## Policy Coherence for Sustainable Development in the SDG Framework

### Shaping Targets and Monitoring Progress

This note sets out food for thought on how a target could be developed for policy coherence, including:

1.  The rationale for having an SDG target for policy coherence;

2.  The definition of PCSD;

3.  Proposals for a SMART target for policy coherence;

4.  Types of indicator which could be used to monitor the target;

Annex I    An illustrative example of a PCSD indicator; and

Annex II    Diagrams showing the significance of policy coherence for the SDGs (3 dimensions of sustainable development; illicit financial flows; food security; and food/water/energy nexus).

### 1.    Why have a target for policy coherence?

The proposed UN Sustainable Development Goal 17 (means of implementation) includes Target 17.14, to: "*enhance policy coherence for sustainable development*". At present there is no further elaboration of what this target should be or how it would be monitored. Like some of the other means of implementation set out in Goal 17, policy coherence for sustainable development involves processes and means, rather than ultimate outcomes. It is therefore challenging to define or measure a target for PCSD in a rigorous, outcome-focused way.

There are concerns from some commentators that PCSD will be sidelined in the absence of a clear and measurable target for it: the International Council for Science review of the SDG targets[1] notes that it is "*a potentially important target but without more detail it is unlikely to happen*". There have also been suggestions from the German Development Institute[2] that PCSD should not be included as a target in Goal 17 but instead appear as a key organising principle in the preamble to the SDGs.

The SDGs require in our view a clear target on policy coherence. This would help to foster commitment and make policy coherence part of the international accountability framework for the SDGs. The alternatives are that policy coherence remains unclear and is largely ignored because of its lack of specificity, or that it is dropped as a target altogether, and referred to only as a vague commitment in the preamble to the SDGs. Both situations raise concerns that the recent momentum

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[1]    http://www.icsu.org/publications/reports-and-reviews/review-of-targets-for-the-sustainable-development-goals-the-science-perspective-2015/

[2]    http://www.die-gdi.de/publikationen/manuskripte-oeffentlich/article/the-sustainable-development-goals-of-the-post-2015-agenda-comments-on-the-owg-and-sdsn-proposals/

in policy coherence for development would be undermined, and that achievement of the 16 substantive goals may suffer as a result.

In order to avoid these situations, we need to set a clearer and sharper target for policy coherence within the SDGs. We should recognise that policy coherence is a means of implementation, and therefore bound-up with processes as well as outcomes. We should develop a target that is SMART (specific, measurable, attainable, relevant (for all countries), and time-bound), as much as possible for a means of implementation. This will help take into account the cross-cutting nature of the SDGs and the inter-linkages between the goals. Annex II illustrates this: it shows the extent to which economic, social, and environmental aspects are interwoven throughout the SDGs, and the extent to which three priority areas for PCSD (food security, illicit financial flows, and the water-energy-food nexus) are related to other targets across the SDGs. It also includes lists of relevant indicators for the linked targets, using OECD data, which, when considered simultaneously, could contribute to monitoring the extent of coherence in each priority area. The cross-cutting nature of policy coherence makes it, by definition, impossible to adequately embed in specific targets beneath SDGs one to sixteen.

As part of the OECD's contribution to adapt policy coherence approaches to the Post-2015 Development Agenda, this note sets out some options for a more specific target 17.14 that meets the SMART criteria, and ways in which it could be measured, based on existing OECD work on policy coherence for sustainable development. The UN has not yet decided whether to adopt specific indicators for this area so there is now a critical window of opportunity.
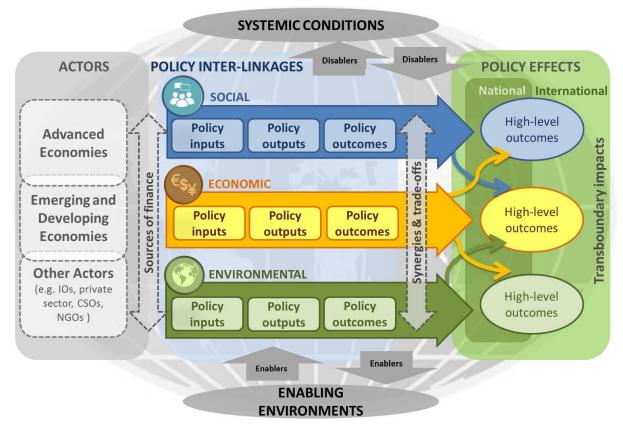
This is food for thought, intended to stimulate discussion among national focal points about what type of measures could be used for PCSD, which seek to update and go beyond existing PCD approaches. The measures set out in this paper could potentially be used as global SDG indicators, or alternatively, a complementary national indicator used for self-assessment by countries or benchmarking of OECD members.

## 2.    Policy Coherence for Sustainable Development (PCSD)

PCSD is an approach and policy tool to integrate the economic, social, environmental and governance dimensions of sustainable development at all stages of domestic and international policy making. It aims to increase governments' capacities to achieve the following objectives:

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

The analytical framework below provides the basis for the definition of policy coherence for sustainable development (PCSD). It can help facilitate the design and implementation of policies to consider the: *(i)* diversity, roles and responsibilities of different actors as well as sources of finance – public and private, domestic and international; *(ii)* policy inter-linkages across economic, social and environmental areas, including the identification of synergies and trade-offs; *(iii)* non-policy drivers, i.e. the enablers and disablers at global, national, local and regional levels for sustainable development outcomes; and *(iv)* policy effects, i.e. transboundary and temporal impacts.

*Analytical Framework for Policy Coherence for Sustainable Development*

Source: OECD PCD Unit, inspired by the work of UNECE/OECD/Eurostat Task Force on measuring sustainable development.

## 3.    A *SMART* SDG target on policy coherence for sustainable development

A more specific target could be as follows:

> *"Strengthen the capacity of governments to implement coherent and mutually supportive policies to achieve the SDGs in time to inform national action plans for SDG implementation, in ways that balance economic, social and environmental goals; consider domestic and international effects of policies; and support long-term sustainability."*

This proposal would largely fulfil the SMART criteria:

| SPECIFIC | *Governments are targeted, as are three specific dimensions of coherence:* |
|---|---|
| | *-  social/economic/environmental* |
| | *-  domestic/international* |
| | *-  sustainability over time* |
| **MEASURABLE** | *Change in institutional and policy performance can be measured. Indicators are set out below* |
| **ATTAINABLE** | *The target seeks an improvement, not an absolute level of attainment, and is linked to achieving the SDGs as a whole.* |
| **RELEVANT** | *Sustainable policies and more integrated approaches , but the way in which it is deployed will vary according to each country's circumstances* |
| **TIME BOUND** | *The 2030 timeframe is shared by all the SDG targets.* |

## 4. Approaches to measuring a PCSD target

The broader approach to policy coherence for sustainable development aims to integrate the different dimensions of well-being and sustainability in policy making in a balanced manner. Inspired by the work of the UNECE/OECD/Eurostat Task Force on measuring sustainable development, the new analytical framework for PCSD provides the basis for considering what matters for human well-being of the present generation in one particular country – '*here and now*' –, what matters for the well-being of future generations – '*later*' – and what matters for the well-being of people living in other countries – '*elsewhere*'.  Taking into account these dimensions will be fundamental to assess progress in PCSD.

There are different ways to approach measuring PCSD in the context of SDGs, depending on the ultimate use of the indicator. A PCSD indicator could focus on PCSD *inputs* (e.g. institutional, knowledge, and budgetary factors); *outputs* (e.g. changes in policy and approaches as a result of PCSD); or *outcomes* (e.g. the resulting impact on the SDG). Inputs are easiest to measure in a direct and quantifiable way, while measuring outputs and outcomes would require a more sophisticated methodology and the use of evaluative information to complement quantitative data. The latter may therefore be less useful as a global UN indicator, but more useful in the context of national self-assessments.  Some possible types of indicators include:

### *Criteria-based Assessment*

These would use a checklist of criteria, and ask whether countries meet each of them (in part, in full, or not at all). Countries would be rated according to how many of the criteria they meet – generating a numerical value which could be used for benchmarking and assessing progress. In order to measure both the procedural means of implementation, and also the extent to which they are used effectively, the criteria would include both institutional factors and capabilities, and evaluate how these are applied to ensure greater policy coherence in some specific priority areas:

- *Institutional factors* – which set out the essential functions and capabilities needed by countries to support PCSD, based on the *2010 OECD Council Recommendation on Good Institutional Practices for Promoting PCD* (or an updated version). These factors would focus on functions, in order to avoid setting a one-size-fits-all model for the machinery of government for PCSD. These would also include key elements of policy design, such as considering: i) non-policy drivers – the enablers and disablers at global, national, local and regional levels for sustainable development outcomes; (ii) sectoral inter-linkages; (iii) temporal and trans-boundary impacts; and (iv) the diversity, roles and responsibilities of different actors.

- *Priority areas for PCSD* – criteria would set out core indicators in each of the areas identified as a priority for PCSD. The *OECD Strategy on Development* sets out three such priorities: food security, illicit financial flows, green growth, but any additional priority areas for coherence could be added. These factors would focus on indicators of coherence at the level of outputs from the policy process, based on the work on food security already included in the PCD toolkit, and drawing on ongoing work on illicit financial flows and green growth (see Annex I).

### *Qualitative Assessments*

These would seek to evaluate the outcomes resulting from PCSD efforts, and would therefore be more intensive, and less able to generate a numerical benchmark. This approach could include developing a conceptual framework and methodology for evaluators to use when considering PCSD

outcomes based on positive and negative cases – and ideally drawing on post-facto evaluations of the impact of country policies. This approach is unsuitable for use as a global SDG indicator, but potentially much more useful to countries seeking to improve their coherence. It could therefore be developed further in the context of the OECD's *PCSD Toolkit*.

*Perceptions Index* (e.g. Transparency International Corruption Perceptions index)

Rather than seek to measure coherence directly, this approach would use an opinion survey to produce quantified data on how coherent or incoherent a country's policies are seen to be by various groups of stakeholders (e.g. country officials; CSOs; private sector; and international partners). This would need to be designed and interpreted carefully to discriminate between incoherent policies and what is disagreement between stakeholders about objectives.

*Composite Index* (e.g. CGD Commitment to Development Index)

The information collected through the mechanisms above could be weighted and indexed using other available information (such as the indicators in the OECD's *SDG Indicator Mapping Exercise*), to present the results in a composite index. This would enable the index to reflect the relevance and importance of specific factors to each country.


## Issues for Discussion

This paper is intended to stimulate thinking among PCD or SDG Focal Points and their national networks, particularly those involved in preparing national inputs to the UN processes which will define the SDGs. We would welcome feedback or discussion on the following questions:

- *Is the target proposed above a suitable starting point, and how could it be refined?*

- *What approach should be taken to measuring progress in meeting the target?*

## ANNEX I - Illustrative Example of a Criteria-based Indicator

The global indicator used to monitor progress in achieving the PCSD target would be the number of countries which meet 60% of the criteria below.

Assessment of the target would depend on factual reporting by countries. This would not be a self-assessment, but rather a request that countries provide evidence or examples that demonstrate their achievement regarding each criterion, which would be the basis for a relatively light, desk-based review by either the UN or OECD, to determine whether the criteria are met.

The specific criteria would be in two groups:

*Institutional factors:*

Do countries have adequate institutional structures and systems to support policy coherence? These criteria would include the elements set out in the 2010 *OECD Council Recommendation on Good Institutional Practices in Promoting Policy Coherence for Development*, or an update of them. Examples could include:

- Is there a public political commitment to policy coherence?

- Is there involvement of the Centre of Government in the coordination of high level priorities across line ministries to ensure coherence; What priority is given to such coordination (as captured in the annual questionnaire to the OECD Network on Centres of Government)?

- Is the budget used to set priorities and reconcile policy objectives? (e.g. by allocating pooled resources for cross-cutting objectives, outside individual departmental budgets)

- Are there efficient processes for inter-ministerial coordination to resolve policy conflicts?

- Are there monitoring and reporting systems on policy impacts regarding sustainable development, using evidence from officials and other reliable and impartial sources?

*Priority Areas:*

Are countries applying coherent policies in the three priority areas for policy coherence? These criteria would consider the outcomes of countries' policies regarding food security, illicit financial flows, and green growth; based on the OECD's work to identify specific challenges and indicators for policy coherence in each area. These are all multidimensional challenges but some key questions could include:

*Food Security:*

- Have countries considered the trade distorting effects of production and export subsidies and made progress in eliminating them?

- Do countries foster coordination between development, environment and trade ministries to ensure that sustainable development considerations are taken into account in trade policies?

To set out the information which could be used for this indicator, Annex II maps the interactions of three priority areas (illicit financial flows, food security, and the water-energy-food nexus) with other targets across the SDGs. It also includes lists of relevant indicators for the linked targets, using OECD data, which could contribute to measuring coherence in each priority area.

# ANNEX II – DIAGRAMS OF POLICY COHERENCE IN THE SDGs



**GOALS**

**MEANS OF IMPLEMENTATION (MOI)**

| 1 Poverty | 2 Hunger | 3 Health | 4 Education | 5 Gender | 6 Water | 7 Energy | 8 Economy | 9 Industry | 10 Inequality | 11 Cities | 12 SCP | 13 Climate | 14 Oceans | 15 Ecosyst. | 16 Peace | 17 Finance | Tech. | Capacity | Trade | PCSD | Partners. | data, etc. |

**Three Dimensions of Sustainable Development in the SDGs**

■ ENVIRONMENTAL

■ SOCIAL

■ ECONOMIC

| | 1 Poverty | 2 Hunger | 3 Health | 4 Education | 5 Gender | 6 Water | 7 Energy | 8 Economy | 9 Industry | 10 Inequality | 11 Cities | 12 SCP | 13 Climate | 14 Oceans | 15 Ecosyst. | 16 Peace | 17 Finance | Tech. | Capacity | Trade | PCSD | Partners. | data, etc. |

**TARGETS**

Row 4, Peace: IFFs

**TARGETS ON MOI**

rows: a, b, c, d

## Policy Interactions with Illicit Financial Flows in the SDGs

- SOURCES OF ILLICIT FUNDS
- ENABLERS AND DISABLERS
- POLICY CONFLICTS

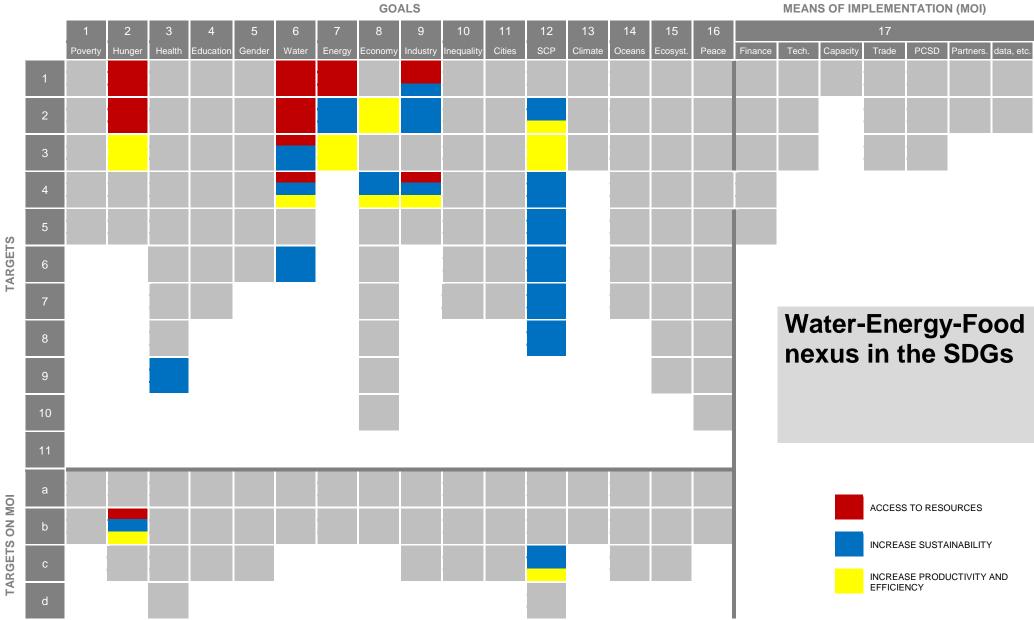| SDG Targets related to Illicit Financial Flows (16.4) | | |
|---|---|---|
| **Main Indicators for SDG 16.4** | | |
| List of countries which have not moved to Phase 2 of the peer review process of the Global Forum on Transparency and Exchange of Information for Tax Purposes or rated as partially compliant or non-compliant following their Phase 2 review | | |
| Asset (proceeds of corruption) frozen and returned to foreign jurisdictions as reported by countries | | |
| Countries rated as compliant with core components of the FATF Recommendations and Global Forum on Transparency ToRs, and OECD Anti-Bribery convention | | |
| Number of criminal convictions for offences related to tax evasion; money laundering; bribery and corruption, and amounts confiscated in such cases. | | |

*Enablers and Disablers*
Factors which make an essential contribution to combating illicit financial flows, e.g. as a precondition for certain measures, or as structural factors which could undermine the effectiveness of anti-IFF measures.

| SDG | Relation to IFFs | Indicators |
|---|---|---|
| 16.5 | Reduce corruption: Corruption of key institutions can undermine anti-IFF measures | Total number of individuals and legal persons sanctioned or acquitted related to foreign bribery |
| | | Data on rule of law and transparency (Investment Policy reviews) |
| 16.6 | Sound institutions: An essential precondition for anti-IFF measures | Level of disclosure of private interests and public availability of information (OECD) |
| | | Use of citizens' budget (OECD) |
| | | Formal and open consultation processes on rule-making (OECD) |
| | | Rule of law and transparency (including effectiveness and transparency of institutions) (IPR) |
| 16.a | Institutions to combat crime: An essential precondition for anti-IFF measures | Aid to conflict, peace and security |

*Potential Tradeoffs and Policy Conflicts*
Areas where there is a risk that excessively strict, or poorly targeted anti-IFF measures could undermine implementation of other SDG targets.

| SDG | Relation to IFFs | Indicators |
|---|---|---|
| 10.c | Cheaper remittances: De-risking means money remitters lack access to financial system. This can drive remitters underground (with cost to recipients). | Remittances, FDI (data), philanthropy and other private flows to developing countries |

*Key Sources of Illicit Funds*
SDG targets which relate to significant sources of IFFs. Laundering of illicit flows is an essential enabler for many of these activities, so restricting illicit flows is an effective way to combat the underlying activity.

| SDG | Relation to IFFs | Indicators |
|---|---|---|
| 16.5 | Reduce corruption: Corruption is a major source of illicit funds | Data on rule of law and transparency (Investment Policy reviews) |
| 17.1 | Domestic tax collection: Tax evasion is a major source of illicit funds. | Tax revenues (share of GDP) |
| | | Number of exchange of information agreements between OECD countries and developing countries |
| | | Asset (proceeds of corruption) frozen and returned to foreign jurisdictions as reported by countries |
| | | ODA commitments to tax related activities |
| | | OECD Compliance on the 40 FATF Recommendations |
| 10.7 | Safe migration: Smuggling migrants generates illicit funds | Employment and unemployment rates by place of birth |
| 12, 14, 15 | Sustainability (various targets): Exploitation of natural resources is a major driver of corruption and source of illicit funds. This includes forestry and fisheries, as well as extractive industries | Government financial transfers to fisheries |
| | | Forest resources (net change, intensity of use) |

| | 1 Poverty | 2 Hunger | 3 Health | 4 Education | 5 Gender | 6 Water | 7 Energy | 8 Economy | 9 Industry | 10 Inequality | 11 Cities | 12 SCP | 13 Climate | 14 Oceans | 15 Ecosyst. | 16 Peace | 17 Finance | Tech. | Capacity | Trade | PCSD | Partners. | data, etc. |

**TARGETS**

1 • • ***
2 • •
3 • •
4 • •
5 • •
6
7
8
9
10
11

**TARGETS ON MOI**

a
b
c
d

# Food Security in the SDGs

**Legend:**

- Core to Food Security
- Synergies
- Tradeoffs

10

Water-Energy-Food nexus in the SDGs

| | | ACCESS TO RESOURCES |
| --- | --- | --- |
| | | INCREASE SUSTAINABILITY |
| | | INCREASE PRODUCTIVITY AND EFFICIENCY |

| SDG Targets related to Food-Water-Energy Nexus | | |
|---|---|---|
| **Targets on Food, Water and Energy** | | |
| **SDG** | **Relation to Nexus** | **Indicator** |
| 2.1 | End hunger | Share of household unable to have a healthy diet;  Share of households experiencing food insecurity |
| | | Aid to the Agriculture, Forestry, Fishing and Rural Development sectors |
| 2.2 | End malnutrition | Aid for food and nutrition security |
| 2.3 | Double agricultural productivity | Fertiliser and biofuels support policies database |
| | | R&D expenditure on agriculture, hunting and foresting |
| 2.4 | Sustainably increase food productivity | Crop yields;  Agricultural nutrient balances: N and P surplus or deficit; Farmland bird populations |
| 2.b | Correct distortions in world agricultural markets | Support to agriculture that is most production- and trade-distorting or most environmentally harmful |
| 6.1 | Access to safe and affordable water | People living in areas of water stress |
| 6.3 | Recycling and safe reuse of water | Population connected to public wastewater treatment plants; Lake and river quality |
| 6.4 | Increase water efficiency and sustainable withdrawals | People living in areas of water stress;  Freshwater resources (intensity of use);  Water productivity |
| 7.2 | Access to energy | Production of renewable energy |
| 7.3 | Energy efficiency | R&D spending on Energy Efficiency;  Production-based CO2 emissions from energy by sector;  Demand-based CO2 emissions from energy by sector |
| **Other Related Targets** | | |
| **SDG** | **Relation to Nexus** | **Indicator** |
| 3.9 | Reduce deaths from polluted air, water and soil | Population exposure to air pollution (PM10, PM2.5; share of population or average exposure) |
| 8.2 | Productivity, diversification, technology and innovation | R&D public spending environmentally related (total public spending) |
| 8.4 | Decouple economic growth from environmental degradation | Production-based CO2 emissions from energy (intensity) |
| | | Demand based CO2 emissions from energy (intensity) |
| | | Renewable energy (share of tot. primary energy supply) |
| | | Environmentally related taxes (share of GDP) |
| | | Effective tax rates on energy use |
| 9.4 | Resource efficiency and sustainable technologies and industries | Production-based CO2 emissions |
| | | Demand based CO2 emissions |
| 12.2 | Sustainable management and efficient use of natural resources | Production-based CO2 emissions from energy (intensity) |
| | | Demand based CO2 emissions from energy (intensity) |
| | | Demand-based material productivity |
| | | Nutrient Balance |
| | | Renewable energy supply (share of Total Primary Energy Supply) |
| 12.4 | Sound management of chemicals and waste | Primary waste by sector (in tonnes) |
| 12.5 | Reduce waste generation | Municipal waste generated per capita (kg) |
| | | Municipal waste recycling, treatment and disposal |
| 12.c | Stop inefficient fossil fuel subsidies | Estimated Budgetary Support and Tax Expenditures for Fossil Fuels 2013 |