take into account a development perspective in order to coherently contribute to equitable and sustainable global development.

Development Assistance

Swedish development assistance shall contribute to an environment supportive of poor people's own efforts to improve their quality of life. In this way, the development assistance contributes to equitable and sustainable global development.

1.1 A widened view of development – global challenges

Almost ten years ago, the Riksdag adopted the bill “Shared Responsibility: Sweden's Policy for Global Development” (Government Bill 2002/03:122). The bill is based on the report from the Parliamentary Committee “Globkom” (SOU 2001:96). Sweden was consequently one of the first countries to formulate a bill on Policy Coherence for Development which mandates all ministries within the Government Offices to contribute to the objective of equitable and sustainable global development. The policy has received great international attention. The policy entails a widened view on development where all policy areas must be coherent in order to contribute effectively to global development. The policy shall be characterised by a rights perspective and by the perspectives of the poor. The Minister for International Development Cooperation has been appointed by the Government to coordinate the Policy for Global Development.

In its communication to the Riksdag in 2008, the Government confirmed its commitment to Policy Coherence for Development and renewed the policy by focusing the work on six global challenges (Government Communication 2007/08:89):

- Oppression
- Economic exclusion
- Migration flows
- Climate change and environmental impact
- Conflicts and fragile situations
- Communicable diseases and other health threats

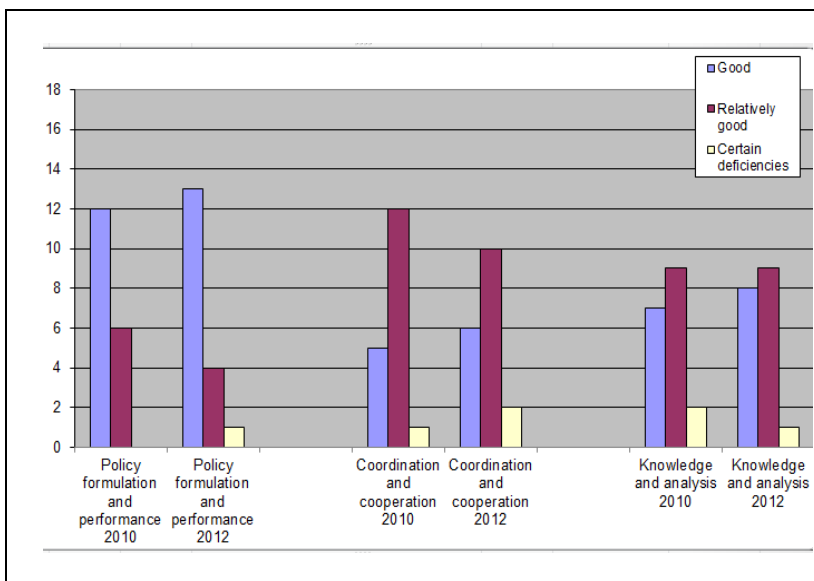
1.2 Government assessment of Policy Coherence for Development 2010-2012 – summary

Skr. 2011/12:167

The Government's assessment of Policy Coherence for Development 2010-2012 is based on Government work with the six global challenges. The assessment in its entirety can be found in the appendix. The Government uses an assessment model that was established in 2010 (Government Communication 2009/10:129). This model is based on three components identified by the OECD as important for the implementation of Policy Coherence for Development. These components, which are mutually reinforcing, are:

- Policy formulation and performance
- Coordination and cooperation
- Knowledge and analysis

The Government's assessment is categorised on a three-point scale where progress has been either 'good' or 'relatively good' or that 'there are certain deficiencies'.



A general conclusion of the assessment is that government progress in implementing Policy Coherence for Development 2010-2012 is well-developed when it comes to policy formulation and performance. With regard to coordination and cooperation, the Government assesses that there is scope for improvement. As regards knowledge and analysis, the Government assesses progress in 2010-2012 to be relatively good.

1.3 Assessment analysis – a good policy in need of enhanced coordination and cooperation

The **international agenda** is increasingly characterised by global challenges with apparent development perspectives. One example is the development action programme that the G20 countries committed to during the 2010 Seoul G20 Summit. Another example is the OECD development strategy where Policy Coherence for Development is a main component. Several countries, within and outside the OECD, now have an explicit political commitment to Policy Coherence for Development. Many countries have established various internal coordination mechanisms for implementation. The exchange of knowledge with other countries and organisations on this issue has increased during the last decade. There is a reinforced commitment regarding Policy Coherence for Development within the EU through the Treaty of Lisbon. The treaty states that the development objectives shall be taken into account in the implementation of policies that may affect developing countries (Art. 208) and that the EU shall ensure coherence between the broad foreign policy and other policy areas (Art. 21). Influencing different EU policy areas in order to contribute to a deepened development perspective is a priority for the Swedish government.

Dialogue and cooperation on Policy Coherence for Development with different parts of society has been reinforced during the last decade, both nationally and internationally. There is a great interest in Policy Coherence for Development among different civil society organisations, as well as within the private business community. Access to information and data on development and global challenges is greater today, inter alia, via various web portals such as the Government platform “Open Aid” and the Government’s human rights website.

Swedish work with Policy Coherence for Development over the last decade, combined with several other factors such as an increasingly globalised policy agenda, has contributed to the Government Offices having a good basis for working on global issues from a development perspective. The **focus on six global challenges** that the Government introduced in 2008 (Government Communication 2007/08:89) has contributed to a more structured work with Policy Coherence for Development within the Government Offices. The focus has also contributed to better comparability, between different areas and over time.

The Government’s assessment of the work with the six global challenges 2010-2012 demonstrates on the whole that government progress is better in most areas than in the 2008-2010 assessment. This assessment can be said to be confirmed by the **Commitment to Development Index** (CDI) that the Washington-based organisation Center for Global Development produces annually. Of the 22 OECD countries that are assessed with regard to their overall influence on developing countries within trade, investment, migration, security and environmental policy, technology transfer as well as development assistance, Sweden was ranked number one in 2011. However, Sweden receives relatively low scores with regard to security issues, where e.g.

Swedish export of military equipment is assessed as a weakness. Sweden also receives low scores on technology transfer and investments in poor countries. Skr. 2011/12:167

The Government's assessment 2010-2012 shows that improvements can be made when it comes to **coordination and cooperation**. This is confirmed by a review from the OECD¹ that states that the formulation of the Swedish Policy Coherence for Development is good but that implementation has met difficulties, e.g. in relation to coordination and cooperation mechanisms. The review states that the implementation lacks a strong mechanism for coordination and that the Ministry for Foreign Affairs has limited tools and capacity to coordinate and mediate between different parts of the Government Offices. Evaluations from the Swedish Agency for Public Management² show that work on cross-sectorial issues is fraught with significant difficulties, especially if no individual policy area is able to forcefully instruct others. The Swedish Foreign Service Inquiry (SOU 2011:21) states that the global policy of today requires a purposeful work across ministries, but that territorial thinking between ministries can often be obstructive. The Government will consider the conclusions from this inquiry in order to reinforce the coordination of international issues within the Government Offices, of which Policy Coherence for Development is a crucial part. In addition, the Government will conduct an external evaluation focusing on work procedures and management of Policy Coherence for Development within the Government Offices.

Analysing the development perspective within different policy areas, as well as how different policy areas interact in contributing to development, or risk counteracting development, is complex. It is difficult to predict the effects that national and international decisions within different policy areas ultimately will have on poor countries and people. The Government therefore supports the work within the OECD and various organisations and research institutes in order to improve analysis and knowledge on Policy Coherence for Development. The previously mentioned review from the OECD recommends that government agencies are utilised better in the Swedish Policy Coherence for Development. The Government prioritises the work on better forms of management of government for agencies, something which could contribute to the expert knowledge and analysis of the agencies gaining better penetration in policy-making.

¹ Peer review of the Swedish development policy, the OECD's Development Assistance Committee (DAC), 2009-2011.

² For example, the Swedish Agency for Public Management evaluations 2011:25 and 2006:13.

1.4 Conflicts of objectives and interests within Policy Coherence for Development

Policy Coherence for Development essentially means that measures within various policy areas shall supplement each other and be coherent in order to contribute to equitable and sustainable global development. Measures within different policy areas shall be designed to both contribute to the objective of equitable and sustainable global development, and to contribute to other specific objectives within the respective policy area. Synergy effects, coordination and cooperation are therefore important parts of the implementation.

Conflicts of objectives and interests occur in all policy formulation. Different political interests and objectives are balanced against each other daily. Political objectives can also have different time perspectives. There may also be conflicts of objectives and interests between national and international policy formulation. A natural part of international policy is compromises between different interests and countries.

As Policy Coherence for Development in principle affects all policy areas, the occurrence of conflicts of objectives and interests is a particularly explicit part of the policy formulation. The Riksdag, as well as various civil society organisations, has emphasised that conflicts of objectives and interests, as well as political adjustments relating to these, should be made more visible within the work with Policy Coherence for Development.

In this communication, the Government has chosen to focus on one of the six global challenges, namely Economic exclusion. By choosing a single challenge, a number of examples of the Government's work and potential conflicts of objectives and interests can be illustrated in more detail.

2 The global challenge of Economic exclusion – international outlook

In this communication, the Government has chosen to focus on the global challenge of Economic exclusion. By focusing on a single challenge, a number of examples and conflicts of objectives and interests can be illustrated in more detail. The global challenge of Economic exclusion concerns poor countries and poor people's lack of opportunities to be able to participate in, contribute to or benefit from the possibilities presented by the global economy. In order to counteract economic exclusion, inclusive growth is necessary. Inclusive growth refers to growth patterns where the whole of society i.e. even poor and vulnerable people, can participate, contribute and benefit.

The global financial and economic crisis of recent years has hit countries with large underlying imbalances and small margins especially hard. In combination with other challenges such as war and conflict, food security, climate change and energy access, the crisis has affected poor countries and people severely. The global demand for products and raw materials from developing countries has been affected, as well as the flows of foreign investment capital. Also, remittances (i.e. the money that migrants send to their homelands) and development assistance have been affected. On a local and individual level in developing countries, the economic exclusion is worsened for weak and vulnerable groups in society. Social and political unrest may follow in the wake of crises.

Example: Case studies from WFP on the effects of the global financial and economic crisis on poor people³

In 2009, the UN's World Food Programme (WFP) illustrated, in five case studies, how poor people and households were affected by the financial and economic crisis after 2008. Overall, the studies showed that the crisis had hit poor people hard, and that new groups of people were in danger of falling deeper into poverty. The studies showed that many poor people in developing countries ate fewer and less nutritious meals. Many had to cut costs for health care and their children's schooling. The studies showed that the groups most affected by the global economic and financial crisis were unskilled workers in urban environments, families dependent on remittances as well as workers discharged from the export industry and workers within mining and tourism.

The study from **Bangladesh** showed that unemployment increased, not least within the fishing and seafood industry as well as in the garment industry. Commodity prices increased and remittances decreased, which affected not least women who are often financially dependent on remittances.

Also in **Ghana**, unskilled workers were hit hard by the crisis, inter alia, in the forestry industry. The workers' families, who sometimes live in different parts of Ghana, were also affected by the workers' loss of income. However, in Ghana there is a relatively well developed social security system that could mitigate some of the loss of income.

In **Zambia**, many workers in the mining industry were affected by unemployment. The workers then also missed out on the meals and health care that was connected to the work, which affects not least those who are receiving HIV/AIDS medication. The downturn in international tourism, in combination with flooding in the Livingstone District, where the Victoria Falls are situated, had a negative effect on a large proportion of those employed in the tourism sector.

In **Armenia**, agricultural and cattle farmers faced increased costs for intermediate goods in the wake of the crisis, as well as decreased income due to a fall in demand. Small business owners found it difficult to obtain credit and loans, which forced many to close down their businesses.

³ <http://www.wfp.org/stories/financial-crisis-pushes-poor-families-deeper-into-hunger>

Reductions in social allowances, in combination with price increases on commodities, had a severe effect on many families.

Also in **Nicaragua**, increased food prices had negative effects on poor people's food consumption, especially in terms of the consumption of meat, vegetable oil and dairy products. When small local shops were forced to close, the availability of food was also impaired.

Developing countries – a heterogeneous group

Some developing countries are currently evolving into financial superpowers whilst others continue to struggle to break out of poverty and economic exclusion. The differences in income within developing countries are often large and the regional differences are significant. South-East Asia has become a middle income region with strong links to emerging economies such as India and China, but the differences in income and access to goods, services and markets within the countries continue to be great. The democratisation of the Middle East and North Africa can enable opportunities for increased growth in individual countries in the region. In Sub-Saharan Africa, there is positive growth and the growth potential is substantial. But almost half of the population living in Sub-Saharan Africa is still currently living in extreme poverty. A third of the world's poor people live in fragile and conflict-affected countries, which is a particular humanitarian, security and developmental challenge.

The EU as global economic development actor

The EU is an important player when it comes to global economic development. The EU has great influence on developing countries within many of its policy areas. The EU as a region currently faces a number of challenges amplified by the financial and economic crisis. Significant structural problems have manifested themselves in e.g. low production growth and deficits in the public finances of several countries. One fundamental idea in the EU strategy for sustainable and inclusive growth (Europe 2020) is that increased economic globalisation requires coherence between the different policy areas of the EU. Together with the implementation of the EU's explicit commitment to Policy Coherence for Development, these political ambitions may have significant positive effects for developing countries.

Sets of questions within the challenge of Economic exclusion

Within the global challenge of Economic exclusion, there are several sets of questions currently discussed in the global development debate. The Government wishes to highlight some of these in this communication.

In light of the global financial and economic crisis, the need for different systems for adjustment and risk management has been apparent, not least with regard to **financial markets**. The economic exclusion of poor countries and poor people is, amongst other things, affected by access to stable and transparent financial markets at all levels. Instable and non-transparent financial markets, combined with inadequate institutions, weak governance and corruption in many developing

countries may contribute to illicit **capital flight and tax evasion** from these countries. As a result of this capital flight and tax evasion, developing countries may miss out on resources that could have been used for development and the fight against poverty.

Mutual trade with the outside world is a prerequisite for growth that can help reduce the economic exclusion of poor countries and people. Increased trade with **agricultural and fishery products** is a potentially an important source of income for many developing countries. Less disruptive trading policies for agriculture and fisheries within the EU and OECD continue therefore to be important factors in counteracting economic exclusion of poor countries and poor people. Agriculture and fishing, as well as forestry are also industries that are central for a food security and for employment in most poor countries and for many poor people. The sudden and severe **fluctuations in food and commodity prices** over the last few years have affected food security negatively in many developing countries.

The basis for trade, growth and employment is the **private sector**. Companies create work opportunities and can contribute to an increased tax base. **Corporate Social Responsibility (CSR)** for equitable and sustainable development is important, as is the role the private business community can play in development, e.g. through entrepreneurship and innovation. Developing countries often score high points in measurements of self-employment and entrepreneurship, which is a common way out of poverty.

A requisite for inclusive growth is employment and job opportunities that contribute to increased productivity, improved living conditions and greater social cohesion. An important aspect is the transition from informal to formal systems, good governance with efficient institutions and reduced corruption. In this context, employment is a significantly broader issue than the labour market and requires socio-economic reforms and transitions. The participation of women in the formal labour market is also a central aspect of long-term sustainable and inclusive growth. Women form a majority of the labour force in the informal sector and in small-scale agriculture, sectors that are often crucial for a large portion of poor people's provision. Low female participation in the formal labour market and lack of access to financial services for women (e.g. credit and savings) adds to their economic exclusion and undermines social development and growth. Increased investments in equality generate increased productivity and growth that can contribute to development. This is illustrated in the World Bank's 2012 World Development Report that focuses on gender equality and economic development. The forthcoming World Development Report 2013 will focus on jobs and development.

Example: World Development Report 2012 on Gender Equality and Development

The World Bank's annual World Development Report focuses in 2012 on gender equality and economic development. The report shows how increased investments in gender equality generate increased productivity

and growth that can contribute to development. According to the report, investments in gender equality lead to development in three main areas:

- Gender equality increases productivity: Removing obstacles that discriminate against women in the labour market could increase productivity by as much as 25 per cent in certain countries.
- Gender equality gives results for the next generation: Increased control over the household for women leads to changed patterns of consumption, which in turn benefits children. Increased health and education for women leads to better health and education for their children.
- Gender equality leads to more representative decision making: Empowering women as financial, political and societal actors can change political choices and contribute to institutions becoming more representative.

The report identifies important areas that can contribute to future change:

Increased access to the labour market and financial services: Many women are currently still performing unpaid work in the home or in the informal sector. Women farmers often have smaller land areas to cultivate and the crops they grow are often less profitable. Female entrepreneurs are often running small companies in less profitable sectors. Women earn less than men everywhere in the world; on average, a woman earns 80 per cent of what a man earns.

Increased investments in the health and education of girls and women: Each year approximately four million more women than men die prematurely in developing countries. A total of 35 million girls do not attend school, primarily in Sub-Saharan Africa and among minority populations.

Increased power for women as actors in the household and in society: Women overall have less influence over decisions taken and over the division of resources in the household. In most countries, women participate to a lesser extent in formal political structures. Women are underrepresented at high levels in politics, the business community and within public administrations.

Markets, public institutions and households can be drivers of change and progress: Growth itself does not create gender equality. The gender gaps decrease when markets, public institutions, growth and decisions in the households coincide and affect each other for increased gender equality.

Globalisation can expedite gender equality: Through trade, dissemination of information and communication technology, both women and men can, to an increased degree, take advantage of markets and economic opportunities. Attitudes and norms around men, women and gender relationships can be transformed.

3 The global challenge of Economic exclusion – examples of Government work and conflicts of objectives and interests

In this section, a number of examples of the Government's work are reported, as well as conflicts of objectives and interests within a number of issues within the global challenge of Economic exclusion. This section is based on work on the three focus areas (financial markets, trade with agricultural products, and Swedish trade and investments) within the global challenge of Economic exclusion as identified by the Government in 2008 (Government Communication 2007/08:89). The reports on the issues are based on a number of criteria, i.e. how the current issue affects economic exclusion, what policy areas are affected, and how the issue is addressed in current global development discussion. Finally, the Government's standpoints and future efforts are presented.

3.1 Focus area: Financial markets

The objective of this focus area is better functioning financial markets for saving and investment in developing countries.

In an increasingly globalised economy, all countries are affected by financial unrest, regardless of where it originates. A stable and transparent financial system at all levels is fundamental in order to counteract economic exclusion of poor countries and poor people.

3.1.1 Government work on financial markets

The ongoing financial and economic crisis demonstrates how strong an impact the stability and regulatory framework of financial markets have on the global economy, including on developing countries. The financial crisis originated in the OECD countries, but has had negative consequences for poor people and poor countries, not least through less extensive direct foreign investment and reduced access to financial markets. Poor countries and poor people are particularly vulnerable to crises and price volatility.

Work within the EU for stable financial markets

The Government's work with financial markets largely takes place through the EU. As the EU is a significant economic actor on the international arena, the economies of developing countries are also affected by financial decisions within the EU. The EU currently faces a number of challenges that have been amplified due to the financial and economic crisis. In order to restore trust in the EU on the international financial markets, a programme of action was adopted in 2008. Some of the actions, such as the capital infusion programme and the bank

guarantee programme were phased out in 2011. Other actions remain, such as the extended deposit guarantee scheme and the stability fund that was created in order for the finance sector itself to contribute to measures to safeguard financial stability. Parallel with the short-term financial crisis management, the EU is working with proposals aimed at the prevention of future financial crises. Changes in the Capital Requirements Directive are one such issue, as are proposals for an EU framework for bank recovery and resolution.

The EU is working to implement the programmes agreed on by the G20. The G20 “Cannes Action Plan” includes measures to promote growth, employment, structural reforms and global financial stability. The G20 “Seoul Action Plan on Development” from 2010 involves cooperation with low and middle income countries to contribute to their growth and development, e.g. through highlighting global and regional system issues as well as inclusive financial markets. A working group has been formed within the G20 that focuses on the implementation of the “Seoul Action Plan on Development” as well as on the development dimension of international economic collaboration. Sweden has been given a unique opportunity to participate in the group's work with development issues during 2012 through an invitation from the Mexican presidency. The Government will put a particular focus on green and inclusive growth.

Surveillance of financial markets

The Government's work with financial markets is also conducted through the International Monetary Fund (IMF), which is responsible for surveillance of the global economy as well as observing risks, and providing advice on how risks can be avoided. The financial crisis highlighted deficiencies in IMF activities. Reforms have been initiated in order to improve international surveillance work. Deficiencies were observed, e.g. with regard to understanding of the complex financial links that spread risks and crises between countries, access to financial data, the connection between the financial and the real economy as well as increased understanding of how the financial markets of poor countries work. Improvements have now begun to be implemented by the IMF in these areas.

Framework for international capital flows

International capital flows have increased considerably in the last decade. The increasingly integrated global financial market and the increased flow of capital have benefited many developing countries. The possibilities for a more efficient international division of saving and investments have increased, something which has strengthened global growth. But a more integrated global financial market and increased capital flows also entails risks. International financial shocks can spread quickly between countries and the risk increases for overheating, asset price bubbles as well as the build-up of unsustainable debts. Intense increases and declines in capital flows can be difficult for many developing countries to handle. The size of the capital market in many

developing countries is much smaller than in OECD countries, which means that even a small increase in net flows may exceed the absorption capacity of these countries. In order to shield against these negative effects, several countries have introduced different measures, including capital controls. In the long term, capital controls may inhibit growth and the Government is of the opinion that any capital regulation should be used with great caution and be limited in time.

The IMF is working to develop a framework for how the increased international capital flows should be handled. The Government is in favour of such a framework providing IMF with an increased opportunity to give advice on international capital flows, which developing countries in particular will be able to benefit from. The IMF's current guidance regarding the financial markets is also of great use for low income countries and poor emerging markets.

Local financial markets

In developing countries, the national financial markets are often weak and not particularly widespread. More than half of the world's population currently has no access to any form of bank system. Women have in general less access than men. The economic exclusion of poor people can be counteracted with better access to financial services such as credits, transfer opportunities and insurance. A large part of savings in developing countries currently takes place via informal systems. But formal channels for saving are increasing, e.g. via mobile telephones, which also enables an increased savings rate in several countries.

Example: Indonesia - work for increased transparency and accountability in the financial sector

Indonesia is the country in South-East Asia that has come out of the financial and economic crisis with least injuries. Economic growth is good and the Indonesian market attracts many investors. A healthy macroeconomic policy and financial sector have been highlighted as explanatory factors, as well as foreign investment and foreign trade playing a minor role in the economy compared with most neighbouring countries.

Like many other middle income countries, Indonesia, despite good economic growth, has a large portion of poor people (approximately 15 per cent) and wide-spread unemployment. The country has received extensive foreign loans but has handled its debt without international support since 2007. Indonesia receives continued international development assistance (four per cent of the national budget), primarily from Australia, Japan, USA and the World Bank.

Institutions are still weak with defective systems for implementation and monitoring, especially on a local level. But the Indonesian Government has started a number of concrete processes, not least with regard to results-based budgeting, monitoring and evaluation, as well as redefining institutional roles. A risk assessment is made by the Ministry of Finance ahead of the Government's budget calculation, which makes Indonesia a pioneer among emerging economies in this respect.

The powers of Indonesia's audit authority and its role as independent auditor were reinforced through legislation in 2006. The Indonesian parliament's budget committee has a central role in the budget process, but specialised technical committees are gaining an increasingly important role. The Indonesian parliament has also received more analytical and technical support for its members. But there are still problems with regard to efficiency and budget monitoring.

Since 2011, all projects financed through loans or development assistance are registered in the Government's system. World Bank and IMF reports on financial activities are disseminated to the general public. Relevant and modern legislation can be found within many areas but significant challenges remain with regard to implementation, not least on a local level. Corruption continues to be a major problem. The Indonesian Government views the issue as high priority and has, e.g. appointed a commission for anti-corruption work.

Given Indonesia's size, strategic position and regional importance, the country is an important partner for Sweden. Several Swedish companies are established in Indonesia. In 2011, Swedish exports amounted to approximately SEK 5.2 million and imports to approximately SEK 1.3 million. In 2008, a bilateral dialogue on human rights was established and meetings are now held on an annual basis. The purpose of Swedish development cooperation with Indonesia is to establish long-term sustainable relationships and to target efforts within strategic areas such as democratic governance and human rights (including anti-corruption), environment and climate, and international trade and business development. The embassy, Sida and the Swedish Trade Council have established a platform for business and development in line with the Swedish Government's work with Business and Development Councils (*NU-råd*). Within this platform, collaboration on Corporate Social Responsibility (CSR) in the textile industry has been initiated.

Example: Rural banks in India – attitude changes aimed at counteracting economic exclusion⁴

Banks are well established in rural India and have an opportunity to counteract economic exclusion. Since repayment capacity often is low for poor people, and transaction costs are high, banks are often unwilling to give loans to poor men and women. Poor people may also hesitate to contact banks as processes usually are lengthy, cumbersome and potentially degrading. Negative attitudes towards poor customers are therefore an obstacle in counteracting economic exclusion.

A research project in Madhya Pradesh in India developed an innovative training programme for rural bank personnel with the objective of encouraging a more positive attitude towards poor customers. The training programme defined poverty and how poverty affects men and women. The participants learned about resources available to poor people and how they use them in their daily life. This

⁴ Training to address attitudes and behaviour of rural bank managers in Madhya Pradesh, India: A programme to facilitate financial inclusion, Jones, Williams, Nilsson and Thorat, University of Reading, Berkshire, UK, Sida, Stockholm, and Nabard, India, 2007.

enabled a view of poor men and women as potential bank customers. Examples of how the banks' existing objectives and strategies could be adapted to better benefit poor people were also discussed.

The training programme led to positive attitude changes in the bank personnel and more positive behaviour towards poor customers. The effects also included better self-esteem for poor customers in their contacts with the bank employees.

The project showed that training in attitude changes and customer adaptation within banks gives results that may have a positive influence on economic exclusion and the fight against poverty. To retain increased motivation of bank personnel, a supportive culture within the organisation is necessary, such as support from co-workers/managers, sufficient time and resources, and monitoring. Changes within the banking sector must be driven from inside, and in order for training to be useful ongoing consultation with concerned parties are necessary, as well as continuous feedback.

Work within the Government Offices and with government agencies

Within the Government Offices, the Ministry of Finance has the main responsibility for the work on financial markets. Other parts of the Government Offices are affected by the issues, such as the Ministry for Foreign Affairs. In addition, the Riksbank and a number of agencies such as the Swedish Financial Supervisory Authority and the Swedish National Debt Office are involved with the work.

Government standpoints

– In a globalised world all countries, both developing countries and OECD countries, are affected by financial crises, regardless of where they originate. The Government is of the opinion that all countries have a responsibility to secure public financial stability and sustainability in order to contribute to global financial stability.

– Within the EU, the Government is working to ensure that all member states take the necessary measures to create stable financial markets. Within the Capital Requirements Directive, the capital ratio should be harmonised to a minimum level.

– The Government is of the opinion that costs for financial crises shall, in principle, be borne by the shareholders, the creditors and the financial sector, not by the state and the tax payers. With regard to an EU framework for bank recovery and resolution, suitable regulations aimed at market efficiency should be adopted. The member countries shall, in a flexible manner, be permitted to supplement the framework with tools on a national level.

– The Government is of the opinion that the IMF's authority and work with regard to financial surveillance should be reinforced. This means, inter alia, that the IMF should improve how it integrates analysis of the financial markets in the surveillance of individual countries' economies and that the understanding of how poor countries' financial markets work should be reinforced.

- The Government welcomes the establishment of a framework for international capital flows that can increase the predictability of political measures as well as facilitate the IMF's audit and advisory services. The Government is of the opinion that all countries in the long term should have free capital flows, and that capital controls should only be used when all other potential political measures are exhausted, and should in that case be time limited.
- In 2012, Sweden is contributing to the G20 working group on development (within the “Seoul Action Plan on Development”). The Government prioritises issues of sustainable development and inclusive growth, as well as the role of the private sector, the role of women, and the importance of the phasing out of subsidies for fossil fuels.

Future efforts

The Government will continue to work actively within the EU in order to contribute to a healthy development of the public finances of EU countries, which in turn contributes to stability on the global financial market, and consequently also in the markets of the developing countries. The work to reinforce the IMF's surveillance capacity within financial markets is prioritised and the Government is working towards a decision on this during 2012. The IMF framework for capital flows is expected to be decided on during 2012. One important issue is to gain sufficient access to data so that a better global surveillance of the financial markets can be brought about - one that observes risks and potential global outreach effects. Another important issue is the work to develop the financial markets of poor countries so that they can benefit better from the international financial markets and reduce their vulnerability to mobility in the capital flows. Sweden's participation in the G20 group for development issues provides a good insight into the G20 work and will be an important arena for influence with regard to development issues and economic and financial issues.

3.1.2 Conflicts of objectives/interests: Capital flight and tax evasion

A central component in combating economic exclusion revolves around the opportunities that developing countries have to generate domestic resources that can contribute to development and to the fight against poverty. One important source of domestic resource mobilisation is tax income from economic activities. Illicit capital flight, including tax evasion, reduces these possibilities.

Illicit capital flight from developing countries may concern capital flight through criminal activities such as drug and weapons trade or corruption. However, one study that is often referred to⁵, estimates that the majority of illicit capital flight from developing countries (approximately 60-65 per cent) consists of transactions within multinational enterprises, with the aim of evading tax. Even though the

⁵ Illicit financial flows from Africa, Kar and Cartwright-Smith, 2010.

exact proportion of illicit capital flight via this channel may be difficult to calculate, there are clear indicators that significant sums are involved. Capital flight and tax evasion via multinational enterprises are therefore obstacles to development. This contrasts to wishes of multinational enterprises, including Swedish enterprises, to limit their tax expenditure.

Illicit capital flight in multinational enterprises

Certain multinational enterprises try to minimise their tax expenditure by applying transfer pricing in an incorrect manner. These enterprises transfer as large a part of the profit as possible to low tax jurisdictions. This is done by making transactions that do not adhere to international guidelines.

Transfer pricing relates to the conditions (e.g. the price) that have been agreed upon regarding cross-border transactions between companies that are related parties. The international standard for transfer pricing is the OECD "Transfer Pricing Guidelines for Multinational Enterprises and Tax Administrations". A basic principle is that transactions between companies that are related shall be made on the same conditions as if the transactions had been conducted between unrelated parties. The guidelines are very comprehensive. They may also be complicated to implement and situations may arise where different countries have different opinions on how the guidelines shall be applied. The application may be particularly complicated for developing countries due to deficiencies in the tax administration (poor organisation, low capacity, corruption etc.)

There are also other ways in which groups of companies with operations in several countries can minimise their tax expenditure, e.g. by transferring income from the actual activities via secrecy jurisdictions, in order to conceal structures and transactions.

A development perspective on tax evasion

Developing countries have particular difficulties in handling tax evasion and tax avoidance. A lack of domestic capacity is a major obstacle. Many developing countries have defective institutions, poor governance and are seriously affected by corruption, which reduces their possibilities of receiving tax revenue.

When it comes to companies that are part of a multinational group, developing countries often have difficulties in establishing and monitoring efficient regulations for transfer pricing. This gives them a weaker negotiation position in tax matters in relation to these companies as well as in relation to the tax administration in such countries where profits have been reported by other companies included in the multinational group.

Developing countries that have entered into an information exchange agreement in the tax area may, due to a lack of capacity, find it hard to benefit from these agreements. Furthermore, negative effects on the tax revenue of developing countries may arise in the cases where complete double tax agreements exist, but the information exchange provisions are

deficient. By reinforcing their domestic capacity, developing countries can better profit from international work on transparency.

One proposal that has been raised by, inter alia, the civil society both in Sweden and internationally, on how countries with capacity deficiencies better could benefit from increased transparency, relates to so-called country-by-country reporting. Country-by-country reporting concerns demands on multinational enterprises to report sales, profits and tax per country in their annual accounts. Through such a demand, enterprises with large turnovers and low tax payments in a particular country, e.g. due to incorrect transfer prices, could be more easily identified. However, country-by-country reporting does not explain why the company has not paid tax, if for example it is due to incorrect transfer pricing transactions or to high actual costs. Discussions on how such a guideline is best implemented and what it shall contain are ongoing in different forums within the OECD as well as within the International Accounting Standards Board.

Another proposal that civil society actors are pursuing is automatic information exchange in tax matters. The current international standard for information exchange is upon request, which means that the country requesting information needs certain information as a basis for its question. Again, lack of capacity is an obstacle for developing countries to request the correct information. Advocates of automatic information exchange believe that an automatic process would minimise this obstacle. Others point out that significant capacity is necessary in order to handle and supply the information flow that an automatic process involves. In many developing countries, there is no functioning tax administration.

The use of offshore centres in development assistance

The development dimension of tax evasion also relates to a discussion about the importance of restricting the amount of development assistance that is transferred via secrecy jurisdictions. Both international financial institutions and the Swedish state-owned company Swedfund International AB currently work with this issue. Several international financial institutions have adopted guidelines for handling investments via intermediate jurisdictions. In November 2011, the World Bank Group adopted a policy for private sector investments via Offshore Financial Centres (OFC). Since April 2012, there are new formulations in Swedfund's ownership guidelines about the use of intermediate jurisdictions, as well as demands that investments shall take place within sound and clear company structures that do not contribute to, inter alia, tax evasion. Swedfund is also applying guidelines for the use of OFCs developed within the European Development Finance Institutions (EDFI), a network in which Swedfund and its European counterparts are involved.

International work

Within the EU, the Commission produced a communication (COM 2010(163)) that deals with good governance in the tax area, in relation to

developing countries. Furthermore, the Commission has proposed that the two directives that contain provisions on companies' public reports, i.e. annual reporting and group reporting, shall be replaced with a new directive. Negotiations regarding these directives were initiated during December 2011. The Commission's proposals aim, inter alia, to increase transparency regarding payments to public administrations from the raw material extraction industries and the forestry industry. This improves insight in domestic natural resource allocation.

The OECD has for long worked to counteract harmful tax competition. As a part of that work, the Global Forum on Transparency and Exchange of Information for Tax Purposes (Global Forum) was formed. Within the Global Forum, non-OECD and OECD countries work together in order to promote transparency and information exchange in the tax area. The purpose is to ensure that all countries receive sufficient information in order to fully apply national tax rules and thereby counteract tax evasion and tax avoidance. In a so-called peer review process, Global Forum evaluates countries' frameworks and practical implementation of international standards for transparency and information exchange in the tax area.

The OECD Global Forum currently has 108 jurisdictions as members, including Sweden, and works actively to engage developing countries in the process. A number of international and regional organisations are observers in Global Forum, e.g. the World Bank, the IMF, and the African Tax Administration Forum.

Within the OECD an Informal Task Force on Tax and Development was established in 2010. In the task force, the OECD Committee on Fiscal Affairs and the Development Assistance Committee (DAC) collaborates in tax matters. The business community, civil society organisations, developing countries and OECD countries participate in the work. The work programme of the task force focuses on important issues for developing countries, such as state-building and taxes, promotion of transparency in reporting of financial information by multinational enterprises, and effective implementation of the OECD principles on transfer pricing.

Internationally, there is a global standard, EITI (Extractive Industries Transparency Initiative). EITI contain rules to control that companies' expenses for raw material extraction (i.e. licences and taxes) correspond to the income that the state receives from these companies. The purpose is to improve the opportunities of countries that are rich in natural resources to handle revenues from resource extraction through increased transparency and increased accountability. Internationally, work against corruption is carried out, inter alia, within the framework of the UN Convention against Corruption, UNCAC, through the multilateral development banks and through the WCO (World Customs Organisation) and UNCTAD (United Nations Conference on Trade and Development).

Work within the Government Offices and with government agencies

Within the Government Offices, the Ministry of Finance has the main responsibility for the issue of international capital flight and tax evasion.

But many other parts of the Government Offices work with related issues, such as international work with transparency and corruption, CSR (the Ministry for Foreign Affairs) and judicial issues (Ministry of Justice). As far as capacity-building measures in developing countries are concerned, government agencies play an important role, e.g. through the Swedish Tax Agency's collaboration with tax authorities in various developing countries. Sida's work includes support to public financial governance.

Government standpoints

– The Government is of the opinion that it is important that developing countries fully can apply their national tax systems. International tax planning and tax avoidance, as well as secrecy, can make this more difficult.

– The Government is of the opinion that the capacity of developing countries to establish and implement domestic and international regulatory tax frameworks needs to be reinforced; the work of the OECD and Global Forum can contribute to this.

– Within the EU, Sweden works towards good governance in the tax area, i.e. for transparency, information exchange and fair tax competition. It is important that the development perspective is considered in the handling of taxation issues and that increased expertise in this area is established within the EU. Furthermore, Sweden supports the Commission proposals to improve transparency in payments to public administrations from the raw material extraction industries and the forestry industry.

– The Government supports the global standard EITI.

– The Government works actively against corruption, inter alia, within the international financial institutions and within UNCAC and through support to the WCO and UNCTAD. The Government contributes to the Stolen Asset Recovery (StAR) Initiative for the restitution of stolen state assets.

– The Government works in order for the international financial institutions to adopt guidelines minimising risks of tax avoidance in private sector investments via intermediary jurisdictions. Sweden did not support the new policy of the World Bank Group as it was seen to give major opportunities for exemption from Global Forum's assessments of jurisdictions, with regard to the matter of development assistance investments in OFC.

– In Swedfund's ownership guidelines for 2012, the Government has incorporated formulations about the use of intermediate jurisdictions (i.e. via a third country) as well as demands that investments shall take place within sound and clear company structures that do not contribute to, inter alia, tax evasion. The Government is processing similar formulations in Sida's appropriation letter.

Future efforts

A development perspective within the Government's work with international capital and taxation issues will continue to be of

importance. Relevant future questions include country-by-country reporting in multinational companies and how developing countries shall be involved and benefit from the work towards increased international transparency.

Skr. 2011/12:167

3.2 Focus area: Trade in agricultural products

The objective of this focus area is to contribute to increased exports of agricultural products from developing countries.

Increased exports of agricultural products from developing countries can contribute to reduced economic exclusion. Significant trade barriers in the OECD and the EU still hinder exports of agricultural products from poor countries. Agriculture, forestry and the fisheries are central areas for food security and for employment, not least in the poorest countries.

Government work with trade and development

During the last decade, a dramatic change has occurred in global trade patterns. The global production structure has changed and trade in services has increased significantly. The manufacturing industry has become more dependent on services. Multinational companies now account for approximately 40 per cent of world trade. Major emerging economies such as China and India are responsible for an increasingly large part of global trade, not least with the poorest countries.

Increased trade can contribute to reduced economic exclusion for poor people in developing countries, depending on the distribution policies of the respective country, and on the national and local structure of the economy. Defective institutions, poor governance and corruption are obstacles that prevent many developing countries from being able to benefit from international trade. An underdeveloped infrastructure, high transportation costs, complicated regulatory frameworks for export, a lack of supporting domestic policies, low production standards and poor knowledge of the demands of the export market are also domestic impediments to trade in developing countries.

As the exports of many developing countries consist of only a limited number of commodities in the form of natural resources and agricultural products, their national economies are vulnerable, not least to sudden and severe fluctuations in commodity prices and to natural disasters. Export dependency on raw materials can also pose an obstacle to the development of a domestic manufacturing industry. An increased level of processed commodities in developing countries could contribute to more diversified production and increased incomes.

International trade policy and trade policy within the EU

Over the last decade, changes in global economic structures have resulted in a group of major emerging economies becoming more important on the international trade policy arena. However, the vast majority of developing countries, and in particular the least developed countries, still have difficulties in identifying their interests and finding opportunities to

voice and assert these in international trade relations. Their share of world trade is negligible, their integration in global value chains is comparatively weak, and their export base undiversified. Great obstacles also exist in trade between developing countries.

The global financial crisis gave rise to hopes that the international trade negotiations within the Doha Development Agenda would be finalised during 2010-2011. In awaiting its finalisation, progress might be achieved in the negotiations in areas of trade facilitation, plurilateral negotiations on services, and an agreement on IT products (WTO Information Technology Agreement). A Trade Facilitation Agreement would be valuable, not least for developing countries.

The EU is the world's largest trading partner and can consequently contribute to economic growth in developing countries. Elements of EU trade policy and of the EU common agriculture and fisheries policies still hamper possibilities of developing countries to compete on the EU market. The same problem applies to the markets of other OECD countries. In this context, it should be noted that there are also major obstacles to trade between developing countries. The Government works within the EU to reduce customs protection and subsidies on the goods produced by the poor and to counteract complex and unpredictable EU rules that can act as hidden trade barriers. With regard to different health and safety regulations (known as Sanitary and Phytosanitary measures), the Government works to reduce the spread of animal diseases and antibiotic resistance, which is of import to developing countries.

The Government was active in the process of formulating the Commission Communication on Trade and Development that was published in 2012 as a direct follow-up to the EU trade strategy. The Communication emphasises the importance of measures being focused on the developing countries that are most in need. The Communication also stresses the importance of domestic reform in developing countries. Furthermore, the Commission states that a modern and development-focused trade policy requires more than just tariff reductions. It must also be able to handle issues such as technical, social and environmental regulations, measures for investment protection, protection of intellectual property rights, regulation of services, competition policy as well as insight and market access to public procurement.

Example: GSP – a significant tool for trade facilitation for developing countries

The EU Generalised System of Preferences (GSP) enables tariff reductions and duty-free imports into the EU from developing countries. The purpose of the system is to strengthen developing countries financially through better opportunities to trade. The GSP is divided into three subsystems:

- Standard GSP provides duty-free access or tariff reductions (in cases where the goods are classified as sensitive for EU producers).
- GSP+ offers additional preferences for a developing country if certain international conventions for sustainable development have been ratified and implemented (around 20 in total).

– The least-developed countries (LDC) are included in the subsystem Everything But Arms (EBA) which means that they are allowed to import all goods except arms into the EU, duty and quota-free.

The EU Council Regulation for GSP expires at the end of 2013 and will be replaced by a new regulation. The proposal from the Commission for a new regulation comprises, inter alia, provisions that those countries which have been classified as high or upper-middle income countries will be phased out from the GSP. Within the GSP, the Government stresses that special consideration should be paid to products that are of importance to developing countries' exports to the EU.

Work within the Government Offices and with government agencies

Sweden's work with trade and development has been acknowledged in an evaluation from the OECD. Among other things, the evaluation highlights that resources have been allocated for the work and that the agencies are being used well.

Within the Government Offices, the Ministry for Foreign Affairs has the main responsibility for trade issues, including trade and development. In these matters, the Ministry for Foreign Affairs collaborates with other ministries, such as the Ministry for Rural Affairs, the Ministry of Enterprise, Energy and Communications and the Ministry of the Environment. For several years, meetings have regularly been organised at various levels, for discussion on these issues. The procedures to reach common positions within the Government Offices and the handling of the preparatory work leading up to government decisions work well. There is an external reference group for the Government's trade policy where representatives of agencies, trade associations and civil society organisations meet at least twice a year. In the work with trade and development, agriculture, and sanitary and phytosanitary measures, the Ministry for Rural Affairs regularly organises working groups within the Government Offices including with agencies concerned.

There is a close collaboration on trade and development with agencies, such as the Swedish National Board of Trade and the Swedish International Development Cooperation Agency (Sida). The Swedish National Board of Trade contributes with important expertise within the area, including with inquiries and analyses on various issues, such as rules of origin, trade and climate, the Economic Partnership Agreements (EPA), and the EU Generalised System of Preferences (GSP). The Board also works in different networks with other agencies and authorities on matters of trade and development (e.g. Swedish Customs, SWEDAC and the Swedish Patent and Registration Office). The Swedish Board of Agriculture, the Swedish Forest Agency and the Swedish University of Agricultural Sciences collaborate on trade, development and rural issues.

Government standpoints

– The Government works in the EU to increase market access for poor countries, e.g. by working for lower tariffs and reduced subsidies, especially on goods produced by poor people. Of special importance is work related to tariff and non-tariff barriers and the design of the EU Free Trade Agreements with different developing countries and regions.

- The Government promotes development issues within the Doha Development Agenda and emphasises, inter alia, issues related to trade and gender equality.
- The Government works with the review of the GSP regulation and stresses the need for a simple, open and stable system with the aim of being able to direct the preferences towards those countries most in need.
- The Government works within various international organisations such as the Common Fund for Commodities and the UN Food and Agriculture Organisation (FAO) to promote improved production methods and increased market transparency for the purpose of strengthening trade opportunities for developing countries.
- The Government works actively with the “Aid for trade” process, particularly with the strengthening of the identification of trade-related needs in developing countries, and to connect these needs with trade-related development assistance.

Future efforts

The important progress previously made in the Doha Development Agenda, including progress on significant issues for developing countries, needs to be safeguarded. This applies in particular to Trade Facilitation and the Guidelines for WTO accessions for the least developed countries that are being negotiated during 2012. The follow-up of the UNCTAD work programme 2012-2016 will be important. Contributing to a diversification of the export from developing countries and lessening their vulnerability to external shocks are important future issues. The Government wants to continue work on trade and sustainable development, social issues in trade policy, and intellectual property rights (IPR). A future challenge within development cooperation is to combine strengthened trade-related development assistance, with the overarching objective of focusing and specialising development assistance.

3.2.1 Conflicts of objectives/interests: EPA and development

Increase trade can contribute to economic growth and poverty reduction, and thus counteract economic exclusion. The objective of the Economic Partnership Agreements (EPA) between the EU and countries in the Africa, the Caribbean and the Pacific (ACP countries) is to increase trade, promote regional integration, increase international trade and promote foreign investment.

Criticism of the EPAs has been expressed by various civil society organisations as well as by representatives for the ACP countries and by European politicians. One criticism concerns the fairness of demanding mutual commitments between the EU and the poorest ACP countries. EPA requires the domestic markets of the ACP countries to be opened to products from the EU for approximately 80 per cent. Criticism has also been voiced towards the EU about inflexibility around transition periods and the proportion of trade that shall be included in the agreements. The decisions made by African countries to divide countries into EPA regions, has also been criticised. This division is said to split the

traditional regional bodies in Africa. One criticism also concerns the possibility of the EPAs to contribute to enhance processing of commodities within the ACP countries.

Skr. 2011/12:167

The EPA negotiations

The primary reason for the EPA negotiations between the EU and the ACP countries is that trade preferences for the ACP countries within the Cotonou Agreement were not compatible with the World Trade Organisation's (WTO) international trade rules. In basing trade relations between the EU and ACP countries on mutual bilateral/regional agreements, these agreements will be compatible to WTO rules. The first phase of the EPA negotiations (concluded in 2003) discussed overall issues. Thereafter, regional negotiations have followed between the EU and different regional ACP-groups. The WTO deadline for replacing the current trade relation expired in 2007, but the EPA negotiations have been delayed. In order not to damage trade provisions for ACP countries' exports to the EU, the Commission presented a proposal for an interim agreement in 2007. In 2009 such interim agreements were signed between the EU and SADC (Southern African Development Community), ESA (Eastern and Southern Africa) and some countries in the Pacific region. The Caribbean regional group concluded their negotiations within the 2007 deadline.

The current situation in the EPA process

The EPA negotiations have been ongoing for several years and there has been insignificant progress in the different regional negotiations during 2010 and 2011. Some interim agreements have still not been signed. This means that some countries/regions receive favourable preferences without having completed the process. Within the interim agreement with SADC, negotiations are under way to also include South Africa, an economically important country. Some of the more developed countries (primarily Nigeria, Gabon and Congo-Brazzaville) have chosen not to enter into an interim agreement but to instead use the EU Generalised System of Preferences, GSP. The least developed countries have duty and quota-free access to the EU market through a subsystem within the GSP (Everything But Arms, EBA).

In October 2011, the Commission proposed a regulation that would set the expiry date of the interim solution for the EPA to 1 January 2014. This means that the ACP countries that choose not to conclude the ongoing EPA negotiations, will no longer be subject to any preferences from the EPA scheme. Products from these ACP countries will henceforth be subject to duty when being imported to the EU, or be included in other existing EU preference schemes. This is a consequence of meeting the WTO requirements for free trade agreements. With the ACP countries and/or regions that choose to be included in the EPA, negotiations will now increase in intensity in order to reach agreements within the stated time period.

Sweden participates in an informal EPA network consisting of interested EU member states. In Sweden, analyses of relevant documents in the EPA process are conducted continuously, mainly by the Swedish National Board of Trade. A network consisting of relevant ministries and

agencies discusses the EPA process, submits information, identifies current outstanding issues and confirms Swedish positions.

Example: EPA negotiations with Kenya and Zambia

Kenya is a part of the EPA regional group EAC (East African Community). The EAC also includes Tanzania, Uganda, Rwanda and Burundi. All countries in the group, with the exception of Kenya, are categorised as least developed countries (LDC) which means that they already exempt from duty, in accordance with the EU preferential system EBA (Everything But Arms). Depending on the classification of the development level, the countries therefore have different prerequisites in the EPA negotiations. This has created tensions within the EAC. In 2010, there were speculations that Kenya wanted to break out of the negotiation group and create its own EPA.

In Kenyan media, the EPA negotiations have been criticised in terms of the EU putting pressure on the developing countries to open up their markets, at the same time as the EU is protecting its production through subsidies. There have also been media reports of the Kenyan government being critical towards the EPAs.

In order to create more transparent processes in the EPA negotiations with the EAC, the European Commission arranged seminars and submitted information about various issues. The parties have thereby been able to find compromises in a number of areas. At negotiation meetings in December 2011, the parties established that certain issues still remained unresolved, but they agreed to continue the negotiations with the aim of concluding them during 2012.

Zambia is included in ESA (Eastern and Southern Africa) along with Djibouti, Eritrea, Ethiopia, Madagascar, Malawi, Sudan, Zimbabwe, Mauritius, Seychelles and Comoros. Most countries in the ESA are categorised as LDCs. Five of the countries in the ESA have signed the EPA interim agreement. All of the eleven countries in the ESA are also included in the COMESA (Common Market for Eastern and Southern Africa) which has 19 member states.

Zambia chose not to sign the interim agreement and the new government in Zambia has not yet issued any statements regarding its standpoint in the EPA negotiations. However, it is probable that Zambia, along with several other countries in the group, chooses to stand outside the final EPA agreement, due to its status as LDC. If Zambia was to be upgraded from its status as LDC, the situation may change.

Work within the Government Offices and with government agencies

Within the Government Offices, the Ministry for Foreign Affairs has the main responsibility for coordinating EPA issues. There is close collaboration with relevant ministries as well as agencies such as the Swedish National Board of Trade and the Swedish International Development Cooperation Agency (Sida). The Swedish National Board of Trade contributes with important expertise and conducts analyses about different issues connected to the EPA.

Government standpoints

- The Government believes that EPAs can contribute to conditions for the ACP countries to use international trade as an instrument for development.
- The Government wants the EU to show sensitivity, openness and flexibility in discussions on the EPA negotiations in order to reach final agreements.
- For Sweden, WTO compatibility is a fundamental requirement. This entails certain conditions on the scope of agreements. The European Commission should, within these limits, show sensitivity for the ACP countries' view on the agreements in terms of content, flexibility and national development plans. The negotiations shall be conducted based on the interests and prerequisites of individual countries and regions. The fact that some ACP countries choose not to enter into an agreement shall be respected.
- In order to compensate changes in tariff revenues of ACP countries, the Government supports improvements with regard to regulatory frameworks and administrative systems in developing countries, i.e. the development of domestic tax systems. EPA-related development assistance within the EU is important. Sweden also provides EPA-related support to regional and sub-regional organisations within the framework of Sweden's regional strategy with Sub-Saharan Africa.

Future efforts

Future challenge for the EU and its member states contains political contingency to answer questions from the ACP countries that choose not to enter into an agreement from 1 January 2014. A central element in the EPA negotiations is mutual trust. Trade-related development assistance such as "Aid for Trade", will have an important role in the future, not least when it comes to transition work to prevent the negative effects of changes in the tariff revenues for the ACP countries.

3.2.2 Conflicts of objectives/interests: Fisheries policy and development

Fish is an important commodity and important nutrition in many developing countries. A large part of fishing exports from developing countries goes to OECD countries. Increased exports of fish products from developing countries, within a fair and open world trade, can contribute to economic growth and reduced economic exclusion for poor countries and poor people.

Increased global demand for fish products has led to price increases. This is positive for developing countries exporting fish. However, price increases have also affected the ability of the poor to purchase fish. Natural resources and ecosystems are affected by increased pressure from the fishing industry. There is a risk of depletion of fish stocks in the absence of management measures. Illegal, unregulated and unreported fishing is a problem, not least for developing countries.

Increased global demand for fish products has increased the farming of fish and shellfish, "aquaculture". Aquaculture can contribute to increased

export revenues for fish-producing developing countries, to economic improvements of the poor, and it reduces the pressure on the marine and inland fisheries. But aquaculture could wipe out small-scale farmers and the traditional lifestyle of certain populations, e.g. through increased competition for land with agriculture and forestry. It is important that aquaculture is sustainable in the long term.

Regional Fisheries Management Organisations

Regional Fisheries Management Organisations (RFMO) are forums for international cooperation between countries with fishery industries and coastal states. RFMOs can make recommendations and decisions about the management of fisheries. The EU is a member of most RFMOs.

The EU Common Fisheries Policy

In July 2011, the Commission presented a proposal of reforms of the EU Common Fisheries Policy (CFP). The aim was for the reform to enter into force in January 2013, but the negotiations will probably not be completed by then. The European Parliament has co-decision on CFP, and is therefore an important player. CFP is also affected by various EU free trade agreements with developing countries, such as the Economic Partnership Agreements (EPA) and the EU Generalised System of Preferences (GSP).

The external parts of CFP concern EU relationships with RFMOs and the EU's Fisheries Partnership Agreements (FPA) with developing countries. EU FPAs currently exist with approximately 15 developing countries, primarily in West Africa and in the Pacific. The majority of the FPAs relate to tuna.

The financing of FPA consists of two parts, one public part from the EU, and one part from licence fees from the private ship owners fishing on the agreements. The EU also provides financial support with the aim of reinforcing the fisheries management in the respective developing country. FPAs are negotiated by the European Commission on assignment from the Council. The Commission is responsible for external evaluations being performed before and after the agreements. The parties of the FPAs meet annually in a joint committee in order to follow up the agreements.

Council conclusions that provided guidelines on the design of the FPA were adopted within the EU in 2004. Thereafter, the conclusions have gradually been implemented into the current agreements. Consequently, there are statements in the FPAs on the importance of long term sustainable fishery conducted on the surplus of the fish resource of the coastal state or island nation. Financial and social evaluations shall be conducted before and after the agreements. Furthermore, the collaborating parties shall, to an increased extent, improve the scientific basis for decisions regarding quotas, as well as combat illegal fishing. In the Commission proposal for renewed agreements and protocols submitted to the Council and the European Parliament, there is also, since 2010, a clause on human rights.

In March 2012, the EU Agriculture and Fisheries Council adopted conclusions about the international dimension of the CFP. The conclusions establish that EU international fishery must adhere to the

same principles, and promote the same norms for fishery management, as those implemented in EU waters. Transparency regarding the total fishing in partner countries' waters must be improved. Policy coherence for development shall be observed, i.e. that consideration shall be paid to development objectives when implementing policies that may affect developing countries. The conclusions state that the FPAs may be annulled in the event of serious crimes against human rights and democratic principles.

Criticism of the EU Fisheries Partnership Agreements

Various civil society organisations have criticised the EU (and other OECD countries) for over-exploiting the fish stocks of developing countries, leading to the fishing resource not benefitting the local population.

The majority of the FPAs relate to the fishing of tuna that occurs further off coast. However, fishing near the coast may be indirectly affected by fishing further off coast, due to the density of the stocks decreasing.

Many of the coastal developing countries have no access to ships with capacity for fishing further out at sea. But many countries have expressed an ambition to develop their own deep-sea fishing. EU financial support within the FPAs may contribute to such a development.

Work within the Government Offices and with government agencies

Within the Government Offices, the Ministry for Rural Affairs has the main responsibility for fishery issues, including FPAs. The Ministry for Rural Affairs cooperates with other ministries in these matters, primarily with the Ministry for Foreign Affairs. The coordination of trade, fisheries and development is carried out through the Government Offices' WTO working group and through the task force for sanitary and phytosanitary measures, which also includes representatives from concerned agencies. Agencies such as the Swedish Agency for Marine and Water Management, the Swedish Board of Agriculture, the Swedish National Board of Trade and Sida assist the Government Offices with important expertise in matters relating to fisheries policy and development.

Government standpoints

- The Government is of the opinion that a development perspective is important within fisheries policy in order for developing countries and their inhabitants to benefit from the FPAs. The agreements should be permeated by a long-term perspective on sustainable usage of the global fish resource.
- All FPAs should contain a special clause on human rights, similar to that which already applies for certain FPAs.
- The Government is working for well-functioning fisheries management on a regional and local level. A reinforcement of the RFMOs is an important part of this.
- Within the CFP, the external parts are important and should be included in the basic Regulation.
- The Government wants the FPAs to be more transparent, e.g. regarding the publication of external evaluations. The evaluations of the

agreements need to be of a higher and more consistent quality. Stock assessments should be reviewed for quality.

– The Government supports the European Commission proposal on private ship owners within the EU taking on a larger proportion of EU costs for access to fish resources in the developing countries. In the long term this should be completely financed by private ship owners (and not by the EU budget).

Future efforts

The coming year is central to the reformation of the EU Common Fisheries Policy, including the integration of a development perspective. Important future issues are an improvement of the scientific basis within global fisheries, including estimates of stocks. The Government will continue to follow the EU work regarding FPA and to promote a sustainability and development perspective. Early strategic advocacy work is important, as is multilateral and bilateral work with other countries involved with fishery issues. The conclusion of the Doha Development Agenda (DDA) is of great importance for developing countries' trade in fishery products, not least with regard to decreased tariff escalation (increased duty rates in line with the level of processing). The conclusion of the DDA is also important for establishing multilateral principles for fishing subsidies.

Example: Swedish support to fishery and aquaculture in Africa

The Government supports the FAO (UN Food and Agriculture Organisations) extra-budgetary programme for fishery and aquaculture in Africa. The programme focuses on fishery as an important source of nutrition and income for many poor people in the concerned countries and is implemented in cooperation with the African Union (AU).

The programme aims at achieving environmentally sustainable fishery and aquaculture, and economic development. The programme emphasises good governance, climate adaptation, and management of fish resources from an ecosystem perspective. Institutional capacity-building on a national and regional level will play a prominent part.

Through local activities, tools and good examples can be converted into policy at national, sub-regional and regional level. One example of a geographical focus is Lake Chad, where fish resources have decreased dramatically over the last 40 years. The programme contributes to the development of preconditions for commercial relationships, to the facilitation of regional trade, and to climate change adaptation in fishery and aquaculture.

Example: Genetic resources and food security

Genetic resources are hereditary dispositions from living organisms such as plants and animals. Genetic resources are a result of natural selection but can also be further developed by humans. The diversity of genetic resources is important and contributes to the possibility of plants and animals to further develop and adapt to new conditions, e.g. with regard to climate changes.

It is true that breeding of plants and domestic animals has contributed to increased food production and thereby increased food security. But at

the same time, this has led to a reduction in genetic diversity. When species and breeds disappear, a global insurance against future threats against the food supply is lost. Such a development threatens the possibilities of securing the future needs of humanity and the challenges that the environment and markets pose for future food production. An open international exchange of genetic resources is essential for global food security. No country is currently self-sufficient with regard to genetic resources for food and agriculture. The International Treaty on Plant Genetic Resources for Food and Agriculture aims to stimulate sustainable usage of plant genetic resources and contributes to the access of researchers and breeders to plant genetic material.

The future need for animal foods is expected to increase. The global demand for animal products, particularly in developing countries and economies in transition, is estimated to double by 2050, at the same time as we face major climate changes. In addition, domestic animals are important in utilising grass-covered land that is unsuitable for grain cultivation. Of the 7 600 breeds of domestic animals that the FAO has reported on, 1 500 are at risk of becoming extinct or are already extinct.

The Government has introduced national legislation regarding genetic resources. The Government supports European cooperation on domestic animal genetic resources, and advocates a broadening of the multilateral system within the International Treaty on Plant Genetic Resources for Food and Agriculture, so that a greater number of species and types are included. The gene banks within the CGIAR institutions (Consultative Group on International Agricultural Research) are of great importance to developing countries. Sweden financially supports the Global Crop Diversity Trust Fund, which supports these gene banks. Sweden also contributes to the work for biological diversity performed by NordGen of the Nordic Council of Ministers' Institutions. NordGen administers a global seed vault in Svalbard, which may constitute an extremely important security net in the future for the world's most important plant genetic resources.

3.2.3 Conflicts of objectives/interests: Global food security – EU Agricultural Policy and high, volatile food prices

Agriculture is a significant sector in a majority of the developing countries, both for food production as well as for employment and economic growth. The majority of the world's poorest people are farmers, or are dependent upon agriculture for their survival. However, many poor small-scale farmers cannot live off their own production, but are dependent on buying food in addition to other agricultural products from local markets. Better functioning markets in developing countries as well as more effective distribution could therefore have great effects on the reduction of poverty. Increased regional and international trade for developing countries also requires a more efficient infrastructure and more development-friendly trade regimes and quality standards. Tariffs and subsidies still constitute considerable obstacles to developing countries' export of agricultural goods including processed products.

In recent years, the issue of global food security has increasingly become the focus of international debate. Important reasons are a growing global population, price rises for food, and greater insight into limited global natural resources, but also increased global prosperity. Climate changes and natural disasters may also threaten food security in the longer term.

An important issue in the discussions on global food security is the effects of high and volatile food prices on the agricultural market. Higher food prices are generally favourable for export incomes of developing countries and for investment in agriculture. But, high prices also affect poor consumers with small margins, using a large part of their income to buy food. In addition, some of the poorest countries in the world lack the natural conditions for agricultural production. These countries will therefore always be dependent upon imports to ensure food security. Excessive price volatility creates uncertainty and consequently there is a risk that necessary investments to increase productivity will not be made.

Export incomes and import expenditures of the majority of low income countries are directly related to world market prices of energy and agricultural commodities. However, the incomes of small-scale farmers from the sale of agricultural products on local markets are affected to a varying extent by world market prices. With regard to rapidly increasing urban populations of developing countries, they often consume more imported food at prices affected by world market prices. The large price increases for food that have occurred in the last five years have caused political concern in many urban areas in developing countries.

The issue of volatile international food prices is high on the global agenda. Important groups, such as the G8 and the G20 are increasingly engaged in these issues during recent years.

Reformation of the EU Common Agricultural Policy (CAP)

The EU is the world's largest importer of agricultural products from developing countries and is at the same time a major exporter of agricultural goods. The EU Common Agricultural Policy (CAP) concerns several policy areas including trade, energy, foreign and developmental policies as well as climate and environmental policy. Coherence between the CAP and the development goals is still questioned by many parties.

Since its creation in the 1950s, the goal for EU agricultural policy has been to secure EU food supply. Tariffs and various market regulations have been used as protection against competition, and to achieve sufficient profitability for EU farmers. Agricultural support in the EU during the 1980s and 1990s led to great surpluses that were exported onto the world market. This influenced the fall of world market prices and had a negative effect on the competitiveness of developing countries.

Reforming the CAP has been in progress for many years and has contributed to EU agricultural prices now standing in better unison with world market prices. The CAP currently contains significantly less elements of market regulation and trade distortion. But the CAP still entails major obstacles for developing countries in the expansion of their agricultural sectors. Agricultural support and tariffs within the EU, and in many other OECD countries, continue to limit market access of developing countries. The EU has introduced various preferential

arrangements in order to increase market access for developing countries to the EU market (for example, through GSP and EPA). Many developing countries, however, find it difficult to benefit from these advantages due to domestic limitations, such as poor infrastructure as well as difficulties in meeting different requirements from the OECD countries.

In October 2011, the Commission presented a proposal for the future direction of the CAP with the aim of competitive and sustainable agriculture in the EU and of food security in the EU as well as globally. In this proposal, the market instruments are essentially unchanged, which means that the trade-distorting elements of CAP remain. According to the proposal, direct support to EU farmers, regulated trade via tariffs and, if necessary, export subsidies and licences should also remain. The great majority of direct support, however, is paid to farmers without requirements for production; “decoupled support”. An important change proposed by the Commission is that EU farmers must take certain active environmental measures to be entitled to the support. A clear majority of EU member states want to see a continuously strong CAP and they want the opportunity to e.g. couple the support to production.

The G20 work

A number of initiatives have been taken by the G20, whose member countries have a great interest in the food and energy markets. The G20 Ministers of Agriculture decided in June 2011 on a number of measures to counteract excessive price volatility. These measures focus on increased transparency in, and information about, the international food markets. Better international coordination to prevent crises and measures for mitigating the effects of the price increases on the poorest, were other measures. The G20 also addresses the fact that the majority of the world's producers are small-scale farmers in developing countries whose own food supply is, at the same time, insufficient. Increased food production would provide increased incomes and have direct effects on the fight against poverty and hunger via improved local and national markets.

The G20 has also highlighted the importance of increased productivity in agriculture, improved management of land and water, better growing techniques and increased investment. The G20 Ministers of Agriculture have committed themselves to a broad spectrum of such measures as well as improving agricultural research. At the same time, it is pointed out that many of the important decisions are influenced by national agricultural policy and prioritisation in the respective countries. Many developing countries have not invested in agriculture in many years, nor have they focused on attracting private investment to this sector. International development cooperation to the agricultural sector has also been low for a long time.

Making agricultural production more efficient

As the world's population increases and incomes are generally increasing, the UN Food and Agriculture Organization, FAO, estimates that food production must increase by 70% by the year 2050. In order to meet increased demand for agricultural products, it is important that resources are invested to increase the productivity and efficiency of

production, and to achieve sustainable production. The FAO assesses that the global agriculture acreage may increase by 5% by 2050. An increase in acreage is currently taking place in developing countries, whilst it is decreasing in OECD countries. Unused agricultural land is found in only a few countries in Latin America and in Sub-Saharan Africa, often in areas with a poor infrastructure, some acreage lie fallow. However, not all land is suitable for agricultural production, for various different reasons. Furthermore, Africa is dependent upon the increased use of commercial fertiliser. Currently, Africa uses 7-9 kg of commercial fertiliser per hectare compared with 100-150 kg in Europe. A newly conducted study demonstrates that global food production may increase by 100-180% if the use of commercial fertiliser increases in the developing countries, with the focus on Africa. Local conditions must, however, be taken into consideration so that long-term sustainable production is achieved without negative effects on the environment.

Another important factor in improving global food security is the reduction of waste in various parts of the food supply chain. The OECD has recently begun work that aims to map the extent of the wastage and provide policy recommendations. On behalf of the FAO, the Swedish Institute for Food and Biotechnology (SIK) has charted the size of the waste and where it arises in the chain. The level of the waste lies around 30% throughout the world. The greatest waste is in the line of production in developing countries, and in the line of the consumer in OECD countries.

Example: Sustainable food consumption

How we produce and consume food can have a significant impact on sustainable global development: A billion of the world's people presently lack access to nutritious food, at the same time as prosperity diseases (e.g. obesity and diabetes) are increasing.

- Approximately one third of the food that is produced for human consumption in the world (approximately 1.3 billion tonnes) disappears every year as a result of inefficiency throughout the entire food production chain, such as lost harvests, poor storage management and food waste.
- The food that consumers in high income countries throw away (222 million tonnes) is approximately equal to the entire food production in Sub-Saharan Africa (230 million tonnes).
- Changed eating habits, influenced by rising incomes and a greater demand for meat and dairy products, require more water. Two-thirds of the water requirement for food production is used for animal products.
- Animal husbandry uses approximately 70% of the world's agricultural land and accounts for approximately 18% of global greenhouse emissions.
- It is estimated that 53% of global fish stocks are utilised fully, 28% are overexploited and 3% are depleted.

Work within the Government Offices and with government agencies

Within the Government Offices, the Ministry for Rural Affairs has the main responsibility for agricultural matters, including the negotiation of

the EU CAP. Swedish stances are prepared with the relevant ministries, including the Ministry of Finance, the Ministry of the Environment and the Ministry for Foreign Affairs. The Swedish Board of Agriculture, the National Food Administration and the Agrifood Economics Centre (Swedish University of Agricultural Sciences and Lund University) contribute with important analyses.

Government standpoints

- The Government is advocating further reforms of the CAP with the aim of reducing expenses considerably, achieving increased market orientation, decoupling direct support and phasing out market support.
- The Government is actively working for more attention to be paid to the development dimension of CAP in the negotiations.
- The Government is working for a conclusion of the Doha Development Agenda, which would result in a significant reduction of trade-distorting support and tariffs as well as the phasing out of export support, which may also provide positive effects for the world's food security.
- The Government supports the EU Council Conclusions regarding food security in developing countries adopted in 2010, which emphasise the importance of coherence between food issues, bioenergy, water and climate adaptation.
- The Government is working towards an effective follow-up of the declaration from the World Summit on Food Security in Rome 2009 which e.g. addressed the need for increased investment in the agricultural sector, and the importance of global coordination in food issues, including with the private sector.
- The Government considers that better-functioning national, regional and international markets are fundamental to global food security. New WTO-compatible initiatives are required which contribute to increased productivity for small-scale farmers in developing countries and the opportunities for them to compete under equal conditions. Access to land and financing are important issues, not least for many women in developing countries.
- Measures within animal and plant protection can contribute to international trade opportunities for developing countries, and the Government is working with these issues within the international standardisation bodies for animal health, plant protection and food.
- Within the FAO, the Government supports the reformation of the Committee on World Food Security (CFS) in order for it to become the central international forum for work with food security.
- Within Swedish development cooperation, special financial efforts have been made to improve food security in low income countries, beginning in 2009. In 2011, the Government has within this effort highlighted increased productivity in agriculture, research/education and biotechnology, as well as new forms of food aid. The main focus of the efforts lies on Africa.

Future efforts

A more efficient and increased sustainable production and export of agricultural products is fundamental for increased food security, not least in Sub-Saharan Africa. A more open market within the EU continues to

be of great importance for developing countries' trade with agricultural products. Another effect of agricultural subsidies could be a hindrance of new developments and innovations. Subsidies mostly support already established structures. Scientific activities that can contribute to new analyses and innovations within the agricultural area are required. The Swedish University of Agricultural Sciences (SLU) is an important scientific institution in this context; the University has e.g. a special unit for issues concerning Global Development. The Swedish Board of Agriculture, the Swedish Forest Agency and SLU have entered an agreement regarding collaboration on Global Development.

The international cooperation for global food security continues to be important, not least the work within the EU and the G20. Improved political dialogue is necessary within the framework for Agricultural Market Information Systems (AMIS) and the FAO CFS with the aim of avoiding future food crises. Important future issues are improved statistics concerning production, consumption, storage and price trends, as well as functional and transparent financial markets that can contribute to handling price risks in the commodities sector. Enhanced multilateral rules that limit the use of export restrictions of agricultural goods are important to counteract major price volatility.

Example: Sweden and Vietnam are collaborating on animal health and small-scale food production

A large proportion of the poor in Vietnam live in rural areas. They are often dependent on agriculture and animal husbandry for their daily livelihood. The raising of pigs is very common. Animal husbandry is often central to a family supporting itself. Outbreaks of contagious animal diseases can therefore have catastrophic consequences for incomes, food security and health. Vietnam is one of the world's most affected countries with regard to classic swine fever.

The agriculture ministers of Vietnam and Sweden have signed an agreement for cooperation in the area of agriculture and rural development, with the aim of promoting the exchange of knowledge and experiences. More specifically, the cooperation encompasses animal health, forest management, food security and rural development.

The government agencies involved in Sweden and Vietnam can thereby enter their own agreements regarding technical cooperation. The Swedish National Veterinary Institute (SVA) and its Vietnamese equivalent have, for example, entered into a cooperation agreement concerning animal diseases, and are collaborating on the transfer of knowledge between the two countries in the areas of pathology, diagnostics and control. An overarching goal of the cooperation is to contribute to sustainable and well-functioning small-scale food production. A long-term aim is to attain an improved knowledge base and a more efficient diagnostic capacity with respect to classic swine fever. Through this cooperation, Sweden gains increased knowledge about animal diseases that do not yet exist in our latitudes, but which may arrive in the longer term.

3.2.4 Conflicts of objectives/interests: Bioenergy production and food security

Skr. 2011/12:167

Bioenergy production represents an opportunity for many developing countries to increase their incomes, create employment and reduce economic exclusion. It could reduce developing countries' dependence on the import of fossil fuels. Suitable natural resources for the development of bioenergy production currently exist in many developing countries, including in various countries in Sub-Saharan Africa.

The increased global demand for bioenergy has led to increased investment in bioenergy production in developing countries. This has contributed to increased incomes for these countries. Increased bioenergy production can, however, lead to increased competition for land use in developing countries. There are tendencies for land to be bought or leased by other countries or companies on other continents for the production of energy crops or food. There is also a risk that production of energy crops will compete with food production in an undesirable way, which may lead to consequences for food security, both in the concerned countries and globally. In some reports, such as "The State of Food Insecurity in the World" from 2011, increased production of energy crops has been cited as a contributory factor to the increased and volatile prices of food and commodities in recent years, inter alia, as a result of substantial subsidies given to such production and consumption. There are, however, no studies that quantify the effects of the above-mentioned factors on the prices.

International work

The issue of the relationship between land use for energy crops and food on one hand, and effects on prices on the other, has been discussed internationally by e.g. the G20 and in the FAO CFS. The G20 countries require more analysis of the effects of energy crop production on access to food, on volatile prices and on sustainable agricultural production. CFS will make an overview of the policies of different countries in this area. The overview shall proceed from a scientific assessment of the opportunities and challenges that these political decisions entail for food security. The goal is that energy crop production occurs where it is most favourable socially, financially and environmentally. The FAO has also produced a tool for sustainable bioenergy production for the purpose of counteracting damage to living conditions and the environment. In order to ensure that international investments in land in developing countries take place in a responsible manner, voluntary guidelines on the responsible governance of tenure of land, fisheries and forests in the context of national food security have been adopted within the framework for CFS, with a particular focus on the most vulnerable groups.

Within the EU, sustainability criteria for biofuels and other bioliquids have been developed. These criteria focus on the conservation of land and ecosystems with particularly high biodiversity, and on the emission

Skr. 2011/12:167 of greenhouse gases in connection with changed land use, crop cultivation and processing.⁶

Work within the Government Offices and with government agencies

Several ministries within the Government Offices are working with bioenergy, including with the issue from a development perspective. Examples of the main ministries that are working with the issue are the Ministry of Enterprise, Energy and Communications, Ministry for Rural Affairs and the Ministry of the Environment. Agencies such as the Swedish Energy Agency, the Swedish Board of Agriculture, the Swedish Environmental Protection Agency, the Swedish University of Agricultural Sciences (SLU), Sida and the Swedish Forestry Agency contribute with knowledge and expertise.

Government standpoints

- The Government considers bioenergy to be an important part of increased sustainable energy use and climate adaptation.
- The Government considers that the risk for conflicts of objectives/interests between cultivated crops for energy purposes and food security can be minimised.
- The Government considers that market forces shall primarily decide how land is used, i.e. without support. Necessary supplements to the market (taxes, subsidies, regulations etc.) should be analysed continually on the basis of changed relationships and available research so that the sustainability goal is reached. In general, some form of support in an introductory and building-up phase may be justified in order to promote new technology.
- The Government wants to improve the conditions for a transfer to the use of non-food raw materials in the production of bioenergy, through the development and demonstration of technology for the “second generation biofuels”, i.e. biofuels that are produced from e.g. waste and by-products, and which do not compete with food security.
- Within the EU, the Government is working in order for the EU's sustainability criteria for bioliquids to be followed and developed. In addition, it works for the voluntary guidelines on responsible governance of tenure of land, fisheries and forests (negotiated within the framework of CFS) to be followed from a food security perspective, both within the EU and internationally.
- The Government supports and actively participates in the work with global guidelines concerning sustainable forestry. Sweden has a leading role in the development of ISO standards relating to sustainability and bioenergy.
- The Government wants to see sustainable global agricultural production, reduced waste in the food chains, and greater efficiency in energy usage. Increased investments should be made in sustainable

⁶ Directive 2009/28/EC on the promotion of the use of energy from renewable sources and amending and subsequently repealing Directives 2001/77/EC and 2003/30/EC. The Directive is incorporated into Swedish legislation through, among other things, Act (2010:598) concerning sustainability criteria for biofuels and bioliquids.

agriculture in developing countries through e.g. the private sector, and with support of international development aid where required. Skr. 2011/12:167

Future efforts

Climate adaptation requires sustainable energy usage and the Government intends to identify possible actions and key measures for reducing emissions from the transport sector and the dependence on fossil fuels. Work to develop a national research strategy for a “biobased economy”, i.e. the development of a society largely based on renewable biological resources, can contribute to a future model for other countries, including for developing countries. The development of the “second generation biofuels” may contribute to increased food security.

Example: Forests – a coherence issue where Sweden is well qualified

According to the FAO, more than 25% of the world's population are dependent on forest resources for their livelihood. The majority of these people live in developing countries. Forests and trees contribute to food and fuels, as well as environmental services such as land improvement and drainage, and are also sources of raw materials for the forestry industry. Forests have a great impact on the global climate and have an important role in future water supply. Up to 70% of the world's biological diversity is linked to the forest ecosystem. Illegal and informal logging is a problem in some countries, particularly in countries with poor institutions.

Many small-scale farmers and ethnic groups in developing countries are directly or indirectly dependent on forests and woodlands for their survival. This regards both cultivation (wood, fruit, medicinal plants etc.) and ecosystem services (e.g. water). Economic exclusion in the forestry sector entails the of lack of fundamental rights and conditions for poor people to be able to sustainably use forests to improve living conditions. This especially affects poor women.

The forestry sector in developing countries is often part of the informal economy. In areas with insecure land tenure and property rights, and with pressure of high populations, there is a risk that small-scale farmers contribute to deforestation through intensive slash and burn cultivation. Good forest administration, good governance, as well as clear systems for ownership and management, can counteract deforestation and illegal logging, and improve income opportunities for people who live in and off the forests. Forestry is closely connected to agriculture. Deforestation can take place as a result of expanding food production. At the same time, global production of biomass for energy purposes is increasing, which can also contribute to increased deforestation. Coordination between sectors is essential for sustainable forestry.

The Government is working for sustainable forestry on a global level with issues like poverty reduction and economic development, the forest's role in mitigating global warming, and the conservation of biological diversity. In line with the Government's action plan for Forests, knowledge is spread on sustainable forestry and on how Sweden's forest policy was built up. As a forest nation with considerable competence and experience, Sweden plays an active role in international collaboration on sustainable forests, e.g. within EU-FLEGT and REDD+.

With the aim of increasing transparency and contributing to good forest administration, the Government also supports the EU proposal for EU-based companies within e.g. the forestry sector to do so-called “country-by-country-reporting”.

3.3 Focus area: Swedish trade and investment

The objective of this focus area is an improved climate for trade and investment in developing countries, which is favourable for local enterprises as well as for Swedish business interests.

Through trade and investments, Swedish companies can contribute to counteract economic exclusion of poor people and countries. Companies can contribute e.g. through providing employment, through tax payments, and through technology and knowledge. Companies can also contribute with new solutions, products and services that are specifically suited for poor people's needs and buying power, and by including poor people in their value chains as owners, producers or consumers. The precondition is conducting business in a sustainable manner.

Employment is central to ending the economic exclusion. According to the World Bank, the private sector accounts for approximately 90% of employment opportunities in developing countries, the majority within the informal sector and particularly in agriculture. Increased employment opportunities must be created, above all within the private sector. Companies are also increasingly important as investors in infrastructure and other public facilities.

3.3.1 Government work with business and development

The Government is working within several policy areas to strengthen business and development. Through **international trade policy**, including promotion of open, simple, non-discriminatory regulations for international trade, and of wide, ambitious and development-friendly free trade agreements, the Government supports the inclusion in international markets of both Swedish companies as well as companies in developing countries.

By working in accordance with the principles of Corporate Social Responsibility (CSR), companies have an opportunity to take in a development perspective. Companies that achieve value-creation and are based on social entrepreneurship are the long-term winners in a global market. Innovative business models with a clear focus on responsibility strengthen the competitiveness of the companies. Particular efforts are made within **trade policy**, not least within the government framework of “Global Responsibility” (Globalt ansvar). Within the framework of **foreign policy**, Sweden promotes human rights. The state of Sweden is also a business owner, and a major procurer of goods of which many instances originate from developing countries. The **state ownership policy** plays a role strengthen business and development.

Through **trade and investment promotion**, opportunities for Swedish companies in markets of developing countries are promoted, not least

through measures of Swedish Trade Council and through officially supported export credits. Particular efforts are made in order to increase the number of Swedish companies participating in competitive procurement in developing and transitional countries, including in Africa and the Middle East.

Through its **business policy**, the Government is working to strengthen Swedish competitiveness and to create conditions for more jobs and for growing companies. Measures to strengthen innovations could contribute to solutions to developmental challenges. The Swedish Governmental Agency for Innovation Systems (VINNOVA) works e.g. to stimulate international cooperation that reinforces Swedish research and innovation.

The main objective of **development cooperation** is to create conditions for poor people to support themselves. Favourable conditions for enterprise and entrepreneurship in developing countries could contribute to this objective. Support for the creation of better functioning and more competitive markets is important, as well as opportunities to use trade as an instrument for growth and poverty reduction. The state-owned company Swedfund International AB contribute to investment in developing countries that is not deemed realisable through commercial financing alone. This benefits the development of the local private sector in the developing nation as well as Swedish and international trade and investments.

Example: How Swedish aid can contribute to business and development

Swedish development assistance shall contribute to creating conditions for poor people to improve their living conditions. The private sector in developing countries drives growth and poverty reduction by providing employment, tax incomes, and new solutions, products and services which are geared to the needs and purchasing power of the poor.

Swedish development assistance can contribute to strengthening the role in poverty reduction played by the private sector in three ways:

- Development assistance may **stimulate enterprise and entrepreneurship in developing countries** by supporting open and better functioning markets. This is a central task. Important efforts include capacity building and knowledge support, strengthening institutions, and facilitating trade by e.g. streamlining customs management, strengthening ownership rights and combating corruption. By shared funding, the development assistance can also bring about possible investments that would not otherwise be made. Development assistance instruments such as loans and guarantees may eliminate a certain amount of risk, which attracts new investors and market players. The state-owned company Swedfund has an important task in contributing funding to investments in developing countries.
- Local and international cooperation to **mobilise resources, innovations and expertise** of businesses in order to reduce poverty. Development assistance can provide catalytic support in order to, after competition proceedings, develop and test the best ideas. This type of support is given by the Sida programme 'Innovation Against Poverty'. Catalytic support

may also involve joint funding, i.e. Public Private Partnerships. The business sector can also provide knowledge on obstacles to development. -Development assistance may contribute to **strengthening the developmental effect produced by a company's core activities**. The idea is to stimulate driving forces behind sustainable business activities. Development assistance could also support supplementary measures in close connection to private investments in developing countries.

The **target groups** within business and development policy are **entrepreneurs in developing countries**. Mainly self-employed entrepreneurs; primarily in the informal economy and particularly within the agricultural sector, as well as small and medium-sized companies that could potentially create jobs and contribute to inclusive and sustainable growth. Another target group is local international industry, including Swedish companies. The aim is to encourage innovation and resources to fight poverty, and to strengthen developmental effects from the activities of the business sector.

Swedish trade and investments in developing countries

To increase the currently rather low level of Swedish trade and investment in developing countries is a central element. Trade with developing countries constitute a small part of Sweden's total foreign trade. At the same time, Swedish exports to Sub-Saharan Africa have doubled over a period of five years, between 2006 and 2011, from 1.3% in 2006 to 2.6% in 2011.

Since 2011, there are local consultations on business and development between Swedish embassies and Swedish and local businesses in some developing countries (Business and Development Councils, NU-råd). The obstacles to trade and investment that have been brought up during these consultations often touch upon similar issues. These include risk-management of e.g. credit opportunities, legislation, regulations, and property rights protection. Wide-spread corruption, lack of transparency and arbitrary application of legislation also constitute obstacles. Lack of energy, infrastructure and qualified work forces, are further examples of challenges. However, many Swedish companies and investors have a slightly outdated view of poverty-stricken countries, not least with regard to Sub-Saharan Africa. The fact is that six of the ten currently fastest growing economies in the world are located in Africa. Important and fundamental changes have been made in many countries in Africa (transition to democracy, fewer conflicts, improved economic and financial infrastructure, macroeconomic stability, a growing middle-class etc.), which has increased the level of trust and increased the influx of direct investment from abroad.

Investors have to become better at evaluating risks and have increased knowledge of developing countries - as well as of the possibilities to invest in and trade with such countries. There are expectations on Swedish companies to increase their understanding of local needs and to cooperate more effectively on activities in developing countries. It can also be noted that markets often have to be created, which requires entrepreneurship.

With an increase in value of 47% between 2010 and 2011, Sub-Saharan Africa (25% of Africa as a whole) constituted by far the fastest growing Swedish export region. Although the development over a five-year period, 2006-2011, indicates a more modest increase of 130%, it should be noted that the share of the region in the total Swedish export during the same period has doubled from 1.3 to 2.6%.

Swedish imports from Sub-Saharan Africa provide far more sombre reading, since its share in the five-year period between 2006 and 2011 has remained unchanged at the low figure of 0.4% of total Swedish imports.

The above-mentioned development of Swedish trade with Sub-Saharan Africa is also reflected in country-by-country statistics where, in the five-year period 2006-2011, countries such as South Africa, Nigeria, Ghana, Tanzania and Kenya show clear increases in Swedish exports - some of which are very high increases (Nigeria and Tanzania). The values for Swedish imports from these countries are lower - some even show a stagnated (Tanzania) or reduced (South Africa) level of export.

Corporate Social Responsibility (CSR)

Many developing countries face great challenges in terms of human rights, working conditions, environmental considerations and corruption. Several international conventions on these subjects exist, which nearly all the countries in the world have endorsed, and thereby committed to uphold. However, many countries fail to adhere to these conventions, with the result of weak or insufficient monitoring. This could constitute a challenge for companies wishing to carry out activities in a responsible manner, particularly in their relationships with local business partners in these countries. This requires companies take on responsibility for the environmental and social effects of their activities.

In order to make this easier for the companies, central international conventions on human rights, on working conditions, environment and anti-corruption have been translated into company-relevant guidelines by e.g. the OECD and the UN Global Compact. In addition, there are a number of different guidelines and standards that provide guidance for companies regarding how to integrate social and environmental issues in the activities. One example is the International Standard ISO 26000 that provides guidelines for social responsibility. This standard was drawn up by an international work group led by the national organisations for standardisation in Sweden and Brazil. There are also international standards for companies and other actors to account for their work in a transparent and comparable manner, such as the Global Reporting Initiative (GRI, see facts).

Companies that consider the effects of their activities on their surroundings contribute to social development in a positive way. Companies also have a central role in entrepreneurship and innovations, as a link to new business models. Companies that achieve value-creation through innovative business models can contribute to finding new solutions to challenges that affect global development.

Companies generally play a very important role when it comes to respecting human rights. The Swedish government expects Swedish companies to act responsibly, regardless of where they operate. The State encourages its companies to develop due diligence processes and to act in accordance with international guidelines regarding CSR (see the section on the state ownership policy). Boundary issues may arise regarding the respective responsibilities of the companies and the Government, not least with regard to human rights.

Sweden has been a driving force in the work to draw up the UN Guiding Principles on Business and Human Rights, which were unanimously adopted in June of 2011. These principles underline that states are responsible for the protection of human rights and to live up to their international commitments, e.g. the UN conventions on human rights. In accordance with the UN guidelines, the Government stresses that all companies, in addition to the states, are responsible for respecting human rights. The companies shall in their own activities avoid causing or contributing to a negative effect on human rights, e.g. with regard to freedom of speech or basic working conditions. If such a negative effect should still arise, those affected shall have access to the appropriate legal remedy. This effect for instance companies approach to increasing areas of internet use and ongoing technological developments. In this context it the Government should have discussions with other states in parallel with companies pursuing sustainable business actions. The Swedish government has a particular responsibility for the state-owned companies. International frameworks should be used as the baseline for company activities on difficult markets. Companies should also be aware of the current conditions for the civil society in these countries. The Government is of the opinion that companies would benefit from establishing strategies, to the extent necessary, for the handling of such commitments. This is especially applicable in countries where the state's protection of human rights is weak.

The demands for sustainable business conduct come from many directions. CSR is becoming more and more important for companies' ability to successfully compete for customers and employers, to find new business opportunities, and to create value for their owners. On the financial market, there are increasing demands for investment opportunities in sustainable business and a large portion of international investors are currently implementing company analyses based on ethical, social and environmental criteria, in line with the Principles on Responsible Investment. In Sweden, this development has been promoted by the legislation introduced in 2001 regarding the requirements for the AP Funds to take ethics and environment into consideration, without compromising the required financial returns. Business-related motivations for companies to work with CSR are an improved capacity to attract, motivate and retain staff; a stronger relationship with suppliers and customers; a more efficient use of resources and a more sympathetic public opinion.

A concern in many developing countries is that requirements for CSR will serve protectionist interests, resulting in countries that cannot live up to certain requirements being excluded from the global market. In order to reduce that risk, it is important to consider which requirements are to

be imposed. All countries should not have the same. Regulations and salaries must be adapted in accordance with the level of development in each country. However, there are some fundamental rights and considerations that are not dependent on the level of development, which all countries have committed to live up to. One example would be the basic human rights at work, as stated by the International Labour Organisation (ILO). The Swedish government expects Swedish companies to act responsibly regardless of where they operate and the starting point is the international norms and principles.

Example: International norms and principles for Corporate Social Responsibility

– **The UN Framework and Guiding Principles on Business and Human Rights** clarify that states have a responsibility to protect human rights at the same time as companies have a responsibility to respect human rights. States are responsible for ensuring that effective legal remedies are accessible to those subjected to human rights violations. Companies should avoid becoming complicit in human rights abuses and should deal with negative human rights effects with which that they are involved. As a minimum requirement, companies should respect internationally recognised human rights such as the International Bill of Human Rights as well as the principles found in the ILO Declaration on Fundamental Principles and Rights at Work. All companies are affected, regardless of size, sector, operational context, ownership and structure, however, the degree and the complexity of the responsibility depends on these factors and on the degree of detrimental effect a company has on human rights. In order to take responsibility for respecting human rights, the companies should make commitments and create processes, such as a policy initiative at the highest level (board or CEO); have a due diligence process to identify, prevent, lessen and take responsibility for any effects on human rights, as well as having processes in place to compensate for negative effects that they have caused or been complicit in.

– **The OECD guidelines for multinational enterprises** was an early initiative (1976) to guide companies operating in an international environment in following the international frameworks for sustainability and CSR in all parts of their activities. The OECD countries have committed to promoting these guidelines by establishing National Contact Points. In Sweden, the Foreign Ministry, is the chair of the National Contact Point. The guidelines include human rights, environment, competition, corruption, taxation and product liability. The guidelines are optional but the Government expects all Swedish companies to adhere to them.

– **Global Compact** is a global initiative from the UN built on ten principles within human rights, labour law, environment and corruption, which have been formulated on the basis of the UN conventions. Companies that join Global Compact strive to integrate the principles in their own activities. Since its start in 2000, the number of members has increased steadily and currently amounts to over 7 000 companies from 130 countries and 3 000 organisations. Around forty Swedish companies are members.

Skr. 2011/12:167 – **The Global Reporting Initiative (GRI)** provides guidelines for how to report sustainability efforts, including social, environmental and financial aspects. It therefore acts as support and as a tool for companies and organisations to report their work, based on the guidelines of Global Compact and the OECD. The GRI is intended to increase the possibility of monitoring and evaluating the sustainability efforts of the company and to increase comparability. 30 of the 100 largest companies on the Swedish stock exchange are currently reporting in accordance with the GRI, along with all the state-owned companies.

Work within the Government Offices and with government agencies

Within the Government Offices, the Foreign Ministry have the main responsibility for policies that affect Swedish trade and investments in developing countries. The Swedish Trade Council, the Swedish National Board of Trade and the EKN are some of the agencies concerned. The Ministry of Finance is responsible for the state ownership policy. The special function, the Swedish Partnership for Global Responsibility, coordinates the work of the Government Offices concerning CSR. This work is carried out in cooperation with Swedish foreign missions as well as the specific agencies concerned and state-owned companies. The Ministry of Enterprise, Energy and Communications and some of its agencies, such as the Swedish Agency for Economic and Regional Growth, the Swedish Agency for Growth Policy Analysis, VINNOVA and the Geological Survey of Sweden, contribute with development perspectives in their work.

The Foreign Ministry is also responsible for the international trade policy and the trade and investment promotion, including their development perspectives. The Foreign Ministry is responsible for international development assistance, and Sida and Swedfund are central actors. The Minister for International Development Cooperation is responsible for central international processes such as the UN Conference on Sustainable Development (Rio+20), and for the Business and Development Councils.

Example: The Swedish Environmental Technology Strategy

In May 2011, the Government adopted a strategy for the development and export of environmental technology (2011-2014). This is a national strategy for environmental technology aiming to meet up Government targets within the climate, environment, business, trade and development assistance.

Based on a wide analysis and preparatory work conducted by the Swedish Environmental Technology Council (SWENTEC), the strategy includes a series of measures to develop the expertise of the Swedish environmental technology sector throughout the value chain - from research and development, via growing companies on the domestic market, to global exports. SEK 100 million per year has been earmarked for commissions to the Swedish Trade Council, the Swedish Energy Agency, VINNOVA, the Swedish Agency for Economic and Regional Growth, the Swedish Agency for Growth Policy Analysis, etc. Within the

framework of the Environmental Technology Strategy, support is also provided for the International Environmental Technology Cooperation unit (IMT), which in addition to China now also includes India and Russia. Different government policy areas contribute in different ways to the targets of the strategy.

Within the Government Offices, an executive committee has been established to develop and implement the strategy. Members in the committee are State Secretaries from the Ministries of Environment, of Enterprise, Energy and Communications, and for Foreign Affairs (trade and development assistance respectively), together with an associated group of officials.

The strategy has its starting point in Swedish knowledge and experience in the area, but emphasises the development perspective in its implementation, not least in light of the increasing urbanisation of Africa and Asia. Development assistance can contribute catalytically in institutions and capacity building for sustainable environmental management. This in turn could pave the way for “market maturity” that could mobilise interest and business opportunities for Swedish environmental technology companies.

Government standpoints

- The Government believes that Swedish companies contribute to development and to fighting poverty by trading and investing in developing countries as well as by taking responsibility for the social and environmental effects of their activities.
- The Government is a driving force behind the placing of CSR issues on the international agenda.
- The Government intends to strengthen its bilateral CSR collaborations with countries and regions of particular interest, such as the Middle East, North Africa and the Gulf region as well as Angola, Mozambique, Kenya, Ghana, Nigeria, South Africa and Tanzania and the BRIC countries. The cooperation with China shall continue and be expanded.
- Through its trade policy, the Government works for wide, ambitious and development-friendly free trade agreements, as an important condition for increased trade that could lead to growth and poverty reduction.
- Development assistance could play an important role in the facilitation of trade and investments contributing to poverty reduction through, e.g. support for the creation of institutions, legal security and respect for human rights.
- There might be a need to shift Swedish relations from development cooperation to trade in certain countries with which relations have historically been based mainly on development cooperation.

Future efforts

There is a need to further strengthen the collaboration between the ministries that work with different instruments affecting trade and investments of Swedish companies in developing countries. Taking

better advantage of the opportunities available in developing markets is an important part of the internationalisation of Swedish companies. Sustainable business conduct should be a main element of the cooperation between Swedish business and developing countries. In the cases where the Government is able to exercise direct influence, such as with the state-owned companies or certain export promotion instruments, the focus shall be placed on the implementation of and adherence to accepted codes of conduct and guidelines, as well as the monitoring thereof.

3.3.2 Conflicts of objectives/interests: Swedish export promotion and development

Trade and investments are important to stimulate growth, which can contribute to counteract economic exclusion. Many countries face great environmental and human rights challenges, therefore the nature of the investment or trade is central in order to contribute to development. Trade and investments can lead to employment and tax revenues etc. By acting in accordance with principles and guidelines for Corporate Social Responsibility (CSR), the promotion of exports may better contribute to development. The importance of CSR is particularly great in countries that are facing major challenges in terms of respect for human rights or in industries that have a large social and environmental impact. Traditionally, environmental concerns and other difficult circumstances have been regarded as risks in international business contexts. Now there are new business opportunities opening up within this area. Exports of Swedish environmental technology increases, responding to increasing international demand in areas such as energy efficiency, renewable energy, water purification and, and sustainable urban development.

Swedish export promotion

The overall aim for the Government's export promotion is to create growth and employment in Sweden through increased exports, and to improve conditions for Swedish companies to take advantage of the opportunities of globalisation. Export promotion is primarily intended to strengthen the ability of small and medium-sized companies to internationalise and is mainly implemented by the Swedish Trade Council, the activities of which are jointly financed by the state and the business sector. Swedish foreign missions play an important role, especially in countries where the Swedish Trade Council has no representation.

All Swedish agencies commissioned to promote export have been instructed by the Government to base their work on the principles of CSR and to report their work to the Government. CSR shall be owned and run by the companies, but Swedish export promotion shall also support and encourage responsible enterprise. Each year, a number of different activities are carried out by the Swedish Trade Council and other parties, which aim to make Swedish companies aware of environmental and social factors within business.

The export promotion may contribute to visualising opportunities and to lower thresholds for Swedish companies to trade and investment in poorer countries, not least in transitional and growing markets where the needs for clean and climate-friendly technology are particularly great and where Swedish companies are often frontrunners.

Within the framework of its public commission to contribute to increased exports, the Swedish Trade Council shall provide support to companies, primarily the small and medium-sized ones, where Sweden has an interest in their international business development. The Swedish Trade Council also works to ensure that exporters in developing countries are able to find an outlet for their products and services in the international market and in Sweden. The Swedish Trade Council assists Swedish companies in identifying suppliers abroad, including in developing countries. This import promotion makes an actual contribution to employment in the countries in question. It also assists Swedish companies in issues regarding their establishment in foreign markets. Such establishments contribute to creating job opportunities in the concerned countries. Furthermore, the Swedish Trade Council has a number of commissions within the framework of the Government's Environmental Technology Strategy, which is largely based on the SymbioCity platform for sustainable urban development.

The Office for Project Exports has the task of increasing Swedish exports by, e.g. creating conditions for Swedish companies to submit more tenders and gain more international business through bilateral and multilateral public procurements. Foreign governments and public authorities having clear priorities and interests that can be matched with Swedish corporate interests is a condition for the promotional efforts of this office. The same office supports measures in industries where Sweden has competitive advantages. Examples of such industries include environmental technology, health and medical care, and civil security. The office is working strategically and catalytically, aiming to discover new export markets and to open doors to a wide range of industries with both small and large companies that are interested in exporting. The activities are not financed by development assistance funds.

Example: Export control of Swedish military equipment

One conflict of objectives/interests that is often mentioned in connection with Swedish Policy Coherence for Development is the export of Swedish military equipment. The export of military equipment may risk undermining the Swedish Global Development Policy objective of contributing to equitable and sustainable global development.

Sweden has a genuine commitment to contribute to strengthened global democracy, freedom and human rights. Swedish export of military equipment must not undermine this endeavour. Sweden's Global Development Policy and the EU Code of Conduct are also tools to steer developments in this direction.

The ambition of the Government is to avoid negative effects on the efforts to contribute to equitable and sustainable global development. These important aspects are weighed in the assessments made with regard to Swedish exports of military equipment.

The Swedish foreign and security policy is currently being constructed in solidarity with others. The previous wish to be independent in the provision of material for the Swedish Armed Forces has been replaced by a growing need to collaborate with like-minded states and neighbours. The supply of defence material, both in Sweden and in other countries, is therefore built on mutual dependence and agreements regarding the delivery of components, subsystems and complete systems, and of products manufactured in each country.

The Government has appointed a Parliamentary Committee to conduct an inquiry into the future Swedish export control of military equipment and its surrounding framework. The main purpose of the inquiry will be to propose changes that will tighten export control in relation to non-democratic states. The inquiry shall also examine the expected consequences of tightened export control in relation to non-democratic states. The Committee shall furthermore report on how the EU Common Position on Arms Exports, the Swedish guidelines on exports of military equipment and Sweden's Global Development Policy have been put into practice and whether this has changed over time.

The Government notes that this concern an area that is affected by changes in our surroundings and by international processes, and that it therefore needs to be reviewed. The remit will also include an inquiry into the possibility of increasing the openness and transparency of Swedish export control, including the Export Control Council. The Committee is to report on its remit by 15 December 2014.

Business activities in difficult markets

The question of whether business activities in difficult markets contribute to development is vividly featured in the debate, and the role of export promotion has been discussed at length, including its relationship to the promotion of respect for human rights. Since trade and investments are important instruments for stimulating growth, the question should rather relate to how, and not if, business activities in difficult markets are to take place. In many cases, we are dealing with complicated issues that require a difficult balancing act and long-term efforts. However, it is important to also retain a presence in difficult environments, in order to have a chance to push matters in a positive direction. Swedish companies have an opportunity to act as role models and to contribute to local development in a positive way. Companies that operate in difficult markets should use international frameworks as a baseline, and be aware of the current conditions in e.g. civil society. This requires that these companies have a good knowledge of the effects of their activities, including a reasonable knowledge of supplier chains and business relationships. Due diligence should be applied. Export promotion can play an important role in supporting and encouraging CSR, something which is beneficial to development and human rights.

Officially supported export credits are in many cases a prerequisite for developing countries to gain access to funding in connection to larger investments in e.g. infrastructure. Investments often affect entire societies, which is why it is important to consider social and environmental aspects. Export credits are regulated internationally, within e.g. the World Trade Organisation (WTO), the EU and the OECD. The OECD has the most extensive agreements and guidelines, which also contain assessments of the environmental and social consequences of larger projects, in particular within particularly sensitive sectors, and of anti-corruption and sustainable lending activities. The role of officially supported export credits in projects criticised for not respecting human rights, e.g. with regard to working conditions and population movements, is sometimes discussed. In the same way, their potential to increase the debt of poor countries has been brought into focus. The national governments of developing countries have the main responsibility for shaping their development policies and, therefore, also a responsibility to ensure that major investments are designed in a financially, socially and environmentally sustainable manner. At the same time, the export credit agency in the exporter country, such as EKN (The Swedish Export Credits Guarantee Board), has a responsibility to ensure that the projects that are granted credit take the environmental and social consequences of their activities, anti-corruption and sustainable lending into consideration. In so far as the debt of developing countries is affected, this depends on the inability of the client companies to fulfil their payment obligations.

The EKN and the Swedish Export Credit Corporation (SEK) have the task of ensuring access to financial solutions for Swedish exports, on commercial grounds. The purpose is to enable export to high-risk countries, and to compliment banks and other financial institutions. The point of departure is EU state aid legislation and the OECD agreements and recommendations. 66% of the EKN export credit guarantees and 36% of the SEK export credit guarantees go to developing countries. In many instances, EKN is in contact with the IMF (International Monetary Fund) for business going to poor, highly indebted countries, in order to ensure that the business is in line with the accepted international framework for sustainable lending. Officially supported export credit guarantees shall be granted, but consideration shall be made of CSR. In 2011, EKN changed its CSR policy to expressly include human rights considerations. It is important for export credit agencies in all countries to implement the same type of considerations. The Government supports the expansion of the OECD guidelines regarding environmental and social responsibility within officially supported export credits, to also include respect for human rights in accordance with a recommendation from the UN Special Rapporteur on Business and Human Rights. The Government and its expert agencies are also working to make non-OECD countries, including some of the largest trading nations in the world such as China, adhere to the current regulations in order to achieve the desired effect. In addition, the Government works for environmental

and social consequences to have a more significant status in future regulations and international guidelines.

The same CSR requirements apply to the SEK. SEK is a state-owned company and the state ownership policy for such companies conveys that all companies must have a well-conceived and established policy and strategy for environmental considerations and social responsibility, corruption, equality and diversity. This work shall be externally and internally communicated. A sustainability report is produced in accordance with guidelines from Global Reporting Initiative (GRI). The state-ownership policy of SEK also specifically states that SEK shall give consideration, in its credit assessments, to conditions in terms of environment, corruption, human rights and working conditions.

Work within the Government Offices and with government agencies

Within the Government Offices, the Ministry for Foreign Affairs has the responsibility for issues regarding state export promotion, but many parts of the Government Offices are involved. There is a special coordinating function for International Environmental Technology Cooperation (IMT). The Swedish Trade Council is the most important government actor for export promotion. The Business and Development Councils creates dialogue between the business sector and the Government Offices, including Swedish foreign missions, with regard to matters relating to development, promotion and business. All Swedish foreign missions include the promotion of Swedish exports, the image of Sweden as well as tourism and investments in Sweden in their core activities.

Government standpoints

- The Government believes that Swedish companies contribute to development and to fighting poverty by trading, investing and conducting business in accordance with the principles of Corporate Social Responsibility (CSR).
- The Government is of the opinion that the clear focus on CSR in Swedish promotion contributes to implementing both a human rights perspective and the development perspective of poor people, but that much remains to be done in the area of reporting results and effects of this effort.
- The Government believes it is important for more Swedish companies to become aware of the opportunities in trading and investing in developing countries and, not least, in contributing products, services or business models that are able to fulfil the needs and purchasing power of poorer countries and people.
- The Government is of the opinion that the part of state export promotion directed at covering market failures contributes to a more effective international economic division of labour and, thereby, to global development.
- The Government believes that it is important for international arrangements and agreements regarding export credits to clearly integrate respect for human rights and it is striving to achieve this effect in international forums, such as the OECD.

Future efforts

Increased trade is a prerequisite to end the economic exclusion of poorer people and countries, but it also has direct effects on social and environmental development. By having foreign governments, public authorities and multilateral organisations procure high quality goods and services, whilst taking the entire product chain into consideration, the promotion also benefits sustainable development and thereby development and environmental policy goals. Swedish companies are international frontrunners when it comes to technology, expertise and innovation within several industries, and are known for taking responsibility (CSR) for their enterprise. This builds trust and sustainability and strengthens the international competitiveness of Sweden as a brand.

The promotion of exports could potentially further strengthen the support for Swedish companies that want to take the next step, to trade and invest in poor countries. The Government wants to contribute to a more nuanced and updated image of the opportunities and risks in various developing countries, with the goal of increasing Swedish trade and investment. The Government will monitor how existing policies and guidelines for CSR are followed within relevant export promotion agencies, in preparation for decisions regarding future efforts.

The Government has decided to appoint a Parliamentary Committee to conduct an inquiry into the future Swedish export control of military equipment and its surrounding framework. The main purpose of the inquiry will be to propose changes that will tighten export control in relation to non-democratic states.

3.3.3 Conflicts of objectives/interests: State ownership and development

The State of Sweden, with its 58 fully or partially owned companies, is the largest company owner in Sweden. The companies represent major financial worth and are ultimately the joint property of the Swedish people. Several of the companies conduct activities that may directly or indirectly affect the opportunities for poor people or developing countries to end their economic exclusion. Companies that are involved in activities or procurements in countries that fail to adhere to fundamental international frameworks are faced with particular challenges that require extensive risk analysis for decisions concerning the handling of social and environmental challenges.

The State of Sweden has a major responsibility to be an active and professional owner. This includes having the state-owned companies be models in responsible and sustainable enterprise, respecting social and environmental concerns. The starting point is sustainable use of resources and active efforts in the areas of environment, human rights, working conditions, anti-corruption, business ethics, equality and diversity.

State-owned companies as models for sustainable enterprise

The state ownership policy establishes that all state-owned companies are to act as role-models for other companies, not least where responsible and sustainable enterprise is concerned. The starting point for the state ownership policy is the Government's general policy for responsible enterprise based on the OECD guidelines for multinational enterprises and the ten principles of the UN Global Compact. The state ownership policy is thus part of an international effort to create more equitable and sustainable global development.

The approach of companies to areas such as environment and human rights is becoming increasingly important for their ability to successfully compete for clients and employees, and to create value for their owners. For the state as a business-owner, long-term value creation is a central concept. The state-owned companies shall carry out their activities in order to create conditions for long-term value creation and maintenance. The Government estimates that the companies of the future view the integration of these issues as a natural part of their business strategy on markets where employees, business partners, clients and suppliers have increasing demands.

Sustainability issues are ultimately the responsibility of the board of the company. The Government has commissioned the state-owned company boards to define and determine relevant sustainability goals, overall strategies to reach these goals as well as to continually monitor and follow up on the sustainability efforts. Each company has own specific risks and opportunities connected to sustainability and the goals shall be set based on the particular conditions of each company. Some place focus on the risks, some place focus on business opportunities. The companies themselves know best which issues are the most relevant and significant, based on the industries and countries in which they are active. The State, as owner, shall maintain continuous dialogue with the company boards in order to evaluate and follow-up on the work. Sustainability work shall be carried out continuously, based on the circumstances and challenges of each company.

Risks and opportunities

Different industries face different challenges and different trust issues, connected to the risks and challenges involved in each industry. In accordance with the UN framework and its guiding principles for human rights and business, the state-owned companies (or companies of which the state owns a major part) have a particular responsibility to adhere to these principles. When state-owned companies conduct activities or procurement in countries that fail to adhere to fundamental international frameworks, it is particularly important that the companies have a well-established policy and strategy to deal with these issues.

By staying attentive to the expectations regarding the actions of the company with regard to environment, human rights, working conditions, anti-corruption, business ethics, equality and diversity, a company can identify and handle matters that could become critical at a later stage. These matters could relate to consumer boycotts, various campaigns or new guidelines within a certain area, which draw negative attention and

could damage the company brand and trust capital, and have a negative impact on the company's business development. A company that carries out active and well-informed sustainability efforts may instead receive a seal of approval that leads to increased competitiveness and a positive impact on the brand as both clients and employees choose the company and its products or services. Cost-effective consumption of natural resources, including energy savings and a reduced use of materials, will not only lead to gains in sustainability, but also to direct financial advantages. In the long term, an increased level of awareness when it comes to sustainability may help the company to identify social business opportunities and new needs, thereby contributing to a sustainable development.

For a company like Vattenfall that works with energy, the important sustainability issues include climate impact and renewable energy. The energy sector is often exposed, from a corruption perspective. Vattenfall is a member of the Swedish branch of Transparency International. Supported by internal guidelines and training, the company is working to prevent corruption. Towards the end of 2012, a total of 1 311 employees had been trained in the Vattenfall Antitrust Compliance Programme.

Another relevant area when it comes to economic exclusion is retailing, where the issue of supplier chains is becoming increasingly important. Systembolaget is running a Nordic collaboration for supplier codes of conduct, and Svenska Spel has initiated work on a new code of conduct. Apoteket has made risk assessments regarding the supplier chain and includes all new supplier agreements in their code.

Another pertinent matter regards openness, personal integrity and freedom of speech in connection to the telecom sector. Both TeliaSonera and Teracom are affected by this issue. The Government reacted strongly to the new information that was revealed in 2012 regarding the actions of TeliaSonera in Eurasia. The criticism from investors and clients was also extensive, for example, major shareholders sold off significant amounts of shares in TeliaSonera. The Minister for Financial Markets summoned the chairman of the TeliaSonera Board to ask him four central questions and to demand that the company initiate a plan of action. The Minister also invited representatives for other major shareholders to a meeting where the views of the various shareholders regarding TeliaSonera would be discussed, as well as sustainable enterprise and ways for the owners to support the company in this area from that point on. In April, the Minister for Financial Markets again met with the company chairman, who then presented the board's new plan of action for integrity and freedom of speech, and clarified that he, along with the other board members, had been impressed by the criticism from the owners. The Government will monitor the company's implementation of the action plan.

Another state-owned company that conducts business with a bearing on developing countries is Svenska Skeppshypotekskassan, a company striving to have ship-owners consider environmental issues when investing in ships, and which does not finance ships that do not live up to environmental criteria in accordance with various regulation and internal criteria. Special evaluations are carried out of working environment and human rights on foreign-flagged vessels.

The financial sector is often used as an example of a central driving force for the CSR and sustainability work of other companies. Nordea, which is a partially state-owned company, is working towards the realisation of environmental, social and political risk assessments in the decision-making process for corporate lending.

Openness and trust through reporting

Since 2007, all state-owned companies are expected to publish an independently verified and quality assured sustainability report along with their annual reports, in accordance with the guidelines of the Global Reporting Initiative (GRI), which is the most established international standard for sustainability reports. The guidelines of the Swedish government for state-owned companies were among the first set of national guidelines for corporate sustainability reporting. The requirement for the companies to submit sustainability reports in accordance with the GRI received much attention internationally and contributed to the establishment of GRI as the sustainability reporting standard for Swedish companies. In several European countries there are now guidelines and other regulations for companies to report their sustainability work, for example in Denmark, where the 1 100 largest companies must report their sustainability work, and in Holland, where state-owned companies have to submit sustainability reports in accordance with GRI.

Open and concise communication concerning the sustainability efforts of the companies creates trust in their work. Openness clarifies risks and opportunities, allows for an interesting insight into ongoing efforts, and makes it possible to monitor gradual improvements to better understand the challenges facing the companies. The sustainability reports of the state-owned companies shall be quality assured through independent auditing and published in preparation of each annual general meeting, together with the annual report, since these constitute the basis for the evaluation of the companies along with the financial report.

By using the international standard GRI as a starting point, an opportunity is created to compare businesses within industries and sectors, both nationally and internationally. At the same time, it is important to remember that each company is unique and must be evaluated based on its particular circumstances. The Government guidelines are based on the principle of “adherence or explanation”, meaning that a company is allowed to divert from the guidelines as long as a clear explanation can be provided. In 2011, practically all state-owned companies, 92 % (49 out of 53), submitted a sustainability report in accordance with GRI. This number could be compared with the 100 largest traded companies, where approximately 42 % submitted a sustainability report in accordance with GRI.

The guidelines and requirements for reporting that have been introduced have contributed to an improvement of the companies' sustainability efforts, and have raised the level of openness. In order to further integrate sustainability in company management, the State, in its capacity as owner, is encouraging the company boards to establish and

monitor comprehensive sustainability goals. Establishing appropriate and clear goals: Skr. 2011/12:167

- enables the evaluation of the company's sustainability efforts
- makes it easier to identify new business opportunities connected to sustainability
- clarifies any conflicts of interest within the companies
- creates specific pointers in the owner-company dialogue

During the process of fixing the sustainability targets, it will be necessary to identify any conflicting goals regarding the set business plan and the financial goals of the owners. Any such conflicts need to be carefully elucidated and handled by the board. It may become necessary to redefine the perspective that will guide the actions of the company from case to case.

Work within the Government Offices and with government agencies

Within the Government Offices, the Minister for Financial Markets is responsible for the state ownership policy. Some state-owned companies are the responsibility of other ministries, such as Swedfund, for which the Ministry for Foreign Affairs is the principal responsible.

Government standpoints

- The Government is of the view that the state-owned companies shall set an example for other companies and lead the development towards sustainable enterprise. This can be brought about, for example, by placing demands on the company boards, by setting sustainability goals and linking sustainability with operations, as well as by adopting a strategic approach to the issue.
- The Government believes that when state-owned companies conduct activities or procurement in countries that fail to adhere to fundamental international frameworks, it is particularly important that the companies have a well-established policy and strategy to deal with these issues.
- The Government is of the opinion that transparency is essential and for this reason the state-owned companies will continue to report their sustainability efforts in accordance with the international guidelines from the Global Reporting Initiative, GRI.
- The Government has commissioned the companies to more systematically establish and monitor sustainability goals for their activities.

Future efforts

In order to achieve long-term value creation, the state-owned companies must continue to actively position themselves for new requirements and challenges within the area of sustainable enterprise. In its capacity as owner, the State needs to continue emphasising and integrating issues related to sustainable enterprise in its ownership policy and in its ongoing management of the companies. The Government will further develop the collaboration between the companies in matters regarding sustainability.

In 2012, the companies have been tasked with setting overall sustainability goals that are relevant for their business activities and for sustainability challenges. The goals must be long-term, challenging and monitorable. It is also important that the goals are clear and easily communicable, so that the various interested parties can understand the goals and use them to evaluate the work of the companies.

4 Government implementation of Policy Coherence for Development 2012-2014 – the road ahead

In this communication, the Government has chosen to focus on the global challenge of Economic exclusion. Economic exclusion is one of the global challenges that the Government identified in 2008 as being central in the work for equitable and sustainable global development. The focus on a single global challenge has allowed for the clarification of a number of conflicts of objectives/interests. The Government finds that this format has been useful and intends to continue focusing on another global challenge in the next communication to the Riksdag on the implementation of Policy Coherence for Development, PCD.

The Government will follow up and deepen the work on different sets of questions within Economic exclusion. In 2012, outreach activities will be arranged, in which parties from different parts of Swedish society, along with international experts, will be invited to discuss different sets of questions.

Within the EU, the Government will continue to keep a high profile in matters regarding PCD. The Government will strive for effective working methods for coherence and global challenges within the EU, not least in light of the Treaty of Lisbon, and within the multilateral organisations. In its international work, the Government will work for Policy Coherence for Development to be satisfactorily reflected in the process regarding the post-2015 Millennium Development Goals and the proposed “Sustainable Development Goals”.

In this communication, the Government has identified important future EU processes and crucial issues within all of the six global challenges. These processes and issues will be monitored by the inter-ministerial working group for PCD within the Government Offices, and will be regularly presented to the development policy administration within the Ministry for Foreign Affairs in its capacity as PCD coordinator.

The Government will conduct an external evaluation focusing on work procedures and the management of Policy Coherence for Development within the Government Offices.

Appendix: Government assessment of Policy Coherence for Development 2010-2012

Skr. 2011/12:167

Appendix contents:

- Assessment model

- Government work on the six global challenges
- assessment 2010-2012

- Oppression
- Economic exclusion
- Migration flows
- Climate change and environmental impact
- Conflicts and fragile situations
- Communicable diseases and other health threats

- Government work with Policy Coherence for Development 2010-2012

- Policy formulation and performance
- Coordination and cooperation
- Knowledge and analysis
- Policy Coherence for Development within the EU

Assessment model

The assessment of how coherent policies can contribute to development in poor countries and for people is complex. One fundamental assumption in the assessment model used by the Government is that increased coherence for development will have positive effects for poor countries and poor people. The model used by the Government assesses three components that have been identified by the OECD as fundamental for the implementation of Policy Coherence for Development, namely:

- Policy formulation and performance
- Coordination and cooperation
- Knowledge and analysis

Formulation and performance of Policy Coherence for Development

This component deals with the formulation of Policy Coherence for Development into steering documents and action. This often concern how the development perspective is taken into consideration in relevant policy-making within various policy areas. It can concern draft legislation, negotiating mandates, EU positions, activity planning, agency management etc. It is also a matter of government representatives at different levels promoting and contributing to a development perspective at international meetings and in negotiations, and in the interaction with actors of civil society and from the research community.

Coordination and cooperation within Policy Coherence for Development

This component consists of ensuring coordination and cooperation that contribute to synergy and minimises the counteraction of Policy Coherence for Development. Successful work on Policy Coherence for Development requires effective working mechanisms and consultations within the Government Offices, including those for the visualisation and management of conflicts of objectives and interests. It is a question of well-functioning formal preparation procedures and a clear division of roles. However, it is often just as important to have informal working groups and networks. For the most part, coordination and cooperation must involve the relevant agencies with specialist knowledge and expertise relating to development within different policy areas. Cooperation with external actors, such as the business sector and the civil society, is also important.

Knowledge and analysis within Policy Coherence for Development

This component relates to having sufficient capacity to analyse and assess developmental consequences of policy decisions. The possibility and capacity to utilise existing knowledge on Policy Coherence for Development is important, including from research, from actors in developing countries and from international organisations. It may also involve using the expertise available within agencies, the research community and other actors more effectively. If knowledge is lacking, resources should be set aside to initiate evaluations, studies etc.

Assessment scale

The Government assesses the work on the three above components on a three-point scale, in accordance with set criteria. The Government assesses whether progress has been 'good' or 'relatively good', or that 'there are certain deficiencies'. The assessments are qualitative, but provide an idea of Government work and an opportunity for comparison between areas. The model also provides an opportunity to monitor how the implementation of Policy Coherence for Development evolves over time. The long-term goal is for progress to be 'good' in all three components of all focus areas.

The Government has focused the work with Policy Coherence for Development on six global challenges (Government Communication 2007/08:89). The Government identified these challenges as central to reaching the goal of contributing to equitable and sustainable global development. The challenges were identified as areas where Sweden has a possibility to contribute effectively, and as challenges that require coherence and cooperation between various policy areas in order to get results.

As sub-categories to the six global challenges, three focus areas were also identified under each challenge (Government Communication 2007/08:89). The purpose of these 18 focus areas was to highlight issues and processes within the challenges, but also to strengthen the implementation of PCD as a whole. The first assessment of Government work on the 18 focus areas was made in 2008-2010 (Government Communication 2009/10:129).

The 2010-2012 assessment of the work with each focus area is made based on the three components from the OECD (see above). The assessment is made according to set criteria (see above).

The Government assessment places focus on Swedish performance, i.e. how Swedish policies benefit a development perspective and Policy Coherence for Development. Swedish work is often carried out through the EU or through various multilateral organisations, in which case the focus is placed on Swedish positions or actions within these organisations.

1. Global challenge: Oppression

1.1. Freedom of expression

Objective: Greater freedom of expression in countries where it is restricted
--

Overall assessment

The Government has made the assessment that freedom of expression continues to constitute a fundamental condition for the combating of all forms of oppression. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government has reinforced its freedom of expression measures within the multilateral cooperation in, for example, the UN Human Rights Council and UNESCO and is supporting the strong potential for new technology and media to promote free speech. The Government has aided the UN Special Rapporteur on Freedom of Expression in the efforts to analyse and develop the application of free expression on the internet. In 2011, the Special Rapporteur reported to the UN on how to provide stronger protection for the freedom of expression in electronic media. Sweden initiated the first debate on freedom of expression and the

internet, which was held in the UN Human Rights Council in February 2012. At the UNESCO General Conference in October 2011, Sweden passed a proposal regarding the reinforcement of the freedom of expression efforts. In April 2012, Sweden hosted an international conference regarding online freedom. The conference touched upon a wide spectrum of important global development issues, such as freedom of expression, human rights, security and corporate responsibility. This assessment of government progress is thereby upgraded (in comparison to 2008-2010) to **good** in terms of *policy formulation and performance*. Cooperation between different policy areas and actors, including Sida, has been further strengthened. For example, a special reference group for the freedom of expression and human rights on the internet has been established within the Government Offices. This assessment of government progress is therefore upgraded (in comparison to 2010) to **good** in terms of *coordination and cooperation*. There is good knowledge of the development aspects of freedom of expression, but progress can be better. For this reason, the Government makes the assessment that its progress remains **relatively good** in terms of *knowledge and analysis*.

Future efforts: Online freedom and freedom of expression are still important issues for the future, which touch upon several policy areas. Crucial issues for the future and important EU processes to continue working with include a more effective implementation of the European Council conclusions regarding democracy support in the external relations of the EU. It is also important that freedom of expression and human rights become integrated in the strategies discussed within the EU regarding cybernetics.

1.2. Sexual and reproductive health and rights

Objective: Better sexual and reproductive health and the promotion of associated rights for people in developing countries

Overall assessment

The Government has made the assessment that the work on Sexual and Reproductive Health and Rights (SRHR) continues to be central to saving lives, improving health and fighting oppression. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government's explicit position and implementation of different measures and activities, both in the Swedish debate and in international contexts, shows that government progress remains **good** in terms of *policy formulation and performance*. The Government has a good collaboration within the Government Offices when it comes to these issues, and cooperates with agencies, civil society organisations and the business sector. This indicates that government progress remains **good** in terms of *coordination and cooperation*. Government progress also remains **good** with regard to *knowledge and analysis* of SRHR issues. One example is the improved knowledge and analysis regarding the importance of adequate access to sexual and reproductive health services,

including maternal care, and renewed strategies regarding the promotion of the same in international contexts. There is a growing international resistance to children and young persons' SRHR, to the access to sexual education and birth control, to the rights of LGBT persons and to women's rights to safe abortions. Material in support of dialogue on the subject of SRHR, which was completed in 2010 in collaboration with RFSU and Sida, is currently being used in professional development measures at Swedish foreign missions around the world.

Future efforts: Crucial issues for the future within this focus area are continued access to sexual and reproductive health services, including better maternal care, not least for the survival and health of women and girls. One main issue is a wide effort to decrease the occurrence of teenage pregnancies. Important EU processes to continue to work with include negotiations on the EU position and Council conclusions in preparation of the Rio+20 conference on the subject of sustainable development, held in June 2012, as well as the EU monitoring of the UN Millennium Development Goals, in preparation for deliberations regarding the development of the goals after 2015.

1.3. Organised crime with a focus on human trafficking

Objective: The reduction of organised crime and human trafficking through preventive and crime fighting measures in countries of origin, transit and destination

Overall assessment

The Government has made the assessment that the combating and prevention of organised crime focusing on human trafficking remains a central issue for fighting oppression, in terms of the human right and opportunity to live a life of freedom in developing countries, as well as globally. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

In 2011, the Swedish National Council for Crime Prevention (BRÅ) has conducted a follow-up and evaluation of the action plan for the measures against prostitution and human trafficking for sexual purposes (Government Communication 2007/08:167) and the Government has decided to initiate several new national commissions. On an EU level, the Government remains an active force in the development and strengthening of the cooperation against human trafficking, in line with the Stockholm programme and the action oriented programme regarding human trafficking in the external relations of the EU. The Government is also actively working with the integrated strategy of the European Commission against human trafficking, which is to be presented in May 2012, and with the monitoring of the global action plan against human trafficking, which was adopted by the UN in 2010. This indicates that government progress remains **relatively good** in terms of *policy formulation and performance*. However, there is no common policy for how to deal with human trafficking in the form of labour exploitation, begging, pick-pocketing and other criminal activity. Cooperation functions well within the Government Offices and with concerned

agencies, civil society organisations and other actors. Since 2011, there has been a special ambassador within the Government Offices (Ministry for Foreign Affairs) working with the coordination of the ministry measures against human trafficking. The responsibility of organising the work within the Government Offices on the whole should be clarified, however, to ensure coherence and effective work. The Government thus makes the assessment that **there are certain deficiencies** as regards *coordination and cooperation*, which is a downgrade (from 2010). With respect to *knowledge and analysis*, there is still a good level of knowledge within the Government Offices on the links between organised crime, human trafficking and development, which indicates that government progress remains **good**.

Future efforts: Crucial future issues within this focus area include the lack of a common policy for handling human trafficking in the form of labour exploitation, begging, pick-pocketing and other criminal activity, similar to the common policy for combating prostitution and human trafficking for sexual purposes. Important EU processes to continue working with include the implementation of the integrated strategy of the European Commission against human trafficking from May 2012.

2. Global challenge: Economic exclusion

2.1. Financial markets

Objective: Better functioning financial markets for saving and investment in developing countries

Overall assessment

The Government has made the assessment that the financial markets focus area remains a central issue for breaking the economic exclusion of poor countries and poor people. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government's efforts to increase the stability of international financial markets are also crucial for developing countries. The highly mobile capital flows, which have been created to some extent as a result of the financial and economic crisis, create problems for the financial markets in developing countries. The Government is working actively with an enhanced surveillance of the International Monetary Fund (IMF) in this area, and with the support of the International Financial Institutions (IFIs), whose efforts contribute to the development of the financial markets in developing countries and to the reduction of the market effects of the financial crisis. Government progress is thereby assessed to remain **relatively good** in terms of *policy formulation and performance*. As regards the international financial institutions, there are long-established and well-functioning procedures for Government Office preparation, which benefits the impact of the development perspective. These forms of preparation also include the Riksbank and, when needed, other agencies such as Sida and Swedish foreign missions. This indicates that government progress remains **relatively good** in terms of

coordination and cooperation. There is a relatively high level of knowledge regarding the developmental effects of the political considerations which are relevant to the focus area, and agencies are involved when this is deemed relevant. This indicates that government progress remains **relatively good** in terms of *knowledge and analysis*.

Future efforts: The development of public finance within the EU is important to the stability of the global market. The work within IMF is also a priority. One important issue is to gain sufficient access to data so that better global surveillance of the financial markets is possible, to create awareness of risks and potential global outreach effects. Another important issue is the work to develop the financial markets of poor countries so that they can benefit better from the international financial markets and reduce their vulnerability to mobility in the capital flows. The Government will further strengthen the development perspective within the work in financial markets, inter alia, with regard to the international measures on unlawful capital flight, including tax evasion.

2.2. Trade in agricultural products

Objective: Increased trade in agricultural products

Overall assessment

The Government has made the assessment that the agricultural trade of developing countries, along with a less trade-distorting agricultural policy, continues to be an important factor in breaking the economic exclusion of poor countries and poor people. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

Government progress is assessed to be **good** in terms of *policy formulation and performance*. The Government strives for wide, ambitious and development-friendly free trade agreements that promote an effective and generous level of market access for developing countries into the European market; for a reform of the EU Common Fisheries Policy, with a clear development perspective; and for a continued reformation of the Common Agricultural Policy, for which the Government advocates budget cuts and increased market orientation to the benefit of developing countries. The Government also supports developing countries when it comes to phytosanitary and sanitary requirements, for example by participating in established international standardisation bodies such as the International Plant Protection Convention. Within the Government Offices, there are well-established drafting groups for these issues, in cooperation with external actors. The Government is striving to take better advantage of the knowledge held by external actors, and to increase the exchange of knowledge between policy areas, which indicates that government progress is **good** in terms of *coordination and cooperation*, an upgrade from 2010. The Government Offices and agencies are working with well-supported analyses of the developmental effects of agricultural trade. However, knowledge and analysis of the effects on various groups in society need to be improved and the Government, in dialogue between different policy

areas, has analysed the effects of the EPA agreements on people living in poverty. The Government is also monitoring the recommendations from an international research project regarding the trade-related measures and tools that have had the greatest impact on poor people, which has resulted in a report published in 2010. The Government's assessment is that progress remains **good** in regard to *knowledge and analysis*.

Future efforts: The reformation processes of the EU common agriculture and fisheries policies remain central in the development perspective, as do the trade processes within the EU, such as the GSP System of Preferences and the EPA trade and development agreements. Another important trade issue is the ongoing work on non-tariff trade barriers. On a multilateral level, a termination of the Doha Development Round remains a central issue. Other important issues include securing the food supply, mobile food prices, plant genetic resources, bioenergy and land usage. Sweden has much expertise in the area of forestry and this is an important area for Policy Coherence for Development.

2.3. Swedish trade and investment

Objective: A better trade and investment climate in developing countries that benefits both local business development and Swedish business interests

Overall assessment

The Government has made the assessment that there is still great potential in strengthening the contribution of Swedish trade and investment to breaking the economic exclusion of poor countries and poor people. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government is striving for a policy that actively promotes free trade, sustainable enterprise, innovation and Corporate Social Responsibility, CSR. Commissions and guidelines in the steering documents of the Swedish exporting bodies constitute examples of **good** government progress in terms of *policy formulation and performance*. Other examples include the strategy developed for how the expertise and experience of the Swedish business sector can be made available to a greater extent for poor people through the international financing institutions of the EU and UN; and the Swedish work within the EU to follow-up on Council conclusions from 2009 regarding CSR. There is an established and functioning cooperation within the Government Offices that includes the business sector and external actors, which indicates that government progress is **good** in terms of *coordination and cooperation*. The Business and Development Council is one example of this cooperation. Business and Development Councils have also been established in a number of partner countries, in order to strengthen local cooperation. The CSR reference group (in which representatives of both industry and employees participate) is another example of an important forum for dialogue regarding these issues with the Swedish business sector. The knowledge and integration of a clear development perspective could be further strengthened in the work to promote

Swedish trade, which indicates that government progress is **relatively good** in terms of *knowledge and analysis*. Skr. 2011/12:167

Future efforts: Within the area of export promotion, it will be important to increase the interest of Swedish companies to trade and invest in new markets that grow when poverty reduces, or where there is a great need for new solutions and products for poor people. Monitoring of the efforts of export promotion in relation to CSR is also a priority. With the state ownership policy, it is central to monitor the state-owned company commission to ensure the follow-up of sustainability goals for its activity.

3. Global challenge: Migration flows

3.1. Circular migration to and from Sweden and the EU.

Objective: Enhance the positive effects on developing countries of circular migration to and from Sweden and the EU

Overall assessment

The Government makes the assessment that circular migration to and from Sweden and the EU is an important factor in utilising the development potential of migration. The positive developmental effects of migration are best promoted through measures that facilitate circular migration of migrant workers, students and other migrant categories. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The developmental effects of migration are included in the goal for the expenditure area "Migration" in the governmental budget, and in the regulations for labour migration. The Government is also working on the monitoring of measures regarding migration and development within the EU's "Stockholm Programme". Along with the report by the Parliamentary Committee for Circular Migration and Development (SOU 2011:28), these examples indicate that government progress remains **good** in terms of *policy formulation and performance*. There are established networks between actors involved in this issue. However, there is a need for clearer guidance from the Government to concerned actors regarding the development perspective in migration matters. All in all, this leads to the Government's assessment that **certain deficiencies** remain in terms of *coordination and cooperation*. The final report on circular migration and development, submitted by the Parliamentary Committee in March 2011, and the labour immigration statistics reported by the Swedish Migration Board are examples of how government progress remains **relatively good** in terms of *knowledge and analysis*.

Future efforts: By taking better advantage of the knowledge and expertise of persons born abroad, the positive developmental effects of migration can be strengthened. The conclusions of the report from the Government's Commission on the Future, which is to be published in 2013, could be very interesting in this aspect. Crucial future issues and

important EU processes within the focus area will be the ongoing policy development on national and EU levels, regarding circular migration and development. In January of 2013, Sweden takes over as chair of the Global Forum on Migration and Development (GFMD), the purpose of which is to promote an international dialogue about circular migration and development. During the chairmanship, emphasis will be placed on coherence between migration and development as well as on circular migration. In the national arena, the proposals from the Parliamentary Committee for Circular Migration and Development are currently being prepared at the Government Offices.

3.2. Remittances from Sweden to developing countries

Objective: Work to ensure safer and cheaper remittances from Sweden to developing countries and to enhance their developmental impact

Overall assessment

The Government has made the assessment that remittances to developing countries remain an important part of the work to harness the development potential in migration. This focus area is primarily aimed at promoting more secure and cheaper remittances, as a step in promoting its developmental effects. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

On an international level, Sweden has been working on the matter of increasing the developmental effects of remittances, for example, within the EU and in GFMD. However, with regard to the national commitments, the Government has been less ambitious. The Government thus makes the overall assessment that **there are certain deficiencies** as regards *policy formulation and performance*, which is a downgrade (from 2010). Within the Government Offices, there is an informal drafting group for migration and development, under the leadership of the Ministry of Justice, in which a number of agencies participate. However, a clear ownership of remittance matters needs to be secured. This indicates overall that government progress remains **relatively good** in terms of *coordination and cooperation*. There is a need to increase the knowledge of Swedish remittances to developing countries, to provide a basis for future policy-making. Among other things, better statistics on Swedish remittances are needed, as well as information regarding existing transfer channels. The Government's assessment is thereby that **certain deficiencies** remain in regard to *knowledge and analysis*.

Future efforts: Within this focus area, measures at EU level and cooperation with third party countries to support the positive developmental effects of remittances are important in the continued efforts. As far as the national level is concerned, the Parliamentary Committee for Circular Migration and Development has presented proposals regarding the simplification of remittances. These proposals are presently being prepared by the Government Offices. The work relating to coordination and division of responsibilities within the Government Offices and between agencies must be prioritised to create further Policy Coherence for Development.

Objective: Durable solutions for people in need of protection

Overall assessment

The assessment of the Government is that protection and durable solutions for refugees, concentrating on the three solutions to refugee situations currently employed by the international community: local integration, voluntary remigration and resettlement, remain central issues and should therefore remain a focus area. The overall assessment of the Government regarding the Swedish contribution to this focus area is as follows:

The extensive Swedish support to various humanitarian organisations, such as the UN refugee agency UNHCR, has contributed to finding durable solutions for refugees and asylum seekers. Within the EU, the Government has contributed to reaching concrete goals within the EU negotiations regarding asylum, and is working to involve more member states in resettling activities, to increase the number of places for resettlement in the EU, and to develop the Common European Asylum System in close cooperation with the UNHCR. This indicates overall that government progress remains **good** in terms of *policy formulation and performance*. Working methods have been created within the developmental and humanitarian areas, both internally and internationally. When it comes to the resettlement of refugees and asylum seekers, the Swedish Migration Board collaborates closely with the UNHCR. However, information exchange and cooperation in areas where this is appropriate, between the development area, the humanitarian area and the migration area could be further developed, which indicates that government progress remains **relatively good** in terms of *coordination and cooperation*. There is a good level of knowledge and capacity for analysis within the Government Offices and agencies, along with good information exchange with other relevant actors. However, this knowledge could be dispersed to a greater extent among these actors, in order to achieve a greater effect. On the whole, this indicates that government progress is **relatively good** in terms of *knowledge and analysis*.

Future efforts: Important EU processes and crucial issues to continue to work with within this focus area include reaching agreements in 2012 regarding the remaining acts, the Asylum Procedures Directive, the Reception Directive, the Dublin Regulation and the Eurodac Regulation, which are included in the Common European Asylum System.

4. Global challenge: Climate change and environmental impact

4.1 Climate – adaptation and emission reduction

Objective: Limitation of global greenhouse gas emissions and adaptation to climate change in developing countries

Overall assessment

The Government makes the assessment that support for climate adaptation in developing countries and reductions of global emissions remain central issues in facing the challenges of climate change and environmental impact. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government has consistently prioritised the reduction of emissions and climate adaptations in the design of the national, European and global climate policies. The Government is an international driving force behind ambitious commitments to reduce emissions, and contributes significant financial means to measures for emission reduction, climate adjustments and other climate-related measures in the developing countries. The Government also collaborates with developing countries in order to strengthen their participation in the international climate negotiations. All in all, this indicates that government progress remains **good** in terms of *policy formulation and performance*. Within the Government Offices, there is regular coordination at different levels regarding international climate issues, including adaptation and financing through various inter-ministerial working groups. There is also significant cooperation on this matter with different agencies, such as the Swedish Energy Agency, the Swedish Environmental Protection Agency and Sida. For this reason, the Government's assessment is that progress remains **good** in terms of *coordination and cooperation*. The recommendations from the International Commission on Climate Change and Development, which was initiated by the Government in 2007, have received much attention in the Government policies as well as in the positions adopted by the EU. They have also contributed to a proactive conduct within the UN Climate Change Convention. Within the Government Offices, there is a common strategy for international climate efforts. This indicates overall that government progress remains **good** in terms of *knowledge and analysis*.

Future efforts: Development and innovation continue to be important factors in contributing to a “green economy” and “green growth”. Crucial future issues and important EU processes include the ongoing work on more detailed global commitments to the reduction of greenhouse emissions. The EU must continue to push for an ambitious global agreement under the Climate Change Convention. Another important process is to identify other possible sources of income, besides development assistance, for climate-related investment in developing countries and medium income countries. Better conditions must be

4.2 Chemicals management

Objective: Reduced use of hazardous chemicals in developing countries and improved handling of hazardous waste

Overall assessment

The Government makes the assessment that chemical processing remains a central part of the work with climate change and environmental impact. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government strives to infuse a wider development perspective into the chemical policy within the EU and globally, for example, through the implementation of the global chemical strategy, the Montreal Protocol, the Stockholm Convention, the Rotterdam Convention and the Basel Convention. The Government has been a driving force behind ambitious and far-reaching undertakings in the negotiations for a new mercury convention, and is working towards a strengthened environmental administration within the field of chemicals. The Minister for the Environment has also taken the initiative to a Global Stakeholder Dialogue entitled "8 Years – 8 Actions towards the 2020 goal of Sound Chemicals Management". The initiative is intended to strengthen the implementation of the global chemical strategy and is very much in line with the global developmental goals. The affected areas include the building of capacity, better information and substitution. In support of the implementation of global agreements in the countries, the Government has contributed, through the work of the Swedish Chemicals Agency, to various guidance documents within, for example, UNDP and UNEP, on subjects such as legislation, institutional development, chemical control funding and the substitution of particularly dangerous substances. This indicates overall that government progress remains **good** in terms of *policy formulation and performance*. Coordination takes place on several levels and with relevant actors such as the Swedish Chemicals Agency, Sida and various civil society organisations such as the Swedish Society for Nature Conservation. The Swedish Chemicals Agency has also allocated travel funds to allow participants from developing countries to attend several meetings. Furthermore, the Swedish Chemicals Agency is conducting a number of regional and bilateral cooperations, including international courses featuring networking, a joint programme with the Africa Institute regarding the implementation of the chemical conventions, and support to a network of agencies and institutions that work with pesticide control in Africa. However, there is a need to further raise the level of cooperation in order to strengthen the developmental potential in this focus area. This indicates overall that government progress remains **relatively good** in terms of *coordination and cooperation*. The Government has initiated several studies regarding the use of chemicals and development. To give an example, in support of the international negotiations on mercury, the Swedish Chemicals Agency provided reports on alternatives to mercury

products and the consequences of different ways to regulate mercury. On the whole, this indicates that government progress remains **good** as regards *knowledge and analysis*.

Future efforts: One important EU process when it comes to continuing the efforts regarding chemical processing and development is the seventh Environment Action Programme. On the global arena, the global chemical strategy is the most central tool for the implementation of the goals set for coherence between chemical issues and development and the Government, but the particular chemical conventions (the Stockholm Convention, the Rotterdam Convention and the Basel Convention) are significant factors in achieving the global development goals. The Government will continue to work towards the implementation of this strategy, by integrating the issues of chemicals and waste more clearly into the development agenda, but also through the implementation of the "Emerging Policy Issues" as information regarding the chemical content of goods and the problems related to electronic waste. For the future, the negotiations regarding a new mercury convention are also important, as well as the negotiations within the Montreal Protocol, in which the crucial issues mainly involve hydrofluorocarbons. The funding of global commitments and the establishment of a financing solution for the agreements that lack financing mechanisms will be the most crucial issue ahead. Another important issue will be to support countries in the drafting of fundamental chemical legislation. This applies not least to countries with a very rapid increase in the production and usage of chemicals.

4.3 Sustainable urban development

Objective: Sustainable urbanisation that will contribute to long-term development and poverty reduction

Overall assessment

The Government is of the opinion that sustainable urban development is a central issue in the work related to climate change and environmental impact since a large part of the world's population and their impact on the environment is concentrated in cities. To an increasing degree this is also true in developing countries. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

Within the Delegation for Sustainable Cities, the mandate of which has been extended until 2012, the Government is working to promote sustainable urban development - both nationally and internationally. The Government has adopted an Environmental Technology Strategy focusing on these urban development issues, and has a special promoter of environmental technology. The international environmental technology work of the Government Offices, of which urban development is a central part, now includes India and Russia in addition to China. Within the climate support process Clean Energy Ministerial, the Government has decided, together with Denmark, the United Arab Emirates and China, to develop a network for sustainable cities (Global Sustainable Cities Network). This indicates overall that government

progress remains **good** in terms of *policy formulation and performance*. The Government Offices and the Swedish Trade Council, along with several agencies, companies and trade organisations are conducting an international cooperation project on the subject of sustainable cities, through the “SymbioCity” initiative. Sida has commissioned the organisation the Swedish Association of Local Authorities and Regions (SALAR), in cooperation with municipalities and other organisations, to further develop, administer and utilise the manual for integrated, sustainable urban development produced by the authority. The work on the manual is also coordinated with the SymbioCity work. Joint measures by the Government Offices, agencies, the business sector and other relevant actors are well developed; however, they could be further strengthened in order to contribute to an integrated perspective on urban development. Government progress is thereby assessed to remain **relatively good** in terms of *coordination and cooperation*. The Delegation for Sustainable Cities has granted financial assistance to several actors for further studies of sustainable urban development. The delegation brings research together actors to compile knowledge on the state of research, and has expressed a need for further investments in research and development. This indicates that government progress remains **good** in terms of *knowledge and analysis*.

Future efforts: More and more people are moving from the country to the city, not least in developing countries. In 2030, it is estimated that five billion of the world's population will be living in cities. Cities play an important role in economic development, poverty reduction and risk management, where access to water, sanitation, energy and food is key. In cities and urban areas, there are excellent chances for a well-built infrastructure in the form of technological supply systems for transport, energy supply, waste management and water and sewage. There are also good chances of integrating these technical systems to a greater extent. In preparation for the UN conference on the subject of sustainable development in 2012, Rio+20, the Government is promoting an overall view of sustainable urban development, in which the importance of the participation and employment of poor people is a central theme, along with their access to various welfare services such as health and education. The Government will monitor the results of the Rio+20 conference in its subsequent work in this focus area. Important EU processes to continue focusing on as far as urbanisation is concerned include the informal EU cooperation regarding sustainable cities, through which a joint tool to facilitate municipal work on sustainable urban development has been created. Crucial future issues include the ongoing international promotion of urban development issues, for example, at the 6th UN-Habitat World Urban Forum in Naples in 2012.

5. Global challenge: Conflicts and fragile situations

5.1 Security sector reforms

Objective: Establishment of a legitimate security sector under democratic control in conflict-affected and post-conflict countries and fragile situations

Overall assessment

The Government makes the assessment that Security Sector Reforms (SSR) remain a central factor in Sweden contributing to a legitimate security sector under democratic control in conflict and post-conflict areas, as well as in fragile situations, and that they thereby improve the chances of poverty reduction and development. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government is striving towards an increased international coordination of SSR measures together with relevant reform measures, above all in connection with the judicial system and administration. The Government is contributing to the joint Nordic commitment to support the formation of the Eastern African Standby Brigade, EASBRIG, as well as to the EU's educational efforts in Uganda, in support of the security forces of the Somali government. Sweden is an important actor in the Liberian SSR work. Along with the Nordic and Baltic countries, Sweden is also providing continued SSR support to the Western Balkans, Ukraine and Georgia. The Government is supporting and contributing to the EU's work with SSR in the synergy between crisis management and development assistance instruments in Afghanistan. The Government is also promoting the implementation of a cooperation agreement between the EU and Interpol regarding crime fighting. This indicates overall that government progress remains **good** in terms of *policy formulation and performance*. There are established and well-functioning drafting groups within the Government Offices, such as the executive committee for SSR matters, which consists of representatives from the Ministry for Foreign Affairs, the Ministry of Defence and the Ministry of Justice, which indicates that government progress remains **good** in terms of *coordination and cooperation*. There is a good level of knowledge regarding this focus area, and agencies are involved to a great extent. One example is the Swedish National Contact Group on SSR, which is an inter-agency mechanism for the coordination of international measures in support of SSR. On the whole, this indicates that government progress remains **relatively good** as regards *knowledge and analysis*.

Future efforts: Within the EU, the SSR issues will remain important. One crucial future issue within the focus area, which is also politically sensitive, is how to measure the results of SSR. There is a need to develop indicators for this.

Objective: To improve the situation of women in conflict and post-conflict situations

Overall assessment

The Government has made the assessment that the focus area concerning women, peace and security remains a central issue to improving the situation of women in countries which are in conflict or are in a post-conflict phase, and that this can thereby improve the chances for fighting poverty and promoting development. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government has clearly prioritised and included issues regarding women, peace and security in relevant policy-making, and is working on the implementation of the action plan for the UN Security Council Resolution 1325, which indicates that government progress remains **good** in terms of *policy formulation and performance*. The forms of coordination could be improved in this area, but there are drafting groups within the Government Offices, and agencies have received special commissions. The Government's assessment is that progress remains **relatively good** in terms of *coordination and cooperation*. Increased focus on the subject of women, peace and security has contributed to increased knowledge for politicians, policy-makers and media - both nationally and in countries in conflict and post-conflict situations. There is an understanding of both the difficulties and the possibilities of implementing the UN Security Council Resolution 1325 (and the subsequent resolutions 1820, 1888, 1889 and 1960). The Government has carried out national and international educational measures, in order to ensure the implementation of the resolutions. The agencies in the "Genderforce" development partnership conduct regular training programs in this area. The Government also made a financial contribution to the specialist session at the International Conference on the Great Lakes Regions (ICGLR), on sexual and gender-based violence. The conference was arranged within the framework of the ICGLR summit in December of 2011, and the Government Offices were also represented on site. The contribution was intended to strengthen an initiative that provides political weight and national ownership of the issue of sexual and gender-based violence. On the whole, this indicates that government progress remains **good** as regards *knowledge and analysis* in this area.

Future efforts: One crucial future issue within this focus area is how to move on from a quantitative approach to a qualitative one, in terms of measuring results, e.g. not only measuring whether the missions have gender advisors, but to also finding out where in the structure they are placed; or to not only measure whether women participate in peace-promotion, but also what impact they have had on decisions, etc. Within the EU, the ongoing work with women, peace and security will remain important.

5.3 From conflict to a stable peace that paves the way for long-term sustainable development

Objective: To bridge the gap between conflict and development

Overall assessment

The Government's assessment is that the area of focus is still central for bridging the gap between conflict and long-term sustainable development, with the focus on stable peace as the primary precondition for the establishment of long-term sustainable development. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

In 2010, the Government adopted a guiding policy for security and development for the period 2010-2014. Sweden has, together with Finland, launched an initiative to establish a European peace institute. Within the EU, the Government is working for efficient cooperation between various actors in a conflict or post-conflict situation, such as with regard to strengthening the synergy between civil and military activities as well as identifying areas where the judicial system can improve civil crisis management. With the Treaty of Lisbon as its point of departure, the Government has taken the initiative to develop the forms for the EU's action in the field, in support of democratic development and respect for human rights and the State governed by law. Through the proposed "external relations" initiatives, the EU would be able to use its instruments for additional measures in a more powerful and effective manner. At the high level forum in Busan, Sweden endorsed the agreement concerning work with the wavering states, "New Deal". A pilot cooperation was entered with Liberia and the USA relating to its implementation at a national level in Liberia. This indicates that government progress is now **good** in terms of *policy formulation and performance*, which is an upgrade compared with 2010. As regards *coordination and cooperation*, the assessment is that government progress remains **relatively good**, since drafting groups and consultation functions exist within the Government Offices. The agencies are involved to a large extent, not least with regard to placing capacity at the disposal of crisis management initiatives. There is knowledge and analysis on stable peace as the primary condition for long-term sustainable development. This includes the analysis tool for identifying judicial aspects and needs relating to public administration in conflict and post-conflict situations, as developed by the Folke Bernadotte Academy and which was pilot-tested during 2011 in cooperation with UNDP. On the whole, this indicates that government progress remains **relatively good** as regards *knowledge and analysis*.

Future efforts: Future tasks within the focus area are to gain influence within the EU for the Swedish-Finnish proposal to establish a European peace institute, gain attention for the Swedish proposal to implement collective field initiatives for support of countries in post-authoritarian transitions (external relations initiatives), and to implement pilot cooperations within the New Deal in Liberia.

6.1 Sustainable health systems and greater access to medicines

Objective: To ensure access by poor people to sustainable health systems and essential medicines
--

Overall assessment

The Government's assessment is that sustainable health systems and increased access to medicine continue to be of great importance to the fighting of communicable diseases and other health threats. Uniform health systems and access to effective and safe medication are preconditions for long-term health initiatives. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

An example of the Government's work to include a development perspective in the formation of policy is the strategy for Swedish cooperation with the World Health Organisation (WHO) which was adopted in 2011, where the improvement of the health systems of poor countries is a priority matter. Sweden is also acting within the WHO for a fortification of its work against the spread of antibiotic-resistant bacteria (ABR) and within the EU for a thorough monitoring of the Council conclusions regarding ABR. The Government has also consistently raised questions about health systems, gender-related ill-health and maternal mortality in different international contexts. This indicates overall that government progress remains **good** in terms of *policy formulation and performance*. Within the Government Offices, there is a drafting group for WHO-related matters, where the relevant agencies participate and, when necessary, include external actors. A common WHO strategy between the Government Offices and concerned agencies has led to increased consensus and cooperation on a number of issues. This indicates overall that government progress is now **good** in terms of *coordination and cooperation*, which is an upgrade (from 2010). With regard to sustainable health systems and essential medicines, the Government Offices obtain knowledge from specialist agencies, Swedish foreign missions and the research community. On the whole, this indicates that government progress remains **relatively good** as regards *knowledge and analysis*.

Future efforts: Important processes are taking place within the EU, where the Government is working for focus on the exchange of information and best practices in improving the performance of health systems. A crucial future issue is the potential of the WHO to address the issue of global leadership.

6.2 Early warning and prompt control measures

Objective: The establishment of prompt and effective early warning systems and the ability to rapidly implement control measures capable of operating at regional and local level

Overall assessment

The Government's assessment is that early warning and rapid mitigation measures continue to be of great importance to fighting communicable diseases and other health threats. The outbreak of pandemics such as bird flu and H1N1 testify to the importance of international warning mechanisms in order to meet threats to people's lives and health, not least in developing countries. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government participates actively, both in the EU and globally, with communicable disease control issues such as pandemic contingency plans and the implementation of the International Health Regulations. Specialist agencies are also participating in the international cooperation at operational and preventative levels. The overall assessment is therefore that government progress remains **relatively good** in terms of *policy formulation and performance*. Within the Government Offices, there is a drafting group for matters related to the World Health Organisation (WHO), where the relevant agencies participate and, when necessary, include external actors. A common WHO strategy between the Government Offices and concerned agencies has led to increased consensus and cooperation on a number of issues. This indicates overall that government progress is now **good** in terms of *coordination and cooperation*, which is an upgrade (from 2010). The Government Offices implement knowledge that is obtained from Swedish foreign missions and specialist agencies. Reporting has, for example, been obtained from the agencies relating to the evaluation of pandemics. Swedish research is contributing to the accumulation of knowledge in the area. Therefore, the overall assessment of government progress will be upgraded to **relatively good** with regard to *knowledge and analysis*.

Future efforts: Good systems exist within the EU for early warning, but coordinating different regional systems at a global level is a challenge. Crucial issues are converting early warnings into efficient mitigation measures, and the work on the gap between short-term preparedness (i.e. early warning) and long-term preparedness (i.e. health systems). More comprehensive work with health protection issues such as environmentally-related health aspects and the connection between health and food security are also important issues. The WHO needs to shoulder global leadership in this issue. Furthermore, the very poorest countries need support in order to be able to maintain their commitments within the International Health Regulations.

Objective: To seek to ensure, by bringing greater focus and coherence to Sweden's commitment, that work in connection with health factors made by countries and international organisations is strengthened and in line with prevailing knowledge

Overall assessment

The Government's assessment is that health promotion and disease prevention continue to be of great importance to the management of communicable diseases and other health threats. The Government's overall assessment of the Swedish contribution to this focus area and its goals is as follows:

The Government has prioritised the development perspective in a health-promotion and disease-prevention policy in, for example, UN meetings held about millennium goals in 2010, and about non-communicable diseases in 2011, when the connection was made between preventative health work and broader initiatives to influence economic and social development. Sweden is driving important public health issues within the WHO and the EU. One example is Sweden's work within the WHO with the implementation of the global alcohol strategy. The Government is continuing to work with party-driven and bilateral cooperation with, for example, China and India. This indicates overall that government progress remains **good** in terms of *policy formulation and performance*. Within the Government Offices, there is a drafting group for matters related to the World Health Organisation (WHO), where the relevant agencies participate and, when necessary, include external actors. A common WHO strategy between the Government Offices and concerned agencies has led to increased consensus and cooperation on a number of issues. This indicates overall that government progress is **good** in terms of *coordination and cooperation*, which is an upgrade (from 2010). Extensive research on health-promoting and disease-preventing measures and the fact that the Government Offices are obtaining knowledge from Swedish foreign missions and specialist agencies indicate overall that government progress remains **good** as regards *knowledge and analysis*.

Future efforts: The work within the EU with health-promoting and disease-preventing measures continues to be important. A crucial issue in the future is that the WHO is given the opportunity to act as a global expert body with regard to health promotion and disease prevention, inter alia, in accordance with the expectations of the organisations' work with non-communicable diseases in the follow-up of the outcome document from the UN's High-Level Meeting on Non-communicable Diseases in September 2011.

Government work with Policy Coherence for Development - 2010-2012

The Government's assessment of the work with the six global challenges 2010-2012 demonstrates on the whole that government progress is better in most areas than in the 2008-2010 assessment, but also that some new deficiencies have been identified with regard to e.g. coordination and cooperation.

The assessment demonstrates that government progress is best with regard to the formulation of Policy Coherence for Development, the component that relates to the formulation of a development perspective within different policy areas. This assessment can be said to be confirmed by the Commitment to Development Index (CDI) that the Washington-based organisation Center for Global Development produces annually. Of the 22 OECD countries that are assessed with regard to their overall influence on developing countries within trade, investment, migration, security, environmental policy, technology, and development assistance, Sweden was ranked number one in 2011. According to the index, Sweden can also improve in several areas. Swedish efforts lie below average as regards security issues, with Swedish arms exports as an assessed weakness. Sweden was also assessed as relatively weak with regard to technology transfer and investment in poor countries.

An OECD evaluation of Sweden's development policy⁷ states that Sweden's formulation of Policy Coherence for Development is good, but that the implementation of the policy has been more difficult, inter alia, in relation to coordination and cooperation mechanisms. This is confirmed by the Government's own assessment of the work with the six global challenges where the components of coordination and cooperation lies the lowest. With regard to knowledge and analysis, the Government assessed that progress is generally relatively good.

Below are examples of Government work with the implementation of Policy Coherence for Development 2010-2012, based on the three OECD components used by the Government, namely:

- Policy formulation and performance
- Coordination and cooperation
- Knowledge and analysis

Policy formulation and performance

Objective: Political ownership manifested in an explicit development perspective in policy formulation and performance

Overall, the 2010-2012 assessment of work on the global challenges demonstrates that government progress is best with regard to the formulation and performance of Policy Coherence for Development.

⁷ Peer review of the Swedish development policy, the OECD Development Assistance Committee (DAC), 2009-2011.

An example that relates to the Government's formulation and performance of a development perspective within several policy areas is Government work prior to the UN Conference on Sustainable Development in June 2012 (Rio +20), where the coordinating responsibility lies with the Minister for International Development Cooperation. The development perspective is considered by the Government as central to this process, and the Government has a high level of ambition prior to the meeting. Within the EU, the Government is working for Rio +20 to emphasise the importance of the participation of poor people, their employment and access to welfare services. Market development, enterprise, trade and the role of agriculture for green economy, as well as the living conditions of poor people are other important questions. The Government emphasises democracy, equality and inclusive sustainable growth. Finally, the Government is working in order for the Rio meeting to be based on the individual's motivation as a condition for sustainable development, and for the viewpoints of young people to be utilised to achieve sustainable development.

In one evaluation, the OECD has recommended that Swedish Policy Coherence for Development should focus more on themes. The focus that the Government has in this communication on the global challenge of Economic exclusion can be said to be a step in the right direction. The OECD also recommended that the agencies should be additionally engaged in the implementation of Swedish Policy Coherence for Development. Many good examples exist of how the expertise of the agencies has been utilised in policy formulation, and in international negotiations during 2010-2012. One example is the Swedish Energy Agency's contribution to the international climate negotiations focused on issues such as adaptation, capacity construction and finance. During 2010-2012, the Government Offices have implemented a special study of the role of the agencies in Policy Coherence for Development, and the Government continuously work with management issues in order to take better advantage of the expertise of the agencies.

It is important to clarify that agencies can play an important role in the implementation of Sweden's Policy for Global Development (PGU) in two ways (Government Communication 2011/12:52 The Swedish National Audit Office's report on Government Agencies' export of services). One way is through working on Policy Coherence for Development (i.e. consideration of a development perspective in various policy areas), another way is in implementing development assistance initiatives (most often with financing from Sida – 'aid-financed export of services'). One precondition for an agency to be able to be considered as an implementer of development assistance initiatives is that special motives and needs exist. This can, for example, entail that the agencies possess a unique competence that is in particular demand in a partner country. It is the needs of the partner countries that govern Sida's engagement and cooperation with other Swedish agencies in development matters.

Objective: Coordination and cooperation both in support of efforts to meet global challenges and for the purpose of mainstreaming a development perspective into policy areas while strengthening synergies between them and managing conflicts between their various objectives

Overall, the assessment 2010-2012 of the work with the six global challenges demonstrates that the greatest room for improvement is within coordination and cooperation.

The focus of this communication on the global challenge of Economic exclusion aims at creating greater knowledge about efficient working forms in Policy Coherence for Development. Within the Government Offices, a number of inter-ministerial working groups, “IDA groups”, are working with issues relevant to Policy Coherence for Development. One example is the IDA group for environmental technology, with representatives from the Ministry of Enterprise, Energy and Communications, the Ministry of the Environment and the Ministry for Foreign Affairs, which has developed a common strategy for environmental technology where the development perspective and climate issues are incorporated. The EU coordination within the Government Offices captures relevant perspectives from different policy areas. When it comes to multilateral organisations, there are both broader consultation and various organisation-specific consultations within the Government Offices. These consultations bring together relevant ministries and Sida, and bring up issues of strategic importance for global development.

Several networks with a development component exist between the Government Offices and agencies and between different agencies. One example is an agency network that works with trade and development as well as with trade-related aid, where actors including the National Board of Trade, Swedish Customs, SWEDAC and the Swedish Patent and Registration Office participate. Sida cooperates with close to 100 different agencies. One example of Sida's cooperation with Swedish agencies is the work of Lantmäteriet (Swedish mapping, cadastral and land registration authority) with the Ministry of Lands in Kenya. This cooperation has contributed to strengthening land rights for poor people through a system of land registration. The results also include more effective working methods, better references for land plots, and improved services for citizens. The Swedish Board of Agriculture is collaborating with its Georgian counterpart on capacity building and agency structures in Georgia. In order to strengthen the cooperation between Sida and other Swedish agencies, an agency forum was arranged during August 2011. Through the Sida Partnership Forum (SPF), Sida has contributed to strengthening agency cooperation within areas such as economic exclusion and Business for Development (B4D).

An example of Government coordination and cooperation with various different actors within Policy Coherence for Development is the reference group for CSR (Corporate Social Responsibility), where representatives from the private sector participate. Within this framework, a new strategy has been developed on how skills and

experiences of the Swedish private sector can be made available to poor people through international financial institutions, the EU and the UN. The Government Offices also have a close dialogue with different civil society organisations such as Concord, an NGO platform that e.g. produces a report on EU Policy Coherence for Development.

Knowledge and analysis within Policy Coherence for Development

Objective: Knowledge and analysis concerning both the developmental impact of the Government's policies as a whole and methods for applying the knowledge gained to policy formulation

The 2010-2012 assessment of the work with the global challenges demonstrates that government progress is mostly relatively good with regard to knowledge and analysis.

One example of Government work on increased knowledge and analysis within Policy Coherence for Development is the participation of the Minister for International Development Cooperation in the Global Sustainability Panel that the UN Secretary General established in 2010. The Panel, which includes a number of the world's leading politicians, highlights sustainable development in its three main parts - economic, social and environmental. Global issues such as climate, food security, water and energy are analysed. The Minister for International Development Cooperation has received a lot of attention for her viewpoints concerning, inter alia, the perspectives of poor people and youth, as well as industry and market development. The Panel's final report, which was published in January 2012, is an important in-put to the UN "Rio +20" conference and to the international climate negotiations.

During 2010-2012, the Government developed guiding instruments for impact assessments from a development perspective. These instruments work as support to government officers and are available on the Government Offices' intranet. Government work on increased openness and transparency in development policy through, inter alia, the web-based information service OpenAid, contributes to the spread of knowledge about development issues.

The Government has conducted various conferences and seminars on Policy Coherence for Development during 2010-2012. One example is the "ABCDE Conference" (Annual Bank Conference on Development Economics) that was arranged in 2010 by the Government and the World Bank. The conference attracted around 500 of the world's leading development economists. Another example is the seminar concerning "Reshaping Financial Markets to make them more relevant to the poorest of the poor", that the Government and Sida arranged in Stockholm in 2010 together with the capital fund, Urban Poor Fund International (UPFI), the National Housing Credit Guarantee Board and the Slum Dwellers International (SDI) network. The Sida Partnership Forum (SPF) has a special role providing knowledge support about global development to individual groups of actors through courses and seminars about issues like rights-based work, equality, anti-corruption and CSR. The SPF also provides knowledge support to the Government Offices.

The multilateral and international organisations have an invaluable role in contributing to knowledge and analysis of the development effects of implemented policies. The OECD is a leading organisation with regard to knowledge, analysis and methods in Policy Coherence for Development. The Government has a continual exchange of experiences with the OECD and also contributes through financial support. The OECD is presently working on producing a broad development strategy that highlights Policy Coherence for Development.

Policy Coherence for Development within the EU

Objective: To strengthen EU work on Policy Coherence for Development

The EU is a central actor for global development. Working with a development perspective in the EU's different policy areas is important, both for finding solutions to global challenges and for contributing to development objectives. During 2010-2012, the Government has worked to promote the development perspective in a number of EU processes, examples of which can be found in the Government assessment of the work with the six global challenges.

The Lisbon Treaty, which came into effect in 2009, has reinforced the development perspective in all EU policy areas. The Treaty commitment on Policy Coherence for Development state 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” (Art. 208). The Treaty also states that the EU shall ensure coherence between foreign policy and other policy areas (Art. 21). According to the Lisbon Treaty, the development goals are goals for EU foreign policy. The Government is working in order for the European External Action Service (EEAS) and the underlying EU delegations to have clear roles in the work on Policy Coherence for Development, and in order for the different coordination mechanisms between the EEAS, EU institutions and Member States to function satisfactorily.

Sweden has since long worked actively with the EU framework for Policy Coherence for Development (PCD). Sweden has contributed in the focusing on five priority areas within the Commission's work programme for PCD 2010-2013 (trade and finance, climate change, food security, migration, and security). This was partly inspired by the Swedish PCD focus on six global challenges. The Government is also working for better follow up of results within PCD and for the Commission impact assessments to be strengthened from a development perspective. It is important that the roles of the different EU institutions are strengthened and clarified with regard to work with Policy Coherence for Development.

Every second year the Commission reports on EU PCD work. The most recent report was presented at the end of 2011. Sweden contributed actively during spring 2012 to the Council Conclusions on the report, and to text on PCD in the EU's development policy “Agenda for Change”. In 2013, the Commission will present the next EU PCD report as well as a new PCD work programme.

Ministry for Foreign Affairs

Extract from the minutes of the Cabinet meeting of 28 June 2012.

Present: Minister Bildt, Chair, and Ministers Ask, Erlandsson, Hägglund, Carlsson, Sabuni, Billström, Engström, Kristersson, Elmsäter-Svärd, Ek, Löf and Enström

Rapporteur: Minister Carlsson

The Government hereby adopts Government Communication
2011/12:167 Implementation of Policy Coherence for Development –
Focus: the Global Challenge of Economic Exclusion



REGERINGSKANSLIET

Ministry for Foreign Affairs
Sweden