Policy Coherence for Sustainable Development 2019

EMPOWERING PEOPLE AND ENSURING INCLUSIVENESS AND EQUALITY



OECD

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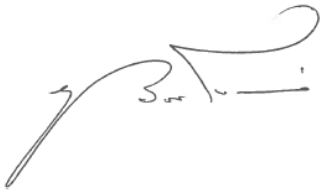
Foreword

The 2030 Agenda is a universal plan of action for people, planet and prosperity. Implementing the Sustainable Development Goals (SDGs) calls for coordinated action and policies at all levels of government – local, national and global. It requires identifying and managing trade-offs, as well as seeking out and optimising synergies.

Ensuring coherence across the policy cycle is essential for making sure that progress on one SDG does not undermine progress on another. Policy coherence, embodied in Target 17.14, also means limiting adverse impacts of domestic actions on other countries or on shared global spaces and resources such as the climate or oceans.

The 2019 edition of Policy Coherence for Sustainable Development, the third in a series, forms part of the OECD's contribution to the United Nations ECOSOC High-Level Political Forum (HLPF). It provides evidence on the critical interlinkages between the SDGs under HLPF review – Goal 4 on quality education; 8 on decent work and economic growth; 10 on reduced inequalities; 13 on climate action; and 16 on peace, justice and strong institutions. It calls for urgent action by all countries and underlines the importance of strong institutional and governance mechanisms for leveraging interactions between the goals, so they have the desired policy impact overall.

An important lesson learned since the adoption of the 2030 Agenda is that there is no one-size-fits-all approach for ensuring coherent SDG implementation: countries need tailored solutions that take into account the national context, including institutional set-up and political cultures. This report identifies those institutions and mechanisms – enablers for policy coherence for sustainable development (PCSD) – that can support countries to establish the policies and structures that work best for them. The OECD stands ready, in partnership with the United Nations and other stakeholders, to accompany countries in updating their governance toolbox and ensuring effective implementation of the 2030 Agenda.



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Abbreviations and acronyms

CDI	Commitment to Development Index
CGD	Center for Global Development
CIECODE	*Centro de Investigación y Estudios sobre Coherencia y Desarrollo*
CoG	Centre of Government
DIE/GDI	*Deutsches Institut für Entwicklungspolitik* / German Development Institute
ECDPM	European Centre for Development Policy Management
ESPOL	*Escuela Superior Politécnica del Litoral*
EU	European Union
Fingo	Finnish Development NGOs
G20	Group of Twenty
GDP	Gross Domestic Product
GIZ	*Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH*
HLPF	High-Level Political Forum
IAEG-SDGs	Inter-Agency and Expert Group on SDGs Indicators
ICT	Information and Communication Technology
IFF	Illicit Financial Flows
IICA	Interamerican Institute for Cooperation in Agriculture
iSDG	Integrated Sustainable Development Goal Model
KBC	Knowledge-Based Capital
LLF	Lady Lawyer Foundation
MI	Millennium Institute
MoI	Means of Implementation
NDCs	Nationally Determined Contributions
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
PCD	Policy Coherence for Development
PCSD	Policy Coherence for Sustainable Development
PDESC	*Programmes de développement économique social et culturel*
PEB	Parent Educational Background
SDGs	Sustainable Development Goals
SEI	Stockholm Environment Institute
SIDS	Small Island Developing States
SLOGA	*Platforma za razvojno sodelovanje in humanitarno pomoč*
STEM	Science, Technology, Engineering and Mathematics
UN	United Nations
UNSSC	United Nations Systems Staff College
VNR	Voluntary National Review
WRI	World Resources Institute

Executive summary

Target 17.14 of the Sustainable Development Goals (SDGs) 17.14 calls on all countries to "enhance policy coherence for sustainable development" (PCSD) as a key means of implementation. This is no easy feat: it requires meaningful collaboration and coordinated action across policy sectors (horizontal coherence), as well as between different levels of government (vertical coherence). It also requires balancing short-term priorities with long-term sustainability objectives and taking into account the impact of domestic policies on global well-being outcomes. The 2019 edition of *Policy Coherence for Sustainable Development* looks at countries' efforts to meet this challenge and identifies opportunities for accelerating progress, including supporting inclusive growth.

Identifying critical interactions to catalyse progress in SDG implementation

Applying a PCSD lens to the 2019 High Level Political Forum (HLPF) theme "Empowering people and ensuring inclusiveness and equality" can help governments to identify critical interactions between the five goals and targets under review:

- SDG 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- SDG 10: Reduce inequality within and among countries.
- SDG 13: Take urgent action to combat climate change and its impacts.
- SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all level.
- SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Applying this lens will enable them to capitalise on policy synergies and to avoid or minimise costly trade-offs – ultimately enhancing the overall effectiveness and impact of policies and actions.

This report shows that in order to successfully address SDG interactions, an integrated approach to policy making is required, as well as strong and inclusive governance mechanisms. An important lesson learned since the adoption of the 2030 Agenda in 2015 is that there is no-one-size-fits-all approach for ensuring coherent SDG implementation: countries need tailored solutions that take into account the national context, administrative set-up and political tradition.

Strengthening institutional and governance mechanisms to enhance policy coherence

Common to all countries, however, is the set of enablers – or 'building blocks' – needed to facilitate governments' efforts to enhance PCSD. They represent structures, processes and working methods at different stages of the policy making cycle and fall under three main themes:

- A strategic vision for achieving the SDGs underpinned by a clear political commitment and institutional leadership to enhance policy coherence for sustainable development.
- Effective and inclusive institutional and governance mechanisms to address policy interaction across sectors and align actions between levels of government.
- A set of responsive and adaptive tools to anticipate, assess and address domestic, transboundary and long-term impacts of policies.

Our research shows that the essential building blocks of a robust PCSD system for SDG implementation are in place in many countries, but that alignment with the principles and nature of the 2030 Agenda can be strengthened. It is against this background that we have embarked on an Organisation-wide exercise to update the 2010 Recommendation of the OECD Council on Policy Coherence for Development.

Monitoring and reporting to collect evidence on the benefits of policy coherence

Policy coherence for sustainable development is difficult to measure. The methodology for monitoring global indicator 17.14.1: 'Number of countries with mechanisms in place to enhance policy coherence for sustainable development' is still under development, with UN Environment as the Custodian Agency. In parallel, countries are struggling to set their own national targets and indicators for policy coherence, which takes into account country circumstances and priorities.

To support their efforts, the OECD has developed a framework for tracking progress on PCSD at the national level, which suggests that countries need to consider three interrelated elements of the policy making cycle: (i) institutional mechanisms; (ii) policy interactions (synergies and trade-offs); and (iii) policy effects "here and now", "elsewhere" and "later". This report highlights a number of indicators from different disciplines that countries can use to successfully capture these elements as they relate to the SDGs under HLPF review.

Engaging in partnerships to strengthen impact

Implementing the 2030 Agenda requires strong partnerships between a multitude of stakeholders, ranging from governments and the private sector to civil society and academia in all countries. In recognition of this, the Multi-stakeholder Partnership for Enhancing Policy Coherence for Sustainable Development (the 'PCSD Partnership'), facilitated by the OECD, encourages better and more coherent policies that can help deliver the SDGs. An overview of partners' experiences in putting PCSD into practice concludes this report and shows different ways and tools to enhance, assess and monitor PCSD efforts at national, regional and local level, in particular by improving human and institutional capacity to develop more coherent and sustainable policies.

Chapter 1. Coherent approaches for empowerment, inclusiveness and equality

This chapter applies a policy coherence for sustainable (PCSD) lens to identify critical interlinkages between the Sustainable Development Goals (SDGs) to be reviewed by the High-Level Political Forum (HLPF) in 2019: Goal 4 on quality education, 8 on decent work and economic growth, 10 on reduced inequalities, 13 on climate action, and 16 on peace, justice and strong institutions. It draws on recent OECD work to explore each of these five Goals in terms of (i) context and challenges; (ii) critical interactions between the Goals, and the transmission mechanisms through which they operate; and (iii) potential policy and governance responses to ensure coherent implementation. The chapter aims to provide analytical input and inform the thematic review at the HLPF. This work is part of the OECD Action Plan on the Sustainable Development Goals, which calls on the OECD to contribute to policy analysis, guidance and tools to support countries' efforts to implement the SDGs.

Introduction

In July 2019, the United Nations High-Level Political Forum (HLPF) will assess progress towards achieving the Sustainable Development Goals (SDGs) under the theme of "Empowering people and ensuring inclusiveness and equality". In addition to SDG 17 on the Means of Implementation, which is reviewed every year, the 2019 review will focus on the following SDGs (Annex 1 provides a complete overview at target-level):

- SDG 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all;
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all;
- SDG 10: Reduce inequality within and among countries;
- SDG 13: Take urgent action to combat climate change and its impacts; and
- SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

Recognising that the SDGs are indivisible and integrated – as stated in the 2030 Agenda – the chapter applies a Policy Coherence for Sustainable Development (PCSD) lens to highlight critical interlinkages among the group of SDGs under the 2019 HLPF review. PCSD is an approach and policy tool for integrating the economic, social, environmental and governance dimensions of sustainable development at all stages of policy making. It aims to: (i) foster synergies and address trade-offs across policy areas; (ii) reconcile domestic policy objectives with internationally agreed objectives; and (iii) address the transboundary and long-term impacts of policies. In a highly interconnected world, the transmission channels between countries are numerous – for example through financial flows, imports and exports of goods and services, migration or knowledge transfers.

Scope and purpose

Drawing on OECD work, this chapter explores each of the Goals under 2019 HLPF review in terms of: (i) context and challenges; (ii) critical interactions between the Goals, and the transmission mechanisms through which they operate; and (iii) potential policy and governance responses to ensure coherent implementation. Many goals and targets can contribute to empowering people and ensuring inclusiveness and equality in ways that are mutually reinforcing. For example, equal access to quality education (SDGs 4.1 and 4.3) promotes social mobility; contributes to economic empowerment by providing skills that help people find more qualified and decent jobs (SDG8.5); and increases their incomes (SDG10.1). Conversely, unequal access to land and other productive resources (SDG1.4), for example, will reduce employment opportunities for those who are excluded and also increase inequalities. Moreover, these types of interlinkages depend on specific country contexts and challenges.

This chapter aims to inform the thematic review at the 2019 HLPF. In response to the OECD Action Plan on the Sustainable Development Goals (2016), it seeks to provide analytical input and guidance to foster policy coherence for sustainable development in countries' implementation of the 2030 Agenda with a view to accelerate progress. To this end, the chapter draws on the most recent OECD work on inclusive growth and sound

public governance, as well as on topical expertise and policy advice in the areas of education, employment and social policies, and climate change.

Empowerment, inclusiveness and equality in the 2030 Agenda

Empowerment, inclusiveness and equality cannot be dealt with in isolation – just like the SDGs cannot be implemented independently from each other. They are closely interrelated concepts that cut across the 2030 Agenda (Figure 1.1).

Empowerment is essential for pursuing better lives for all persons. It involves personal choice and access to opportunities and resources. Inclusiveness is fundamental for recognising diversity and addressing the different needs of people – irrespective of sex, age, race or ethnicity, disabilities, whether they are migrants, indigenous peoples, children or youth. It involves increased participation and reduced exclusion of persons with economic, social, or political disadvantages, especially those in vulnerable situations. Equality is a multi-dimensional concept. It includes economic, social and environmental equality; equality before the law; equality at home and in the work place; and equality of outcomes.

Promoting empowerment, inclusiveness and equality requires integrated and coherent approaches that address their multiple dimensions. Policy coherence is essential to fully understand and address the interrelated causes of inequality, exclusion and disempowerment. These include, for example, structural factors, both at international and national levels, which limit people's opportunities to benefit fully from economic assets and resources, or discriminatory laws, regulations and policies and regressive tax systems.

Context and challenges: An overview

The following sections provide a brief overview of global progress on the SDGs under HLPF review. They are intended to set the scene for the remainder of the chapter, which looks more closely at the interactions between the Goals.

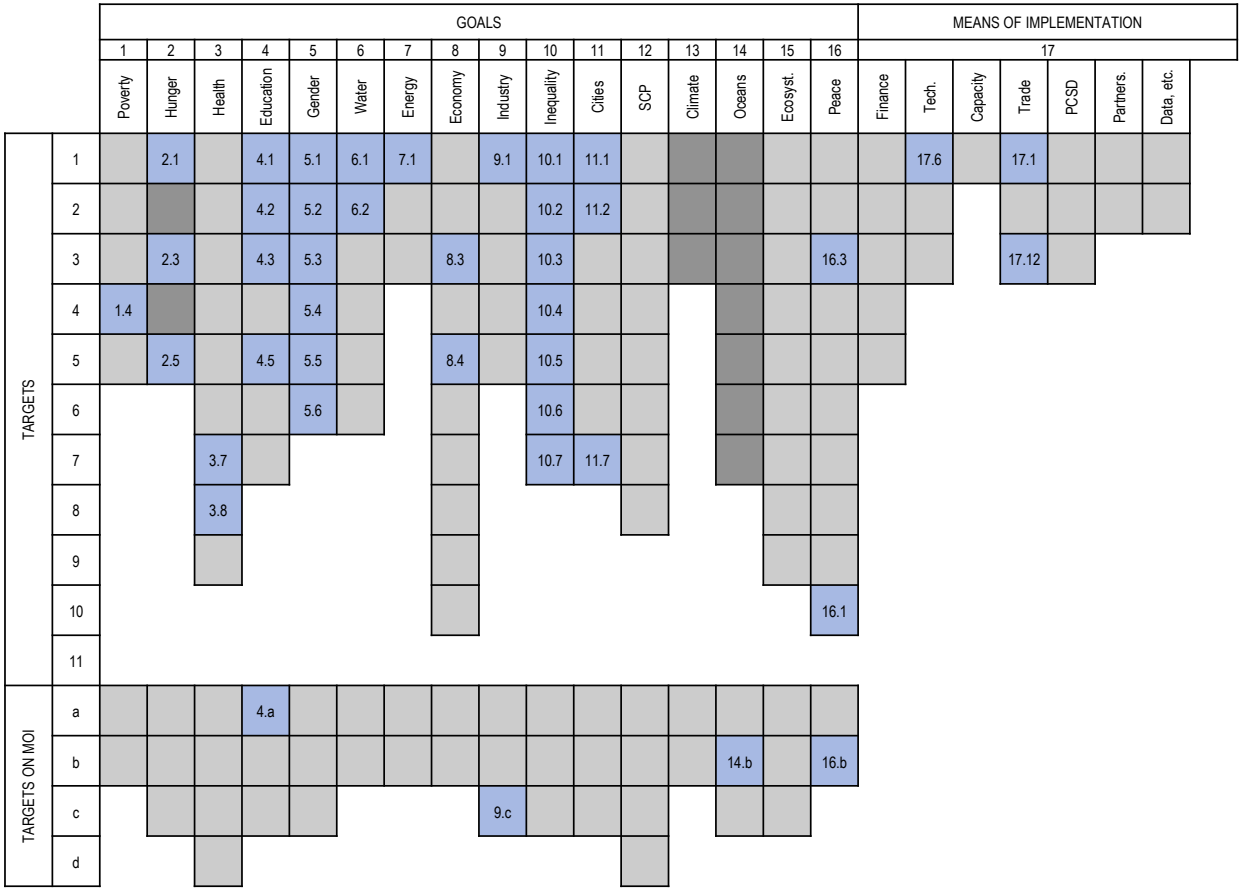
Goal 4: Quality education

Sustainable Development Goal 4 calls on all countries to ensure inclusive and equitable quality education and promote life-long learning opportunities for all. It sets an ambitious agenda that emphasises quality learning and equity in education alongside the more traditional indicators of access and participation.

The past 15 years have seen considerable gains in education enrolment worldwide. Yet, in 2014, about 263 million children and youth were out of school, including 61 million children of primary school age. Sub-Saharan Africa and Southern Asia account for over 70% of the global out-of-school population in primary and secondary education (UN, 2018[1]).

According to the United Nations second progress report on the SDGs, equity issues constitute a major challenge in education. In all countries with data, children from the richest 20% of households achieved greater proficiency in reading at the end of their primary and lower secondary education than children from the poorest 20% of households (United Nations, 2017[2]). In most countries with data, there is also a geographical divide: urban children scored higher in reading than rural children.

Figure 1.1. SDG targets related to equal rights and equal access of all people



Note: This figure depicts the SDGs horizontally across the top and the targets vertically, with a view to show the spread of targets across the 2030 Agenda that relate to equal rights and equal access of all people to various elements of sustainable development, e.g. education (SDG 4), water (SDG 6), energy (SDG 7), justice (SDG 16) and science, technology and innovation (SDG 17).

Another challenge relates to the lack of trained teachers and the poor condition of schools in many parts of the world, which are jeopardising prospects for quality education for all. Sub-Saharan Africa has a relatively low percentage of trained teachers in pre-primary, primary and secondary education. Moreover, the majority of schools in the region do not have access to electricity, computers and the Internet, or even potable water.

In OECD countries, key trends and challenges for education include rapidly evolving demand for qualification and skills, demographic, social and economic change and increasing system complexity.

Rapidly evolving skills needs can contribute to increasing social and economic disparities if education systems cannot respond quickly. Jobs involving routine cognitive or mechanical tasks are susceptible to substitution by technology, whereas many jobs involving non-routine tasks that cannot be carried out by technology occur at either the low or the high end of the skill distribution (Levy and Murnane, 2013[3]; OECD, 2017[4]).

Demographic change poses challenges on how to distribute limited education resources fairly among heterogeneous school profiles. Some countries face decreasing enrolment in some areas but increasing enrolment in others. Population ageing may result in larger shares of people attending post-secondary education than ever before, which raises the challenge of balancing quality of and access to education for all. Increased migration, in turn, involves challenges related to a more diverse and multicultural student population, including facilitating their integration into the labour market and society (OECD, 2018[5]).

Increasing system complexity requires ensuring coherence in policy design and implementation processes. People have high expectations on the quality of their education systems; the number of stakeholders in education systems is larger than ever before; and, with the progress of technology, engagement and accountability mechanisms are becoming more sophisticated. Responding to the dual requirements of involving stakeholders and generating evidence to inform the policy discourse is a key objective for OECD countries' education systems (OECD, 2018[5]).

Goal 8: Decent work and economic growth

Promoting more inclusive access to good quality jobs, including for women, migrants and marginalised groups, increasing labour productivity and improving access to financial services and benefits are essential components of sustained and inclusive economic growth. This is at the core of SDG 8, which calls on all countries to promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.

For the first time in many years, all the major regions of the world are enjoying a widespread and largely synchronised economic upswing (OECD, 2018[6]). Digitalisation, globalisation, demographic and climate change are bringing about significant changes in the rate and composition of productivity growth, business dynamism and employment gains. While these changes offer potential for large economic gains, they also raise new challenges and policy needs. Notably, the impact of the current growth model, with unsustainable exploitation of natural resources and ecosystems, threatens the foundations of continued growth.

At the same time, recent decades have seen a persistent slowdown in productivity growth in developed economies and, more recently, also in emerging economies. Productivity growth is essential for reducing poverty and unemployment and for creating jobs. Behind this slowdown, there has been a growing dispersion of productivity performance within countries between firms and regions, with some of them enjoying fast productivity gains enabled by rapid technological progress, and others lagging behind. In other words, while

the productivity frontier keeps advancing, these gains have not diffused throughout the rest of the economy (OECD, 2018[7]). A number of studies also show that wage dispersion is largely explained by an increase in wages between firms rather than within them.

Innovation is key to drive long-term productivity and income growth. Digitalisation in particular offers great scope for improving production methods, but firms' uptake of new technologies is uneven. For digitalisation to strengthen overall growth performance, the divide between frontier and lagging firms needs to be closed. As advanced economies converge towards the frontier, growth should become increasingly innovation-driven. For emerging and developing countries that have come less far along the convergence process, the ability to adopt technologies is essential for raising productivity and speeding up structural change (OECD, 2018[8]). In many countries, poor access to finance and skilled labour undermine businesses' potential for growth.

Jobs are being created, yet many people have seen little or no income growth during the last decade. Inequality is also persistent and on a longer-term trend rise within many countries: affluent households have seen their living standards increase faster than those of the poorest and the middle class (OECD, 2019[9]). This accumulation of disadvantages for certain income groups can have detrimental effects on the prosperity and well-being of all, as large degrees of inequality weigh on the potential for future economic and productivity growth (OECD, 2018[8]). The quality of people's working environment matters too, as quality jobs are an important driver of increased labour force participation, productivity and economic performance. Responsible business conduct plays an important role here, as companies – through various national and international initiatives and agreements – have committed to uphold labour rights and standards in their activities.

In countries such as India, Indonesia and Turkey, but also Italy and Greece, labour informality remains a key challenge for boosting inclusive growth. Bringing more workers in formal jobs will offer better prospects to improve skills and productivity while providing them with better social protection (OECD, 2018[6]). Reducing gender pay gaps, in turn, could make it more financially attractive for women to work, thus making labour markets more inclusive.

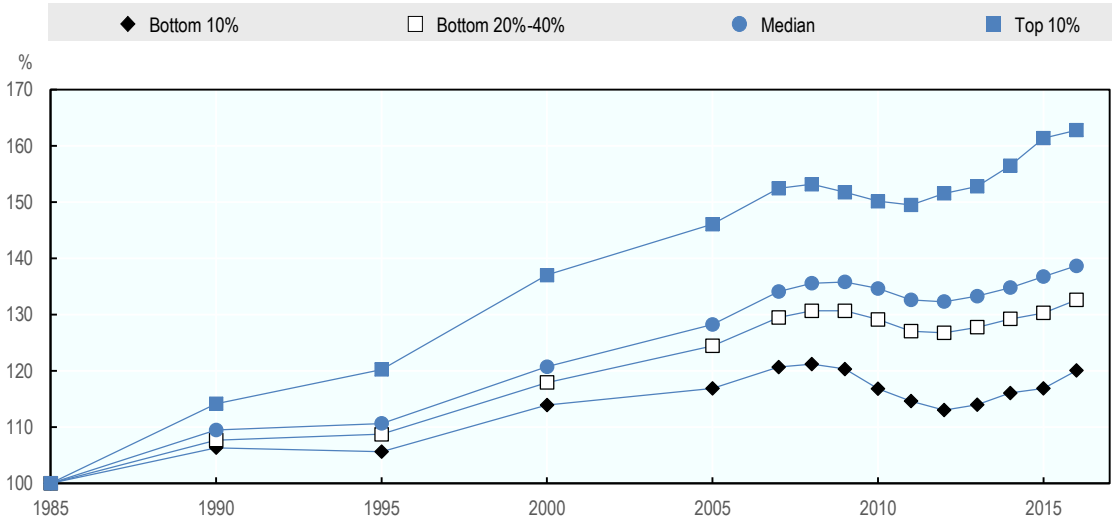
Goal 10: Reduced inequalities

Globalisation, digitalisation, demographics and climate change are transforming the way economies work, providing new opportunities for growth. At the same time, they are raising the risk of deeper inequalities if the gains from growth are not evenly shared among people, firms and regions. Leaving no one behind, the 2030 Agenda's cardinal principle, implies that the global economic recovery should benefit all people in all countries. Yet, the gap between rich and poor continues to widen, with growth disproportionately benefiting higher income groups. Arresting this trend has become a priority for policy makers around the world: with the adoption of SDG 10, they have made a collective commitment to reduce inequality within and between countries.

An important source of global income inequality is increasing income inequality within countries. In OECD countries, recent decades have seen median and lower incomes grow more slowly than top incomes (Figure 1.2). In emerging economies, a sustained period of strong economic growth has helped lift millions of people out of absolute poverty, but the benefits of growth have not been evenly distributed and high levels of income inequality have risen further. In developing countries, three of every four households are in societies where incomes are more unequally distributed now than in the early 1990s (UNDP, 2013[10]).

Figure 1.2. Real disposable income growth by income position

Average for 17 OECD countries, 1985-2016 (1985 = 100%)



Note: Unweighted average for 17 countries for which long-term data are available: Canada, Denmark, Finland, France, Germany, Greece, Israel, Italy, Japan, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Sweden, the United Kingdom and the United States.
Source: OECD (n.d.[11]), *Income Distribution Database (IDD)*, www.oecd.org/social/income-distribution-database.htm.

In contrast to the trend seen in within-country inequality, income inequality between countries has been on a general trend towards convergence between developed and developing countries since the early 1990s, mainly as a result of rapid economic growth in Asia. Once Asia is excluded, however, income differentials between developed and developing countries remain large and have not changed significantly (UN DESA, 2015[12]).

Wealth inequality is equally high: globally, in 2014, the richest 5% held on average more than one third of the total wealth; and the richest 1% held nearly one-fifth (OECD, 2018[8]). High levels of wealth inequality may increase the risk that narrow interest groups could influence the policy making process and "capture" its benefits, especially if not counter-balanced by well-designed regulation on lobbying and campaign financing.

Inequalities have also undermined people's confidence in open trade and markets and could further weigh on long-term growth and macro-economic stability. Making the international trading system work better for more people calls for an approach that puts improved well-being and stronger and more inclusive growth at the centre and empowers citizens, firms and communities to adjust to rapid changes and benefit from the opportunities created by technology, globalisation and trade (OECD, 2017[13]).

Gender gaps in employment and earnings have declined, but still remain large and there is a need for policies to eliminate the unequal treatment of men and women in the labour market (OECD, 2017[14]). In addition, earnings inequality among women is higher than among men, and one could expect this to drive up overall inequality (OECD, 2015[15]). In developing countries, women are often disproportionately affected by poor infrastructure or denied control and ownership of productive and economic resources, such as land. This reduces their educational and employment opportunities further.

Migration can offer important benefits to countries of origin and destination alike. But it can also create new inequalities and exacerbate existing ones. Not everyone has equal access to the benefits of migration: migration often reflects and reinforces existing spatial, structural and social inequalities including those related to gender, age and income. Inequalities can also result from increased barriers to migration, irregular and precarious migration, poor labour conditions, and a lack of rights for migrants and their families (Crawley, 2018[16]).

Goal 13: Climate action

Due to global economic growth, the surging use of fossil energy, and increases in worldwide consumption, transport and trade, global greenhouse gas emissions have more than doubled since the early 1970s (OECD, 2015[17]; 2008[18]). Recent studies suggest that human activities have already caused a rise in global temperatures of around 1.0°C from pre-industrial levels (IPCC, 2018[19]).

Climate change presents a threat to sustainable development everywhere, with disproportionate impacts on the poorest and most vulnerable. In fact, climate change could even accelerate inequality as poor and low-income people depend strongly on natural resources and functional ecosystems for their livelihood. They also tend to live and work in areas more susceptible to temperature extremes, in buildings less able to withstand them, and with little formal social protection.

Urgent action to combat climate change and its impacts, as called for by SDG 13, is thus integral to the successful implementation of the 2030 Agenda and for leaving no one behind. Indeed, pursuing climate action and sustainable development in an integrated and coherent way offers countries a strong opportunity to achieve their common objectives under all three post-2015 agendas for action: the Paris Agreement, the 2030 Agenda, and the Sendai Framework for Risk Reduction (UNFCCC, n.d.[20]).

Climate change has far-reaching, mainly negative, consequences on the global environment, economy and our societies as a whole. It will increasingly contribute to the already alarming loss of biodiversity; threaten agricultural production across the world; lead to rising sea levels and loss of land and capital in coastal areas. These effects will have negative consequences on the livelihoods and well-being of populations, thereby triggering population movements within and between countries (OECD, 2018[21]).

The 2015 Paris Agreement is a milestone of international co-operation on climate change, but current efforts must be accelerated in order to "holding the increase in the global average temperature to well below 2 °C above pre-industrial levels and pursuing efforts to limit the temperature increase to 1.5 °C above pre-industrial levels, recognising that this would significantly reduce the risks and impacts of climate change".

Goal 16: Peace, justice and strong institutions

In many countries, the financial crisis strained the relationship between government and citizens and weakened trust in public institutions. Lack of trust in government compromises the willingness of citizens and business to respond to public policies and contribute to economic recovery and sustainable development. Similarly, it can affect their compliance with regulations and tax obligations.

The most cited reason for lack of trust in government is corruption. Corruption undermines productivity through biased decisions in both the public and the private sector over the use of resources (OECD, 2018[22]). It facilitates illegal migration and the smuggling of arms,

natural resources or other stolen consumer goods, as well as trafficking in drugs, cigarettes and alcohol, amongst others. Employment rights, decent pay and working conditions are also affected by corruption, as jobs in the production of counterfeit goods are unregulated and low-paid. Workers are placed in a vulnerable position and not granted the same form of protection as in the more regulated employment market (OECD, 2017[23]).

Weak rule of law undermines social, political and economic stability and increases the risk of geopolitical and social conflict (WEF, 2017[24]). Today, an estimated four billion people around the world live outside the protection of the law, mostly because they are poor or marginalised within their societies. Women, who often face multiple forms of discrimination, violence and sexual harassment, are particularly affected by legal exclusion.

Conflict and fragility adversely affect the lives of millions. Without action, more than 80% of the world's poorest will be living in fragile contexts by 2030 (OECD, 2018[25]). In fragile contexts, rates of extreme poverty can increase as individuals are displaced, livelihoods are devastated, and opportunities for broader growth, development and prosperity are destroyed. Open, effective and accountable institutions, together with sound public governance, can make a real difference for citizens, economies and societies. This is at the heart of SDG 16, which calls on countries to promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.

The destabilising effects of conflict, climate change and environmental degradation make it harder for leaders, institutions, and other stakeholders to reduce poverty and promote human development. Globally, progress promoting peace and justice, together with effective, accountable and inclusive institutions remains uneven, with recent years witnessing a deteriorating commitment to global co-operation (WEF, 2017[24]). In 2016, more countries experienced some form of violent conflict than at any time in the past 30 years and the number of displaced people in the world is the highest since the end of the Second World War (OECD, 2018[25]).

An integrated agenda: Capturing critical interactions between the Goals

The interconnected challenges that the SDGs aim to address cut across multiple policy areas, scales and levels of government. The SDGs cannot be achieved applying single-sectoral approaches. There is an urgent need for more integrated and coordinated approaches in planning and policy: failure to recognise critical interlinkages between the SDGs today may slow down progress in implementation tomorrow. Taking into consideration how the SDGs interact with each other is also essential for addressing core cross-cutting priorities of the 2030 Agenda, such as empowerment, inclusiveness and equality.

For example:

- Education (SDG 4) and life-long learning opportunities are fundamental enablers for nearly every other goal and key for breaking the circle of poverty (SDG 1). Inequality-reducing policies in education and labour markets will generate greater total welfare returns as they spill over into other areas. Equal access to quality education (SDGs 4.1, 4.2 and 4.3) can empower people and help them find decent employment (SDG 8.5), increase their incomes, and achieve higher levels of economic productivity (SDG8.2). Education also fosters equality (SDG 10) by promoting the social, economic and political inclusion of all. Education in science,

technology, engineering and mathematics (STEM) drives innovation and the development of environmentally sound technologies and ICTs (SDG 9. It helps to inform and build support for climate action (SDG 13), as well as for sustainable consumption and production (SDG 12), natural resource efficiency, and the transition to a circular economy.

- Economic growth (SDG 8) that is distributed fairly across society and creates opportunities for all is crucial to reduce inequalities within and between countries (SDG 10). Inclusive growth helps to foster a more coherent approach to the economic, social and environmental determinants of inequalities at work, in income, educational attainment and many other areas. Well-organised and inclusive cities (SDG 11), for example, allow their dwellers to access opportunities regardless of their location within the city. More often than not, economic, social and environmental inequalities go hand-in-hand with socio-economic and residential segregation. Households facing economic difficulties are often marginalised, living in areas with lower access to education, transport, energy, water and waste-management infrastructure and higher environmental pollution. However, growth needs to be made sustainable if it is to be consistent with climate goals (SDG 13) and in particular low-emissions development pathways. Moreover, to ensure long-term prosperity, economic growth frameworks need to also consider natural resource efficiency and the critical interlinkages between water (SDG 6), energy (SGD 7), oceans (SDG 14) and biodiversity (SDG 15).
- In terms of employment (SDG 8.5), labour market inequality and segregation can exacerbate broader economic, social and environmental inequality (SDG 10). Vulnerable groups often find themselves in low-income population segments, precarious informal employment and sectors most likely to suffer from climate change (SDG 13), such as agriculture, tourism and health. The lack of adequate resources, social protection and climate change impacts undermines their ability to fully participate in society, posing a significant risk of being left behind. Even in formal, regulated employment, discrimination based on gender, age, race, health or sexual orientation is a common occurrence (SDG 10.2). Ensuring equal opportunities and protection from discrimination can help tackle inequalities by fostering sustainable growth, reducing poverty risks (SDG 1), increasing resource availability at household level for education expenditure, foster social cohesion, as well as improving public health and well-being (SDG 3).
- The effects of climate change (SDG 13) and environmental degradation are unevenly distributed between and within countries. Therefore, policies aimed at reducing environmental inequalities need to take a holistic approach and also address the social drivers of environmental footprints. For example, demand-based CO_2 emission patterns hide behavioural traits linked to the inter-country and intra-country dynamics of inequality (SDG 10) and to economic opportunities through trade. Women and vulnerable groups are often particularly hard hit by environmental degradation. To the extent possible, governments should seek out policy complementarities between promoting greater resource efficiency and equity, along with sound mitigation of and adaptation to the associated risks across multiple SDGs (e.g. biodiversity loss, marine ecosystems, spatial planning and territorial cohesion, and better usage of soil).
- Lack of trust in government, corruption (SDG 16.5) and unequal access to justice (SDG 16.3) compromises the willingness of citizens and business to respond to

public policies and contribute to economic growth (SDG 8) and sustainable and inclusive development. Conflict and fragility reduce social, political and economic stability and opportunities further, and hinder people's access to basic utilities and services. Conversely, strong institutions, equal access to justice and legal empowerment – one's ability to understand and use the law – enables vulnerable and marginalised people to achieve justice, meet their basic needs, hold authorities to account, protect their interests and participate in economic activities in an inclusive manner.

Applying the **OECD Framework on Policy Coherence for Sustainable Development** to the Goals to be reviewed by the 2019 HLPF can help governments identify and address critical interlinkages between them, and provide a basis for prioritising action.

The purpose of the following sections is to explore some of these interactions in more detail, as well as the transmission channels through which they operate. While interactions with other SDGs are equally important, they are not the focus of this analysis. In recognition of this limitation, however, and to provide the broader context, the Annex provides an overview of potential interactions with all 17 Goals.

Inequality impacts on economic growth and sustainable development

One factor behind the impact of inequality (SDG 10) on growth (SDG 8) is the growing gap between lower income households and the rest of the population. This is true not just for the very lowest earners – the bottom 10% – but for a much broader group of low earners – the bottom 40% (OECD, 2015[15]). Countering the negative effect of inequality on growth, as illustrated in Figure 1.3, is thus not just about tackling poverty but also about addressing low incomes more broadly. The estimates presented in the figure are meant to be illustrative and should not be interpreted as the causal effect of the actual change in inequality in each country.

Looking at the growth consequences of inequality in different parts of the income distribution, in turn, shows that lowering inequality by reducing income disparities at the bottom of the income distribution has a greater positive impact on economic performance than if the focus were on reducing inequality at the top of the income distribution (OECD, 2015[15]).

Inequalities of income and opportunity tend to feed on each other, compounding disadvantages even further by reducing labour quality, undermining productivity diffusion, aggregate productivity and growth – all foundations of higher multidimensional living standards (OECD, 2018[7]). Many factors that drive these inequalities and weigh on productivity growth are cross-border in nature, so they affect economies in an interconnected way. At the same time, large inequalities may go hand in hand with environmentally unsustainable patterns of production and consumption, and inefficient use of already scarce natural resources (OECD, 2018[8]).

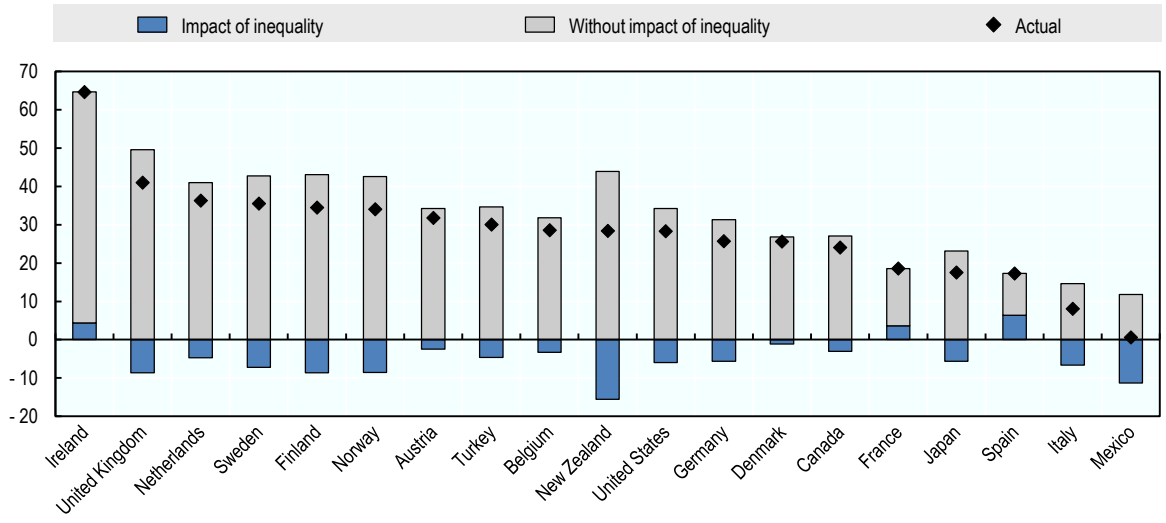
Human capital investment is a key transmission mechanism between inequality and growth

Quality education and equal learning opportunities are not only important objectives in their own right, but fundamental enablers for nearly every other goal. Education can boost the overall quality of life of each individual, as well as help economies to be stronger, fairer and more resilient. Conversely, shortfalls in academic achievement are extremely costly: governments must find ways to compensate for them and ensure the social and economic

welfare of all. The impact of skills and skills inequality extends even further, going beyond a nation's economic wealth. It ripples out to all aspects of society, such as in poorer health, in a climate of violence or social unrest (OECD, 2018[26]). This makes the need for policy coherence even more important.

Figure 1.3. Estimated consequences of changes in inequality (1985-2005) on subsequent cumulative growth (1990-2010)

Growth rates, in percentages



Note: The chart reports the estimated consequences of changes in inequality on the growth rate of GDP per capita (relative to the population aged 25-64) over the period 1990-2010. "Actual" is the actual growth rate of GDP per capita; "Estimated impact of inequality" is obtained based on the observed changes in inequality across OECD countries (in 1985-2005) and the average impact of inequality on growth across countries estimated in the analysis; "Without impact of inequality" is the difference "Actual - Impact of inequality". It should be interpreted as the estimated growth rate that would have been observed had inequality not changed. Actual growth in Germany is computed starting in 1991; the changes in inequality are limited to the period 1985-2000 in the case of Austria, Belgium, Spain and Ireland. These estimates are meant to be illustrative and should not be interpreted as the causal effect of the actual change in inequality in each country.
Source: OECD (2014[27]), *Focus on Inequality and Growth: Does Income Inequality Hurt Economic Growth?*, http://oe.cd/idd (accessed on 14 May 2019).

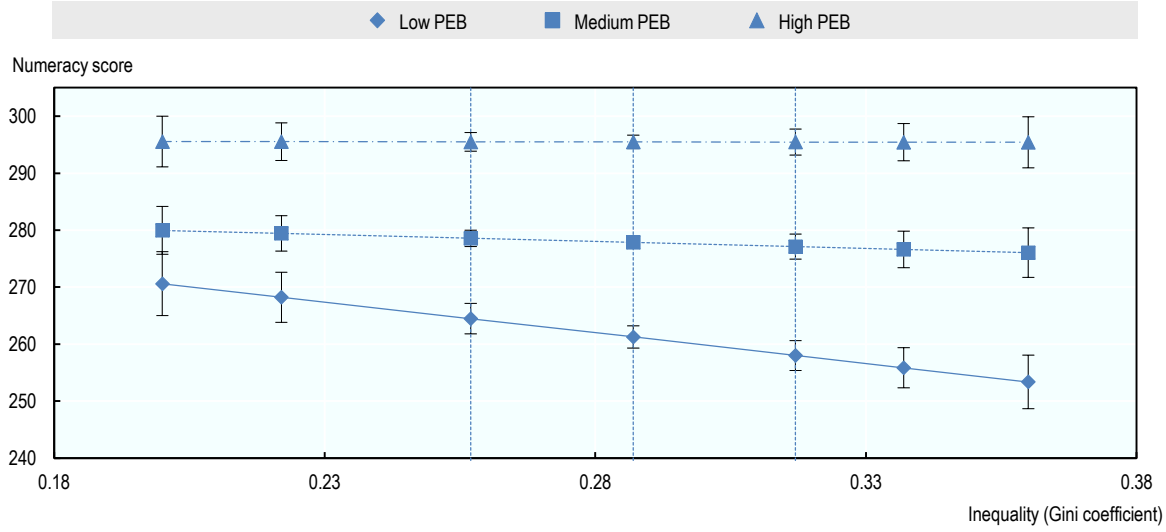
Inequality (SDG 10) has a negative impact on growth (SDG 8) through the channel of human capital investment (SDG 4). Achieving stronger productivity growth and reduced inequality requires action to better ensure that all individuals have the skills to obtain rewarding and productive employment and that these skills are fully used. In unequal societies, low-income households are less able to invest in education and take advantage of opportunities than better-off households (OECD, 2015[15]). This is particularly likely to be the case when poor families are concentrated in remote regions or neighbourhoods within urban areas that are characterised by limited economic opportunities, poor social services and concentrated poverty (OECD, 2018[7]).

Comparing the education performance at different levels of inequality of three social groups – people whose parents come from high, medium and low educational backgrounds – across three areas, namely education attainment, skills and employment, shows that people from low socio-economic groups do less well in all three of these dimensions than people from higher socio-economic groups. But while there is always a gap in education

outcomes across individuals with different socio-economic backgrounds, the gap widens in high-inequality countries as people in disadvantaged households struggle to access quality education. This implies large amounts of unused human potential and lower social mobility (OECD, 2015[15]). Moreover, intergenerational effects generate persistence in the negative feedback loop, lowering the skills of the poor even further (Figure 1.4). Children of asylum seekers, for example, are sometimes unable to benefit from education in the country where the asylum application was requested. This can lead to disparities in educational outcome both in the short- as well as in the long-term. To spare children from experiencing a long gap without formal education, some countries – such as Greece – focus on providing equal access to education for all, integrating asylum seeker's children into regular classes.

Figure 1.4. Inequality lowers skills of the poor

Average numeracy score by parent educational background (PEB) and inequality



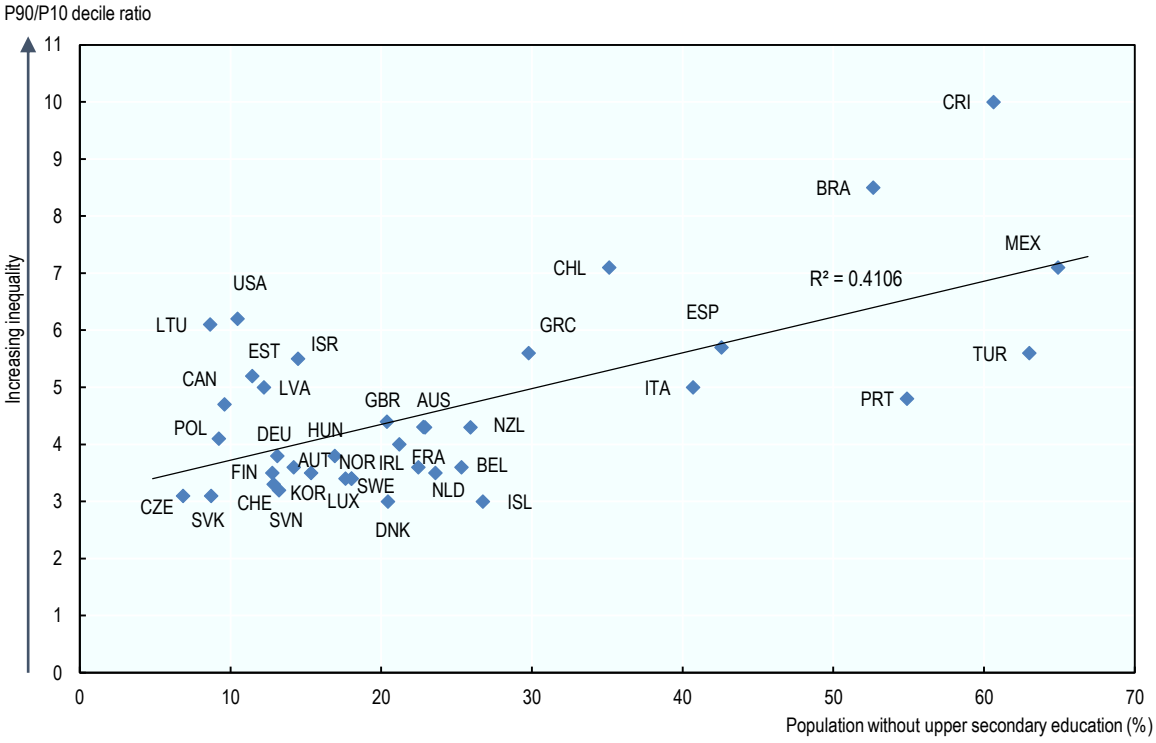
Note: The graph plots the average predicted numeracy score for individuals from low, medium and high family (educational) backgrounds, as a function of the degree of inequality (Gini points) in the country at the time they were around 14 years old. Low PEB: neither parent has attained upper secondary education; medium PEB: at least one parent has attained secondary and post-secondary, non-tertiary education; high PEB: at least one parent has attained tertiary education. The bars indicate 95% confidence intervals. The vertical dashed lines indicate the 25th, the median and the 75th percentiles of the underlying distribution of inequality.
Source: OECD (2015[15]), *In It Together: Why Less Inequality Benefits All*, https://dx.doi.org/10.1787/9789264235120-en, based on PIAAC data.

Higher educational attainment contributes to reduced income inequality

SDG 4.1 calls for equitable and quality primary and secondary education for all girls and boys, while SDG 4.3 seeks to ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university. OECD research shows that the level of education has implications for income inequality (SDG 10.1): countries with a lower share of people with low educational attainment tend to enjoy lower income inequality. Income inequality is largest in countries with a high share of people without upper secondary education, such as Brazil, Costa Rica and Mexico, and smallest in countries with a low share of people without upper secondary education, such as the Czech Republic and the Slovak Republic (OECD, 2018[26]).

On average across OECD countries, adults (age 25-64) without upper secondary education earn about 20% less for part-time or full-time employment than those with upper secondary education, while those with a tertiary degree have an earnings advantage of about 55%. Similarly, the likelihood of earning more than the median[1] increases with educational attainment (Figure 1.5).

Figure 1.5. Percentage of 25-64 year-olds without upper secondary education and income inequality (2015)



Note: The P90/P10 decile ratio is the ratio of the upper bound value of the ninth decile (i.e. the 10% of people with highest income) to that of the upper bound value of the first decile. The income distribution is measured with regard to the disposable income of the population aged 18-65.
Sources: OECD (2018[28]), *Education at a Glance Database*, https://stats.oecd.org/; OECD (n.d.[11]), and *Income Distribution database (IDD)*, www.oecd.org/social/income-distribution-database.htm.

Although there has been significant progress in increasing levels of educational attainment in many countries over recent years, in some countries this has been achieved at the expense of quality, leading to a decrease in the levels of basic skills acquired for each level of educational attainment (OECD, 2018[7]). This shows the need for policy coherence not only between SDG 4 and other goals, but also between individual education targets, e.g. access to education versus quality of education.

Skills imbalances and mismatches result in lower productivity

SDG 4.4 calls on all countries to substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship. Indeed, skills are a major driving force of growth through their effect on labour productivity. They are essential for young people to enter the labour market, access good-quality jobs and embark on successful careers. They are also crucial for adults

to keep abreast of technological developments and maintain their employability in a rapidly changing and interdependent world. To address these imbalances, some countries have taken steps to promote high-quality life-long learning for all, including teachers. Denmark, for instance, provides teachers with training to obtain a pedagogical licence in information and communication technologies, that has recently been expanded to initial teacher education and general upper secondary education due to its success in equipping youth with key skills necessary for tackling future economic challenges (OECD, 2019[29]).

Yet, despite the increasing need for all citizens and workers to adapt their skills in the face of structural transformations, low- and medium-skill workers are the least likely to receive training in all OECD countries, even though they may be facing the greatest risk of job loss. This is partly the result of lower returns on training, but also a reflection of the limited opportunities offered to these groups and of the specific obstacles they face (OECD, 2019[30]). Ongoing labour market and economic changes are also generating significant imbalances between the demand and supply of skills. Such imbalances (shortages and surpluses) have several negative effects as they slow down the adoption of new technologies, delay production, increase labour turnover and reduce productivity and earnings potentials (OECD, 2018[31]).

Mismatches at work, where an individual's skills are not actually used in his or her job, potentially have an even greater impact on wages and productivity than skills proficiency. At the individual level, it affects job satisfaction and wages. Better adapting skill utilisation to the competencies of workers could potentially reduce wage inequality by lifting wages in the bottom part of the distribution. At the firm level, it increases the rate of turnover and may reduce productivity. At the macro-economic level, it increases unemployment and reduces GDP growth through the waste of human capital and the implied reduction in productivity (OECD, 2016[32]).

Segmented and informal labour markets deepen inequality and lowers productivity

When labour markets are imperfectly competitive, inequalities do not just depend on the skill structure of labour demand and supply, but also on the composition of firms and contracts. Moreover, the persistence of inequalities depends on the extent to which workers can take advantage of the different opportunities offered to them by firms (OECD, 2018[33]).

Occupational inequality and segregation often translate into deeper economic, social and environmental inequalities. For example, segmented or dual labour markets – where opportunities to engage in full and productive employment (SDG 8.5) or benefit from labour protection (SDG 8.8) differ between people – deepen income inequality (SDG 10.1) further. Workers in precarious jobs tend to receive less training than those who are in well-protected regular contracts, despite the fact that those with temporary contracts are more likely to be low-skilled. This divide, whereby unprivileged workers fall increasingly behind, becomes even deeper in countries with large informal markets (OECD, 2018[7]).

Informality is closely related to low labour market inclusiveness, not least because large portions of the workforce (often women, low-skilled youth or older workers) are left unprotected from statutory or collectively agreed labour standards as well as social insurance. Typically small in size, informal firms are prevented from reaching an efficient scale of production, which holds down overall productivity growth. Informality also limits the capacity of the state to collect taxes and hence the resources that can be used to promote inclusive and sustainable growth, through for example public investment in infrastructure and education and the development of labour market programmes (OECD, 2018[33]).

People with low or irregular incomes easily become marginalised, living in areas with lower access to education (SDG 4), transport (SDG 9), energy (SDG 7), water (SDG 6) and waste management (SDG 12), amongst others. The geographical concentration of disadvantaged families, in turn, tends to reinforce some of the mechanisms responsible for the transmission of disadvantage across generations.

Productivity and inequality interact in multiple ways

Productivity gains are one of the major drivers of economic growth and development. SDG 8.2 encourages governments to achieve higher levels of productivity of economies through diversification, technological upgrading and innovation, including through a focus on high value added and labour-intensive sectors, while SDG 10 calls on governments to reduce inequality within and between countries. Addressing these twin challenges together is possible, but requires a good understanding of how they interact with one another.

Firstly, as discussed in previous sections, the slowdown in productivity growth and increase in inequality are linked through their negative impact on employment opportunities and human capital accumulation by low-income families. A policy environment where a considerable number of people have few resources and find it difficult to obtain and retain a good job, to save and invest in their own skills, and to support good quality education for their children, is also one where productivity growth is sub-optimal (OECD, 2018[7]). For example, notwithstanding recent improvements, Latin America is still the region with the highest income inequality in the world. While unemployment in the region is relatively low – and its workers put in long hours – there is a very high incidence of informality, and the productivity gap with respect to more advanced economies is daunting. The challenge for governments in the region is to put their economies back on a stronger, fairer and more sustainable growth trajectory by undertaking the comprehensive structural reforms needed to accelerate productivity growth while improving social cohesion (OECD, 2016[34]).

Secondly, there is evidence that technological change – which is a key driver of productivity growth – might exacerbate inequalities across individuals, firms and regions through at least four channels (c.f. OECD (2018, p. 95[7])):

- *Persistent digital divide.* A lack of adequate skills combined with a lack of access to information and communications technology (ICT) implies that the digital divide among people may persist. For individuals, even as access to digital technologies has increased strongly, skills to effectively use ICT and drive associated wage increases have both lagged. By the same token, the uptake of ICT and knowledge-based capital (KBC) by smaller firms has also lagged, thus contributing to lagging diffusion of frontier productivity. Across regions too, those less connected fair worse in terms of equity and growth.
- *Labour market polarisation.* Evidence from a number of countries suggests that the demand for labour is polarising at the two extremes – high, abstract skills and low, manual skills with a 'hollowing out' of the middle-skilled jobs dominated by intermediate, routine skills. The question is how far and fast this trend could further develop. Ongoing technological changes including developments in artificial intelligence and big data could lead to more dramatic changes than experienced in the past, and in particular, to a further hollowing out of employment and wages. At the same time, these innovations harbour great promise for more robust productivity growth and new jobs.

- *Rents and winner take all dynamics.* The slowdown in productivity growth may be exacerbated by the nature of technological change and how firms and policies interact. Companies at today's technological frontier in sectors characterised by network externalities (a type of natural monopoly) could gain a persistent competitive edge with little spill-over of the technological advances to the other firms that come later. Hence, some frontier firms may earn more excess returns – rent – that, if not competed away over time, can have negative effects on the diffusion of productivity. Apart from increasing capital incomes – themselves a source of inequality – these firms will be able to pay persistently higher wages to their staff, contributing to widening inequalities at the level of individuals (Box 1.1).

- *Financialisation.* Technological tools and the expansion of the financial sector have enabled greater financialisation of business and the economy and have altered how firms and individuals behave. At the same time, finance is a core element of how reallocations within an economy proceed, to either enhance or inhibit productivity growth and equity. Poorly performing financial institutions can hold back the reallocation process of exit and entry of new firms, thus reducing productivity growth as well as capturing skilled workers in poorly matched jobs, and subsequently hindering equity. Individuals that start unequal with respect to income and wealth have greater difficulty accessing credit, thus compounding their situation.

Thirdly, the restructuring of firms and reallocation of resources is fundamental to productivity growth. However, the pace of technological change and its associated demand for restructuring and reallocation of firms and workers may be faster than the pace of adaptability of individuals, firms, and regions. Ensuring that productivity gains from resource allocation does not lead to higher levels of skills mismatches or unemployment thus requires simultaneous efforts across several policy areas.

Box 1.1. The link between growing productivity dispersion and wage inequality

With the renewed focus on sources of inequality in our economies, attention has turned towards differences in productivity across firms as a potential source of wage inequality. Indeed, a number of studies have shown that the dispersion in wages is largely explained by an increase in wages between firms rather than within them – that is, most of this dispersion comes from increasing differences in wages between the highest and lowest paying firms, rather than from an increasing gap between top- and bottom-earners within the same firm. Using firm-level data, recent research based on the OECD MultiProd project shows that:

- The gap has increased between the most and least productive firms, and between the top-paying and bottom-paying firms.
- Inequality in wages has grown faster in sectors in which the gap in productivity has increased the most.
- Structural factors – globalisation and digitalisation – as well as labour market policies and institutions explain some of these differences. They also affect the link between productivity dispersion and wage dispersion, and can therefore affect the extent to which productivity differences translate into wage differences.

Sources: Berlingieri, G., P. Blanchenay and C. Criscuolo (2017[35]), "The great divergence(s)", https://doi.org/10.1787/953f3853-en; OECD (n.d.[36]), *MultiProd: The Micro Drivers of Aggregate Productivity*, www.oecd.org/sti/ind/multiprod.htm.

Sustainable and inclusive growth requires resource efficiency

SDG 8.4 calls on all countries to improve progressively resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation. Improved resource efficiency and productivity have the potential to address inequality in the distribution, availability and use of natural resources and in the exposure to environmental risk factors across world regions and within countries and cities. In practice, this means adding greater value to resources, maintaining that value by keeping resources in use for longer, and reducing the environmental impacts associated with the whole life cycle of resources. This would contribute to reducing extraction and disposal and encouraging a more circular economy.

High-income countries currently consume ten times higher quantities of materials per person than low-income countries. The 1.2 billion poorest people account for 1% of the world's consumption, while the billion richest consume 72% of the world's resources (UN, 2018[1]; OECD, 2019[37]). Moreover, rich countries also create commensurate environmental pressures and impacts – footprints – in the countries of origin of the materials. For example, the consumption of coffee and cocoa result in large water footprints and imports of palm oil and soy bean risk contributing to deforestation in the countries that grow them. Adressing these transboundary impacts is a key element of efforts to enhance policy coherence for sustainable development.

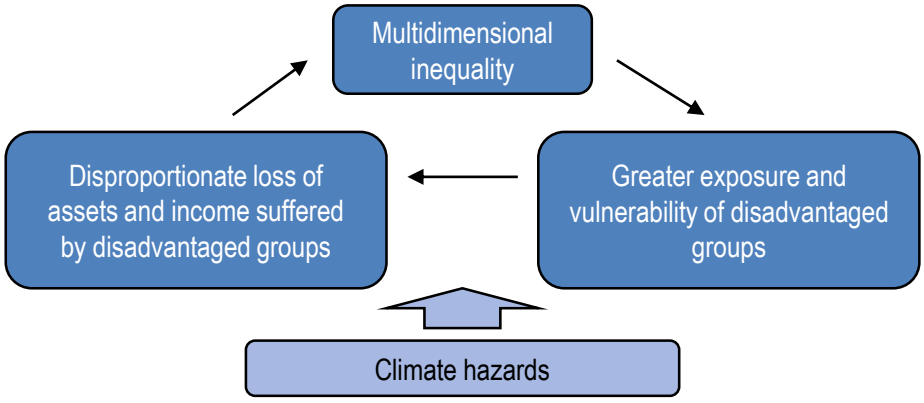
Another example of transboundary impacts relates to carbon footprints: data shows that OECD countries in total are net importers of embodied carbon, while non-OECD countries are net exporters. In other words, OECD countries "consume" more CO2 than they actually emit within their own borders. Similarly, in many developed countries falling carbon intensity of GDP and lower emissions of other environmental "bads" in recent decades have been driven mainly by structural changes such as the shift from manufacturing to services. As a result, the carbon intensity of production in these countries falls while the carbon intensity of consumption rises, due to the increasing share of energy-intensive imported goods (OECD, 2013[38]).

Some countries have managed to decouple economic growth from resource consumption. Japan and Germany, two countries with a traditionally strong manufacturing sector, reduced their domestic material consumption by 30% and 21% between 1980 and 2010 respectively, curtailing negative impacts such as deforestation and climate change (OECD, 2015[39]).

Climate change affects poor and vulnerable people disproportionately

Climate change (SDG 13) and inequality (SDG 10) impact negatively on each other, feeding a vicious circle: initial socio-economic inequalities determine the disproportionate adverse effects of climate change on disadvantaged people; and the impact of climate change, in turn, results in greater inequality (Figure 1.6)

Figure 1.6. Climate change and inequality – a vicious circle



Source: UN DESA (2016[40]), *Climate Change Resilience: An Opportunity for Reducing Inequalities*, https://www.un.org/development/desa/dpad/publication/world-economic-and-social-survey-2016-climate-change-resilience-an-opportunity-for-reducing-inequalities/ (accessed on 11 March 2019).

The United Nations World Economic and Social Survey 2016 identifies three channels through which inequality aggravates the impact of climate hazards on disadvantaged groups:

- *It increases their exposure to climate hazards.* Exposure to the adverse effects of climate change is generally determined by the location of one's dwelling and the location of one's work to secure a livelihood. Intersecting economic, political and social factors play a role in determining those locations. The ways in which these factors operate demonstrate that degrees of resilience to climate hazards are not equal. Asset positions and livelihoods determine whether people can afford to move away from areas of risk in the face of climate hazards. The problem of exposure is particularly acute in densely populated and land-scarce countries (e.g. Bangladesh, India and the Philippines) and affects both rural and urban areas. As households with higher incomes bid up the price of real estate, those with lower incomes are forced into living spaces and geographical areas that are more exposed (c.f. UN DESA (2016, p. 28[40])).
- *It increases their susceptibility to the damages caused by climate hazards.* Even if they experienced the same level of exposure as the rest of the population, which runs counter to reality, disadvantaged groups would in general be more susceptible to damage from the adverse effects of climate hazards. Of the people living in the same floodplain, those residing in houses constructed with fragile materials are more susceptible to damage from floods than those in houses put together sturdily. Similarly, poor farmers and pastoralists are more susceptible to changing rain patterns because they lack the resources to adapt (c.f. UN DESA (2016, p. 33[40])).
- *It decreases their ability to cope with and recover from the damages caused by climate hazards.* The situations and processes to which exposure and susceptibility apply are *ex ante*, while those to which coping and recovery refer are *ex post*. The persistence of multiple inequalities implies that disadvantaged groups will have access to fewer of the resources required to take coping and recovery measures. Those resources generally take any of four forms: (i) households' own resources; (ii) community resources; (iii) resources provided by non-governmental

organisations, private companies or citizens; and (iv) public resources provided by the government. Disadvantaged groups are likely to lack some – if not all – of the resources that are necessary for coping and recovery. As a result, their situation worsens after a climate hazard has materialised (c.f. UN DESA (2016, p. 38[40])).

With regard to geographies, vast discrepancies are observed between and within countries. For instance, small island developing states (SIDS) make up two-thirds of the countries with the highest relative annual losses due to climate-related disasters. According to the Global Climate Risk Index, Haiti, Zimbabwe and Fiji suffered the greatest losses worldwide from climate-related weather events (e.g. storms, floods, heat waves) in 2016; SIDS represented 25% of the top 20 countries that same year (OECD, 2018[21]).

In Korea, the Seoul Metropolitan Government (SMG) has been effective in linking energy-efficiency measures with those to address energy poverty. For example, in the context of the 'Promise of Seoul' initiative, SMG launched in 2015 the Energy Welfare Public-Private Partnership Programme, which targets vulnerable low-income families who would become even more at risk of energy poverty with the acceleration of climate change. The programme aims to increase the energy independence of energy-poor households by providing at-risk communities with home energy upgrades, including energy efficiency improvements, decentralised rooftop solar panels, and LED lights and mini-photovoltaic cells. It also supports disadvantaged job seekers through training and employment as energy consultants to assess energy performance of low-income households (OECD, 2018[41]).

Climate action can support economic growth and create new jobs

The current global economic environment provides governments with an opportunity to boost economic growth (SDG 8) and reduce poverty (SDG 1), while also addressing the challenges of climate change (SDG 13). In other words, ensuring that growth is low-emission, resilient and inclusive contributes to implementing the Paris Agreement and the 2030 Agenda concomitantly. Capitalising on the synergies between the climate and growth agendas, however, requires policy coherence across economic, environmental, social, education, training and labour portfolios to generate an enabling environment for the 'green transition'.

Recent OECD work shows that fiscal and structural reform, combined with coherent climate policy and clean infrastructure investment, can increase long-run GDP by up to 2.8% on average across G20 countries in 2050 relative to a continuation of current policies. If the positive impacts of avoiding climate damage are also taken into account, the net effect on GDP in 2050 rises to nearly 5% across developed and emerging economies of the G20 (OECD, 2017[42]).

An integrated climate and growth agenda can also create new opportunities for workers, if the associated challenges are managed well. While the overall employment impacts are likely to be minimal, jobs will be created in green sectors and destroyed in 'brown' sectors with high environmental footprints. Some regions, including the South-West region of the UK have seized the opportunities for green growth by shifting from traditional agriculture, fishing and shipping to eco-tourism, renewable energy and sustainable aquaculture, balancing economic, social and environmental priorities (OECD, 2017[43]).

In general, there are four main channels through which market-based green policies can impact on (interact with) economic sectors and labour markets (c.f. OECD (2017, p. 6[44])):

- *Changes in production modes:* When adapting to green growth regulation, firms will use fewer polluting inputs and pollution-intensive processes. Therefore, each sector will change its labour demand, creating or destroying jobs.
- *Changes in demand patterns:* Green policies lower the prices of clean goods relative to polluting products. This change in their relative prices impacts the demand for polluting and non-polluting goods. Therefore, individuals purchase increasingly cleaner goods, as they become cheaper than the polluting goods. This changes overall demand patterns and induces shifts in production across sectors. The extent to which workers are able to shift between sectors influences the overall effect on employment.
- *Changes in aggregate income and macroeconomic conditions:* The implementation of green policies can influence the overall economic activity, in particular aggregate supply, demand, and employment. Such policies may also trigger changes in the government budget e.g. through changes in tax revenues. Importantly, well implemented green policies can achieve multiple dividends. Through the reduction of harmful labour market taxation, they can result in improved environmental quality, better health and wellbeing of citizens, and a more efficient economy.
- *Changes in trade and competitiveness:* Producing pollution-intensive goods in a jurisdiction facing green policies can make the good relatively more expensive compared to similar goods produced in jurisdictions without such regulation. Such concerns are relevant for internationally traded goods.

However, while the overall employment effects of green policies are still unclear, one of the key determinants of the ease of transition for the labour force will be the transferability of skills (SDG 4.4) across sectors (OECD, 2017[44]).

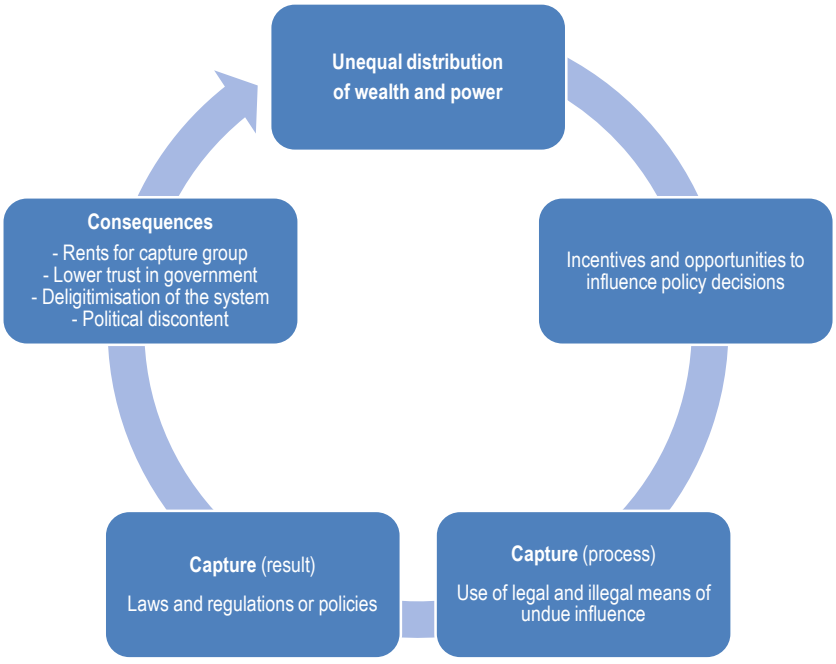
Weak institutions and policy capture hinder inclusiveness and economic growth

In many countries, weak institutions and policy capture, together with fragmented systems of governance, hinder inclusiveness and lead to unnecessary policy trade-offs and coordination failures. Policy capture is the process of consistently or repeatedly directing public policy decisions away from the public interest towards the interests of a specific interest group or person. Particularly in today's environment of growing inequality and political discontent, capture erodes the fundamental democratic process of fair decision making based on openness, dialogue, consensus, and the public interest. It can hinder sustainable economic growth, affect the quality and effectiveness of public services and policies, and undermine trust in government, further exacerbating inequalities and trapping societies in a vicious circle (Figure 1.7). Specifically (c.f. OECD (2017, p. 9[45])):

- Capture leads to misallocation of public and private resources, resulting in rent-seeking activities and diminished allocative and productive efficiency. Capture endangers sustainable growth (SDG 8).
- Capture perpetuates or exacerbates social and economic inequalities. Benefits obtained through capture enable the interest group to reinvest in further influence-seeking and maintain and expand its wealth and power. Thus, capture nurtures a vicious circle of inequality (SDG 10).
- Capture can lead to blocked reforms or inadequately enforced policies to protect entrenched interests. It can also redirect ongoing reforms away from the public interest.

- Capture is likely to decrease trust in government, fostering the perception that politics are unfair and unduly influenced. It can erode government credibility and legitimacy, and hamper effective policy implementation (SDG 16). Even the appearance of undue influence can have these detrimental effects.
- Capture can also cause negative health, environmental and security threats, for example by providing lower-quality services or neglecting safety. Capture of the justice system by organised crime facilitates its operations. Capture of health (SDG 3), educational policies (SDG 4) and environment-related policies (SDGs 6, 7, 13, 14 and 15) may further contribute to a vicious circle of inequality.

Figure 1.7. A vicious cycle between inequality and policy capture



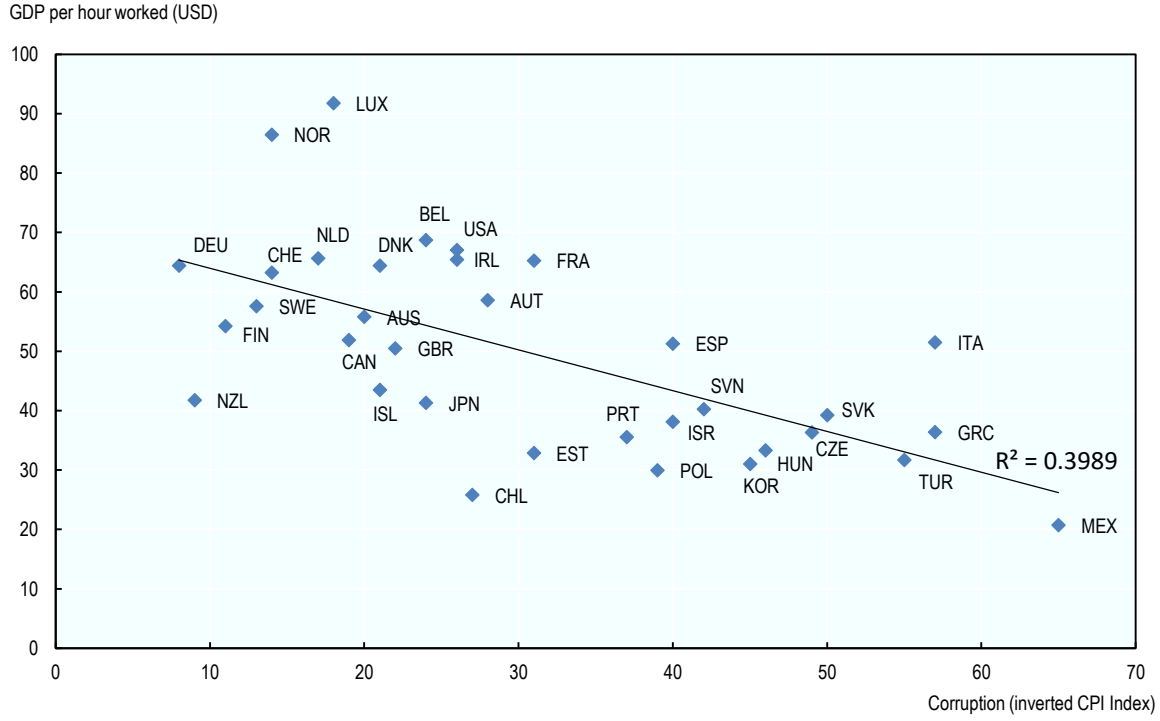
Source: OECD (2018[8]), *Opportunities for All: A Framework for Policy Action on Inclusive Growth*, https://dx.doi.org/10.1787/9789264301665-en.

The values underpinning sound public governance, such as public-sector integrity, openness, transparency and the rule of law, along with enablers of sound public governance, including evidence-informed decision-making, commitment, vision and leadership, whole-of government coordination and a commitment to innovation and change management, can all be brought to bear to minimise policy capture by specific interests and optimise good governance in the general, public interest.

Corruption and bribery undermine productivity growth through resource misuse

Corruption, including bribery, is the biggest impediment to trust in governments and also leads to cronyism and inequality of opportunity among citizens. Corruption undermines economic and productivity growth through biased decisions over the use of resources, whereby government efforts are placed into unproductive activities instead of productive activities. Without making any inference with respect to causality, Figure 1.8 shows that higher levels of corruption are indeed observed with lower levels of productivity. Reducing corruption and bribery, as called for by SDG target 16.5, should thus be part of countries' broader policy agenda to promote inclusive and sustainable growth. Companies can also support this objective by engaging in responsible business conduct and undertaking due diligence in all activities and transactions.

Figure 1.8. Corruption and productivity in OECD countries, 2014



Note: This figure plots the inversed Corruption Perception Index 2015 (CPI) from Transparency International against productivity, as measured by GDP per hour worked, for the 34 OECD countries.
Sources: Data from Transparency International 2014 (inversed); OECD (2018[22]), *Investing in Integrity for Productivity*, http://www.oecd.org/gov/ethics/investing-in-integrity-for-productivity.pdf (accessed on 18 October 2018) p. 9.

Recent work by the OECD argues that corruption affects three key determinants of productivity growth:

- *Corruption undermines innovation and diffusion of new technologies.* A corrupt environment is not conducive to technological change and undermines companies' incentives to invest in innovation and research and development. Corrupt countries also tend to invest less in education, with consequences on the quality of human resources available in both the public and the private sectors. There is also a link between trust, innovation and productivity. Where respect for the rules is low, distrust and uncertainty are likely to spread, and individuals will invest more into safeguarding themselves and their businesses than into developing innovations or assets that could be robbed, extorted or expropriated (c.f. OECD (2018, p. 14[22])).
- *Corruption prevents the creation of an enabling market environment where most productive firms can thrive.* The emergence of new companies, the process of creative destruction and the pressure of competition are known to drive productivity. At the same time, evidence seems to show that more competition is related with less corruption, suggesting that enhancing competition could both reduce scope for corruption opportunities and promote productivity growth. A sound and enabling market environment, characterised by more innovation-friendly regulation, lower barriers to trade, easier and cheaper access to inputs, and greater market discipline, would help ensure better competition as well as a better flow of technology and knowledge. On a related note, informal markets and corruption seem to reinforce each other and are likely to have a joint impact on productivity (c.f. OECD (2018, p. 15[22])).
- *Corruption leads to resource misallocation in the private and public sector.* There are various reasons why resources can be misallocated, among them barriers to exit and skills mismatch. The cost of resource misallocation is high since trapping scarce resources in unproductive firms slows down the growth opportunities of the more productive and innovative firms. For example, there is a negative relationship between skills mismatch and labour productivity through allocative efficiency. Since skilled labour is scarce, trapping resources in low productivity firms makes it more difficult for the more productive firms to hire skilled labour. Corruption also leads directly to misallocation of government resources, working against, for example, efficient public procurement with integrity (c.f. OECD (2018, p. 19[22])).

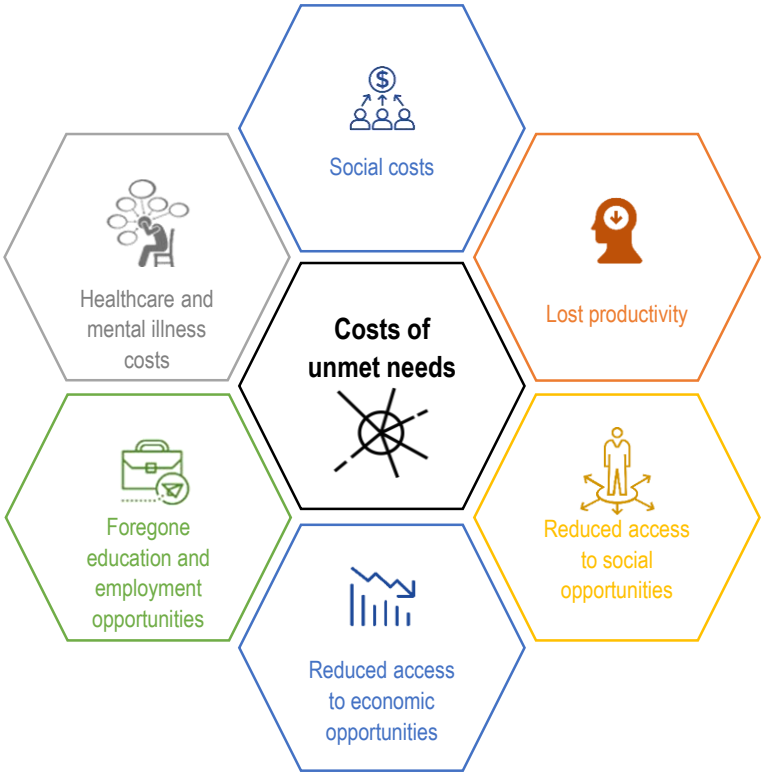
Limited access to justice reinforces inequalities across society

At its core, effective access to justice promotes good public governance, policy design and regulatory performance. Strong, well-functioning justice systems reduce the scope for policy capture, corruption and mismanagement in the public sector, and increase trust in government. When provided in a coordinated and coherent manner, effective access to legal and justice services can also contribute to policy objectives beyond the justice sector, e.g. in areas such as health, education, gender equality, employment, housing and environment. Conversely, unequal access to justice may perpetuate existing inequalities in these same areas, with disproportionate impact on low-income and other disadvantaged and vulnerable groups because of their lack of economic resources.

Against this background, SDG 16.3 calls on all countries to promote the rule of law at the national and international levels and ensure equal access to justice for all. Lack of legal empowerment and unequal access to justice generate significant socio-economic costs for individuals and societies: they limit economic opportunities, reinforce the poverty trap and undermine human potential (Figure 1.9). Poor, marginalised and vulnerable populations, including women, youth, disabled people, indigenous and migrant groups, and small and medium-sized enterprises, are disproportionately affected, leading to further disadvantage and inequality (OECD, 2019[37]).

Some countries have taken steps to improve access to justice for all. Spain, for instance, provides legal information about the judicial bodies in the civil, commercial, criminal, family and labour legal systems through its Administration of Justice Portal. Similar initiatives exist in Estonia and Finland (OECD, 2019[37]).

Figure 1.9. Understanding the costs of unmet legal needs



Source: OECD (2019[37]), *Equal Access to Justice for Inclusive Growth: Putting People at the Centre*, https://dx.doi.org/10.1787/597f5b7f-en.

These sections have highlighted some of the interactions, and the transmission mechanisms through which they operate, between SDG 4 on quality education, SDG 8 on decent work and economic growth, SDG10 on reduced inequalities, SDG 13 on climate action, and SDG 16 on peace, justice and strong institutions. What follows next is an overview of the policy and governance responses that countries can use to ensure that these interactions contribute to – or at least do not undermine – the empowerment, inclusiveness and equality of all people.

Policy and governance responses: Supporting people, business and governments

The interlinkages between the subset of SDGs to be reviewed by the 2019 HLPF analysed in the previous section, highlight the importance of more integrated approaches to policy making, sound and inclusive governance frameworks, as well as enhanced policy coherence. Policy coherence can provide a solution to formulate policy options that optimise co-benefits across the SDGs. The OECD has a long experience in these areas, thanks to its cross-cutting analysis, multiple policy networks, and peer learning between countries. The 2011 Green Growth Strategy, the New Approaches to Economic Challenges, OECD's Going for Growth and the work on the Productivity-Inclusiveness Nexus are some examples.

More recent work has focused on developing a "people-centred growth model" in which wellbeing is the yardstick of success, not GDP per capita. The OECD Framework for Policy Action on Inclusive Growth puts people at its centre, focuses on wellbeing outcomes, and emphasises the distribution of outcomes across the population. The Framework also recognises that inequalities unfold in different ways across different countries, and that specific context and social preferences need to be taken into account (OECD, 2018[8]). Its key policy recommendations are structured around three broad principles – *investing in people and places left behind; supporting business dynamism and making labour markets more inclusive; and making governments more efficient and responsive*. The OECD Framework (extended to embrace the planet dimension, see Box 1.2) pinpoints the main determinants of SDGs 8 and 10, as the rest of this section elaborates in more detail.

Investing in people and places left behind, providing equal opportunities

This section explores the extent to which individuals and communities have equal opportunities to succeed, irrespective of their socio-economic origins and backgrounds. Inclusive and equitable quality education with life-long learning possibilities (SDG 4) requires investments in people and places to ensure equal opportunities for all (SDG 10) and sustainable growth (SDG 8). The course of policy action spans across non-economic aspects of well-being, such as health (SDG 3), education (SDG 4), gender (SDG 5) to improve the (environmental) quality of life (SDGs 3.9, 6.3 and 14.1), infrastructure (SDG 9) and sustainable cities (SDG 11). Creating foundations for new jobs aligned with green growth objectives hereby requires investments in both human and produced capital, for example, through vocational training and life-long-learning (including by improving girls' and women's participation in STEM) and effective investment policy frameworks (including by improving the ability of the financial system to support the investment needed for the low-carbon transition).

Box 1.2. Mapping the OECD Framework for Policy Action on Inclusive Growth into the Sustainable Development Goals

The OECD Framework for Policy Action on Inclusive Growth aims to provide countries with broad guidance on how to design and implement integrated policy packages that can improve their performance by:

- Showing clear links between the different dimensions of inclusive growth and capturing how policy influences these dimensions through key channels.
- Adopting a sufficiently flexible structure that can be adapted to country-specific challenges and circumstances.
- Advocating a whole-of-government approach to the implementation, monitoring and evaluation of inclusive growth.

It helps countries assess their policy settings against their ability to promote equality of opportunities, and to support the consideration of ex ante equity issues in policy design. In particular, the Framework highlights three main key dynamics (pillars) that policies can help to catalyse: (i) investing in people and places that have been left behind; (ii) supporting business dynamism and inclusive labour markets; and (iii) building efficient and responsive governments. The Framework builds on several years of OECD research on the policy determinants of multidimensional well-being outcomes, and in particular on inclusive growth outcomes captured through the 24 indicators of the OECD Inclusive Growth Dashboard. The Dashboard builds on a wide range of OECD datasets on economic, social and environmental outcomes.

A statistical exercise (Figure 1.10) has been carried out to map SDGs into the IG Framework pillars augmented by the planet dimension, in order to look at the relationship between Inclusive Growth outcomes (as broadly captured by SDGs 8 and 10) and drivers (as captured by the other SDGs, organised along the Framework Pillars of "Investing in People and Places left behind", "Support Business Dynamism and Inclusive Labour Markets", and "Build efficient and responsive Governments"). The relationship, shown in Figure 1.11, suggests that countries that perform best on these three pillars perform very well on IG Goals as well.

Figure 1.10. The Framework for Policy Action on Inclusive Growth mapped with the SDGs

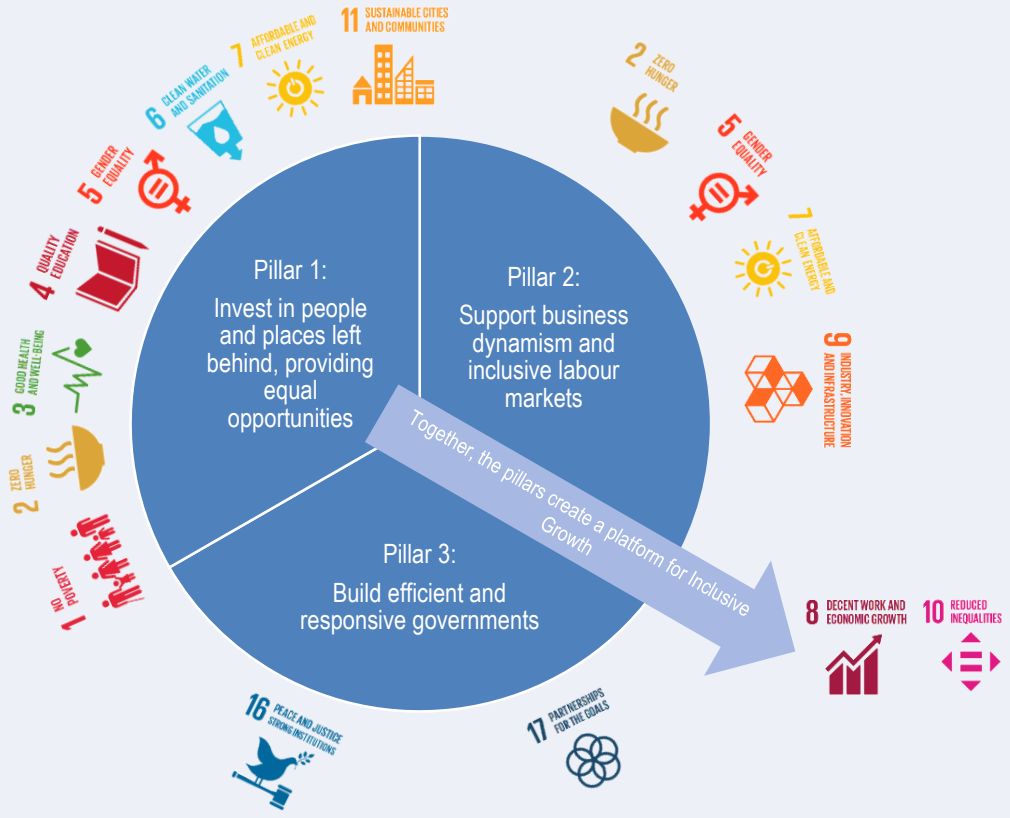


Figure 1.11. Countries' performance on Inclusive Growth Goals (8 and 10) and the remaining SDGs clustered around the OECD Framework for Action on Inclusive Growth



Note: Performance on the Goals measured on the Axes is expressed on an inverse scale (the higher the score, the lower is the performance as the score measures the distance between countries' current position and the 2030 targets. The charts show a strong relationship between how close the countries stand to reach the different pillars targets, and their distance to achieve "Sustainable and Inclusive growth for all" (SDG 8 and 10). The

correlation between the Pillars and SDGs 8 and 10, is consistently higher than 73% for all Pillars. This means that countries that have and promote the three dynamics above tend to be closer to achieve SGDs 8 and 10 targets. For instance, countries that perform well in terms of "Responsive and Efficient Governments" (SDGs 16 and 17) tend to be closer to achieve a growth that is inclusive and sustainable, whereas having weak "Governance" foundations increases the distance to achieve SDGs 8 and 10 targets.
Sources: OECD calculations based on OECD (2019[46]) *Measuring Distance to the SDG Targets 2019: An Assessment of Where OECD Countries Stand*, https://doi.org/10.1787/a8caf3fa-en and OECD (2018[8]), *Opportunities for All: A Framework for Policy Action on Inclusive Growth*, https://dx.doi.org/10.1787/9789264301665-en.

The key actions to consider are:

- *Promoting life-long learning and acquisition of skills for all (SDG 4).* High-quality initial education and training systems could be implemented from early childhood (SDG 4.2) through to schooling age (4.1) and beyond (SDG 4.3). Priority can be given to enhancing access to good-quality early education and childcare (SDG 4.2, captured by the IG indicator 3.3 "*Childcare Enrolment rate"*). This specific policy response can help to reduce the share of young people in NEET (aligned with SDG 8.6, and captured by IG indicator 3.4 "*Young people in NEET*"). This may require combining schooling and practical training with counselling (SDG 4), psychological support (SDG 3.4) and housing assistance (SDG 11.1) to build cognitive, vocational and social skills. Life-long learning policies may need to focus on continuous reskilling and adaptation to the technological change (SDG 4.4)**.** This can be complemented with well-designed social welfare programmes that encourage work and improve the skills of those left behind (under SDG 4.6, captured by the IG indicator 3.5 "*Share of low performing adults*"), while protecting individuals and families from unanticipated risks (SDG 1.3).

- *Weakening the link between socio-economic background and health, education and employment outcomes (SDGs 2 and 3).* This may require focusing on ex-ante interventions such as prevention campaigns (SDG 3.4 and 3.5) and ex-post interventions such as ensuring that vulnerable individuals can access healthcare and receive health insurance that meets their needs (SDG 3.8), or have access to unemployment insurance (SDG 1.3). This may imply expanding health spending allocated to prevention targeted at key risk factors (e.g. health, pollution, accidents, and crime) and population groups, especially children. For instance, the design of health policies may specifically target the low-income groups: such as communication, policies that promote healthy diets (SDG 2.2) by improving health literacy and empowering consumers (e.g. mass media campaigns to increase awareness of healthier food consumption).

- *Promoting regional catch-up by investing in left-behind places (SDG 9 and 11).* In the context of growing regional disparities (SDG 10), policies could focus on productivity-enhancing reforms (SDG 8.2) so that lagging regions can attract and maintain investment. An integrated and predictable approach to investment policy making may be needed to leverage and effectively manage physical capital, knowledge-based capital and natural capital through efficient allocation between regions. Investment in physical infrastructure and sustainable transport systems (SDG 9.1 and 11.2), housing and land-use policies to improve access to affordable housing (SDG 11.1), clean energy networks (SDG 7) and modern ICT networks infrastructure (SDG 9.c) would be key to support a regional catch-up.

- *Empowering and investing in left-behind communities, by providing equal access to opportunities and resources (SDG 1.4 and 16).* High-quality local administration (SDG 16.6) is needed to encourage action by local communities and create common purpose within and between communities, unlock their economic potential and reduce poverty by providing access to resources and opportunities (SDG 1.4). This may include, for instance, fostering better connections between people and increasing their sense of civic engagement through efficient and responsive local governments. This needs to go hand in hand with ensuring equal access to key public services, amenities such as health (SDG 3), education (SDG4), nutrition (SDG 2), utility services (e.g. water, energy and transport; SDG 6, 7 and 11.2) and access to nature and green spaces (SDG 11.7).
- *Reducing residential segregation and providing access to good-quality affordable housing (SDG 11),* requires consideration of policies for poverty reduction (SDG 1), health improvement (SDG 3), better child development (SDG 4), equality of opportunity and social inclusion (SDG 10). In many OECD countries, housing is one of the key drivers of increased disparities. Lower income groups risk being priced out of capital city regions. With residential segregation, poor areas emerge where neighbourhood crime, social unrest and pollution are particularly problematic. Yet, social housing accounts for only about 5% of the total housing stock in OECD countries. Housing policies can complement structural reforms to help workers move to regions with the best jobs available: for example, by improving access to social housing, reducing constraints on the development of private rental markets, reducing transaction costs associated with relocation for renters and home-owners or considering targeted subsidies to cover the costs of relocating could help workers acquire jobs. Housing policies can be designed to avoid adverse distributional impacts (SDG 10) – not to merely handle them when they occur. It is also key to ensure access to quality and sustainable infrastructure to different segments of society, and in particular to take into account the needs of women, children, minorities, indigenous communities and other vulnerable groups (OECD, 2019[47]).
- *Supporting the implementation of strong and well-designed social protection in developing countries (SDG 1).* The expansion of social protection expenditure and coverage can contribute to poverty reduction (SDG 1.1 and 1.2), resilience (SDG 1.5) and economic development. For instance, policies such as targeted cash transfers to encourage human capital development contribute to SDGs 1 and 4 at the same time, and create the foundation for future growth, equity and prosperity (SDG 8 and 10). Delivering on these SDGs may require the adjustment of social protection systems: from expanding the fiscal space (SDG 17.1) and tackling informality (SDG 8.3) – mostly in developing countries – to addressing governance issues (SDG 16) to improve implementation mechanisms and administrative capacity to ensure policy coherence. In the context of SDG 17, some of these challenges could be addressed by increasing international support to developing countries, by providing better technical support and more resources (SDG 17.1 and 17.3), and fostering capacity-building (SDG 17.9).
- *Optimising natural resource management for sustainable growth (SDGs 13, 14, 15 and 6).* The effects of environmental degradation (SDG 14 and 15) and climate change (SDG 13) are unevenly distributed among and within countries (SDG 10), with those least prepared and able to cope often suffering the greatest socio-

economic consequences. Poorer communities are generally the least well prepared to meet the challenges of climate change. Governments may need to increase financial and technical support to the communities less able to invest in ex-ante preventative measures or ex-post mitigation of climate change and environmental degradation (SDG 1.5). Likewise, inadequate access to water supply or sanitation (SDG 6) and exposure to air pollution (SDG 3.9, captured by the IG dashboard indicator "*exposure to outdoor air pollution*") may require targeted infrastructure and environmental measures for the lower parts of the income distribution.

- *Investments dedicated to gender equality and sustainable development need to increase (SDGs 5 and 10).* The OECD and the DAC Network on Gender Equality (GenderNet) analyses the Official Development Assistance (ODA) flows of the OECD Development Assistance Committee (DAC) members. Analyses show that USD 44.8 billion of ODA targeted gender equality, on average 2016-17, which means that 38% of the members bilateral allocable aid was targeting gender equality and women's equality as either a significant (secondary) or principal (primary) objective. This is higher than ever before. At the same time, support to programmes specifically dedicated to gender equality and women's empowerment as their principal objective remains consistently low. In 2016-17, funding for dedicated programmes with the principal (main) objective remains low at 4% and 62% did not target gender equality, according to the gender policy marker criteria (OECD, 2019[48]).

Supporting business dynamism and inclusive labor markets

This section considers product and labour markets issues (SDGs 8 and 12), framed through the lens of equity (SDG 10) on top of a well-established objective of efficiency. The OECD work on the Productivity-Inclusiveness Nexus has shown that the slowdown in productivity growth (SDG 8.2) and rising productivity divergence within sectors are interrelated with increasing inequality (SDG 10) (Berlingieri, Blanchenay and Criscuolo, 2017[35]). This implies that addressing the productivity divergence could potentially generate a 'double dividend' in terms of higher productivity growth and lower income inequality (SDGs 8 and 10); for example, by ensuring financial access to SMEs (IG indicator 2.7, consistent with SDG 9.3) and technology diffusion and access (SDG 9.5, 9.b and 9.c). However, keeping up real wages with rising productivity may also require corporate governance models to be reassessed in light of new business models and vibrant social dialogue; as well as the integration of a long-term perspective in the design of incentives and compensation for shareholders and executives.

The key actions to consider are:

- *Governments need to promote gender equality (SDG 5), diversity and non-discrimination in labour markets (SDG 5.1, 10.3 and 16.b),* which are keystones of prosperous modern economies that provide sustainable inclusive growth (SDG 8 and 10). For instance, governments and businesses could implement stricter anti-discrimination legislation together with diversity training (i.e. education on LGTBI issues; see Valfort (2017[49])), as well as the OECD Gender Recommendations: offering equal and shareable parental leave, expand access to affordable childcare, and various policies aimed at gender pay equality, such as pay transparency legislation. Women's economic empowerment (SDG 5) is a prerequisite for achieving sustainable and inclusive growth (SDG 8 and 10). Reducing gender-based discrimination in social institutions could yield substantial economic

benefits, leading to an annual increase in the world GDP growth rate of 0.3 to 0.6 percentage points by 2030, depending on the policy scenario (Ferrant and Kolev, 2016[50]).

- *Boosting productivity growth and business dynamism, while ensuring adaptation and diffusion of technologies across the board (SDGs 8 and 9).* This can be achieved through policies that improve the business environment and foster entrepreneurship, facilitate the reallocation of workers and capital, strengthen competition and limit wasteful granting of subsidies to firms, promote organisational change and the diffusion of technologies, strengthen trade and investment on a multilateral and non-discriminatory basis, and incentivise businesses and governments to invest in new business and governance models. Policies that spur business dynamism, innovation and the adoption of new technology need to be sensitive to firms' size and capacities, and avoid unduly strengthening the position of incumbents. International co-operation of tax policy and implementation of the OECD/G20 BEPS package is needed to level the playing field, while also promoting responsible business conduct.
- *Addressing the decoupling of real wage growth from productivity growth (SDG 10).* For instance, pro-competitive product market reforms can raise wages relative to productivity by reducing product market rents appropriated by capital. In the same line, labour market policies such as minimum wages or collective bargaining institutions can increase real wages at the bottom of the income distribution (SDG 10.1 and 10.4).
- *Achieving inclusive labour markets and reducing structural unemployment (SDG 8.5).* This may require that appropriate labour market policies (SDG 8.3), social welfare (SDGs 1.3 and 10.4) and employment protection be put in place to stimulate labour mobility and opportunities for placement and retention of quality jobs for all. Employment protection legislation would need to be properly designed to yield predictable contract termination costs and avoid creating different levels of job security across labour contracts, while protecting workers against possible abuses (SDG 8.8). Tax policies can be adapted to ensure more inclusive growth and deliver sustainable revenues, for example, by reducing marginal tax rates for those with low skills and low propensity to work by expanding in-work benefits such as earned-income tax credits (EITCs). In addition, fiscal policies can improve conditions for new businesses and SMEs, in order to avoid inefficient jobs destruction, labour informality and poor-quality jobs (SDG 8.3).
- *Promoting responsible business conduct (SDG 8, 10 and 16)*. Businesses can play a major role in contributing to economic, environmental and social progress, especially when they minimise the adverse impacts of their operations, supply chains and other business relationships. The OECD Guidelines for Multinational Enterprises support companies in their efforts to conduct due diligence in order to identify, prevent or mitigate and account for how actual and potential adverse impacts are addressed. By adhering to the Guidelines, and other sector-specific due diligence guidance, businesses contribute to the achievement of numerous SDG targets, including SDG 2.4 on sustainable food production systems, SDG 5.1 on ending discrimination against women, SDG 8.8 on protecting labour rights and promoting safe and secure working environments, SDG 16.2 on ending abuse, exploitation and trafficking, and 16.5 on reducing bribery and corruption, to name just a few. As such, RBC not only contributes to the enterprise's own prosperity,

but is a key element in achieving more inclusive and more sustainable economic, social and human development.

- *Raising the attractiveness of employment in specific sectors (SDGs 2 and 8).* For example, agriculture is a major employer in many developing countries and has the potential to create more jobs in high value organic agriculture and processed food from sustainable agriculture (SDGs 2.4 and 2.5). Governments can support environmentally-friendly agricultural value chains and help smallholder farmers to capture value added at each stage of the production, marketing and consumption process (SDG 2.3). For instance, making regional and domestic agriculture more central in national development strategies, and closely linking the food systems to food security (SDG 2.1) and the requirements of a circular economy (SDG 2.4 and 8.4) can be win-win policies to achieve SDGs and IG.
- *Optimising natural resource management for sustainable growth, (SDGs 9 and 12 linked to SDGs 13, 14 and 15).* New markets are being created for clean technologies (e.g. as the cost of some renewable technologies is fast declining) and new business models are being developed (e.g. with extended producer responsibility schemes to promote a circular economy). Policies can support investment in low-emission technologies, smart and clean infrastructure (SDG 9.4), and the conservation and sustainable use of biodiversity and water resources (SDG 14 and 15). Resources can be freed up by phasing out environmentally harmful subsidies to consumers and producers (SDG 12, notably 12.c), broadening the carbon pricing base, and engaging in structural reforms to support the reallocation of resources. OECD work has found that policies that provide incentives across a broad spectrum of firms and consumers, such as emission or energy taxes tend to be more cost-efficient than those that target a specific product, fuel or technology, such as subsidies for electric cars. Such measures include prioritising fiscal incentives and targeted financial support to R&D, related to promote clean energy (SDG 7.2), sustainable production patterns (SDG 12) and to combat climate change and its impacts (SDG 13). These efforts could also include policies that encourage greener product designs and measures to change consumer behaviour (SDG 12).

Rebuilding trust with efficient and responsive governments and businesses

A lack of trust compromises the willingness of citizens and business to respond to public policies and contribute to sustainable economic growth (SDG 8), for instance, by undermining the confidence of investors and consumers. Trust is also important for the success of government programmes and regulations that depend on co-operation and compliance of citizens (OECD, 2017[45]). To restore trust and improve policy effectiveness, governments and businesses may need to be more responsive to citizens (SDG 16.7), reliable in supplying services (SDG 16.6), fair in the application of laws and contract rules (SDG 16.3), and maintain a high standard of integrity (SDG 16.5). The forthcoming OECD Policy Framework on Sound Public Governance (Box 1.3) can support country efforts to "Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable, and inclusive institutions at all levels", as called for by SDG 16.

Box 1.3. The OECD Policy Framework on Sound Public Governance

The Policy Framework on Sound Public Governance aims to provide governments at all levels with an integrated diagnostic, guidance and benchmarking tool to help:

- Design and implement *public governance reforms* that can lead to improvements in, and the sustainability of, prosperity for their country and wellbeing for its citizens.
- Design and implement reforms in any policy area by taking *public governance approaches for effective policy making* into account so that reforms can respond more effectively to complex, multidimensional challenges, ultimately leading to improved outcomes for citizens and businesses. This takes on added importance as countries move to adapt the 2030 Agenda and implement the SDGs in a way that reflects national conditions.
- Design and pursue a public-governance reform agenda that can enable governments to move closer to OECD standards and practice in this area.

Specifically, the Framework argues that sound public governance is the combination of three interconnected elements:

- *Values:* key behavioural traits that guide public governance across all of its dimensions in a way that advances and protects the public interest.
- *Enablers:* an integrated nexus of practice that enables the correct identification of issues and challenges and the design, implementation and evaluation of reforms in response that sustain improvements to outcomes.
- *Instruments and tools:* a set of policy instruments and management tools for effective policymaking.

Source: OECD (forthcoming, 2019).

To ensure sustainable and inclusive growth and address rising inequalities (SDG 8 and 10), governments may need to engage citizens to play a stronger role in economic systems by restoring their trust in institutions and faith in the future. For instance, the lack of gender parity in politics and institutions compromises effective political representation, given that average female participation in the politics is below one third in OECD countries.

Enhancing trust in governments and in businesses in an interconnected world requires concerted action across countries to foster competition, growth and inclusiveness (SDG 8 and 10). It can increase the economic benefits generated by well-designed fiscal plans (SDG 17.1) that are aimed at growth-enhancing investment in physical and human capital (SDG 9 and 4) – for example, with smart and clean cross-border infrastructure networks. Also, policies aimed at reducing environmental inequalities need to take a holistic perspective to address the social drivers of environmental footprints and be consistent across the board. Building trust hinges on transparency of benefits and costs of "inclusive green growth" policies across different groups of population and the extent to which they feel that their voices are heard and preferences reflected in policy making.

The key actions to consider are:

- *Ensure that public policy making is protected from undue influence, where a public decision is captured by a narrow interest group to reflect its own interest (SDG 16.5).* Improving government integrity (SDG 16.5) has been found to be one of the most important determinants of trust in government (Murtin et al., 2018[51]; OECD, 2017[45]).
- *Co-ordinate and align action to strengthen institutional frameworks for diversity and gender mainstreaming and budgeting (SDG 16.7 and 16.b).* Involving under-served or excluded populations in decision-making allows building trust between citizens, businesses and governments. In addition, an inclusive decision-making process is less likely to be monopolised by elites (SDG 16.5), because it becomes more difficult for one interest group to influence the decisions without triggering resistance by the other groups.
- *Improve budget transparency, government accountability and reliability, as well as responsiveness and openness to citizen input (SDG 16.6 and 16.7).* OECD governments are increasingly implementing open government initiatives[2] that promote inclusiveness – such as digital government, access to information, budget transparency, openness and accessibility as well as citizen participation in service delivery including youth and disadvantaged groups in policy making (SDG 16.7), inclusive and participatory budgeting or initiatives on gender equality. These initiatives not only allow for governments to have a clear understanding of a wide range of citizens' needs and demands, allowing better targeted and defined public policies and, thus reducing inequalities in society (SDG 10), but also, they provide citizens with the tools to hold governments accountable (SDG 16.6).
- *Empower citizens through open and citizen driven-data (SDG 16.10).* The government can provide citizens with the necessary data, resources and information to allow them to make informed decisions about their own lives, professional development and public participation. For instance, governments can consider a citizen-driven approach to make data more open and useful for collaboration with and among citizens in light of their rights and obligations.
- *Effective and people-centred public services (SDG 16.6).* Governments can start mapping, understanding and integrating the citizens' behaviours, demands and needs in the design and delivery of public service strategies in light of digitalization and open government principles. As well as improving public procurement systems, including e-procurement.
- *Public-private and multi-stakeholder partnerships to foster inclusive growth (SDG 17).* To address structural and global challenges (such as climate change, gender equality, corporate governance, business dynamism and productivity, digitalization and the future of work) international cooperation between and within countries is crucial. The OECD launched in 2018 the Business for Inclusive Growth Platform, which aims to help remedying the lack of inclusive growth and align government policies and business actions to advance the inclusive growth and the 2030 agenda together (aligned with SDG 17.16 and 17.17). The B4IG platform focuses on developing measures to assess business impact on IG (SDG 17.19), thus informing the RBC agenda, and on developing the means of implementation for inclusive and sustainable policies. Ultimately, the pursuit of inclusive growth outcomes requires a whole-of-government approach that aligns vision, incentives and delivery mechanisms across the policy making cycle (Table 1.1).

Table 1.1. Governance implications of inclusive growth policies

Inclusive growth policies	Governance implications
Focus on multi-dimensional policy impacts: Material and non-material living standards	• Shaping a vision for inclusive growth (IG): Guiding the definition of IG goals with reliable, timely, multidimensional data. • Enhanced policy coherence: Assess and address trade-offs and complementarities between multidimensional policy objectives.
Focus on integrated policies: Growth and redistribution	• Sustained implementation efforts: Anticipating broader socio-economic changes that may inform IG targets, and aligning short, medium and longer-term resource and priority considerations. • Assessing multidimensional impact: Using *ex ante* evaluation to assess distributional impact along with economic impact. • Assessing impact and strengthening feedback: Reinforcing accountability and evaluation mechanisms to capture IG targets.
Focus on outcomes that reflect the needs of societies (health, education, jobs)	• Whole-of-government approach: Targeting joined-up outcomes beyond administrative silos, encouraging policies to reinforce each other, and a strong co-ordinating role for the centre of government. • Quality decision making: Promoting balanced participation through stakeholder engagement and mechanisms to prevent capture in decision making, and encouraging inclusive problem identification. • Multi-level governance: Aligning outcomes at higher and lower levels of government to improve coherence of public policy.
Focus on inequalities (income and wellbeing) and on different social groups and scales beyond the average	• Inclusive service delivery: Implementation that seeks to maximise access, use and responsiveness across social groups and locations. • Inclusive engagement: Feedback and engagement mechanisms to promote an inclusive policy implementation process. • Access to redress: Providing the possibility of enforcing a right or redressing a wrong to enable opportunity. • Multi-level analysis: Including place-based considerations that may drive inequalities.

Source: OECD (2016[52]), *The Governance of Inclusive Growth*, https://dx.doi.org/10.1787/9789264257993-en.

Ongoing OECD work can be expected to inform the debate on inclusive governance further. The new report "Governance as an SDG Accelerator: Country experiences and tools" (OECD, 2019[53]), provides an overview of the different governance tools that countries can use to enhance coherent and inclusive implementation of the 2030 Agenda. It aims to support the knowledge gathering and peer learning initiatives underpinning future partnerships between the OECD, UNDP, APRM and others to strengthen public governance practices for the implementation of the SDGs.

Taking into account environmental concerns when setting growth objectives

Finally, the gains in growth and well-being should be environmentally sustainable. This is why, for the first time, the 2019 edition of *Going for Growth* (OECD, 2019[54]) includes environmental sustainability considerations in its analysis.

In addition, the report looks at how pro-growth reforms and pro-environment reforms may interact with the inclusiveness dimension. Potential trade-offs and unintended consequences include (c.f. OECD (2019[54]):

- *The removal of fossil fuel subsidies* is likely to reduce domestic emissions, in particular in some emerging-market economies, where the subsidies tend to be highest. However, many consumer subsidies are in principle aiming to target energy poverty and accessibility of remote locations (to markets, schools) and as such, their removal may particularly impact vulnerable parts of the society. A wealth of evidence has shown that fossil fuel subsidies are rather inefficient at addressing poverty, primarily due to poor targeting (IEA et al., 2011[55]). Nevertheless, in countries with poorly developed institutions and social safety nets, their removal poses challenges that need to be addressed with well enforced compensatory, targeted measures.
- *Higher reliance on environmental taxation* can have adverse distributional consequences if poorer households rely more on goods that will be taxed more (Flues and Thomas, 2015[56]).
- *Road pricing* can improve the emission performance of transport, by reducing congestion. However, the high prices of access to urban areas may be particularly harmful for poorer commuters, especially if the public transport quality and accessibility is deficient.
- *Easing zoning and land regulation* can in principle increase the availability of housing, but may encourage urban sprawl and through increasing commuting distances contribute to higher emissions from transport or their displacement.

Such potential trade-offs are a concern for policy makers and tools are available to deal with many of them. For example, a tax reform that increases environmental taxation or reduces environmentally harmful subsidies may provide revenues that can mitigate the undesirable effects on consumption and income inequality. Similarly, road pricing may provide revenues to invest in infrastructure, in particular public transport.

This chapter has identified a number of interlinkages between the SDGs to be reviewed by the High Level Political Forum in 2019: Goal 4 on quality education, 8 on decent work and economic growth, 10 on reduced inequalities, 13 on climate action, and 16 on peace, justice and strong institutions. Applying a PCSD lens can help to identify critical interlinkages among goal areas, manage potential trade-offs, promote synergies, and address negative impacts. Once interlinkages have been identified, frameworks such as the Inclusive Growth Framework and the Framework for Sound Public Governance can help to guide policymakers respond to those interlinkages. The following chapters focus on the institutional mechanisms needed to deliver coherent responses and examples from multi-stakeholder partnerships that help put policy coherence into practice.

Notes

[1] Data on the distribution of earnings among groups with different levels of education show the degree to which earnings centre around the country median. "Median earnings" refer to earnings of all workers, without adjusting for differences in hours worked.

[2] The OECD Recommendation on Open Government defines open government as "a culture of governance that promotes the principles of transparency, integrity, accountability and stakeholder participation in support of democracy and inclusive growth" fostering inclusive institutions that enable effective citizen participation, pluralism and a system of checks and balances contributing to inclusive growth (https://www.oecd.org/gov/Recommendation-Open-Government-Approved-Council-141217.pdf).

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Annex 1.A. The goals, targets and the interactions between them

Goal 4: Quality education

Annex Box 1.A.1. SDG 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all

4.1 By 2030, Ensure that all girls and boys complete free, equitable and quality primary and secondary education leading to relevant and effective learning outcomes.

4.2 By 2030, ensure that all girls and boys have access to quality early childhood development, care and pre-primary education so that they are ready for primary education.

4.3 By 2030, ensure equal access for all women and men to affordable and quality technical, vocational and tertiary education, including university.

4.4 By 2030, substantially increase the number of youth and adults who have relevant skills, including technical and vocational skills, for employment, decent jobs and entrepreneurship.

4.5 By 2030, eliminate gender disparities in education and ensure equal access to all levels of education and vocational training for the vulnerable, including persons with disabilities, indigenous peoples and children in vulnerable situations.

4.6 By 2030, ensure that all youth and a substantial proportion of adults, both men and women, achieve literacy and numeracy.

4.7 By 2030, ensure that all learners acquire the knowledge and skills needed to promote sustainable development, including, among others, through education for sustainable development and sustainable lifestyles, human rights, gender equality, promotion of a culture of peace and non-violence, global citizenship and appreciation of cultural diversity and of culture's contribution to sustainable development.

Targets on means of implementation

4.a Build and upgrade education facilities that are child, disability and gender sensitive and provide safe, non-violent, inclusive and effective learning environments for all.

4.b By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries.

4.c By 2030, substantially increase the supply of qualified teachers, including through international co-operation for teacher training in developing countries, especially least developed countries and small island developing States.

Source: UNGA (2015[57]), "A/70/L.1: Transforming our world: the 2030 Agenda for Sustainable Development", http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.

Annex Table 1.A.1. Interactions between SDG 4 and other Sustainable Development Goals

Goal	Links with SDG 4
SDG1. No poverty	Education that targets marginalised and poor populations can bring change to many of the systemic factors that have contributed to the delay in poor communities' development, preventing the transmission of poverty between generations and increasing the rate of return to the economy (human capital investment). Life-long learning can help older people adapt to a rapidly changing global context and prevent or contain old-age poverty.
SDG 2. Zero hunger	By increasing people's chances to secure an adequate income, education facilitates their access to a sufficiently rich and balanced diet. Education helps find innovative approaches of agricultural production and can foster sustainable use of land and other natural resources.
SDG 3. Good health and well-being	Education creates opportunities for better health. People with access to quality education are more likely to have jobs with higher earnings and access to health services and nutritious food; and acquire knowledge and skills to support healthier behaviours, including knowledge on healthy food. Health education is an important tool to manage, prevent and detect diseases (e.g. HIV, malaria) and to avoid stigmatisation of people due to their illness.
SDG 5. Gender equality	In developing countries, education that provides women with literacy and numeracy skills helps them acquire critical knowledge for everyday life. It also helps them understand and access their social and legal rights, and enables them to participate in economic and political life. In developed countries, education in STEM topics can increase women's participation in male-dominated occupations.
SDG 6. Clean water and sanitation	Education can strengthen efforts to manage, conserve and use water more efficiently. At the same time, in many developing countries, it is often factors related to water, sanitation and hygiene that limit children's' right and access to education in the first place.
SDG 7. Affordable and clean energy	Education and skills support the development and dissemination of cleaner and more efficient energy technologies and solutions. It can also help reduce the use of e.g. coal for cooking and raise awareness of diseases caused by air pollution.
SDG 8. Decent work and economic growth	Education increases an individual's chances to decent and well-paid employment. Education is also key for equitable economic growth and resilience to change. Higher skills are linked to the creation of new technologies, and higher-quality research and development, making economies grow.
SDG 9. Industry, innovation and infrastructure	Education and skills drive research and innovation, including infrastructure development.
SDG 10. Reduced inequalities	Primary, secondary and tertiary education is critical for improving the welfare of disadvantaged populations and reducing inequality, in particular as more and more of the world enters into the global knowledge society.
SDG 11. Sustainable cities and communities	Education can shift behaviours and day-to-day decisions that impact on urban sustainability. Education in fields such as science and engineering can contribute to building cleaner and more sustainable cities.
SDG 12. Responsible consumption and production	Education is critical for raising awareness about the impacts and "footprints" of our consumption and production, both domestically and abroad, and for informing people about more sustainable lifestyles. This includes better waste management of food and chemicals and increased recycling and reuse.
SDG 13. Climate action	Education is an essential element of the global response to climate change. It helps young people understand and address the impact of global warming, encourages changes in their attitudes and behaviour and helps them adapt to climate change-related trends.
SDG 14. Life below water	Over 70 percent of the Earth's surface is covered by oceans. Education is essential for managing them sustainably, as well as for exploring the opportunities offered by marine resources. Education informs people about the need to reduce nutrient pollution, plastic waste, and to avoid overexploitation of ecosystems (e.g. through overfishing).
SDG 15. Life on land	Education and awareness-raising underpin efforts to protect ecosystems and biodiversity, including the need to detect and prevent poaching and to act against invasive species.
SDG 16. Peace, justice and institutions	Education helps people understand and access their legal rights. It increases their understanding of different cultures and values, enabling conversation before conflict.
SDG 17. Partnerships	Means of implementation.

Note: Compiled by the OECD PCSD Unit.

Goal 8: Decent work and economic growth

Annex Box 1.A.2. SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

8.1 Sustain per capita economic growth in accordance with national circumstances and, in particular, at least 7 per cent gross domestic product growth per annum in the least developed countries.

8.2 Achieve higher levels of economic productivity through diversification, technological upgrading and innovation, including through a focus on high-value added and labour-intensive sectors.

8.3 Promote development-oriented policies that support productive activities, decent job creation, entrepreneurship, creativity and innovation, and encourage the formalization and growth of micro-, small- and medium-sized enterprises, including through access to financial services.

8.4 Improve progressively, through 2030, global resource efficiency in consumption and production and endeavour to decouple economic growth from environmental degradation, in accordance with the 10-year framework of programmes on sustainable consumption and production, with developed countries taking the lead.

8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value.

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.

8.7 Take immediate and effective measures to eradicate forced labour, end modern slavery and human trafficking and secure the prohibition and elimination of the worst forms of child labour, including recruitment and use of child soldiers, and by 2025 end child labour in all its forms.

8.8 Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment.

8.9 By 2030, devise and implement policies to promote sustainable tourism that creates jobs and promotes local culture and products.

8.10 Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all.

Targets on means of implementation

8.a Increase Aid for Trade support for developing countries, in particular least developed countries, including through the Enhanced Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries.

8.b By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization.

Source: UNGA (2015[57]), "A/70/L.1: Transforming our world: the 2030 Agenda for Sustainable Development", http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.

Annex Table 1.A.2. Interactions between SDG 8 and other Sustainable Development Goals

Goal	Links with SDG 8
SDG1. No poverty	Whether they are subsistence farmers, salaried workers, or self-employed entrepreneurs, people derive most of their income from work. This means that the level of employment, the quality of jobs, and the access which the poor have to decent earning opportunities are crucial determinants of poverty reduction.
SDG 2. Zero hunger	Growth that raises the incomes of the poor tends to be most effective in improving food security. Empirical evidence suggests that agricultural growth in low-income countries is three times as effective in reducing extreme poverty as growth in other sectors.
SDG 3. Good health and well-being	There exists a strong positive association between average income (or wealth) and indicators of population health status, which is evident both across countries and within countries. Job security reduces stress and contributes to psychological well-being.
SDG 4. Quality education	Economic growth can contribute to improved educational infrastructure and facilities.
SDG 5. Gender equality	Eliminating barriers to equality and creating better economic opportunities will allow women and girls to be powerful agents of change, improve their lives and those of their families, and contribute to the social and economic development of their communities.
SDG 6. Clean water and sanitation	More than 1.3 billion jobs worldwide (42% of the world's total active workforce) are heavily water-dependent, including work in agriculture, mining and industries ranging from paper to pharmaceuticals. At the same time, investments in safe drinking water and sanitation have been shown to foster economic growth, with high rates of return.
SDG 7. Affordable and clean energy	Economic growth and energy demand are linked, but the strength of that link varies among regions and their stages of economic development. The state of economic development and the standard of living of individuals in a given region strongly influence the link between economic growth and energy demand.
SDG 9. Industry, innovation and infrastructure	Sustained investment in infrastructure and innovation are crucial drivers of economic growth and development. Technological progress is key to finding lasting solutions to both economic and environmental challenges, such as providing new jobs and promoting energy efficiency. Physical and digital connectivity facilitates social interactions and labour mobility, allowing people draw higher dividends from their skills, efforts and experiences.
SDG 10. Reduced inequalities	Inclusive economic growth is key to reducing inequalities between and within countries.
SDG 11. Sustainable cities and communities	Cities of all sizes are critical to economic progress. The economies of scale make urban centres engines of growth and innovation, and cities overall are characterised by higher levels of productivity and income. Cities are also hubs and gateways in global networks, such as trade or transport.
SDG 12. Responsible consumption and production	Economic growth can have a negative impact on responsible consumption and production if not managed properly. Responsible consumption is important to ensure long-term sustainable growth
SDG 13. Climate action	Economic growth and investment depend on a stable environment and ecosystem. The economic costs of climate change are high. Conversely, acting on climate change can be good for growth: Spurring investment in clean and resilient infrastructure, if combined with stronger fiscal and structural policies in a synergistic way, can boost growth in the short term and foster robust long-term growth, in both advanced and emerging economies.
SDG 14. Life below water	The ocean is generating employment opportunities and contributing to economic growth. At the same time, too rapid economic growth can generate environmental externalities that impact negatively on the ocean and all marine life.
SDG 15. Life on land	Economic growth can drive destructive economic activities that generate negative environmental externalities, e.g. mining and cattle farming in biodiversity hotspots. On the other hand, wealthy societies can afford to place a higher value on preservation and to improve enforcement.
SDG 16. Peace, justice and institutions	Economic stability, and rising prosperity that is broadly shared - both within and among countries - can foster peace. Peace is a necessary precondition for trade, sustained economic growth, and prosperity.
SDG 17. Partnerships	Means of implementation.

Note: Compiled by the OECD PCSD Unit.

Goal 10: Reduced inequalities

Annex Box 1.A.3. SDG 10: Reduce inequality within and among countries

10.1 By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.

10.2 By 2030, empower and promote the social economic and political inclusion of all, irrespective of age, sex, disability, race, ethnicity, origin, religion or economic or other status.

10.3 Ensure equal opportunity and reduce inequalities of outcome, including by eliminating discriminatory laws, policies and practices and promoting appropriate legislation, policies and action in this regard.

10.4 Adopt policies, especially fiscal, wage and social protection policies, and progressively achieve greater equality.

10.5 Improve the regulation and monitoring of global financial markets and institutions and strengthen the implementation of such regulations.

10.6 Ensure enhanced representation and voice for developing countries in decision-making in global economic and financial institutions in order to deliver more effective, credible, accountable and legitimate institutions.

10.7 Facilitate orderly, safe, regular and responsible migration and mobility of people, including through the implementation of planned and well-managed migration policies.

Targets on means of implementation

10.a Implement the principle of special and differential treatment for developing countries, in particular least developed countries, in accordance with World Trade Organization agreements.

10.b Encourage official development assistance and financial flows, including foreign direct investment, to States where the need is greatest, in particular least developed countries, African countries, small island developing States and landlocked developing countries, in accordance with their national plans and programmes.

10.c By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.

Source: UNGA (2015[57]), "A/70/L.1: Transforming our world: the 2030 Agenda for Sustainable Development", http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.

Annex Table 1.A.3. Interactions between SDG 10 and other Sustainable Development Goals

Goal	Links with SDG 10
SDG1. No poverty	Inequality and poverty affect each other directly and indirectly through their link with economic growth. The poorest members of society suffer immediately from inequality, but in the longer term, the whole economy is damaged.
SDG 2. Zero hunger	Poverty is the main obstacle to food security. Income inequality is closely linked to people's access to food and nutrition.
SDG 3. Good health and well-being	Many health outcomes – everything from life expectancy to infant mortality and obesity – can be linked to the level of economic and social inequality within a given population. Greater economic inequality and discrimination tend lead to worse health outcomes.
SDG 4. Quality education	Social, economic and political exclusion has a strong impact on the educational attainment of vulnerable groups. Fighting inequalities and discrimination due to e.g. age, sex, disability, race, ethnicity, origin, or religion can improve access to education for all.
SDG 5. Gender equality	Gender and economic inequality are closely connected. Indeed, the majority of the world's poor are women. Globally, more men than women own land and other productive and capital assets; men are paid more for doing the same roles as women; and men are concentrated in higher paid, higher status jobs.
SDG 6. Clean water and sanitation	Many countries around the world show significant inequalities in water supply, sanitation and hygiene (WASH) services between rural and urban areas, poor and non-poor households, and different regions within countries.
SDG 7. Affordable and clean energy	The poorest often end up paying disproportionate shares of income for energy, in part because of the higher upfront costs for energy-efficient equipment. The cost impacts of public clean energy incentive schemes may also disproportionately burden poorer taxpayers, and public money tends to favour national grid infrastructure over smaller-scale off-grid development.
SDG 8. Decent work and economic growth	Growing inequality is harmful for long-term economic growth. A main transmission mechanism between inequality and growth is human-capital investment: lower income people are prevented from realising their human capital potential, which is bad for the economy as a whole. The gap between rich and poor keeps widening as growth benefits higher income groups more. Conversely, economic growth that is distributed fairly across society has been shown to be more sustainable in the long-term.
SDG 9. Industry, innovation and infrastructure	High degrees of inequality can hamper a country's rate of innovation through various different means, while innovation can both lower and increase inequality, depending on the circumstances surrounding it.
SDG 11. Sustainable cities and communities	Well-organised and inclusive cities allow people to access opportunities, regardless of their location within the city. However, cities are often divided. In an unequal city, a low-income household will likely live in a deprived neighbourhood. Deprivation in turn can impact school and work outcomes of children and adults, further deepening inequalities, even across generations. Inequality between urban and rural areas can lead to rapid and unsustainable urbanisation and risk leaving the rural population behind.
SDG 12. Responsible consumption and production	Sustainable management of resources and more equal distribution (of e.g. food) can contribute to reduced inequality (as well as reduced food waste).
SDG 13. Climate action	Climate change could accelerate inequality. Poor and low-income people tend to live and work in areas more susceptible to temperature extremes, in buildings less able to withstand them, and with little social protection.
SDG 14. Life below water	Poor people and small-scale fishers are disproportionately affected by declining fish stocks and other marine resources.
SDG 15. Life on land	The poor often depend on natural resources and ecosystem services for their well-being, making them more vulnerable to the degradation of biodiversity. Richer groups of people are allegedly less affected because of their ability to purchase substitutes or to offset local losses of ecosystem services by shifting production and harvest to other regions.
SDG 16. Peace, justice and institutions	Conflict and inequality are intimately interlinked. Economic and political exclusion are key drivers of conflict in many conflict-affected countries. At the same time, an exclusive focus on poverty might obscure the need to address the root causes of conflict, in turn undermining the sustainability of aid interventions in fragile and conflict-affected contexts.
SDG 17. Partnerships	Means of implementation.

Note: Compiled by the OECD PCSD Unit.

Goal 13: Climate action

Annex Box 1.A.4. SDG 13: Take urgent action to combat climate change and its impacts*

13.1 Strengthen resilience and adaptive capacity to climate-related hazards and natural disasters in all countries.

13.2 Integrate climate change measures into national policies, strategies and planning.

13.3 Improve education awareness-raising and human and institutional capacity on climate change mitigation, adaptation, impact reduction and early warning.

Targets on means of implementation

13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly $100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible.

13.b Promote mechanisms for raising capacity for effective climate change-related planning and management in least developed countries and small island developing States, including focusing on women, youth and local and marginalized communities.

*Acknowledging that the United Nations Framework Convention on Climate Change is the primary international, intergovernmental forum for negotiating the global response to climate change.
Source: UNGA (2015[57]), "A/70/L.1: Transforming our world: the 2030 Agenda for Sustainable Development", http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.

Annex Table 1.A.4. Interactions between SDG 13 and other Sustainable Development Goals

Goal	Links with SDG 13
SDG1. No poverty	The impact of climate change is felt most strongly in low-income regions The majority of the world's poor rely on agriculture and natural resources for their livelihood. The effects of climate change, including limited water and food sources and increased competition for them, further hampers their prospects to escape from poverty.
SDG 2. Zero hunger	Climate change exacerbates the risks of hunger and undernutrition through extreme weather events that lower agricultural production (e.g. droughts, floods), as well as through long-term and gradual climate risks (e.g. rising sea levels, glacial melt) that affect communities in coastal areas and river deltas.
SDG 3. Good health and well-being	The environmental consequences of climate change affect directly and indirectly the physical, social, and psychological health of humans. Climate change can be a driver of disease migration, as well as exacerbate health effects resulting from toxic air pollution. Biodiversity loss can potentially hamper the development of new medicines.
SDG 4. Quality education	Climate change threatens the livelihood of millions of families. The loss of resources is likely to impact family spending on education. Climate change can also divert government resources from education.
SDG 5. Gender equality	Extreme weather events have a greater impact on the poor and most vulnerable – 70% of the world's poor are women. Moreover, women are often responsible for gathering and producing food, collecting water, and sourcing fuel for heating and cooking. These are all tasks that become more difficult with climate change.
SDG 6. Clean water and sanitation	Water is the primary medium through which we will feel the effects of climate change. Water availability is becoming less predictable in many places, and increased incidences of flooding threaten to destroy water points and sanitation facilities and contaminate water sources. Additional problems relate to droughts, salination, and loss of ecosystems.
SDG 7. Affordable and clean energy	Changes in temperature, precipitation, sea level, and the frequency and severity of extreme weather events affect how much and in what way energy is produced, delivered, and consumed in all countries. Renewable energy will be critical for tackling climate change.
SDG 8. Decent work and economic growth	Global warming will primarily influence economic growth through damage to property and infrastructure, lost productivity, mass migration and security threats. The negative impacts of climate change will be greatest in poorer countries. Workers and their families are also challenged by the transition brought about by climate change.
SDG 9. Industry, innovation and infrastructure	Climate change is adding extra pressures and creating the need for more resilient infrastructure and new technologies to cope with changing weather patterns. Through its effects on natural resource exploration and extraction, climate change can also impact on the production of industrial commodities.
SDG 10. Reduced inequalities	Climate change could accelerate inequality within and between countries. Poor and low-income people tend to live and work in areas more susceptible to temperature extremes, in buildings less able to withstand them, and with little social protection.
SDG 11. Sustainable cities and communities	Climate change poses serious threats to urban infrastructure, quality of life, and entire urban systems. Cities also concentrate large numbers of the poor who are especially vulnerable to climate change. Cities are also main CO_2 emitters and heat collectors.
SDG 12. Responsible consumption and production	Sustainable transport and tourism as well as reduced fossil fuel use can help combat climate change. Food waste is a significant source of CO_2 emissions and should be limited.
SDG 14. Life below water	The ocean absorbs about a quarter of human-caused carbon dioxide emissions to the atmosphere, leading to ocean acidification and altered marine ecosystems. Rising sea surface temperatures have been linked with increasing levels and ranges of diseases in marine life, including corals, abalones, oysters, fishes, and marine mammals.
SDG 15. Life on land	Climate change affects the capacity of ecosystems, such as forests, glaciers, barrier beaches, and wetlands, to reduce the impacts of extreme events on e.g. infrastructure, human communities, and other valued resources. Climate change also contributes to biodiversity loss, desertification and land degradation, and can potentially facilitate the spread of invasive species.
SDG 16. Peace, justice and institutions	The effects of global warming on the world's physical landscape often lead to geopolitical changes that threaten to destabilise already vulnerable regions. The stresses on natural resources undermine the capacity of nations to govern themselves, and can increase the chances of conflicts.
SDG 17. Partnerships	Means of implementation.

Note: Compiled by the OECD PCSD Unit.

Goal 16: Peace, justice and strong institutions

Annex Box 1.A.5. SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

16.1 Significantly reduce all forms of violence and related death rates everywhere.

16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children.

16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all.

16.4 By 2030, significantly reduce illicit financial and arms flows, strengthen recovery and return of stolen assets and combat all forms of organized crime.

16.5 Substantially reduce corruption and bribery in all their forms.

16.6 Develop effective, accountable and transparent institutions at all levels.

16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels.

16.8 Broaden and strengthen the participation of developing countries in the institutions of global governance.

16.9 By 2030, provide legal identity for all, including birth registration.

16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements.

16.a Strengthen relevant national institutions, including through international co-operation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime,

16.b Promote and enforce non-discriminatory laws and policies for sustainable development.

Source: UNGA (2015[57]), "A/70/L.1: Transforming our world: the 2030 Agenda for Sustainable Development", http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.

Annex Table 1.A.5. Interactions between SDG 16 and other Sustainable Development Goals

Goal	Links with SDG 16
SDG1. No poverty	Poverty heightens the risk for insecurity and fragility. Conversely, the destabilising effects of conflict make it harder for leaders, institutions, and other stakeholders to reduce poverty and promote human development.
SDG 2. Zero hunger	Combining efforts to restore and support resilient livelihoods with peacebuilding and conflict resolution efforts is critical for food security and nutrition. Equally, investing in food security may strengthen efforts to prevent conflict and achieve sustained peace. Equal access to land can reduce both conflict and food insecurity.
SDG 3. Good health and well-being	Conflict-related and structural physical, psychological and sexual violence has serious lasting impacts on both health and well-being. Reducing all forms of violence and ensuring peaceful and inclusive societies are prerequisites for universal well-being.
SDG 4. Quality education	Conflict and violence deprive millions of children from a safe learning environment and education.
SDG 5. Gender equality	Gender equality, including equal access to justice, is an essential factor in a country's security and stability. Excluding women from actively participating in society can increase the risk of instability. Gender equality is not only about social justice; it is also an important element in economic development and can inform and improve work on conflict prevention.
SDG 6. Clean water and sanitation	Legal, economic, financial and institutional mechanisms to incentivise multi-sectoral and transboundary water co-operation are essential for coping and preventing water-related problems, which are becoming ever more central in armed conflicts.
SDG 7. Affordable and clean energy	High numbers of forcibly displaced persons are stretching (natural) resources and leaving international institutions struggling to account for the interconnected dynamics of climate change, conflict and energy poverty.
SDG 8. Decent work and economic growth	Conflict and disaster have severe implications for the world of work, while poverty, unemployment and decent work deficits can themselves become triggers of vulnerability and fragility, reducing the prospects for inclusive and sustainable economic growth. Investment relies on the stability and rule of law of countries.
SDG 9. Industry, innovation and infrastructure	Reduced corruption will lead to better and more effective infrastructure that benefits all citizens (as opposed to prestige projects driven by corruption).
SDG 10. Reduced inequalities	Strong institutions and justice systems are critical for reducing inequalities within and among countries.
SDG 11. Sustainable cities and communities	Urban governance is integral to the management and resolution of conflict and the mitigation of violence in densely populated areas.
SDG 12. Responsible consumption and production	Responsible production and consumption, including fair trade, require legislation and justice systems that condemn internationally outlawed practices such as child and forced labour.
SDG 13. Climate action	Climate change mitigation and adaptation are not only technical issues; they are also a matter of governance. Meeting environmental and climate commitments requires well-crafted policies and laws that are implemented transparently and enforced by strong institutions.
SDG 14. Life below water	Adequate governance structures and institutional coherence are crucial to respond effectively to growing pressures on the world's ocean, such as stock depletion, IUU fishing and marine pollution. Nature is the first to suffer from an absence of state protection as "nature's concerns" are easily overheard or ignored.
SDG 15. Life on land	Strong institutions and governance mechanisms are critical for tackling problems related to natural resources and ecosystems, such as corruption and illicit trade in environmental goods and wildlife products.
SDG 17. Partnerships	Means of implementation.

Note: Compiled by the OECD PCSD Unit.

Chapter 2. Institutional approaches to policy coherence for sustainable development

Implementing the Sustainable Development Goals (SDGs) as an integrated set represents a major challenge for all governments. Policy coherence for sustainable development (PCSD) provides a solution to overcoming institutional silos and fragmented action. Experience shows that the ability to implement coherent policies is dependent on the institutional mechanisms used by governments to manage and co-ordinate policy. This chapter highlights institutional mechanisms for enhancing PCSD in light of good emerging practices in eight key areas: 1) Commitment and leadership, 2) Long-term vision, 3) Policy Integration, 4) Coordination, 5) Regional and local involvement, 6) Stakeholder engagement, 7) Policy impacts, and 8) Monitoring and reporting. It provides examples of recent institutional practices in 30 OECD countries, which have presented Voluntary National Reviews (VNRs) to the UN High Level Political Forum (HLPF).

Introduction

Implementing the Sustainable Development Goals (SDGs) as an integrated set, taking account of the synergies and trade-offs between them, is a major challenge faced by all governments. Each SDG cuts across multiple policy domains, as they integrate economic, social and environmental dimensions. As illustrated in Chapter 1, the actions (either environmental, social or economic) under one SDG can reinforce progress on other SDGs provided that the interlinkages between sectoral areas are taken into account in policy design and implementation. Conversely, there is a risk of making progress in one goal at the expense of another when the interlinkages are neglected.

Policies, action plans and strategies for achieving the SDGs, therefore, require organisational support that transcends compartmentalised structures of government. A silo approach to SDG planning or fragmented government action in implementation can lead to unsustainable policy decisions and pathways that would make it more difficult to achieve all SDGs. Another significant challenge is to ensure that domestic policies contribute to global sustainability, while avoiding negative economic, social and environmental externalities beyond national borders, and for future generations.

Policy coherence for sustainable development (PCSD) provides a solution to overcoming policy silos and fragmented governmental action. PCSD is fundamental to realise the benefits of synergistic actions across the SDGs and effectively manage their potential trade-offs. It is also an essential tool for policy makers to prevent domestic policies that undermine sustainable development and wellbeing elsewhere and for future generations. The experience of the OECD in promoting policy coherence over the past two decades shows that the ability to implement coherent policies is dependent on the institutional mechanisms, i.e. processes, structures and working methods, used by governments to manage and co-ordinate policy.

The purpose of this chapter is to draw together insights on institutional mechanisms for enhancing PCSD in the implementation of the 2030 Agenda. It provides examples of recent institutional practices in 30 OECD countries, which have presented Voluntary National Reviews (VNRs) to the UN High Level Political Forum (HLPF) so far (Table 2.1). The chapter draws from Voluntary National Reviews, the results of the 2018 OECD Survey on PCSD, as well as other published official sources and reports. The country examples included are presented according to eight building blocks for PCSD identified by the OECD (OECD, 2017[1]) and featured in previous reports (OECD, 2018[2]).

Table 2.1. OECD Countries that have presented VNRs to the HLPF 2016-18

2016 (9 countries)	**2017** (11 Countries)	**2018** (12 countries)
Estonia	Belgium	Australia
Finland	Chile	Canada
France	Czech Republic	Greece
Germany	Denmark	Hungary
Korea	Italy	Ireland
Mexico	Japan	Latvia
Norway	Luxembourg	Lithuania
Switzerland	Netherlands	Mexico

2016 (9 countries)	**2017** (11 Countries)	**2018** (12 countries)
Turkey	Portugal	Poland
	Slovenia	Slovakia
	Sweden	Spain
		Switzerland

Note: Mexico and Switzerland presented VNRs in 2016 and 2018.
Source: UN (n.d.[3]), *UN Voluntary National Reviews Database*, https://sustainabledevelopment.un.org/vnrs/ (accessed on 8 January 2019).

This chapter provides background material to support the current work on updating the Recommendation of the OECD Council on Policy Coherence for Development. It also supplements the report "Governance as an SDG Accelerator: Country experiences and tools" (OECD, 2019[4]).

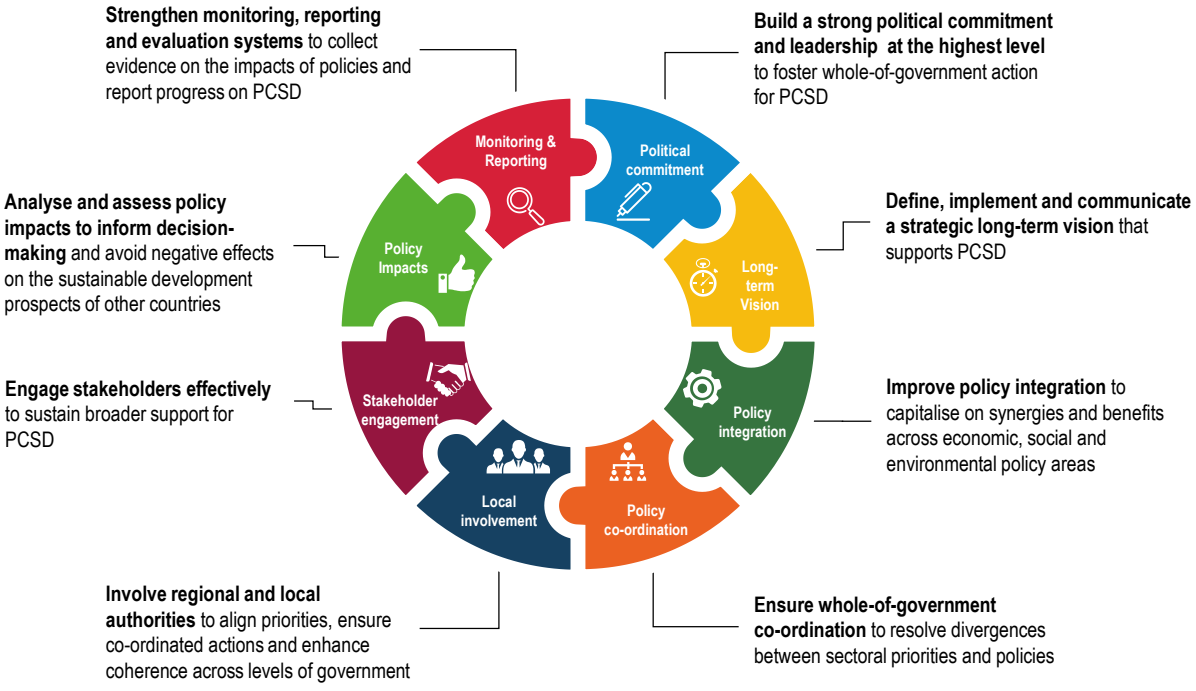
Building blocks of policy coherence for sustainable development

Enhancing policy coherence is one of the persistent challenges of the governance for sustainable development. Experience shows that there is no one-size-fits-all approach to improve PCSD. Nevertheless, there are common good institutional practices and mechanisms for enhancing PCSD, which can be relevant for different contexts. The OECD has identified a set of institutional mechanisms (building blocks) that are helping to bring greater policy coherence for sustainable development in governments from different political and administrative traditions (Figure 2.1). These are:

1. *political commitment and leadership* – to mobilise whole-of-government action, and translate commitment to PCSD into concrete measures at the local, regional, national and international levels;
2. *long-term vision and planning horizons* – to reconcile short- and long-term priorities and make informed choices about sustainable development considering the long-term implications of today's policy decisions on the well-being of future generations;
3. *policy integration* – to integrate sustainable development into policy and finance, and capitalise on synergies, manage trade-offs between economic, social and environmental policy areas, as well as to ensure consistency with internationally agreed goals;
4. *policy and institutional co-ordination* – to anticipate and resolve divergences between sectoral priorities and policies, and ensure mutually supporting efforts across sectors and institutions for sustainable development;
5. *regional and local involvement* – to align priorities and ensure co-ordinated action and consistency across all levels of government for sustainable development;
6. *stakeholder engagement* – to ensure that PCSD measures are understood and accepted by the population and supported by key stakeholders; that actions are aligned; and that knowledge and resources for PCSD are mobilised;
7. *analysis and assessments of policy impacts* – to provide decision-makers with informed evidence on positive and negative impacts of domestic policies on sustainable development at home and abroad (transboundary impacts);

8. *monitoring, reporting and evaluation* – to collect and evaluate information on the impact of policies on sustainable development, and report regularly to governing bodies and the public about progress on PCSD and on how policies have been implemented regarding the SDGs and adjusted in light of negative effects.

Figure 2.1. Building Blocks of Policy Coherence for Sustainable Development



Source: Adapted from OECD (2018[2]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, https://dx.doi.org/10.1787/9789264301061-en.

These PCSD building blocks were identified based on over two decades of experience gained by OECD countries in promoting policy coherence. They build on the experience of the Development Assistance Committee (DAC) members in promoting policy coherence for development (PCD), as well as on the experiences of OECD members in implementing national sustainable development strategies (NSDS) that emerged from the Rio Earth Summit and Agenda 21.

These building blocks represent institutional structures, systems, processes and working methods, which are essential drivers for improving policy coherence in pursuing the SDGs. They reflect the universal, integrated and indivisible nature of the SDGs. These institutional mechanisms are essential to consider in policy-making key principles such as: sustainability; integrated and balanced approaches to economic, social and environmental dimensions of sustainable development; long-term vision in planning and policy; local and regional involvement; and multi-stakeholder engagement, all of which feature prominently in the 2030 Agenda (Table 2.2).

Table 2.2. Relevant principles for SDG implementation included in the 2030 Agenda

Principle (Building Block)	Reference in the text of the 2030 Agenda
Integration	"We are committed to achieving sustainable development in its three dimensions… in a balanced and integrated manner." (Preamble)
Long-term vision	"We will implement the Agenda for the full benefit of all, for today's generation and for future generations." (Para. 18)
Transboundary impacts and interconnectivity	"All of us will work to implement the Agenda within our own countries and at the regional and global levels… We acknowledge also the importance of … interconnectivity in sustainable development." (Para. 21)
Regional and local involvement	"Governments… will work closely on implementation with regional and local authorities, sub-regional institutions, international institutions…" (Para. 45)
Stakeholder engagement	"All countries and all stakeholders… will implement this plan" (Preamble)

Source: UNGA (2015[5]), *A/70/L.1: Transforming Our World: The 2030 Agenda for Sustainable Development*, http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E.

Political commitment and leadership

Strong political commitment and leadership are a precondition for policy coherence. Explicit, public political commitment to PCSD expressed at the highest level and backed by strategies, action plans, policies, legislation, instructions and incentives is essential to enable all branches and levels of government to pursue the SDGs in a coherent manner. Strong political leadership also helps to build ownership of PCSD efforts across government and among key actors, and facilitates the enactment of specific measures to avoid that policies in different sectors conflict with or undermine each other.

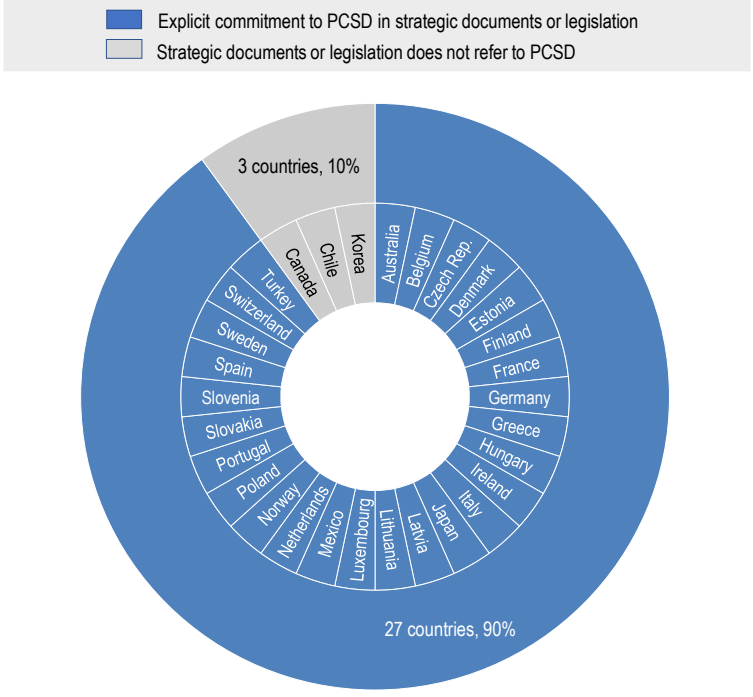
The majority of OECD countries covered in this chapter (27 of the 30 countries) have made an explicit commitment to PCSD either as part of their SDG implementation plans or their development co-operation policy (Figure 2.2) In **Mexico,** for example, the National Strategy for the Implementation of the 2030 Agenda, launched in November 2018, underscores PCSD as a national target for SDG implementation, and emphasises the need to promote the necessary legislative initiatives with a view to create the enabling environment to enhance PCSD (Presidencia de la República Mexico, 2018[6]). In **Poland**, the principle of policy coherence was incorporated in the Multiannual Development Cooperation Programme 2016 -2020 adopted by the Council of Ministers with an explicit link to support SDG implementation and ensure consistency with the global goals.

Practice can take many forms. For example, the Swiss development co-operation has made strategic use of the sustainable development agenda to raise awareness and increase efforts on policy coherence across the administration. **Switzerland** committed to policy coherence in strategic documents such as the Dispatch 2017-2020 Strategy and the Switzerland Sustainable Development Strategy 2016-2019 (OECD, 2016[7]). **Germany** has taken a similar approach (see Box 2.1). In **Denmark** eight out of nine parties in the Danish parliament endorsed in 2017 "The World 2030 – Denmark's strategy for development policy and humanitarian action", which emphasises policy coherence especially in the European Union and across the humanitarian-development-peace nexus.

Japan established the SDGs Promotion Headquarters in 2016. Led by the Prime Minister, this mechanism acts as control tower to ensure a whole-of-government approach to SDG implementation, and fosters co-operation among ministries. In December 2018, the SDG Promotion Headquarters adopted the SDGs Action Plan 2019, recognising the indivisibility of the 169 targets and the need for integrated approaches to implementation (OECD, 2018[2]).

Figure 2.2. Explicit commitment to PCSD

OECD countries that have presented VNRs



Sources: VNRs (available at https://sustainabledevelopment.un.org/vnrs) and OECD (2018[8]), *Report on Survey Findings: Applying the Eight Building Blocks of PCSD in the Implementation of the 2030 Agenda,* http://www.oecd.org/pcsd/Report%20on%20PCSD%20Survey%20Findings.pdf (accessed on 13 January 2019).

Box 2.1. Germany – Using the momentum of the 2030 Agenda to promote policy coherence

The German National Sustainable Development Strategy contains the Federal Government's concrete ambition to use the 2030 Agenda as an opportunity to increase its efforts for policy coherence, with particular reference to SDG 17.14. Various policy areas are bundled to achieve greater coherence in light of the large number of systemic interdependencies. Ministry Coordinators for Sustainable Development have been appointed in all Ministries.

Source: OECD (2018[2]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, https://dx.doi.org/10.1787/9789264301061-en.

Other countries have taken targeted measures to overcome policy and institutional silos in SDG implementation, thereby fostering PCSD implicitly. In **Canada**, the Government established a SDG Unit to facilitate the coordination, monitoring and evaluation of implementation activities of the Federal Sustainable Development Strategy (Government of Canada, 2018[9]). In **Chile**, the government established the National Council for the implementation of the 2030 Agenda, which is composed by the ministries of Foreign Affairs, Economy and Tourism, Social Development, and Environment, with the aim to foster an integrated approach to SDG implementation (Government of Chile, 2017[10]). In **Greece**, the General Secretariat of the Government is formally mandated to lead the SDG integration into the national strategy, and an Inter-ministerial Co-ordination Network involving all ministries has been established, which provides also a forum for dialogue with regional and local authorities as well as other key stakeholders (OECD, 2019[11]). The process leading to the elaboration of a 4-year National Implementation Plan for the SDGs, in 2019, is underway. This National Implementation Plan is expected to be aligned with the provisions of the National Strategy for Sustainable and Fair Growth 2030 and will aim at promoting cross-sectoral approaches and actions among line Ministries.

Long-term strategic vision and planning horizons

In adopting the 2030 Agenda, world leaders committed to "implement the Agenda for the full benefit of all, for today's generation and for future generations" (UNGA, 2015[5]). Long-term vision and planning horizons are essential to support present needs and those of future generations in a balanced manner. They are also fundamental to ensure that efforts on SDG implementation go beyond electoral cycles, government programmes or cabinet compositions. Previous experiences have shown that balancing short- and long-term priorities and sustaining commitment over time have been major challenges in implementing strategies and policies for sustainable development.

Most OECD countries covered in this chapter have adopted a long-term perspective in developing strategies and implementation plans for the SDGs. Some countries such as **Slovenia, Finland** and **Belgium** have developed long-term visions with a timeline up to 2050 through inclusive processes and used them as a basis for designing their national sustainable development strategies. In **Ireland**, the implementation of the SDGs takes place within the context of Project Ireland 2040, which is the Government's overarching policy initiative that sets out values and 10 strategic objectives consistent with the SDGs (Government of Ireland, 2018[12]). **Portugal** has adopted a long-term roadmap to carbon neutrality and **Norway** has established a fund to save for future generations and compensate for a loss of petroleum revenues (Box 2.2).

In **Hungary,** the Fundamental Law that came into force in 2012 advocates the mainstreaming of sustainability into public policies and contains key principles on the rights of future generations. Since 2012, the Deputy-Commissioner Responsible for the Protection of the Interests of Future Generations within the Office of the Commissioner for Fundamental Rights is responsible for protecting fundamental rights to sustainable development for current and future generations (Ministry of Foreign Affairs and Trade of Hungary, 2018[13]), joining countries with similar institutions such as Australia, Canada and Norway.

Finland's Committee for the Future and Germany's Parliamentary Advisory Council on Sustainable Development are examples of parliamentary bodies that evaluate medium- and long-term developments and their policy implications. A plethora of tools and fora are used throughout the OECD countries to consult with youth, academia, citizens and civil society

organisations on key issues for future generations. Such fora include for example the **Czech** Youth Forum, an inter-ministerial body for co-ordination on youth issues (OECD, 2018[14]).

Box 2.2. Norway – Government Pension Fund to save for future generations

In 1990, the Norwegian government established the Government Pension Fund Global to save for future generations and compensate for a loss of petroleum revenues after phasing-out of oil extraction. The fund is managed by Norges Bank Investment Management on behalf of the Ministry of Finance under a strict management mandate. Benefiting from regular capital transfers from the State's petroleum revenues and investment returns, the fund's market value reached 8.497 billion Norwegian kroner in 2018 (roughly 1 trillion US Dollars). Withdrawals by the government are limited to 4%, making the fund truly long-term. The first withdrawal was made in 2016.

Source: Norges Bank Investment Management (2017[15]), *Government Pension Fund Global: Annual Report 2017*.

Policy integration

In adopting the 2030 Agenda, governments committed to "achieving sustainable development in its three dimensions – economic, social and environmental – in a balanced and integrated manner" (UNGA, 2015[5]). Policy integration is central to balancing the often divergent economic, social and environmental priorities, and to maximising synergies and minimising trade-offs at all stages of the policy-making process. This is important to: (i) avoid the risk that progress on one goal occurs at the expense of another, for example food (SDG 2) and energy (SDG 7) production can compete for the same water (SDG 6) or land (SDG 15) resources; and to (ii) ensure that domestic policies are aligned with internationally agreed goals.

Observations from most countries covered in this chapter would indicate the need for mandates and specific measures for policy integration as well as strategic or institutional frameworks that allow for a new logic of cross-sectoral collaboration and shared priorities to emerge. Different measures, including budgetary, have been put in place to incorporate sustainable development into the work of each national institution and align sectoral objectives with the SDGs (Table 2.3).

An overarching national strategy or action plan for 2030 Agenda implementation can serve as a common framework to integrate the SDGs into sectoral programmes. In **Japan**, for example, the SDGs Promotion Headquarters adopted the *SDGs Implementation Guiding Principles* with a view to mobilise all ministries and government agencies to integrate the SDGs into their plans, strategies, policies and activities, as well as follow-up and review mechanisms. The guidelines set out five implementation principles (universality, inclusiveness, participation, integration, and transparency and accountability) across eight priority areas (including 140 specific measures to be implemented both domestically and through international co-operation) (OECD, 2018[2]).

In the **Czech Republic**, the *Strategic Framework 2030*, adopted by the Government in 2017, is the main reference document for national SDG implementation. It guides the work of the Government Council on Sustainable Development, an advisory body to the government for inter-sectoral co-ordination (Government of the Czech Republic, 2017[16]).

Greece has endorsed eight national priorities for adapting the SDGs to national circumstances, which are also aligned to the new National Growth Strategy (General Secretariat of the Government, 2018[17]).

Table 2.3. Institutional mechanisms in support of policy integration

	Strategies, Plans and Guidelines
Canada	The Government is developing a national strategy that aims to integrate the SDGs into Canada's programmes and activities. The Government's 2018 Budget plan foresees USD 49.4 million over 13 years to establish an SDG unit and fund monitoring and reporting activities by Statistics Canada.
Denmark	In 2017, the Danish Government adopted its "Action Plan for the Sustainable Development Goals". Under the headings of (i) Prosperity, (ii) People, (iii) Planet and (iv) Peace, it identifies key areas of intervention at the national and international level with a related indicator and attached to specific SDGs.
Estonia	The Estonian Commission for Sustainable Development launched a review of Sustainable Estonia 21 and its implementation mechanisms. The SDGs will be integrated into the government's sectoral and thematic strategies.
Germany	The 12 management rules of the German Sustainable Development Strategy state that the guiding principle of sustainability should be considered in every law and decree from the start.
Ireland	The SDG Policy Map of Ireland's National Implementation Plan 2018-2020 sets out responsibilities for achieving SDG targets across multiple government departments.
Japan	The 2016 SDGs Implementation Guiding Principles provide a framework for policy integration and direct the government and related agencies to incorporate the SDGs into their plans, strategies and policies.
Korea	The Third Basic Plan for Sustainable Development 2016-2035 was expanded to encompass economic and social development goals and mainstream the SDGs.
Latvia	Latvia's national sustainable development goals are defined in the Latvija2030 Strategy and operationalised through seven-year national development plans and sectoral policy strategies. Each of the 169 SDG targets is linked to performance indicators defined in the National Development Plan 2014-2020 and other strategic documents.
Lithuania	When drawing up strategic documents, all state institutions are guided by overarching strategies, primarily the National Strategy for Sustainable Development and the National Progress Strategy 'Lithuania 2030'.
Mexico	The National Planning Law was updated during the second half of 2017 with a view to integrating the three dimensions of sustainable development and key principles of the 2030 Agenda in national development planning.
Slovakia	In 2017, the government adopted a roadmap to outline the key steps towards integrating the 2030 Agenda into the overall strategic planning and governance framework. A new National Development Strategy will provide a framework to integrate national, regional and territorial development plans.
Spain	A programmatic Action Plan for the implementation of the 2030 Agenda, approved in 2018, promotes public policies' alignment with the SDGs and identifies policy levers as well as transformative measures, including establishing compulsory SDG impact reports in legislative activity, budgeting for the SDGs, and promoting SDG Partnerships.
Switzerland	The Sustainable Development Strategy 2016-2019 Switzerland contains guidelines on how the Federal Council should mainstream sustainable development in all of the Confederation's sectoral policies.
	Institutional arrangements
Australia	Since the adoption of the SDGs, the Australian Government has convened an interdepartmental group of senior officials with portfolio responsibilities that link to one or more of the SDGs. It has also established cross-government groups on specific aspects such as data or communications.
Czech Republic	The regular discussion of sectoral documents between departments in government advisory bodies and inter-ministerial co-ordination groups provides a basic mechanism for policy integration.
Denmark	An inter-ministerial working group to guide implementation of the Government's Action Plan for the Sustainable Development Goals. This technical working group carries out regular consultations with civil society.
Greece	An inter-ministerial co-ordination network for SDGs established in 2016 supports mainstreaming of the SDGs and the integration of the three dimensions of sustainable development into thematic legislation, strategies, policies and initiatives.
Luxembourg	The Government's Inter-Departmental Commission on Sustainable Development supports the integration of sustainable development in sectoral policies, including through the development of the National Sustainable Development Plan. The Government's Committee for Development Cooperation makes recommendations relating to policy coherence.
Netherlands	Ministers are responsible for implementing the SDGs within their respective policy areas. Focal points for SDG implementation exist at each ministry.
Spain	A main function of the recently created High Level Group for 2030 Agenda is to foster integration of the SDGs and targets into national policy frameworks.

Turkey	A task force within the Ministry of Development composed of experts in relevant areas was mandated to integrate SDGs into public documents at all levels, including the National Development Plan, regional plans, and sectoral strategies.
	Assessment tools
Belgium	The Federal Institute on Sustainable Development supports ministries and other stakeholders in integrating sustainable development into their core business. Two additional instruments support policy integration: an ex-ante impact assessment of regulatory action and the Federal Long-Term Vision statement for the Belgian 2030 outlook.
Denmark	The government already assesses new legislative proposals in terms of their economic, environmental and gender equality consequences.

Sources: VNRs (available at https://sustainabledevelopment.un.org/vnrs) and OECD (2018[2]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, https://dx.doi.org/10.1787/9789264301061-en.

Ex-ante impact assessments are another frequently used tool to integrate economic, social and environmental dimensions in policy and legislative proposals. In **Belgium**, a Sustainable Impact Assessment (SIA) tool was integrated into the Regulatory Impact Assessment (RIA) in 2014 (OECD, 2018[2]). The SIA aims for policy coherence by assessing the possible effects of the preliminary draft regulations on all three dimensions of sustainable development and the public services.

A good emerging practice is to use the budget – a key policy and priority-setting document – as a mechanism for policy integration and coherence (Figure 2.3). Several countries are using budgetary processes to align actions and programmes with the SDGs. Half of the countries covered in this chapter have reported ongoing measures to link the SDGs to the national budget (Figure 2.3). **Canada**, for example, has reported that the 2018 federal budget reaffirmed the country's commitment to the 2030 Agenda with support for data strengthening, monitoring and reporting and greater coordination to ensure continued progress on efforts on the SDGs both domestically and internationally (Government of Canada, 2018[9]). The budget sets aside USD 59.8 million over 13 years, starting in 2018, allocated from existing departmental resources, for programs to support the implementation of the SDGs (UNDESA, 2019[18]). In **Slovakia**, the Government aims to integrate the national priorities for the 2030 Agenda identified through participatory processes into sectoral strategies and investment plans of line ministries. A National Investment Plan will be prepared as part of the National Development Strategy (Deputy Prime Minister's Office for Investments and Informatization, 2018[19]).

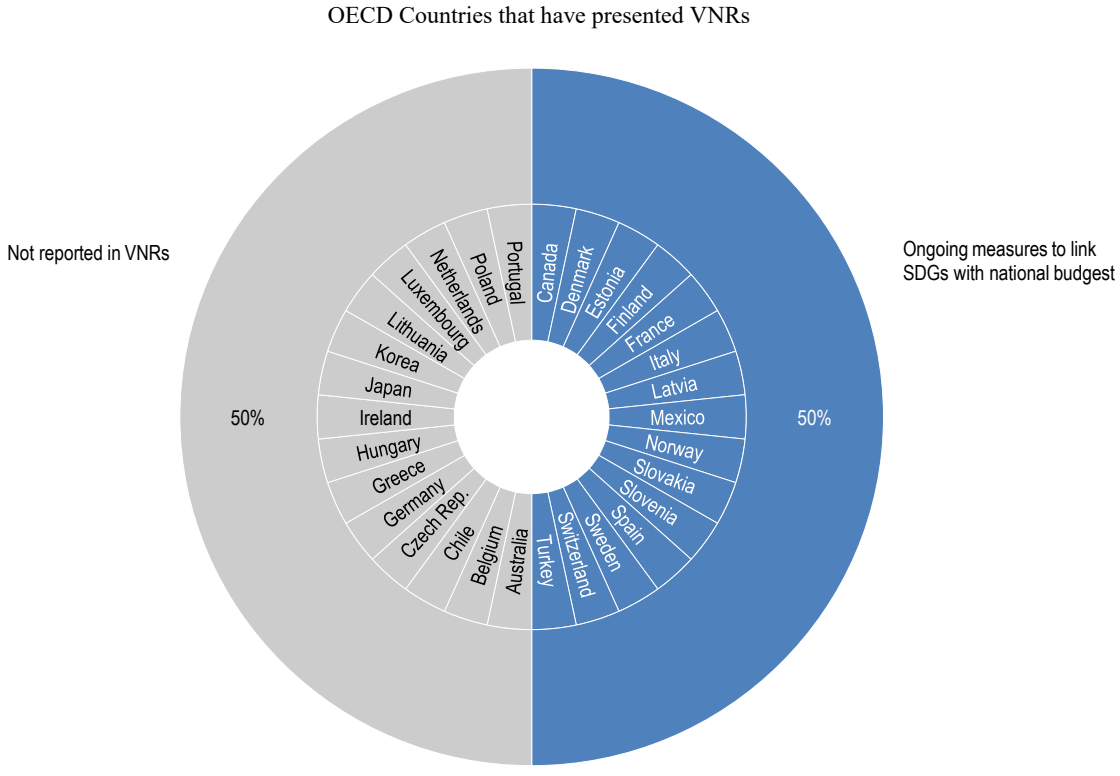
In **Mexico**, a new provision incorporated into its Guidelines for the Programming and Budgeting Process for the Fiscal Year 2018, established dates and specific actions so that federal agencies and entities could link their authorised programme structures with the SDGs. In **Norway**, the Ministry of Finance is responsible for ensuring a co-ordinated budget to foster SDG implementation. It assigns each of the 17 Goals to a co-ordinating ministry who must co-operate with other ministries involved in the follow-up of relevant, cross-cutting targets. Ministries' progress reports are compiled by the Ministry of Finance and submitted to the parliament as part of the national budget annual White Paper.

Box 2.3. Finland – State budget planning as a tool for policy integration

In September 2018, the Finnish Ministry of Finance presented a proposal for the 2019 State Budget to the Parliament with a comprehensive consideration of sustainable development. The budget focuses in particular on carbon-neutrality, sustainable resource consumption and production. The proposal takes the budgetary impacts on climate action, bio-economy, circular economy, clean-tech innovations and sustainable public procurement into account, and bears international environmental agreements, development cooperation policy and climate investments in mind. This is an important step in mainstreaming sustainable development into all sectoral policies and financial instruments. In addition, the government has launched work on a phenomenon-based approach to budgeting that will allow for more tailored solutions that consider cross-sectoral, transboundary and intergenerational policy impacts.

Source: PMO Finland (2018[20]), "SDG implementation in Finland: Input on lessons learned and challenges ahead for the SDG Hub Case Study", Unpublished.

Figure 2.3. Linking the SDGs to the national budget



Sources: VNRs and OECD (2018[8]), *Report on Survey Findings: Applying the Eight Building Blocks of PCSD in the Implementation of the 2030 Agenda*, http://www.oecd.org/pcsd/Report%20on%20PCSD%20Survey%20Findings.pdf (accessed on 13 January 2019).

Policy integration is also essential to align resources - public, private, domestic, and international – in support of sustainable development. Integration in this context entails enhancing the sustainable development impact of existing and future additional resources by using them more effectively and making the most of their interactions. For example, greater policy integration and improved coherence of policies in donor countries can enhance impact of resources on sustainable development by strengthening tax policy for ODA-funded goods and services (Box 2.4).

At the operational level, policy integration can help actors to improve co-ordination across the development finance landscape to face the challenge of increased complexity of interactions. Policy integration can also help align financing strategies with countries' development strategies (see Box 2.5). Greater coordination between actors at the diagnostic phase is essential to align financing mixes to each country's needs and deliver on integrated national financing frameworks. New country diagnostic tools need to be developed to integrate actors from multiple layers of governance into the design of financing strategies.

Box 2.4. Netherlands and Norway - Transparency of policy for official development assistance-funded goods and services

The tax status of ODA-provided goods and services is one area where official providers may wish to start using development finance as catalysts for increased domestic revenues. In many countries, official providers have requested tax exemptions on goods and services, which can have potentially significant impact on domestic revenue mobilisation, especially for low-income countries where ODA often represents a higher share of the economy. Some countries, among them Netherlands and Norway, have changed their policy and no longer seek such tax exemptions on ODA-funded goods and services. But this is not yet common practice. The Platform for Collaboration on Tax is planning to review the draft guidelines from 2007 to assist countries in reviewing their policies in this area.

Source: OECD (2018[21]), "OECD Global outlook survey on financing for sustainable development", Unpublished, OECD, Paris.

Box 2.5. Germany and Mexico – Co-ordinating support for development and financing strategies

Support provided by BMZ/GIZ for the Mexican federal government illustrates how to promote the alignment of development and financing strategies tailored to specific countries, sectors, and policy goals. BMZ/GIZ supports the Mexican federal government in developing a comprehensive architecture for the implementation of the 2030 Agenda based on national development priorities. At the same time, support is provided to ensure that sufficient financing is raised to achieve the plan. This includes advisory work for a more sustainable fiscal framework, promotion of innovative multi-stakeholder financing mechanisms at the sub-national level, (e.g. results-based payments to finance the SDGs); and a planned collaboration to jointly foster enabling conditions for a financing sustainable development system.

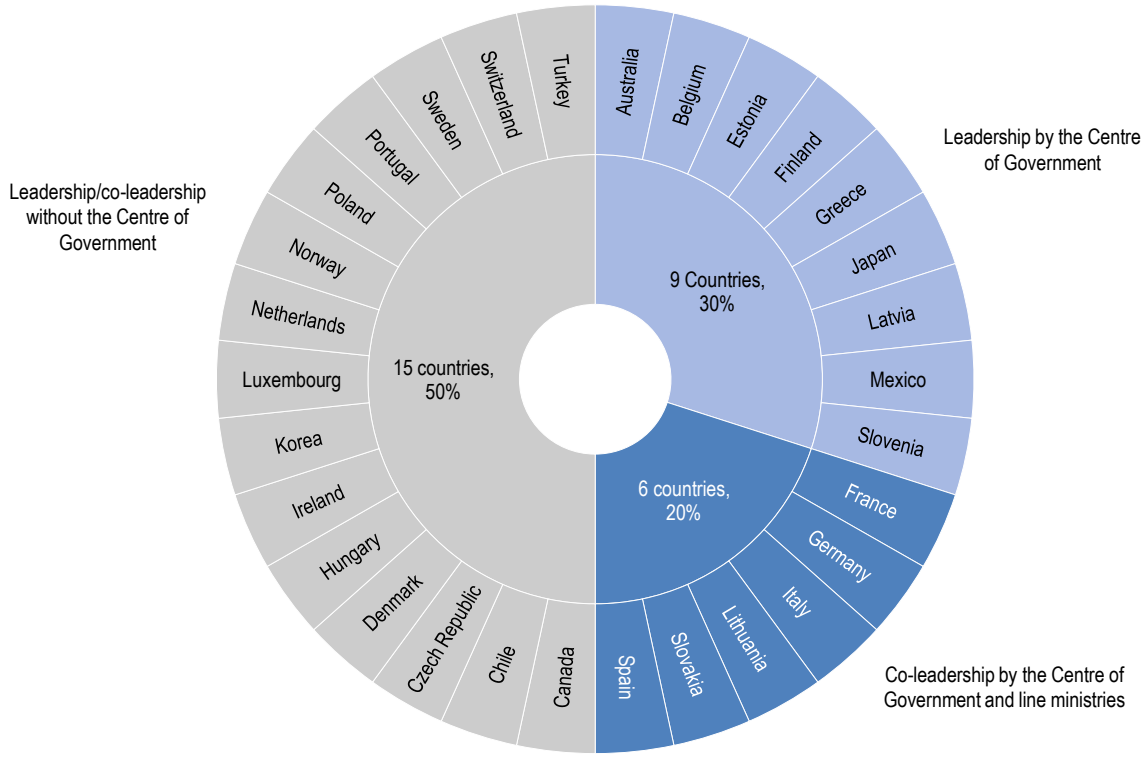
Source: OECD (2018[21]), "OECD Global outlook survey on financing for sustainable development", Unpublished, OECD, Paris.

Policy co-ordination

The integrated nature of the SDGs requires mechanisms for policy and institutional co-ordination at multiple levels. Given the potential for tensions among diverse interests on economic, social and environmental issues, appropriate co-ordination mechanisms are needed to anticipate, manage and resolve conflicts and inconsistencies between policies. Dedicated co-ordination mechanisms are essential to allow ministries, public sector agencies and other key stakeholders to efficiently share information and allocate responsibilities and resources for SDG implementation.

Most countries covered in this chapter have co-ordination mechanisms for SDG implementation in place. Half the OECD countries rely on the centres of government to steer and co-ordinate SDG implementation either on their own or with the support of line ministries. In other countries, responsibility for co-ordination has been assigned to line ministries with cross-sectoral influence, such as the Ministry of Finance or Foreign Affairs (Figure 2.4).

Figure 2.4. Leadership in coordinating the implementation of the SDGs



Sources: VNRs (available at https://sustainabledevelopment.un.org/vnrs) and OECD (2018[8]), *Report on Survey Findings: Applying the Eight Building Blocks of PCSD in the Implementation of the 2030 Agenda,* http://www.oecd.org/pcsd/Report%20on%20PCSD%20Survey%20Findings.pdf (accessed on 13 January 2019).

Experience shows that co-ordination mechanisms can only be effective in promoting policy coherence if they go beyond information sharing. A good emerging practice is to provide the coordination mechanisms with a clear mandate to anticipate and resolve policy divergences and tensions arising from different sectoral interests (Box 2.6). The ability to

influence policy as a result of the co-ordination is essential for PCSD. In **Switzerland,** policies with potential impact on developing countries are flagged and addressed at the operational level. In the Swiss governance system, inter-departmental consultations are required throughout the process of legislative initiatives, where the Swiss Agency for Development and Co-operation, the Economic Co-operation and Development Division of the State Secretariat for Economic Affairs (SECO) and the Human Security Division (HSD) provide technical comments on other departments' policy initiatives. When incoherencies cannot be resolved at this level, the Federal Council arbitrates and decides on unresolved issues (OECD, 2019[22]).

Box 2.6. Spain – A High Commissioner to co-ordinate implementation of the 2030 Agenda

In 2018, the Spanish government established, under the President of the Government, the High Commissioner for the 2030 Agenda and the associated office for special support. The High Commissioner has as a key mandate to addresses conflicts between policies. It aims to improve policy co-ordination, promote integrated SDG implementation and strengthen focal points in the various ministries. The High Commissioner's functions include: (i) monitoring the actions of the authorities responsible for the SDGs, (ii) promoting the development of plans and strategies for the 2030 Agenda, (iii) assessing and sharing information on progress on SDG implementation, (iv) collaborating with the Ministry of Foreign Affairs and Cooperation on international action concerning the 2030 Agenda, and (v) promoting data collection and the creation of information systems to assess progress on SDG implementation.

Source: Government of Spain (2018[23]), *Spain's Report for the 2018 Voluntary National Review: A National Blueprint*.

Regional and local involvement

The 2030 Agenda emphasises that "government and public institutions will work closely on implementation with regional and local authorities" (UNGA, 2015[5]). It is estimated that 65% of the 169 targets underlying the 17 SDGs will not be reached without proper engagement of, and co-ordination with, local and subnational governments (SDSN, 2016[24]). Regional and local governments are essential for delivering a wide range of public services as well as the economic, social and environmental transformations needed to achieve the SDGs. Subnational governments were responsible for 59.3% of total public investment in 2015 throughout the OECD area and for almost 40% worldwide (OECD/UCLG, 2016[25]). Most investments were related to infrastructure for basic services (e.g. education, health, social infrastructure, drinking water, sanitation, solid waste management, transport, and housing) for which cities and/or regions have core competences, and correspond to dedicated SDGs.

Most OECD countries have involved regional and local levels of government to prepare national SDG strategies, action plans or VNRs. In several OECD countries, municipalities and regions have representatives in national commissions or councils in charge of implementing the 2030 Agenda. Some countries have created new mechanisms for co-ordination between national, regional and local levels of government as part of their national strategies for SDG implementation.

In **Germany** and **Mexico**, the respective federal governments support efforts of regional governments and municipalities to integrate the SDGs into their policies and actions, and to develop their own sustainable development strategies (OECD, 2018[2]). To ensure alignment of efforts at all government levels, **Luxembourg** has taken stock of local SDG-relevant initiatives (see Box 2.7). In **Canada**, the Government has worked closely with provinces, territories and municipalities to develop the national strategy on the 2030 Agenda, and has signed agreements with them on topics where they hold jurisdiction, such as early learning and child care (SDG 5), green infrastructure (SDG 6), the labour markets (SDG 9), and transportation (SDG 11) (UNDESA, 2019[18]). In **Greece**, a network of SDG focal points from each region has been established under the coordination of Greek Regions (ENPE). This network monitors policies, programmes and infrastructure towards the achievement of the SDGs (General Secretariat of the Government, 2018[17]).

Box 2.7. Luxembourg – Taking inventory of local initiative to foster vertical coherence

In Luxembourg, many parliamentarians exchange regularly with the country's mayors. Local concerns can be raised in parliament, and mutual exchange of knowledge between the local and national level is a common occurrence. Furthermore, local communities have an opportunity to influence legislation via regular consultation processes. To foster vertical coherence, the Government has taken inventory of SDG-related local initiatives to ensure that priorities and policies are well aligned. It has provided a reference guide for local communities based on ISO 37120:2018 on 'Sustainable cities and communities: Indicators for city services and quality of life' and the Reporting Standards of the Global Reporting Initiative.

Sources: Grand-Duché de Luxembourg (2018[26]), "Luxembourg 2030 - 3rd National Plan for Sustainable Development", 15th Meeting of National Focal Points for Policy Coherence, Draft; OECD (2018[2]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, https://dx.doi.org/10.1787/9789264301061-en.

Stakeholder engagement

The 2030 Agenda emphasises that "all countries and all stakeholders, acting in collaborative partnership, will implement this plan" (UNGA, 2015[5]). Major barriers to policy coherence are strongly rooted in differing perceptions of the challenges and priorities for transitioning towards sustainable development. Coherent implementation of the SDGs requires mechanisms for dialogue and engagement whereby governments and key stakeholders can come together to identify common challenges, set priorities, contribute to the development of laws and regulations, align policies and actions, and mobilise resources for sustainable development.

Enabling effective stakeholder engagement implies that all stakeholders should have fair and equitable access to the decision-making process in order to balance policy debates and avoid capture of public policies by narrow interest groups. In **Latvia**, the government identified concrete steps to foster PCSD through stakeholder engagement from the first draft proposal to the final decision by the Government cabinet (Government of Latvia, 2018[27]). **Ireland** has established a national SDG Stakeholder Forum, which is convened and chaired by the Department of Communications, Climate Action and Environment to discuss national implementation and reporting processes. While dialogue with stakeholders

is considered important, the Irish Government wants to go further in developing a partnership approach to implementing the SDGs (Government of Ireland, 2018[12]).

Finland regularly engages with stakeholders through its National Commission on Sustainable Development, which is chaired by the Prime Minister and comprised of ministers, government officials, as well as representatives from business, academia, civil society, labour unions and municipal governments. The Commission launched the Society's Commitment to Sustainable Development, which provides a platform for engaging governmental institutions, businesses, CSOs and citizens to commit on concrete actions for achieving the SDGs (OECD, 2018[2]). A good emerging practice is to establish multi-stakeholder mechanisms dedicated to address specific PCSD issues (Box 2.8).

Box 2.8. Norway – Establishing a Policy Coherence Forum for broad stakeholder participation

The Norwegian Policy Coherence Forum develops recommendations for enhancing policy coherence and plays a central role in preparing the annual report on Policy Coherence to Parliament. The Forum is comprised of representatives from civil society, academia, the private sector and trade- and employers' unions and chaired by the State Secretary for international cooperation at the Ministry of Foreign Affairs, in cooperation with the Ministry of Finance and other line ministries. The Norwegian Forum for Development and Environment, a second important forum for national dialogue on SDG implementation that brings together more than 50 civil society organisations, provides analytical and strategical input on sustainable development in the form of reports and road maps.

Source: Government of Norway (2016[28]), *One Year Closer. Norway's Progress towards the Implementation of the 2030 Agenda for Sustainable Development*, Ministry of Finance, Oslo.

Policy effects

In adopting the 2030 Agenda, UN Members affirmed that they were "setting out together on the path towards sustainable development, devoting [themselves] collectively to the pursuit of global development" (UNGA, 2015[5]). With increasing global interconnectedness, governments will have to step up efforts and develop mechanisms to anticipate and address the unavoidable impacts of their policies on the sustainable development prospects and well-being of people in other countries. In this context it is essential to pay attention to potential negative impacts on developing countries, in particular countries most in need, such as least developed countries (LDCs), low- income countries (LICs), small island developing states (SIDS), land-locked developing countries (LLDCs) and fragile and conflict-affected states. Most countries covered in this chapter use policy impact assessment tools (RIA, SIA, EIA) as well as regular evaluation procedures to analyse and identify potential policy effects. Foresight tools can also be useful since challenges differ within and between countries.

Several OECD countries are improving impact assessment processes and guidelines to align policies with the SDGs and consider more systematically the coherence between actions at domestic and international levels in SDG implementation (Box 2.9). The **Netherlands**, for example, has aligned its Integral Assessment Framework to the SDGs, to consider the potential effects on developing countries early in the process of

formulating new policy and legislation (Ministry of Foreign Affairs of the Netherlands, 2018[29]). **Luxembourg** is currently exploring the option of establishing such as mechanism (Grand-Duché de Luxembourg, 2018[26]). In **Denmark**, the Government has decided that a new analysis of impact on the SDGs shall accompany any piece of legislation put to parliament whenever such an impact is deemed to be relevant and considerable. Consequences for global development and developing countries may be included in the impact analysis when these can be estimated without major difficulties and are deemed to be relevant and considerable. The requirement for this impact analysis will enter into force with the legislative year 2019/2020. The Government already assesses new legislative proposals in terms of their economic, environmental and gender equality consequences domestically.

Box 2.9. Germany – Developing an online tool to check linkages of draft policies across all SDGs

All proposals for new laws and regulations are subject to a Sustainability Impact Assessment (SIA). The SIA is based on indicators, targets and management rules that include intergenerational and transboundary dimensions. Since March 2018, laws and regulations can be checked against the SIA through an online tool: www.enap.bund.de. The tool allows policy makers to evaluate the impact of a regulatory proposal on each of the 17 SDGs and their translation into national targets. In a last step, it asks participants to check whether the proposal complies with 12 management rules on intergenerational justice, viability of decisions, broad stakeholder engagement, efficient use of natural resources, consumer and health protection, cross-sectoral policy integration, energy efficiency, evidence-based policy-making, research and education, debt reduction, poverty, and transboundary impacts. The SDG assessment can be included in – or used as an inspiration for – the rationale of the regulatory proposal.

Source: OECD (2018[2]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, https://dx.doi.org/10.1787/9789264301061-en.

Monitoring, reporting and evaluation

Decision-making based on reliable and appropriate scientific data is a critical element of enhancing policy coherence for sustainable development. Coherent implementation of the SDGs requires mechanisms to monitor progress, report to governing bodies and the public, and provide feedback so that actions and sectoral policies can be adjusted in light of potential negative or unintended effects.

Regular reporting to the parliament and the wider public about progress on PCSD is essential to assessing how policies are performing, but it is also critically important to policy-makers in refining or re-prioritising policy instruments and objectives. A good institutional practice is to establish a specific action plan for policy coherence and publish regular progress reports (Box 2.10).

Box 2.10. Netherlands - Annual Report on Policy Coherence for Development

The annual report on policy coherence for development monitors progress in five themes set out in the revised PCD Action Plan presented to the Parliament in 2018. These themes are considered the ones that determine the capacity of developing countries to achieve the SDGs and on which the Netherlands has influence. These themes, which put the emphasis on the means to implement the SDGs, are: development-friendly trade agreements, a development-friendly investment regime, tackling tax avoidance/evasion, combating climate change, and making trade and production more sustainable.

Source: Ministry of Foreign Affairs of the Netherlands (2018[29]), *Letter to the President of the House of Representatives on the Annual Report on Policy Coherence for Development (PCD)*, https://www.government.nl/documents/parliamentary-documents/2017/11/14/letter-to-the-president-of-the-house-of-representatives-on-the-annual-report-on-policy-coherence-for-development-pcd (accessed on 3 June 2019).

Most OECD countries are aligning their monitoring and reporting systems with the 2030 Agenda and the SDGs, and expanding their monitoring and reporting systems to consider the international or transboundary dimensions of sustainable development. These monitoring and reporting systems could be used more proactively to track progress on PCSD. In **Finland**, the SDG Implementation Plan of the Government requires reporting on SDG implementation to give explicit consideration to groups outside Finland's borders at risk of falling behind in development (OECD, 2018[2]). In **Sweden**, the PCSD team at the Ministry of Foreign Affairs produces a biennial report to Parliament that evaluates the government's efforts on fostering policy coherence and provides recommendations for improvements (OECD, 2018[2]). **Switzerland** has refined its indicator system to align better with the 2030 Agenda and capture the country's transboundary impacts (Box 2.11). Similarly, the SDGs have been incorporated to the 2019 annual report on broad prosperity in the **Netherlands** published by Statistics Netherlands in cooperation with planning agencies at the request of the Cabinet. This report assesses prosperity and quality of life based on three dimensions: wellbeing here and now (current prosperity in the Netherlands); wellbeing later (how Dutch policy choices today affect the future population of the Netherlands); and wellbeing elsewhere (how Dutch policy choices affect wellbeing elsewhere).

Box 2.11. Switzerland – Using the MONET indicator system to monitor SDG implementation

Since 2003, Switzerland relies on the MONET indicator system to assess its progress on the promotion of sustainable development. The Federal Statistical Office measures 73 indicators to monitor economic, social and environmental developments. Half of the MONET indicators now track advancements in the implementation of the 2016–2019 Sustainable Development Strategy. In 2018, MONET was expanded to monitor the achievement of the 17 goals of the 2030 Agenda using 85 indicators, relying on an inventory of national and international activities. The indicators include data on the use and distribution of environmental, economic and social resources in other countries by Switzerland such as the material footprint of imports, the greenhouse gas footprint, remittances by migrants, direct investments in developing countries, and living up to commitments made in multilateral treaties. All information is publicly available on the website of the Federal Statistical Office.

Source: OECD (2018[2]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, https://dx.doi.org/10.1787/9789264301061-en.

Concluding remarks

The set of institutional mechanisms presented in this chapter represent common and basic tools for enhancing PCSD in the implementation of the 2030 Agenda. The examples highlighted in this chapter show that there is no one-size-fits-all approach for enhancing policy coherence for sustainable development: each country must determine its own institutional mechanisms and sequencing of actions according to its legal, administrative and political context. Nevertheless, the examples also highlight that the eight PCSD building blocks are broad enablers that can be applied to different countries despite their different administrative cultures and political contexts.

The 30 OECD countries covered in this chapter have well-established institutional mechanisms that can support coherent implementation of the SDGs at every stage of the policy-making process. In many cases, the alignment of existing institutional mechanisms with the principles and nature of the 2030 Agenda needs to be strengthened. These existing structures and institutional mechanisms could be used more proactively for policy coherence purposes during SDG implementation. Chapter 3 of this publication explores ways to use process indicators to track progress on the institutional dimension of PCSD.

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Chapter 3. Tracking progress in policy coherence for sustainable development

Target 17.14 of the Sustainable Development Goals (SDGs) calls on all countries to enhance policy coherence for sustainable development (PCSD). The purpose of this chapter is to support government efforts to monitor this target at the national level, as well as to contribute to the development of the global methodology for indicator 17.14.1: 'Number of countries with mechanisms in place to enhance policy coherence for sustainable development'. With a focus on the SDGs to be reviewed by the High Level Political Forum (HLPF) in 2019 – Goal 4 on quality education, 8 on decent work and economic growth, 10 on reduced inequalities, 13 on climate action, and 16 on peace, justice and strong institutions – the chapter explores possible indicators that can be used to capture one of three key elements of PCSD (i) institutional mechanisms; (ii) policy interactions; and (iii) policy effects.

Introduction

One of the greatest challenges facing countries striving to "enhance policy coherence for sustainable development (PCSD)", as called for by SDG target 17.14, is how to monitor and assess progress. Indeed, the global indicator for SDG 17.14.1 'Number of countries with mechanisms in place to enhance policy coherence for sustainable development' is still listed as a Tier III indicator by the United Nations – that is, an indicator for which no agreed methodology exists. UN Environment, with support from the OECD and other partner institutions, is the Custodian Agency responsible for developing a methodology that is universally applicable by all countries (Box 3.1).

The 2030 Agenda also states that all global targets are aspirational, with each government setting its own national targets taking into account national priorities and contexts. In support of this, the OECD has developed a framework for tracking progress on PCSD at the national level (OECD, 2016[1]), which suggests that countries need to consider three interrelated elements of the policy making cycle: (i) institutional mechanisms; (ii) policy interactions (synergies and trade-offs); and (iii) policy effects "here and now", "elsewhere" and "later" (Figure 3.1). The purpose of this chapter is to highlight indicators that countries can draw upon in order to capture each of these elements, in particular as they relate to the SDGs under review by the 2019 High-Level Political Forum (HLPF):

- SDG 4: Ensure inclusive and equitable quality education and promote life-long learning opportunities for all.
- SDG 8: Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all.
- SDG 10: Reduce inequality within and among countries.
- SDG 13: Take urgent action to combat climate change and its impacts.
- SDG 16: Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels.
- SDG 17: Strengthen the means of implementation and revitalize the global partnership for sustainable development.

Box 3.1. Developing a global methodology for SDG indicator 17.14.1

UN Environment, mandated as Custodian Agency by the Inter-Agency and Expert Group on the Sustainable Development Goals Indicators (IAEG-SDGs), has developed a draft indicator framework for SDG 17.14.1: *'Number of countries with mechanisms in place to enhance policy coherence for sustainable development'* based on initial research on existing work, literature and indicators on similar issues. This framework has been inspired by existing conceptual frameworks, particularly by the OECD's 'building blocks' for policy coherence for sustainable development (as outlined in Chapter 2), and by examples of mechanisms in place in countries to foster PCSD, observed through efforts on the ground, reported by countries through their Voluntary National Reviews (VNRs) or other mechanisms.

A composite indicator

Considering the complexity of the concept of policy coherence for sustainable development, and the multitude of possible mechanisms that can enhance it, UN Environment, in consultation with external experts has opted for a composite indicator to measure progress on this issue. The indicator framework identifies several sub indicators, each focusing on a specific mechanism, which together give an indication of whether and to what extent a country has in place mechanisms to enhance PCSD and at the same time identify areas for improvements.

Types of mechanisms and areas of coherence that could be measured

The proposed indicator methodology attempts to capture various aspects of policy coherence, including: between different levels of government (local to national); across key government ministries, departments and agencies and across sectors and themes; between national and international policy and across national boundaries; and in terms of promoting a long-term vision and coherence across political mandates. While mechanisms to promote better coherence in these areas can vary greatly from country to country, it is possible to identify a range of mechanisms that are likely to enhance PCSD, and therefore the presence of a combination of these mechanisms in a given country would indicate progress toward meeting this indicator.

The proposed indicator framework is composed of eight sub indicators/mechanisms: (1) Institutionalization of political commitment, (2) Long-term considerations in decision making, (3) Inter-ministerial and cross-sectoral coordination, (4) Participatory processes, (5) Policy linkages: Integration of the three dimensions of sustainable development and assessment of policy effects and cross-sectoral linkages, (6) Alignment across government levels, (7) Monitoring and reporting for policy coherence, (8) Financing tools for policy coherence.

The indicator framework only focuses on whether the proposed mix of mechanisms is in place in a given country and is not meant to measure the effectiveness of these mechanisms, in line with the textual formulation of indicator 17.14.1.

Calculating progress

The proposed measuring system allowing to award values to the sub indicators, enables countries to measure their progress and UN Environment as Custodian Agency to accurately report on the progress made. At national level, each country is assigned a value between 0 and 80, with a higher value indicating that more and/or stronger mechanisms are in place. At regional and global levels, the number of countries with mechanisms in place to enhance policy coherence for sustainable development could be defined as the number of countries with a majority of mechanisms in place (i.e. four out of eight or more). The ultimate objective of the proposed indicator is not to rank countries, but to help countries assess where they are and what they can do better to enhance PCSD, with a clear trajectory towards 2030.

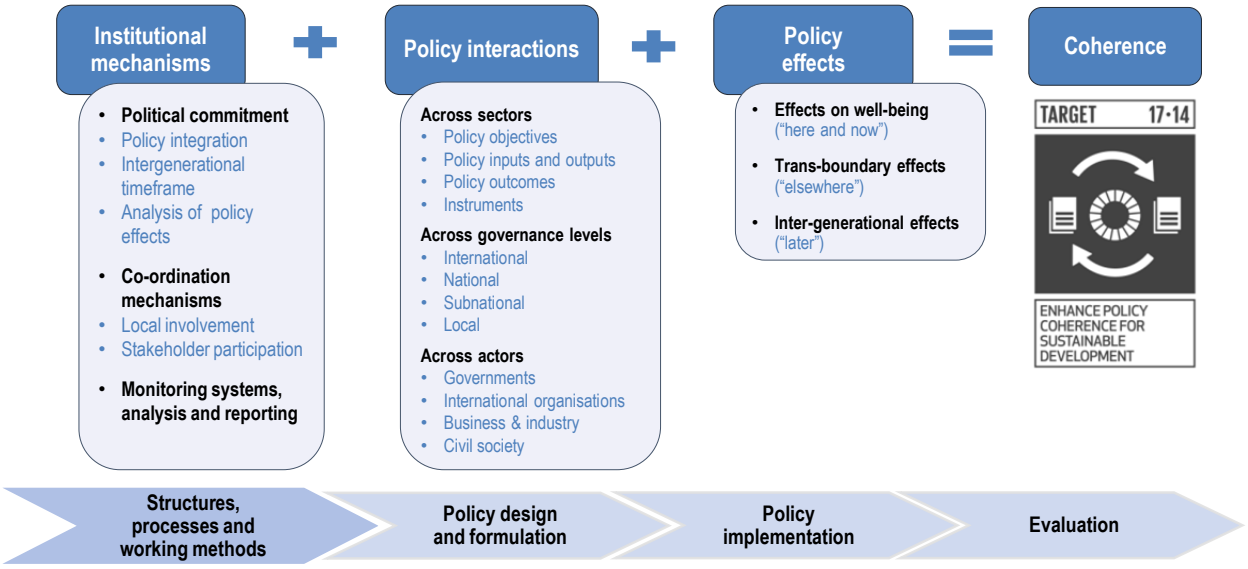
Status of methodology development

In 2018, UN Environment set up an expert group with external experts who have experience in policy coherence for sustainable development, to further develop and finalise the methodology. An initial teleconference among group members was followed by a face-

to-face meeting at the OECD in Paris in November 2018. The discussions contributed to refining the indicator framework and developing guidance notes for each of the eight sub indicators. Subsequent feedback was then integrated into a zero-draft methodology. Pilot-testing of the zero-draft methodology started in the second quarter of 2019. After finalisation, the global methodology for indicator 17.14.1 will be submitted to the IAEG-SDGs in the last quarter of 2019.

Source: Input provided by the Law and Science divisions of UN Environment.

Figure 3.1. Elements for tracking progress on PCSD



Sources: OECD (2018[2]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, https://dx.doi.org/10.1787/9789264301061-en, adapted from OECD (2015[3]), *Better Policies for Development 2015: Policy Coherence and Green Growth*, https://dx.doi.org/10.1787/9789264236813-en.

Indicators for assessing institutional mechanisms for policy coherence

Tracking progress on PCSD, like some of the other means of implementation (MoI) set out in SDG 17, involves looking at processes and institutional structures. Experience at the OECD in promoting policy coherence for development over the past two decades, as well as lessons drawn from the implementation of sustainable development strategies in accordance with the Agenda 21 that emerged from the Rio Earth Summit, shows that the processes by which policies are formulated, implemented and assessed have a determining effect on policy outcomes. Processes, institutional structures and working methods are therefore essential variables for assessing progress on policy coherence.

As highlighted in Chapter 2, the OECD has identified a set of institutional mechanisms, which have proven essential to improve policy coherence for sustainable development in governments from different political and administrative traditions (OECD, 2017[4]) (OECD, 2018[2]). These are: 1) political commitment and leadership; 2) strategic long-term vision; 3) policy integration; 4) coordination; 5) regional and local involvement; 6)

stakeholder engagement; 7) analysis and assessments of policy impacts; and 8) monitoring, reporting and evaluation. These mechanisms refer to institutional arrangements, decision making processes and working methods in public administrations, which have been observed in most of the 30 OECD countries that have presented Voluntary National Reviews to the UN High-Level Political Forum from 2016-2018.

Process indicators can be developed to illustrate how the above-mentioned institutional mechanisms work together and perform their functions to support greater degrees of policy coherence. These indicators can complement and strengthen existing monitoring and reporting systems for policy coherence. They can help identify different degrees of policy coherence, as well as institutional gaps, in terms of:

1. Mobilising whole-of-government action and sustaining commitment over time.
2. Reconciling short- and long-term priorities.
3. Balancing economic, social and environmental policy objectives.
4. Anticipating and resolving policy conflicts as well as ensuring coordinated and mutually supportive efforts across sectors.
5. Involving regional and local authorities and aligning actions between different levels of government.
6. Engaging key stakeholders beyond the government.
7. Addressing potential negative impacts of policies beyond borders, in particular on developing countries.
8. Using monitoring and reporting systems as well as evaluation to inform coherent policy making.

Using a combination of process indicators can give a good picture of the current situation of the institutional framework for policy coherence. They can help to capture: (i) the existing institutional mechanisms (PCSD building blocks) and the conditions in place (who does what?) with a view to establish a baseline; and (ii) the level of implementation (how the institutional mechanism is operating for enhancing coherence?). These indicators can also help identify institutional gaps as well as to collect information on good institutional practices and examples of concrete measures applied to enhance policy coherence.

Table 3.1 provides illustrative examples of process indicators that can help assess progress on the key institutional mechanisms for PCSD. These indicators are qualitative in nature and relate to institutional structures (e.g. arrangements for inter-ministerial coordination); processes (e.g. planning and budgeting for SDGs); and working methods (e.g. provisions in the public administration that facilitate cross-sectoral collaboration).

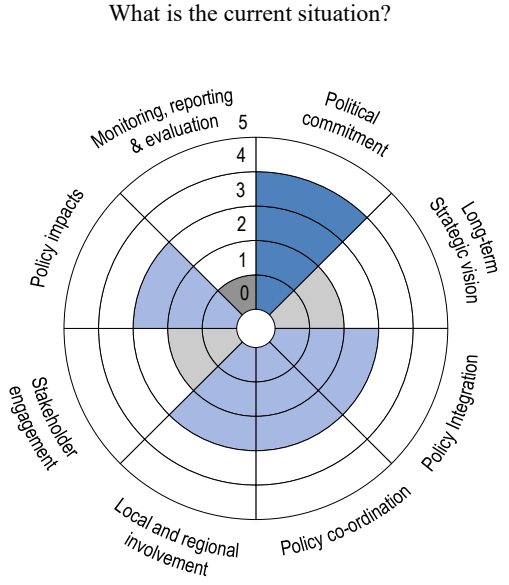
Table 3.1. Process indicators for assessing institutional mechanisms for policy coherence – Illustrative examples

Building Block	Process indicators
1. Political commitment	**1.1.** Existence of explicit commitment to PCSD, formally included into national legislation and/or national strategy and/or action plan. **1.2.** The government defines priority areas, action plans and performance indicators for making progress on PCSD, clearly linked to the SDGs.
2. Long-term perspective	**2.1.** Existence of strategic frameworks, that allow for considering long-term effects of policies. **2.2.** The government has provisions to ensure that commitment to PCSD outlives electoral cycles, and that future government plans and programmes include PCSD considerations.
3. Policy integration	**3.1.** Existence of specific mandates and mechanisms (planning processes, budgetary processes, guidelines or regulations) that allow ministries and public sector agencies to align respective sectoral programmes, budgets and policies to sustainable development goals. **3.2.** Sustainable development, including potential synergies and trade-offs between sectors, are systematically considered in government proposals for new regulations or policies.
4. Policy Coordination	**4.1.** Existence of a mechanism for cross-sectoral coordination that allows ministries and public sector agencies to share information, and allocate responsibilities and resources for sustainable development. **4.2.** The government has a mechanism, backed by adequate resources, with a clear mandate to promote PCSD, and anticipate and resolve policy divergences related to SDG implementation.
5. Regional and local involvement	**5.1.** Existence of coordination mechanisms that allow for systematic consultation and collaboration at the national, regional and local levels. **5.2.** National, regional and local levels of government systematically coordinate initiatives for sustainable development and align their SDG implementation plans considering their respective competences.
6. Stakeholder engagement	**6.1.** Existence of legal frameworks and mechanisms that allow for engaging proactively stakeholders in the formulation and implementation of plans and policies for sustainable development. **6.2.** The government works with stakeholders to mobilise support for PCSD, through campaigns, policy dialogue, capacity building and information sharing.
7. Policy effects	**7.1.** Existence of formal provisions that allow for systematic assessments of potential negative impacts of domestic policies on sustainable development at home and abroad, and in particular on developing countries. **7.2.** Assessments of sustainable development linkages and potential positive and negative effects (including transboundary effects) of policy and legislative proposals are regularly conducted before, during and after implementation.
8. Monitoring, reporting and evaluation	**8.1**. Existence of formal provisions or mandates to regularly monitor and report progress on PCSD. **8.2.** The government publishes regular reports for the parliament and the public about progress on PCSD, and uses evaluation to inform decision making and adjust policies in light of potential trade-offs and negative impacts.

Source: Adapted from OECD (2018[2]), *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*, https://dx.doi.org/10.1787/9789264301061-en.

The process indicators could be contextualised and applied across governance levels (national, regional, local). They could also be used as a self-assessment tool, if used in combination with a scale or a traffic light system and accompanied by a check-list. They could provide a framework to illustrate the current status of institutional mechanisms in place, as well as how a country is enhancing PCSD through institutional measures at the national and subnational levels, in line with SDG target 17.14. A traffic light baseline (scale) similar to the one established for the OECD Water Governance Indicators (OECD, 2018[5]) could be developed for this purpose and spider graphs could be used for visualising progress, results and institutional gaps (Figure 3.2). Data could be collected though multi-stakeholder dialogues on what works and what should be improved using the five-scale assessment.

Figure 3.2. Example of a traffic-light visualisation and scale (PCSD Building Blocks)



Notes: 0) Not applicable - the building block is not applicable to the context where the assessment takes place; 1) Not in place – the building block under assessment does not exist and there are no plans or actions for putting it in place; 2) Building Block under development – the building block does not exist yet, but it is under development; 3) In place, not implemented – the building block is in place, but it is not implemented (e.g. statements of commitment, but no action; 4); In place, partly implemented – the building block is in place, but the level of implementation is not complete; 5) In place, functioning – the building block under assessment is complete and relevant.
Source: Adapted from OECD (2018[5]), *Implementing the OECD Principles on Water Governance - Indicator Framework and Evolving Practices*, https://doi.org/10.1787/9789264292659-en (accessed on 31 October 2018).

The proposed process indicators could be refined building on related OECD work in the area of public governance, including on Centres of Government (CoG) and regulatory policy assessments. The OECD's work on a territorial approach to the SDGs; on the OECD Water Governance Indicator Framework as well as the environmental governance and management in OECD Environmental Performance Reviews is also relevant. The wide range of indicators provided by the OECD Government at a Glance series (OECD, 2017[6]) would also provide a key source of data and information for this purpose. Table 3.2 summarises some of the existing indicators at the OECD that could inform the development of process indicators for PCSD.

Table 3.2. Selected OECD indicators that could be relevant for tracking progress on PCSD

Existing indicators	Links to PCSD Building Blocks (BB)
OECD Water Governance Indicator Framework	
- Principle 3: Policy coherence	BB 5. Policy coordination
- Principle 7: Regulatory Framework	BB 2. Policy integration
- Principle 10: Stakeholder engagement	BB 7. Stakeholder engagement
- Principle 11: Trade-offs across water users, rural and urban areas, and generations	BB 2. Policy integration
- Principle 12: Monitoring and evaluation	BB 8. Monitoring and reporting

Existing indicators	Links to PCSD Building Blocks (BB)
Indicators of Regulatory Policy and Governance	
- Stakeholder engagement for developing regulations	BB 7. Stakeholder engagement
- Regulatory Impact Assessment	BB 4. Policy effects
- Ex-post evaluation of regulation	BB 4. Policy effects
Institutions	
- The centre of government's readiness to implement the SDGs	BB 1. Political commitment BB 5. Policy coordination
Budgeting practices and procedures	
- Performance budgeting	BB 2. Policy integration
- Gender budgeting	
Public procurement	
- Strategic public procurement	BB 2. Policy integration
Open Government	
- Open government coordination and human resource management	BB 5. Policy coordination
- Citizen participation in policy making	BB 7. Stakeholder engagement
- Open government data	BB 8. Monitoring and reporting
Public sector innovation	
- Innovation in human resource management strategies and programmes	BB 2. Policy integration
- Supporting structures for public sector innovation	BB 2. Policy integration

Indicators for assessing policy interactions

The integrated and indivisible nature of the SDGs calls for policies that systematically consider interactions between economic, social and environmental spheres. Policy coherence is essential for ensuring that progress achieved on one Goal contributes to progress on other Goals, or at least does not undermine their achievement.

There is a vast range of economic, social and environmental indicators – many of them developed by the OECD – which can inform policy makers about the linkages, trade-offs and trends implied in achieving the SDGs. These include (OECD, 2017[7]):

- *Resource indicators* related to capital stocks (i.e. natural, economic, human and social), which provide information on how countries are maintaining the asset base from which the well-being of current and future generations is derived.
- *"Flow" indicators* related to investment in and depletion of capital stocks, which provide information on how they are being used.
- Indicators related to *policy responses*, which provide information on how public policies shape sustainable development outcomes.

Using a combination of indicators helps to assess how sectors or policy priorities might be competing for the same resources, and to gauge whether the aggregate demand for satisfying sectoral priorities or human needs is within the constraints of ecosystems. This is particularly relevant when assessing interactions between "environmental SDGs" such as water, energy and land (see for example *Policy Coherence for Sustainable Development 2018: Towards Sustainable and Resilient Societies*), but also applies to "social SDGs" on e.g. education, health and gender.

The OECD produces a number of indicators that can be used to capture (some elements of) the interactions between SDGs 4, 8, 10, 13 and 16. Table 3.3 draws upon the interactions presented in Chapter 1 to illustrate this in theory, with a view to guide countries' efforts to identify national PCSD priorities and the appropriate indicators for measuring progress.

Table 3.3. Indicators for capturing selected policy interactions

Interaction	Relevant indicators	Data sources
Inequality weighs down on economic growth and sustainable development	▪ Income inequality (Gini coefficient) ▪ Wealth inequality ▪ GDP growth	▪ Social and Welfare Statistics: Income distribution ▪ Economic Outlook: Statistics and Projections
Human capital investment is the main transmission mechanism between inequality and growth	▪ Average numeracy score by parental educational background (PEB) and inequality ▪ Intergenerational earnings mobility and inequality	▪ Survey of Adult Skills (PIAAC) ▪ *A Broken Social Elevator? How to Promote Social Mobility* (OECD, 2018)
Higher educational attainment contributes to reduced income inequality	▪ Relative earnings from employment by level of educational attainment ▪ Percentage of 25-64 year-olds without upper secondary education and income inequality	▪ Education at a Glance database ▪ Social and Welfare Statistics: Income Distribution
Skills imbalances and mismatches result in lower productivity	▪ Percentage of workers with skill mismatch or quality mismatch ▪ Productivity measures*	▪ Survey of Adult Skills (PIAAC) ▪ Productivity Statistics
Segmented and informal labour markets deepen inequality and lowers productivity	▪ Employment by permanency of the job: incidence (%) ▪ Wage penalty for non-regular employees (%)	▪ Labour Market Statistics ▪ *Jobs, Wages and Inequality* (OECD, 2014)
Productivity and inequality interact in multiple ways	▪ Productivity growth rate ▪ Income inequality (Gini coefficient)	▪ Productivity Statistics ▪ Social and Welfare Statistics: Income distribution
Sustainable and inclusive growth requires resource efficiency	▪ Non-energy material productivity ▪ Domestic material input ▪ Domestic material consumption	▪ Environment Statistics: Material Resources ▪ Productivity Statistics
Climate change affects poor and vulnerable people disproportionately	▪ Economic losses in absolute values and as a percentage of GDP from climate hazards, by country income group	▪ Centre for Research on the Epidemiology of Disasters (CRED), UNISRD
Climate action can support economic growth and create new jobs	▪ Net growth effect of selected pro-growth and mitigation policies in stylised economies (GDP difference to baseline, %) ▪ Impact of a decisive transition on employment (difference to baseline, %)	▪ *Investing in Climate, Investing in Growth* (OECD, 2017)
Weak institutions and policy capture hinder inclusiveness and economic growth	▪ Correlation between undue influence and wastefulness of government spending	▪ *The Global Competitiveness Report 2018* (World Economic Forum, 2018)
Corruption and bribery undermine productivity growth through resource misuse	▪ Correlation between corruption (inversed CPI Index) and productivity (GDP/hour worked)	▪ *Investing in Integrity* (OECD, 2017), based on data from Transparency International
Limited access to justice reinforces inequalities across society	▪ Difference in the level of seriousness of legal problems, by income level	▪ *Access to Justice for Inclusive Growth* (OECD, 2019)

* Adalet McGowan, M. and D. Andrews (2015[8]) use three measures of industry productivity to show the link between skill or quality mismatch and labour productivity: weighted productivity; allocative efficiency; and within-firm productivity.
Note: Compilation by the OECD PCSD Unit.
Source: All data sources are OECD sources unless otherwise noted.

For purposes of monitoring inclusive growth (as opposed to interactions *per se*), the OECD has proposed a 'dashboard of inclusive growth indicators' (Table 3.4). This dashboard, which represents a subset of the statistical evidence that underpins sectoral and in-depth OECD work on growth and inclusiveness, is organised around four categories (OECD, 2018[9]):

- *Growth and ensuring equitable sharing of benefits from growth:* This category helps to track whether the economy is growing and living standards are increasing for different groups of population, defined in terms of income, age and region of residence.
- *Inclusive and well-functioning markets:* This category looks at the structure and functioning of the economy and market places as the main drivers of growth and inclusiveness. It considers product and labour markets, both from the aspect of efficiency and equity, and provides an understanding of the main economic forces underpinning people's living standards. These indicators gauge the productivity-inclusiveness nexus at a more granular level, e.g. at gender, sectoral and geographical levels.
- *Equal opportunities and foundations for future prosperity:* This category looks at the distribution of selected non-economic wellbeing components, such as health, education, socio-emotional skills, environmental quality of life and childcare. These elements capture people's opportunities to improve wellbeing and to participate in the economy and society.
- *Governance:* This category reflects a whole-of-government approach to monitoring efficiency and responsiveness of the government.

Table 3.4. Inclusive Growth Indicators

Category		Core indicator
1. Growth and ensuring equitable sharing of benefits from growth	1.1	GDP per capita growth (%)
	1.2	Median income growth and level (%, USD PPP)
	1.3	S80/20 share of income (ratio)
	1.4	Bottom 40% wealth share and top 10% wealth share (% of household net wealth)
	1.5	Life expectancy (number of years)
	1.6	Mortality from outdoor air pollution (deaths per million inhabitants)
	1.7	Relative poverty rate (%)
2. Inclusive and well-functioning markets	2.1	Annual labour productivity growth and level (%, USD PPP)
	2.2	Employment-to-population ratio (%)
	2.3	Earnings-dispersion (inter-decile ratio)
	2.4	Female wage gap (%)
	2.5	Involuntary part-time employment (%)
	2.6	Digital access (businesses using cloud computing services) (%)
	2.7	Share of SME loans in total business loans (%)
3. Equal opportunities and foundations of future prosperity	3.1	Variation in science performance explained by students' socio-economic status (%)
	3.2	Correlation of earnings outcomes across generations (coefficient)
	3.3	Childcare enrolment rate (children aged 0-2) (%)
	3.4	Young people neither in employment nor in education or training (18-24) %
	3.5	Share of adults who score below Level 1 in both literacy and numeracy (%)
	3.6	Regional life expectancy gap (% difference)

Category		Core indicator
	3.7	Resilient students (%)
4. Governance	4.1	Confidence in government (%)
	4.2	Voter turnout (%)
	4.3	Female political participation (%)

Note: Core indicators can be complemented by secondary indicators; which for category 1 could be "Top 10% wealth share (% of total household net wealth", "Regional median income gap (% difference)" and "Life expectancy gap by educational attainment (number of years)"; and for category 2 "Skills mismatch (%)", unemployment gap by education (% points), "Average employment gap, disadvantaged people (% points)" and "Employment rate of prime age workers (%)".
Source: OECD (2018[9]), *Opportunities for All: A Framework for Policy Action on Inclusive Growth*, https://doi.org/10.1787/9789264301665-en.

Indicators for assessing policy effects

Supporting the needs of present and future generations, as called for by the 2030 Agenda, will depend on how society uses and manages its natural, economic, human and social capital resources. The more efficiently and sustainably these resources are used and the better they are managed in the "here and now", the more capital is left for people "elsewhere" on the planet and "later" for future generations. Enhancing PCSD entails a more systematic consideration of the potential trade-offs between these three dimensions of sustainable development, which were first introduced by the Conference of European Statisticians (UNECE, 2014[10]).

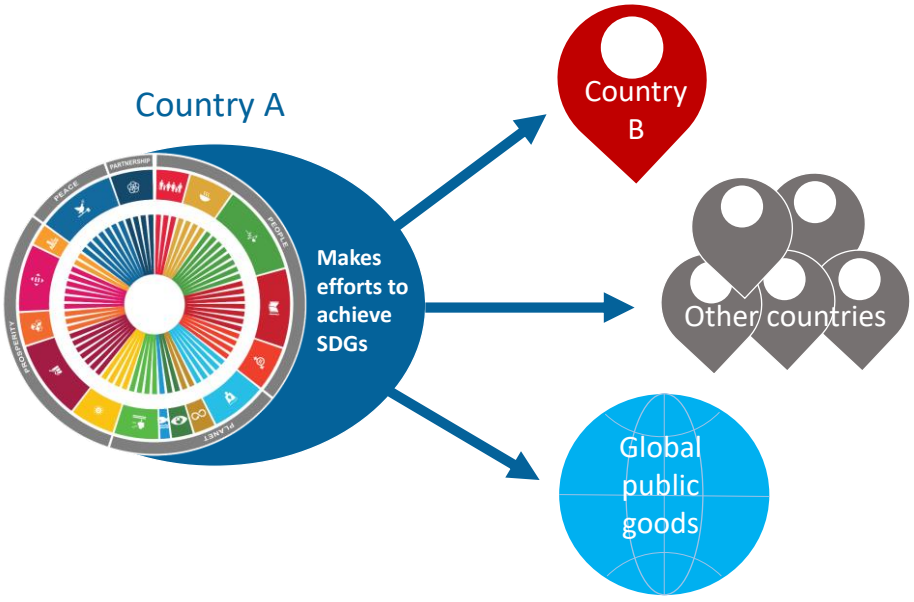
Transboundary effects

In a highly interconnected world, the transmission channels between countries are numerous and include for example financial flows, imports and exports of goods and services, migration or knowledge transfers, and pollution and waste. Countries' policies and actions necessarily impact on one another – and on each other's ability to implement the SDGs. However, national approaches to sustainable development offer only limited insights into transboundary effects or the impact of countries on global sustainability. Domestic-level indicators therefore need to be complemented by measures of economic, social and environmental externalities imposed beyond national borders (OECD, 2018[2]).

Measuring transboundary impacts in a comprehensive way would require a full model describing how every country has impact on every other country, and on global public goods (e.g. climate change, oceans). This is no easy feat. New analysis by the OECD, undertaken in relation to the work on *Measuring Distance to the SDG Targets* (OECD, 2019[11]) adopts a narrower approach, assessing for each target whether achieving it could have a direct impact on another country or a global good (Figure 3.3). This includes targeted policy actions (such as ODA spending), countries' contributions to global goods (such as environmental assets), and unintended spill-overs (such as pollution of shared bodies of water).

An initial analysis of the transboundary aspects of the 2030 Agenda across the 5Ps – People, Planet, Prosperity, Peace and Partnerships – at goal, target and indicator level, finds that 97 targets could be considered transboundary using this approach, 50 of these being Means of Implementation (MoI) targets under Goal 17 and under each SDG, relating mostly to financing and supporting developing countries in achieving the SDGs. Transboundary targets are heavily concentrated in the Planet goals, where they account for 82% of the total, and in SDG 17 (95% of the total) (c.f. OECD (2019[11])).

Figure 3.3. Mapping transboundary effects in SDG implementation



Note: The diagram describes how transboundary effects are defined in the OECD's *Measuring Distance to the SDG Targets* study. Targets are identified as having a transboundary aspect if *Country A's actions to achieve the target* could have an impact on another single country (B); other countries (plural); and/or global goods.
Source: OECD (2019[11]), *Measuring Distance to the SDG Targets 2019: An Assessment of Where OECD Countries Stand*, https://dx.doi.org/10.1787/a8caf3fa-en.

Transboundary impacts resulting from the implementation of SDGs 4, 8, 10 and 16 do exist, but are less obvious than those resulting from the implementation of "environmental SDGs", including SDG 13. They relate to, for example, foreign-born students, migration and remittances, illicit financial flows and human trafficking (Table 3.5).

It is not only the actions and policies of governments that have transboundary impacts, but also those of businesses, in particular MNEs. Through the Business for Inclusive Growth Initiative (B4IG), the OECD contributes to developing new impact metrics and sharing best practices in this area.

Table 3.5. Indicators for capturing transboundary policy effects

Externality	SDG 4	SDG8	SDG10	SDG13	SDG16
Economic	ODA for scholarships trainings	ODA for trade	ODA to LDCs and SIDS	Climate-related ODA	ODA to conflict, peace, security
Social	Foreign students as a share of total students	Migration of health workers	Difference in unemployment rate between migrants and natives	Climate-induced migration	Number of victims of human trafficking
Environmental	Share of students above basic proficiency in the PISA environmental science performance index	Material footprint per unit of GDP	Natural resource consumption by income group	Demand- and production-based CO_2 productivity	Illicit trade of environmental goods

Source: Compilation by the OECD PCSD unit, based on OECD (2018[12]), "Measuring transboundary effects within the Sustainable Development Goals: A discussion paper", Unpublished, OECD, Paris.

Intergenerational effects

Monitoring the stocks and trends of resources that exist today but that are necessary to maintain well-being over time provides a first step towards understanding the prospects for future well-being. This implies looking at indicators that reflect natural capital (energy and mineral resources, land and ecosystems, water and air quality, climate), economic capital (physical, financial, knowledge), human capital (knowledge, skills, competencies and attributes embodied in individuals) and social capital (the quality of interpersonal relationships and institutions). Table 3.6 illustrates what type of indicators might be useful if applying this approach to the Goals under HLPF review.

Table 3.6. Indicators for capturing intergenerational policy effects

Capital stock	SDG 4	SDG8	SDG10	SDG13	SDG16
Natural capital	Share of students above basic proficiency in the PISA environmental science performance index	Domestic material consumption	Contribution to GHG emissions, by income group	Concentration of GHG in the atmosphere	Illegally extracted raw materials
Economic capital	Investment in educational infrastructure	GDP growth	Income inequality	Investment in renewable energy technologies	Revenue losses due to illicit financial flows
Human capital	Educational attainment	Employment rate	Educational attainment, by socio-economic background	Climate-related deaths, by sex, age and cause	Conflict-related deaths, by sex, age and cause
Social capital	Equal access for all to education	Increase in national compliance of labour rights*	Access to justice, by socio-economic status	Compliance with Nationally Determined Contributions	Trust in public institutions

Note: Indicators for assessing future wellbeing are typically also applicable to current wellbeing.
* Data is based on International Labour Organization (ILO) textual sources and national legislation.
Source: Compilation by the OECD PCSD Unit, based on existing OECD indicators (OECD data by country or topic at https://data.oecd.org/).

These different types of capital share a number of common characteristics. Each of them influence a broad range of well-being outcomes, have some degree of persistence over time, and require investment and careful management to be maintained. It is important to monitor the evolution of capital over time, as well as to consider information about inflows (e.g. investments), outflows (e.g. depletion or degradation of resources) and other risk factors that can affect the value of these capital stocks and their resilience to shocks. This provides insights on some of the levers through which decision makers can take action today to improve the prospects for well-being in the future (OECD, 2017[13]).

This chapter has highlighted existing indicators that countries can draw upon to assess their progress on policy coherence for sustainable development at the national level, as defined by three elements: institutional mechanisms; policy interactions; and policy effects. This work also contributes to the development of the methodology for the global SDG indicator 17.14.1: *'Number of countries with mechanisms in place to enhance policy coherence for sustainable* development', led by UN Environment. All referenced OECD indicators are updated on a regular basis and new ones are developed each year in a variety of disciplines (OECD data by country or topic at https://data.oecd.org/).

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Chapter 4. Partnerships for coherence

Drawing on external contributions from the Multi-stakeholder Partnership for Enhancing Policy Coherence for Sustainable Development (PCSD), which is facilitated by the OECD, this chapter highlights challenges, opportunities and experiences in putting policy coherence for sustainable development into practice. The chapter highlights the need for a more networked approach to assessing PCSD, presenting tools and analytical approaches developed by the members of the PCSD Partnership to ensure a more joined-up, transformational and coherent approach to implementing the Sustainable Development Goals (SDGs). Emphasising the need to equip public servants and governments, stakeholders from civil society and the private sector with the skills and tools needed to enhance PCSD, the chapter introduces tools for improving human and institutional capacity to implement the SDGs in a coherent manner at all levels of government. Finally, it outlines the value of following a PCSD approach in implementing the SDGs through two specific case studies.

The opinions expressed and arguments employed in this chapter are those of the author(s) and do not necessarily reflect official views of the OECD or of the governments of its member countries.

Introduction

Solving the immense challenges to sustainable development and achieving the SDGs requires a strong global partnership, epitomised by SDG17 on "strengthen[ing] the means of implementation and revitaliz[ing] the global partnership for sustainable development" (Agenda 2030, (UN, 2015[1])). To meet the demand for increased global collaboration, the OECD affirmed its commitment to partner with governments, international organisations, the private sector and civil society around the world to contribute to the 2030 Agenda by encouraging better and more coherent policies that can help deliver the SDGs (OECD, 2016[2]). As part of this endeavour, the OECD supported the launch of the Multi-stakeholder Partnership for Enhancing Policy Coherence for Sustainable Development (henceforth the PCSD Partnership). The PCSD Partnership is one of over 4000 partnerships registered on the United Nations' online platform *Partnerships for the SDGs*.

The PCSD Partnership (www.oecd.org/gov/pcsd/thepcsdpartnership.htm) – established in May 2016 – brings together governments, international organisations, civil society, think-tanks, the private sector and other stakeholders from all regions of the world committed and working to enhance policy coherence for sustainable development as a key means of SDG implementation. Since its inception, the PCSD Partnership has developed into a global platform for knowledge exchange on PCSD; produced many innovative tools to enhance PCSD at national, regional and local level; and encouraged co-operation, collaboration and communication between the key actors in fostering coherent SDG implementation and analysis.

It is in the spirit of partnership needed to deliver on the 2030 Agenda, and on SDG target 17.14 on enhancing policy coherence for sustainable development in particular, that the OECD invited its partners to contribute to the 2019 edition of "Policy Coherence for Sustainable Development: Empowering people and ensuring inclusiveness and equality". Drawing on inputs from the PCSD Partnership, this chapter presents our partners' experiences, as well as challenges and opportunities in putting policy coherence for sustainable development into practice.

The chapter highlights the need for a paradigm shift in policy making to meet the challenges of implementing the 2030 Agenda in a coherent manner. First, it illustrates why policy communities need to break out of working and thinking in policy and institutional silos and shift to a networked approach that includes a broader range of stakeholders in delivering on the 2030 Agenda than under previous development agendas. Second, it highlights different ways and tools to enhance, assess and monitor PCSD efforts, providing examples of available tools for a more integrated approach to SDG implementation. Third, it emphasises the importance of improving human and institutional capacity to develop more coherent and sustainable policies. In a fourth section, this chapter outlines our partners' experience in supporting governments in strategically enhancing PCSD at national and regional level. And in a fifth and final section, the chapter highlights the importance of a PCSD approach in implementing the SDGs, providing two case studies on how policy coherence is essential in fighting illicit financial flows (SDG target 16.4) and recognising the contribution of the cultural and creative industries for sustainable development (SDG target 4.7).

Beyond "research as usual": A networked approach to assessing Policy Coherence for Sustainable Development

Karin Fernando, Niels Keijzer, James Mackie, Andrea Ordóñez, Martin Ronceray, Fabien Tondel

This contribution highlights an initiative of a consortium of think tanks from Europe and the Global South that work together to promote policy coherence and developing analytical and methodological approaches to analyse, advocate, monitor and evaluate policy coherence in the context of the 2030 Agenda. It emphasises that the implementation of the 2030 Agenda requires a new, networked approach to assessing PCSD, and tools that help decision-makers think and break out of the traditional policy silos, examples of which are presented throughout this chapter.

Box 4.1. The European Centre for Development Policy Management (ECDPM), Southern Voice, and the German Development Institute (DIE)

The European Centre for Development Policy Management (ECDPM) (2019[3]) is a "think and do tank" whose main goal is to link policy and practice in European development and international co-operation. It aims at identifying best practices and tools for policy-makers and researchers in the context of PCD-PCSD. Southern Voice (2019[4]) is a network of 49 thinks tanks from Africa, Asia and Latin America, launched in 2012, to serve as an open platform to contribute to the global discourse pertaining to the formation of the post 2015 agenda (known as the '2030 Agenda for Sustainable Development'). The German Development Institute/Deutsches Institut für Entwicklungspolitik (GDI/DIE) (2019[5]) is one of the leading research institutions and think tanks for global development and international development policy worldwide. It advises governments and international organisations, develops policy concepts and conducts research on SDG and PCSD implementation.

New global development agenda, new policy management challenges…

By adopting the 2030 Agenda and its Sustainable Development Goals, in September 2015, the international community acknowledged that continuing "business as usual" would put global sustainable development prospects in jeopardy. As a result, the new agenda not only includes a host of new thematic goals and targets, being broader both in terms of scope and actors concerned, but also calls for transformative change in how policy decisions are made, implemented and evaluated. Among other implications, this agenda requires different policy communities to become more aware of how their actions influence those of others, and to seek more joined-up decision-making so as to collectively advance global sustainable development.

Promoting policy coherence has come of age with the 2030 Agenda for Sustainable Development. The idea that public policies in different sectors should not undermine each other, but rather work in synergy as much as possible in the pursuit of a complex set of sustainable development objectives, has become common sense. For the first time this is explicitly recognised at the multilateral level as a vital element of the toolbox for achieving the Sustainable Development Goals. Goal 17, target 14, thus stresses the importance of 'policy coherence for sustainable development' (PCSD) as a principal means of implementation.

Although the notion of policy coherence seems straightforward and its pursuit intuitively desirable, it has been difficult to put it into practice, let alone achieve measurable results. Policymakers and public administrations often operate in "silos" with little incentive for inter-sectoral coordination, and with cognitive, organisational and political barriers separating them. If at the same time governments have to mitigate spill-over effects of their policies on least developed countries and vulnerable populations (policy coherence for development, PCD) and ensure their consistency with "planetary boundaries" (to prevent further loss of biodiversity, desertification, climate change and disruption of natural cycles), the challenge is even more daunting.

Discussions on furthering the 2030 Agenda frequently acknowledge the need to go beyond 'business as usual' in terms of established approaches to formulating, implementing and evaluating policies. The changes required include greater attention to inclusiveness, long-term considerations as well as embracing multi-stakeholder approaches. We argue that, in order to best support and inform a transformative agenda, researchers equally need to adapt their approaches and go beyond 'research as usual'. Against this backdrop, a consortium of think tanks from Europe and the Global South have joined forces to better understand why and how policymakers in different countries are promoting mutually supportive policies to pursue sustainable development objectives. The consortium consists of the European Centre for Development Policy Management (ECDPM), Southern Voice, and the Deutsche Institut für Entwicklungspolitk / German Development Institute (DIE).

…and new challenges for research

As a preparatory step, this initiative began with an identification of problems and the elaboration of a research methodology through a workshop in Maastricht, the Netherlands, in September 2018, which convened researchers from several think tanks. Participants pooled their knowledge, examined policy-making experiences and drew up conceptual as well as methodological orientations for further research. They also explored potential case studies to take this research project forward. Discussions during the workshop on the state of play converged towards a number of observations and lessons learned.

The notion of PCSD is considerably more complex to conceptualise than that of PCD. Whereas PCD is unidirectional—policies of developed countries should not undermine, or should promote, the attainment of development objectives in developing countries, PCSD is multidirectional and puts more emphasis on interlinkages between socio-economic objectives and environmental sustainability. PCSD is intended to enable a deep transformation of economic and social systems, to put countries and the world on an environmentally sustainable path while not leaving anyone behind (economic inequalities have generally decreased between countries, but they have increased within countries).

Yet, while on the one hand PCSD entails a more holistic, or integrated, approach to policy-making, to simultaneously pursue economic, social and environmental goals, and to deal with growing interlinkages among countries and sectors, on the other hand a lack of focus would probably hinder progress. Experiences with PCD also suggest that beyond temporary political commitments, PCSD will require sustained efforts, including in-depth analyses and robust institutional mechanisms.

These challenges call for further clarification of the concept of PCSD as well as the development of practical tools for analysing policy coherence, reconciling diverging policy processes, and monitoring and assessing PCSD. Concept and tools should help various actors in translating the principle of PCSD into better management of policies across areas,

at different stages of processes, and through changing circumstances –including in response to shocks.

Experiences with PCD, as well as current debates on thorny issues such as, for example, fossil fuel subsidies and taxes, in both North and South, indicate that addressing the "politics" of policy incoherencies ought to be an essential element of the PCSD approach. That will require better taking into account and drawing implications from the interests and incentives of various domestic and international actors that may oppose reforms intended to achieve greater policy coherence in specific sectors.

Quadrants of policy coherence

As a starting point, the consortium's researchers at the Maastricht workshop discussed the conceptual groundwork of the project. They agreed on understanding PCSD as suggested by Southern Voice's Debapriya Bhattacharya: "the perusal of policies and actions involving different stakeholders (government and non-governmental actors, agencies and institutions) at various levels (local, national, regional and global) to achieve development objectives by domain (area, sector, goal and target) and minimise conflicts affecting the utilisation of synergies generated in the process."

This definition notably integrates the agency of governments and other actors ('actions') in socio-economic processes and governance systems. For instance, many business actors purport to integrate the SDGs in their corporate identity and business models, and engage in international multi-stakeholder initiatives. The definition also recognises the dynamic nature of policy processes, in which actors respond adaptively to the effects of policies and the actions of others. Over time, actors accrue information and deal with contradictions among different policies, government measures and private actors' actions.

Furthermore, it was proposed to more clearly distinguish different dimensions of policy coherence, beyond domestic policy coherence and North-to-South PCD, which can be seen as particular cases of a broader notion of policy coherence. From the perspective of any given country, four quadrants of policy coherence can be distinguished (Figure 4.1).

The bottom-right and top-right Quadrants are of particular interest because little research has been conducted on issues pertaining to these policy coherence 'channels'. The International-National Quadrant, for example, refers to the actions taken by a government to adapt to international dynamic scenarios through its own policies, acknowledging the agency of governments to adapt to international conditions. The case of PCD, in the top-left Quadrant, relating to the traditional notion of international development, remains relevant given prevailing economic and political asymmetries in the world. However, in this conceptual framework, the National-International Quadrant also encompasses South-South policy interlinkages, and not just the traditional linkages of North-South PCD.

A consortium of think tanks from Europe and the Global South working together

While PCD was a mainly OECD-promoted approach to development-oriented policy-making, a much broader range of actors are engaging in the promotion of PCSD, particularly stakeholders in the South. At the same time, the 2030 Agenda makes it imperative to 'leave no one behind', which calls for more disaggregated assessments of PCSD. With these considerations in mind, the Maastricht workshop gave researchers from the North and the South, from different backgrounds, shared varied experiences with promoting policy coherence as well as methodological approaches to either analyse, advocate, monitor or evaluate policy coherence in the context of the 2030 Agenda.

Figure 4.1. Policy coherence quadrants



Source: Authors' elaboration.

On that basis, the network established at the workshop is now pursuing research to collect evidence about drivers of policy coherence and implementation arrangements in different contexts, as these could provide indications of realistic reforms, measures and ways to engage in policy dialogues that would be favourable to sustainable development, with particular attention paid to trade-offs concerning vulnerable populations. The aim is to deliver insights to policymakers as well as non-state actors at different levels, including in country-level debates and international fora such as the High-level Political Forum on Sustainable Development.

The researchers are first engaging in a review of evidence on PCSD in both North and South, and an analysis of contextual dynamics as regards the management of policy coherence. This analysis will serve to elaborate an analytical framework and accompanying hypotheses that will then be followed by case studies focusing on specific countries and thematic areas. The network partners consider a joint and iterative approach to be crucial to advance knowledge on PCSD and contribute to a transformational approach.

Tools for a more networked, transformational and coherent approach in implementing the SDGs

While countries have recognised that policy coherence for sustainable development is essential for SDG implementation and ensuring a more networked and transformational approach to policy making, many governments struggle to put PCSD into practice. Our partners from the PCSD Partnership have developed a number of analytical and technical tools to foster more coherent policies for sustainable development. The following section highlights three tools that have been developed to enhance PCSD, including a model for cross-impact and network analysis to better understand the systemic effects from progressing on the various SDGs; an integrated model for assessing probable performance

in SDG implementation by 2030; and an index ranking countries on the conceivable impacts of their policies on sustainable development beyond their borders.

Conducting a cross-impact- and network analysis to better understand the systemic effects from progressing on the various SDGs

Nina Weitz, Stockholm Environment Institute

In this contribution, the Stockholm Environment Institute (SEI) (2019[6]) presents a semi-quantitative method that helps government and stakeholders better understand the interlinkages between SDG targets across the 2030 Agenda. It informs decision-makers on trade-offs from progressing on the various targets, synergistic action that best support achievement of the SDGs and supports more robust and effective priority-setting and collaborative arrangements.

Box 4.2. The Stockholm Environment Institute (SEI)

SEI is an international non-profit research organisation that has worked with environment and development issues from local to global policy levels for a quarter of a century. SEI works to shift policy and practice towards sustainability. Its semi-quantative method analyses expert input on target interactions to better understand the direct, indirect and systemic effects from progressing on the various SDGs.

The Stockholm Environment Institute (SEI) has developed a semi-quantitative method that systematically captures expert knowledge on target interactions and analyzes these inputs with cross-impact- and network analysis to better understand the direct, indirect and systemic effects from progressing on the various SDGs. The objective is to support decision and policy makers with a stake in SDG implementation to gain a systemic overview of what progress on all the goals mean in terms of trade-offs and synergies, and provide guidance on where to focus action and how to organise implementation in ways that best support goal achievement (Weitz et al., 2017[7]).

Governments have to prioritise their actions for delivering on the 2030 Agenda because their resources are limited, at the same time as they seek to meet the ambition of treating the SDGs as an indivisible whole. Because targets interact in both positive and negative ways, the best way to achieve a set of prioritised targets or maximise progress across all SDGs, is not necessarily by focusing actions directly towards them, as they might restrict each other, or because progressing on other targets might promote several of them. The method – supported by a web-based tool that facilitates the scoring of target interactions – is suited to:

- Capture existing expert knowledge in a systematic and transparent way.
- Based on this knowledge, provide a better understanding of how the different SDG targets fit together by flagging up critical trade-offs and synergies.
- With these insights, help identify actions that best lead to achievement of the SDGs, e.g. identify targets that support many other targets and targets that trigger positive ripple effects, or show where additional support is needed to progress on a target because it is constrained by other targets.

Ongoing pilot studies in Colombia and Sri Lanka suggest that the method is useful for gaining an overview of how SDG targets fit together, of the challenges and opportunities in implementation posed by target interactions, and how specific policy areas relate to the whole. For example, the results show the share of neutral, promoting and restricting interactions between the targets. Targets that give a lot of support might be given higher policy priority as they have the potential to contribute to positive change on many other targets. So might those that receive little support from other targets and will need an extra push. Targets that make it more difficult to progress in many other targets may merit attention in how they are implemented, to minimise negative impacts on other targets.

Beyond the analytical outputs, the pilot studies suggest that there is value in the cross-sectoral dialogues, which are facilitated to assess target interactions. Bringing together stakeholders with different perspectives and providing them with a common language about SDG interactions, enhances understanding of the perspective of others and helps to build consensus. This can help further down the line when formulating policy to mitigate trade-offs by having more aligned views and generating a stronger sense of ownership of decisions.

Applying the Integrated Sustainable Development Goal (iSDG) Model

Steve Arquitt, Millennium Institute

This contribution presents a tool developed by the Millennium Institute to assess the likely SDG performance of a country by 2030, including lessons learned from using the tool to enhance policy coherence for sustainable development on the ground.

Box 4.3. The Millennium Institute (MI)

The Millennium Institute (MI) (2019[8]) is a non-profit and non-governmental development research organisation. MI works collaboratively with governments and other stakeholders to develop system dynamic models that incorporate relations among the economic, social, and environmental dimensions of sustainable development in order to support comprehensive and integrated long term analyses of development challenges such as poverty reduction, climate change, and peace-building in post-conflict regions.

The Integrated Sustainable Development Goal (iSDG) modeling framework has been and is being applied at national scale in six Sub-Saharan African countries. The iSDG is also being applied at the regional scale for the Sahel, embracing ten countries. The applications emphasise the effective incorporation of the SDGs into developing national and regional plans. By simulating the performance of current national or regional plans, an assessment is made of the likely SDG performance at year 2030. Further rounds of simulations are then performed, with stakeholder participation, to discover combinations of investments to improve SDG performance and coherence (Collste, Pedercini and Cornell, 2017[9]), and to identify synergies for economic efficiency (Pedercini et al., 2018[10]). For both national and regional iSDG projects, an in-country modeling team is assembled and provided with extensive training in systems thinking, system dynamics modeling and iSDG modeling. Meetings are held to learn stakeholder perspectives and priorities, which then inform the customisation of the country or regional iSDG tool.

Lessons learned: We have learned that training is central to success in using the tool. A solid foundation in modeling principles and methods promotes ownership and allows users to actively participate in model use and development. This also increases the likelihood of sustainable use of the tool in future years. Institutionalisation is another prime factor in the effectiveness of the tool. Ideally, the tool is under the mandate of a cross-cutting institution, e.g., a central department of planning, and is used by a trained team of members of different ministries, academia, and civil society.

Geographical applicability: Incorporation of the SDGs into national or regional planning is an on-going challenge faced by all countries and regions. To date the iSDG tool has been implemented primarily in Sub-Saharan Africa. However, the tool is readily applicable to any geographic region and to countries or regions of any degree of economic development.

Key constraints: Knowledge in systems thinking and modeling is not common in any region, however it is critically important for effective long-term planning within a complex system such as the SDGs. For this reason, all iSDG projects involve intensive training in systems thinking and modeling.

Scope for improvement: The iSDG is continually improved through lessons learned during in-country projects. In particular, we are working to make the iSDG applicable at provincial or urban scale, in terms of both process between model and users, and in technical details of the iSDG tool.

Using the Commitment for Development Index as a tool for policy coherence

Caitlin McKee, Center for Global Development

The Center for Global Development (CGD) (2019[11]) has developed an index that proposes a ranking of countries according to their commitment and actions to fostering sustainable development abroad. The methodology of the index and CGD's experience in using it is outlined below.

Box 4.4. The Center for Global Development (CGD)

The Center for Global Development (CGD) is an independent think tank that works to reduce global poverty and inequality through rigorous research and active engagement with the policy community to make the world a more prosperous, just, and safe place for all. It has been particularly engaged in looking at transboundary impacts and stimulating discussion through comparative analyses of countries' policy effort to promote sustainable development beyond their borders.

The Center for Global Development's Commitment to Development Index (CDI) (2019[12]) ranks 27 of the world's richest countries on their relative policy effort to promote development. In line with the 2030 Agenda, the CDI covers the three dimensions of economic, social, and environmental sustainability with quantitative indicators in seven areas: aid, finance, technology, environment, security, trade, and migration. The emphasis is on each country's policies rather than outcomes and how these policies contribute to or hinder other countries' development.

The specific indicators to track progress on the SDGs are mostly concerned with each country's domestic performance to promote sustainable development within its own

borders. The CDI complements SDG reporting because it is specifically focused on transboundary effects of policies formulated in the most advanced economies. The CDI is concerned with the sum of the impacts of a country's policies and penalises for policies that are bad for development. The overall question the CDI seeks to answer is *how coherent are a country's policies with promoting development beyond its borders?*

The CDI is used as a conversation starter to promote discussions on how to improve policies' positive impact on development. It is particularly useful for stimulating coordination among government ministries and between government and civil society actors. The 2018 CDI featured in over 180 media outlets in 18 countries in various languages. It was seen by an estimated 1.85 million readers online and shared more than 8,200 times on social media. Publishing rankings and receiving coverage in the media can be helpful for drawing attention to policymakers and for triggering civil society involvement.

The CDI is both a tool and a framework. As a framework, it can be used to inform broader thinking on development issues and policy coherence, and to advocate for a concerted development effort beyond aid. As a tool, it is widely used to brief politicians and other ministries in country, track performance against other countries, and identify areas for (politically feasible) progress. It has been used to highlight specific areas for improvement such as arms export data publication and acceptance of international students from poor countries. Some examples of tactics to engage across government include using the CDI as a reference point in annual reporting on policy coherence and cross-government coordination meetings on policy themes.

After publishing annually since 2003, the CDI is undergoing a review process to take into account new evidence, data sources, and methodological improvements in the face of new global challenges and shifts in the involvement and approaches of development partners. Notably, emerging economies have become increasingly active in development co-operation efforts. To take into account their growing global influence, a revised CDI will aim to expand country coverage to include many of the G20 countries, which will open opportunities for increased engagement and dialog with those countries and offer more examples to learn from in achieving PCSD. Comparing countries reporting of SDG 17.14 with results of the CDI could be a useful way to learn about how mechanisms in place to promote PCSD yield better policies for development.

Tools for improving human and institutional capacity to implement the SDGs

To implement the 2030 Agenda successfully, effectively and coherently, governments need to break out of policy and institutional silos and create ownership across all of government and all of society (OECD, 2018[13]). One of the main challenges facing governments in enhancing PCSD is the lack of administrative and institutional capacity. Reporting, monitoring and assessing progress on PCSD and SDG implementation requires government officials, ministries and agencies to communicate, co-operate and collaborate closely both between themselves as well as with non-governmental actors. Such collaboration necessitates transparent, open and proactive institutions and personnel trained in working and thinking outside of traditional policy and institutional silos for the common goal of achieving the SDGs by 2030.

Improving human and institutional capacity on policy coherence for sustainable development is essential for governments to be able to reach their aspirations by fostering joint action across all of government as well as between government, the private sector and

civil society in SDG implementation. Engaging a broader scope of policy communities can help identify critical policy interlinkages, manage potential trade-offs and promote synergies, but requires appropriate institutional mechanisms and staff training.

To increase capacities to identify, understand and manage interactions and interconnections among SDGs, our partners have developed innovative tools that are presented in the following section, including an international online course on PCSD, targeted capacity building missions on integrated planning for climate and SDG priorities, as well as voluntary peer education and local engagement.

Facilitating catalytic learning on PCSD through an international online course

Paramita Dutta and Simona Constanzo Sow, United Nations System Staff College

In 2018, UNSSC developed an international online course on Policy Coherence for Sustainable Development, contributing to the achievement of SDG target 4.7 on "ensur[ing] that all learners acquire the knowledge and skills needed to promote sustainable development" (2030 Agenda, (UN, 2015[1])). This article describes UNSSC's methodology and experience in developing and delivering the online course.

Box 4.5. The United Nations Systems Staff College (UNSSC)

The United Nations System Staff College (UNSSC) (2019[14]) is the primary provider of interagency training and learning for staff of the United Nations system. UNSSC's Knowledge Centre for Sustainable Development (2019[15]), based in Bonn (Germany), specialises among others in facilitating catalytic learning designed to build the competencies and skills of UN staff, civil servants and other stakeholders, enabling them to implement the 2030 Agenda at the national level.

The UN System Staff College delivers an engaging five weeks' online course designed to equip participants with a sound understanding of the vision and principles underlying the 2030 Agenda and to explain why policy coherence is important for achieving sustainable development. The course emphasises what coherent policy-making entails, and presents specific tools, mechanisms and approaches that can be employed to foster policy coherence in different country contexts.

The facilitated online course, delivered in the third quarter of 2018 for the first time, is specifically tailored to the needs of professionals interested in developing skills to advance their career through deepening their knowledge on PCSD. The course combines self-paced study modules with applied learning components such as case studies, interactive exercises and collaborative group work. It explores approaches to cross-organisational and cross-sectoral policy coherence on the national, regional and international levels. Participants benefit from live moderated webinars, which feature valuable inputs from renowned subject matter experts, and allow real-time dialogue with high-level speakers. Webinar recordings are also made available to ensure that participants have a flexible and seamless learning experience.

The 2018 edition of the course was attended by around 70 participants consisting of development practitioners from the UN System, governments, non-governmental organisations, the private sector, civil society and academia. In the course evaluation conducted by UNSSC, participants have provided positive feedback about the knowledge

they have acquired through the course. In terms of specific actions that participants plan to take as a result of the learnings from the course, a participant has indicated in the evaluation survey that she intends to use her learnings to brief the UNDAF Outcome Groups in charge of joint programming formulation in their country. Another participant intends to propose a capacity building activity at the local government level in his city to start a conversation about PCSD with the leadership in the city government (governor and head of cabinets). A participant from Aruba explained how PCSD can enhance the development of the national strategic plan-"In Aruba we are at this moment in the process of preparing the national strategic plan using the SDGs and trough a participatory process with stakeholders in the public, private sector, NGO's CSOs, citizens and our international partners such as the UNDP. So this course gave me additional knowledge especially on the part of the much needed policy coherence efforts that we need for the NSP and the partnerships needed."

The first edition of the course managed to reach out to policy experts at local, regional and international level. The multiplier effect that the course participants create has a considerable scope to penetrate the concept of policy coherence for sustainable development to all levels of the governance process. The UNSSC remains committed to finding measures that would ensure maximum outreach and capacity development in the area of policy coherence for sustainable development. In the longer term, UNSSC is looking into ways to offer the course free.

Building capacity for integrated planning in setting climate and SDG priorities

Mathilde Bouyé, World Resources Institute

To achieve a shift to more sustainable policies and decision-making processes, The World Resources Institute has helped improve the human and institutional capacity of numerous governments through support in analysing impacts, integrated planning and capacity building. Its experience promoting PCSD is outlined below.

Box 4.6. The World Resources Institute (WRI)

The World Resources Institute (WRI) is a global research organisation that turns big ideas into action at the nexus of environment, economic opportunity and human well-being. WRI engages with governments, companies, and civil society to build transformative solutions to urgent sustainable development challenges. WRI measures success in the form of new policies, products, and practices that shift the ways governments work, companies operate, and people act.

The World Resources Institute's project on Climate-SDG synergies provides policy makers with knowledge, data, good practices and recommendations to advance the Paris Agreement and the 2030 Agenda for Sustainable Development in joint and coherent manner. In 2018, WRI released with GIZ a report that draws on country experiences to highlight key elements to join up implementation of the two agendas and achieve greater policy coherence and effectiveness through more integrated approach to their institutional arrangements, policy, finance, monitoring and reporting frameworks. The next phase of this research project explores how countries can reconcile the imperative to scale up climate action and the imperative to leave no one behind in an equitable and just transition, which is central to the 2030 Agenda.

WRI has also supported members of the NDC Partnership to adopt integrated planning approach in setting their climate and SDG priorities, mainstreaming both agendas in development plans and monitoring this policy alignment.

- WRI assisted the Kenya's climate change department in carrying out an impact assessment of proposed climate actions for the National Climate Change Action Plan (2018-2022) on national priorities for the SDG implementation and the pledge to leave no one behind. WRI tailored ICAT guidance for sustainable development impact assessment to prioritise SDGs in order to produce an SDG impact assessment grid tool. This analysis developed with climate and SDG focal points from all relevant line ministries contributed to strengthen both vertical and horizontal coherence. It helped build understanding of potential synergies and trade-offs among sector climate actions and other sustainable development priorities and led to further mainstreaming gender equality and measures benefiting the least well off throughout the plan.
- In Uganda, WRI has supported the National Planning Authority and the Climate Change Department to take into account alignment with the NDC and the SDGs in the assessment of the compliance of annual budget goals and expenditures with the national development plan. WRI also assists the government in aligning the performance and result framework of the national development plan 2018-22 with the indicator frameworks of the NDC, the SDG and green growth strategy.
- In Mali, WRI helps the government provide sector ministries and local authorities with guidance to jointly embed climate and sustainable development goals into their policies and projects through an integrated planning approach. WRI also designs and road-tests a "toolbox" to align local socioeconomic and cultural development plan (called "PDESC" in French) with NDC climate actions and priority SDGs. This toolbox has four components, including a background note on Mali's national and local-level of climate and sustainable development agendas; a list of locally-relevant SDG and climate targets that highlights their linkages; a guide to use a sustainable development analysis grid, which is tailored to Mali's priorities; and "challenges-solutions" sheets that share good sustainable development practices of Malian local authorities to address common challenges.

Fostering a whole-of-society approach through voluntary peer education

Buğra Avcı, Habitat Association

In this contribution, Habitat Association outlines its experience in fostering local engagement and leveraging its voluntary peer education model in enhancing PCSD at the local and national level.

Box 4.7. Habitat Association

The main objective of Habitat Association (2019[16]), a civil society organisation based in Turkey, is to contribute to sustainable development by developing projects that support capacity improvement and enable disadvantaged groups, especially young people, gain access to decision making processes. Habitat is engaged in a wide range of activities relevant for sustainable development, organising national capacity building summits, training trainers, and preparing policy proposals on more inclusive decision-making processes.

As a tool for integrating sustainable development and the SDGs into national and local implementation strategies; Habitat Association has developed an approach based on voluntary peer education to contribute to the achievement of diverse SDGs at local and national level.

The voluntary peer education model comprises the following steps:

- Announcement of the trainings of trainers and facilitators.
- Collecting the applications of trainers/facilitators for trainings.
- Assessment of the applications.
- Realising the training of trainers and facilitators (4 – 7 days).
- Local implementations – local trainings held by volunteer trainers.
- Coordination meetings / National summits for policy coherence and capacity development.

To intregrate the SDGs into local and national levels through a bottom-up and whole-of-society approach; it is important to meet with the needs, wants and requirements of the local level. To facilitate local engagement, it is essential to interact with representatives, citizens and stakeholders at the local level. Through voluntary peer education at the local level the volunteers feel more comfortable and motivated and mobilise their local networks to contribute to the achievement of the SDGs. The local best practices are collected, implemented and shared by the volunteers, including at country level through national summits for policy coherence. Furthermore, giving initiative to the volunteers and supporting them is increasing the motivation of them to contribute the SDGs with their local implementations. Providing the volunteers with targeted training and capacity development is increasing the quality and sustainability of their projects and interventions

Experience shows, that it is important to find specific motivation for potential volunteers. In Turkey, joining a social environment, networking and personal development are attracting the attention of the volunteers. Volunteers are motivated for their volunteering period because the volunteering enables them to develop on a personal and professional level. If these elements of motivation are found by other organisations in different countries the model can be implemented easily to foster local engagement, policy coherence and more effective SDG implementation.

Building multi-sectoral partnerships facilitates the development of an inclusive approach and increases the sustainability of the effects of the projects. The model can help in enhancing collaboration between volunteers through sharing best practices and foster

stronger co-operation between non-governmental organisations at local, regional and national level.

Some of the projects are hampered by a limitation of available financial resources, and the absence of an organised organisational memory that enables civil society organisations to get the necessary support and contribution. Ensuring functioning communication between the public sector, private sector and non-governmental organisations has been shown to be one of the most important elements of successful local implementation. This is particularly useful where organisations have long-term partnerships and good relations with the project owner and other key stakeholders, in order to facilitate the exchange of knowledge and experiences and the expansion of partnerships to new members and major organisations and foster a common understanding of SDG implementation.

Tools for supporting governments in enhancing PCSD at national and regional level

More and more governments begin to recognise that putting PCSD into practice is a formidable challenge that requires a new approach to policy making, as well as inter-institutional, cross-sectoral and cross-actor co-operation. This idea has been at the heart of the PCSD Partnership, and the exchange of knowledge and experiences in implementing PCSD has enabled cross-fertilisation of ideas and approaches. Governments at all levels have benefitted from the active engagement of academia, civil society and other relevant stakeholders in promoting PCSD and developing tools to enhance policy coherence for sustainable development. The following sections will highlight our partners' efforts in supporting governments at national and regional level in implementing PCSD, highlighting related opportunities and challenges both for governments as well as civil society.

Spain – Enhancing PCSD at the regional level: The case of Catalonia

Javier Perez, Centro de Investigación y Estudios sobre Coherencia y Desarrollo

This contribution describes the Centro de Investigación y Estudios sobre Coherencia y Desarollo's experience in supporting the regional Government of Catalonia (the Generalitat) in Spain and their experience in advising them on the development of its first-ever PCSD action plan, concretely in the elaboration of an introductory PC(S)D Guide for Public Officers and the capacity building with all their Departments.

Box 4.8. The Centro de Investigación y Estudios sobre Coherencia y Desarrollo

The Centro de Investigación y Estudios sobre Coherencia y Desarrollo (CIECODE) (2019[17]) is a Spanish development think-tank based in Madrid and specialised in the analysis of public policies' impact on development from the perspective of Policy Coherence for Sustainable Development. For the last six years, CIECODE has been developing PCSD related research and advocacy and promoted PCSD at regional, national and international level, working closely to the Spanish Administration.

The experience accumulated by public administrations around the world during the last decades shows that one of the main obstacles when implementing the Policy Coherence for Sustainable Development (PCSD) principle is the lack of understanding of the concept itself and of its implications, not only by public officials but also by national parliaments and citizens in general.

The regional Government of Catalonia committed to PCSD and aware of this obstacle, decided to draw up an action plan to raise awareness and improve the understanding of the PCSD principle among all its Departments and the public officials in charge of designing, planning and evaluating the impact of public policies in particular.

To achieve this, the Directorate General of Development Cooperation from the Generalitat and the Catalan Agency for Development Cooperation contracted CIECODE to design, coordinate and execute a series of training sessions throughout 2018. This collaboration resulted in the elaboration of an introductory guide to PCSD adapted to the Catalonian context and the celebration of three workshops with the participation of officials from all the Generalitat's departments.

The guide, titled "Introducing Policy Coherence for Sustainable Development to the Generalitat of Catalonia", was launched during the training sessions at the end of 2018. The document starts with a theoretical introduction to the concept of PCSD, including references to the legal and political framework and establishes a practical approach to PCSD implementation, with concrete examples of the diverse possibilities to include the PCSD framework in specific policy areas. It focuses the political priorities of the Generalitat including the private sector, energy and climate, migration and education.

The three training sessions were carried out in a workshop format in three consecutive days at the end of November 2018. Almost 90 civil servants from 13 different Departments of the Generalitat participated; divided into three thematic groups (Migration, Green Growth and Private Sector) according to the areas that are most relevant to their work. The feedback after the sessions was very positive, with 90% of the participants considering that the topics covered were relevant to their work and could be applied in their day-to-day tasks, as well as the general sustainable development objectives of the Generalitat.

The training sessions coincided with the elaboration process of the new Catalonian Master Plan for Cooperation (2019-2022). The debates and reflections elicited by the sessions are contributing to the inclusion of the PCSD principle in the Master Plan and to the inclusion of concrete compromises (related to the areas of responsible public procurement and of responsible internationalisation of companies). In addition, the training sessions have spurred the different Departments to identify critical areas where the PCSD principle can be implemented.

Finally, the collaboration between the Generalitat and CIECODE revealed the opportunity of bringing together and reinforcing the processes of promoting the PCSD approach and the 2030 Agenda; the need to establish a road map with specific PCSD actions and deadlines; and the necessity of continued training and shared spaces for reflection on PCSD for public servants.

Ecuador – Promoting greater policy coherence in SDG implementation

Daniel Vicente, Center for Public Policy Development, ESPOL Polytechnic University

This contribution describes how the work of the Center for Public Development of the ESPOL Policytechnic University has contributed to greater policy coherence in SDG implementation in Ecuador.

Box 4.9. The Center for Public Diplomacy, ESPOL Polytechnic University

The Center for Public Diplomacy of the ESPOL Polytechnic University (2019[18])/Escuela Superior Politécnica del Litoral (ESPOL) is a non-partisan institutional organism of the ESPOL working on technical and academic issues in the development of public policies. Its programmes, rooted in academic rigor and ethical integrity and other core values of ESPOL, strengthen and guarantee its commitment to social involvement and professional excellence. The Center seeks to be a leader and a reference in the consultancy for the development of public policies that contribute to the sustainable development of Ecuador and the wider region.

The Center for Public Diplomacy has become the leading actor promoting PCSD in Ecuador and has been able to disseminate Ecuador's PCSD efforts to the international community. Promotion within our borders has focused on building capacity and knowledge about PCSD and fostering policy dialogue on PCSD with key stakeholders.

Increasing capacity and knowledge about PCSD includes active engagement with UNSSC's PCSD online course and enhanced familiarity with international tools for PCSD. As a result, current efforts aim at exploring the possibility for offering a similar course through our university's long-life learning programs targeting local policy makers.

Through policy dialogue with key stakeholders, strategic communication and active engagement in different arenas and events, our Center has been able to emphasise the critical importance of PCSD in theory and practice of public policy making and planning. This includes specific meetings with authorities and planners from the Ministry of Environment, National Secretary for Science & Innovation and Central Bank as well as with regional actors such as the Interamerican Institute for Cooperation in Agriculture (IICA). Similar dialogues have been conducted with fellow members of the Ecuadorian academic sector, civil society and the private sector. International dissemination efforts include:

- A draft report on tracking PCSD efforts in Ecuador.
- A case study of the PCSD in environmental and biodiversity policy.
- Positioning the progress achieved on PCSD in Ecuador's bioeconomy policy in international fora such as the Science & Policy Forum of the UN Biodiversity Convention that took place in Egypt last year.
- The Center's Participation in the UN Office of Sustainable Development Transition Forum that took place in Korea, to emphasise the importance of increasing multilateral efforts to ensure PCSD in the upcoming SDG Summit.
- An Op-ed article on PCSD on "The 2030 Agenda and the emerging bioeconomy: making room for policy coherence at the crossroads" (Ortega Pacheco, 2019[19]).

Our efforts could be easily taken up and replicated in other Latin-American countries. In fact, comparative studies could be conducted to identify lessons learned and best practices in particular considering similarities in planning frameworks and policy development culture throughout the region.

A critical breakthrough for our efforts has been the possibility to join the PCSD partnership. Enhanced participation of non-OECD countries could provide additional opportunities and insights into putting PCSD into practice.

Key constraints remain the access to resources to focalise and the allocation of time and personnel to focus solely on PCSD research and promotion. To tackle this challenge, we are aiming to fundraise in the short term in order to develop an event to promote PCSD among national and local authorities with the participation of international speakers.

Slovenia – Strengthening PCSD in Slovenia

Albin Keuc and Adriana Aralica, SLOGA Platform

This contribution highlights the efforts and approaches of SLOGA, a platform of non-governmental organisations, to promote PCSD in Slovenia. It recognises that there are both challenges and opportunities for putting PCSD into practice.

Box 4.10. SLOGA Platform

SLOGA (2019[20]) is a platform of non-governmental organisations (NGO), which work in the field of international development co-operation, global education and humanitarian aid. The aim of the platform is to connect and strengthen the partnerships among Slovenian NGOs, which are active and/or are raising awareness of Slovenian and European public about uneven distribution of global wealth and subsequent significance of global solidarity and interdependence. SLOGA has been particularly engaged in enhancing policy coherence in Slovenia with a view to foster lasting "empowerment, inclusiveness and equality".

In December 2018, the Government of Slovenia adopted the Strategy on International Development Cooperation and Humanitarian Assistance of the Republic of Slovenia until the year 2030, based on the 2017 Resolution on the International Development Cooperation and Humanitarian Aid of the Republic of Slovenia. Both documents outline Policy Coherence for (Sustainable) Development (PC(S)D) among key guiding principles of Slovenian development co-operation. The Strategy foresees that by 2021 at the latest, line ministries will draft in co-operation with the national coordinator for International Development Cooperation (the Ministry of Foreign Affairs), best practices in Slovenia in a selected field, and draft recommendations to the Government. PCD focal points have been established within all ministries, with the responsibility to monitor the development of internal policies from the perspective of potential impacts on partner countries, and draw attention to the incoherence of different policies within the field of international development co-operation policy. Focal points will report annually on their findings.

In addition, civil society efforts for strengthening PCSD have resulted in strengthened multi-stakeholder co-operation. Within the "InterCap" project, with SLOGA member GLOBAL Institute as project partner, and SLOGA as an associate partner from Slovenia, a national informal PCD network has been established. The PCD network, with collaborating partners coming from various sectors, convenes twice a year. The founding meeting of the network was held in June 2018. The aim of the network is to address and promote PC(S)D in a broad scope of stakeholders and sectors, and to function as a consultative body.

PCD focal points, established within ministries, will contribute to the promotion of PCSD at government level, while at the same time supporting the establishment of a monitoring mechanism.

SLOGA is preparing, in close co-operation with the PCD network, a so-called PC(S)D incubator. Based on a multi-stakeholder approach, the incubator sets up focus groups, organises workshops and trainings on thematic issues such as ODA effectiveness, the use of climate funds for development and the efficient use of national resources, corresponding with SGS 1, 12 and 13. All of SLOGAs activities seek to connect actors and strengthen their capacities for PC(S)D, as a lack of capacity and knowledge on PC(S)D remains a major challenge in Slovenia for coherent SDG implementation.

Finland – The Quest for Real PCSD Indicators

Jussi Kanner, Fingo

In this contribution, Fingo outlines the challenges related to finding indicators for assessing progress in SDG and PCSD implementation.

Box 4.11. Finnish Development NGOs (Fingo)

Finnish Development NGOs "Fingo" (2019[21]) is an NGO platform and an expert on global development. It represents 300 Finnish civil society organisations and strives to build a fairer world for all. Fingo and its member organisations work to make life better – for everyone. Fingo has been particularly engaged in ensuring political commitment to sustainable development and supporting the assessment of progress in SDG and PCSD implementation through the development of indicators.

Finding the right indicators to follow has been one of the most intriguing tasks in implementing the principle of policy coherence for sustainable development (PCSD). Political commitment and coordination mechanisms are crucial for making PCSD happen but ultimately it comes down to developing the evidence-base and indicators needed to measure whether policies are producing coherent outcomes. With a clever choice of indicators, the guiding principles of sustainable development and the 2030 Agenda – especially the integrated and interlinked nature of the world – can be captured to guide policy making. However, if we focus on indicators that simplify reality too much or focus too much on a single indicator such as the GDP, we risk missing the point of sustainable development.

In Finland, a multi-stakeholder expert group was established in 2016 to review existing sustainable development indicators. The objective of the group was to compile a compact set of indicators that would give decision makers a comprehensive overview of the current state and trend of sustainable development in Finland. As the number of indicators that could be selected was limited, the group was encouraged to find indicators that could highlight the interlinkages between the SDGs and the objectives of the national sustainable development strategy. Furthermore, another wish was to find indicators that could also cover Finland's contribution to sustainable development globally, and one sub-section of the set was titled "global responsibility and coherence".

The indicator set of 40 indicators can to some extent be used for assessing PCSD outcomes in Finland, and it can be considered to serve as a measure of progress alternative to GDP.

Yet, as in many other countries, we have faced serious challenges in Finland in identifying robust indicators that would adequately cover the "elsewhere" dimension of PCSD, i.e. the impacts that Finnish domestic policies have outside of Finland. Some indicators with a clear link between domestic action and global effects were included – such as the carbon footprint of domestic consumption or the share of Finnish large and medium sized companies with human rights due diligence processes – but still they do not measure the actual impact. This finding also emerged from an independent evaluation on Finland's sustainable development policy carried out in 2018-2019.

Despite the challenges, we are far from giving up the fight. The work will continue in 28-29 October 2019 when in the context of the Finnish EU Presidency, Fingo will organise an international conference with the working title "Beyond growth – indicators and politics for people, planet and prosperity". The purpose is to develop recommendations for the EU on how take forward measures of wellbeing and sustainability to guide policy making. One of the conference themes will be the "elsewhere" dimension of PCSD, focusing especially on how to measure externalities in EU's trade with the Global South.

The importance of PCSD in tackling specific challenges in SDG implementation

As shown throughout this chapter, PCSD has become a major systemic issue in implementing the SDGs in recent years. Governments recognise the need for developing more coherent policies, but struggle to do so. They are often constrained by limited administrative capacity, a persisting silo-approach to policy making, and the non-utilisation of available tools to enhance policy coherence for sustainable development.

The OECD and the PCSD Partnership have taken important steps in developing practical tools to enhance policy coherence for sustainable development through education, capacity building, academic and analytical approaches, modelling frameworks, local engagement and the exchange of knowledge and experience in implementing SDG target 17.14.

Enhancing PCSD requires a new culture of thinking and acting in a way that involves all parts and levels of government, all of society and all sectors in the shift to more sustainable policies. To highlight how using a PCSD-based approach can help in the implementation of the 17 SDGs and 169 SDG targets, the following section provides examples for two thematic areas in which following a more coherent approach could help foster sustainable development. First, one of our partners highlights the importance of PCSD in tackling illicit financial flows. And second, another partner provides an example of how taking a PCSD approach can help to recognise the contribution of the cultural and creative industries in SDG implementation and mobilise action by a broad range of policy communities.

Promoting policy coherence in the fight against illicit financial flows

Alex Erskine, Erskinomics

This contribution explores how promoting policy coherence in tackling illicit financial flows (SDG target 16.4) can help countries develop in a more sustainable manner.

Box 4.12. Erskine/Erskinomics

Alex Erskine (and Erskinomics) is based in Sydney, Australia. He has been engaged in illicit financial flows projects with the Bank of Tanzania, Norway's U4 Anti-Corruption Resource Centre and the United Nations Office on Drugs and Crime.

In its focus on IFF, Erskinomics (2019[22]) seeks to promote ideas on policy coherence advanced by the PCSD team (OECD, 2016[23]). A process for assessing policy coherence can help countries consider changes in existing policy settings which otherwise doom efforts to reduce IFF, undermine domestic resource mobilisation and frustrate prospects for financing sustainable development (Erskine, 2018[24]).

A coherent approach to curbing IFF involves rigorously seeking policies that curb IFF and help countries develop. It means more international co-operation, more clear thinking and giving up on free-riding. This change in attitude can only come through strong political commitment at the highest level to drive rigorous analysis from an IFF perspective of the existing entrenched incoherencies in policy settings, at country level and internationally and take corrective actions. Perversely, many existing policy settings and approaches encourage, rather than discourage, IFF. Examples of common developing-country incoherence in policy settings that drive IFF include:

- Choosing an uncompetitive exchange rate regime supported by hard controls over access to foreign currency, which create 'black markets', promoting corruption and capital flight.
- Continuing waste in government spending, which undermines support for paying taxes.
- Heavily taxing some activities but not others, undermining respect for tax laws and perpetuating the informal economy.
- Rules making it harder to engage in international trade, e.g. onerous clearance processes or restraints on trade finance.
- Setting in-country prices away from world market prices to protect industries or consumers, but which induces smuggling and corruption.
- Limiting the tenor/security of property rights, leading firms and individuals to maximise short-term profits instead of investing for the longer-term and defending their rights.

The classic example of incoherence in policy from an IFF perspective relates to exchange rate regimes. With the IMF absent from the issue, many seem to think that exchange rate flexibility and easing in exchange controls has increased IFF, flowing "at the push of a button". Anti-IFF reports often call for tightening exchange controls or more effective enforcement. However, fixed exchange rates and tight capital controls are shown to be worse for development and for IFF, driving debt crises and leading to black markets for foreign currency that breed criminality and corruption in accessing foreign exchange at the official, overvalued, rate. By contrast, flexible exchange rate regimes help countries avoid overvaluation and the risk of running out of reserves. Anyone seeking foreign currency has to find a willing seller at the market rate and the central bank can stay uninvolved. Black markets fade away and the legal market works to reduce crime and corruption.

The international approach to currency manipulation is also incoherent. Taking an ill-formed mercantilist view, the international community frowns on countries deliberately weakening their currency. However, the exchange rate setting that does most to curb illicit outflows would be such a weak currency whereas an uncompetitively strong currency increases illicit financial outflows. Fortunately, for the quest to curb IFF, in practice unfair manipulation has been difficult to prove.

Recognising the contribution of the cultural and creative industries for sustainable development

Michela Cocchi, Lady Lawyer Foundation

In this contribution, the Lady Lawyers Foundation describes its approach to help deliver on SDG target 4.7 through promoting the 'appreciation of cultural diversity and of culture's contribution to sustainable development', and highlighting the importance of human rights and gender equality for sustainable development in the fashion, art, music and entertainment sector.

Box 4.13. The Lady Lawyer Foundation

The Lady Lawyer Foundation (LFF) (2019[25]) is a non-governmental organisation that focuses on engaging cultural and creative industries in delivering on the Sustainable Development Goals, in particular the fashion, art, music and entertainment (F.A.M.E.) sector.

Under the umbrella of the initiatives and actions of the Lady Lawyer Village Plan, the outcomes of the on-going *Law for Creativity (L4C)* research and *War and Fashion* road map have led to the *Pinking* Guide. The guide aims to provide the cultural and creative industries in the F.A.M.E. (Fashion, Art, Music, Entertainment) arena, in particular the Fashion sector, with a model on how to align strategies with the UN 2030 Agenda, and to manage and measure the sector's contribution to achieving the SDGs.

The Pinking Guide analyses policy interactions in the sector according to five steps: 1) prioritising; 2) embedding; 3) acting; 4) learning; and 5) reporting. Focusing on the concepts of Heritage, Culture and Landscape, *Pinking* is organised into three sections that highlight policy interlinkages across various goals and are consistent with the clusters of goals reviewed annually at the High Level Political Forum:

- SDG 1 (No Poverty), SDG 2 (Zero Hunger), SDG 3 (Good Health and Well-being), SDG 5 (Gender Equality, SDG 9 (Industry, Innovation and Infrastructure) and SDG 14 (Life Below Water), as discussed at the HLPF 2017 on "Eradicating poverty and promoting prosperity in a changing world" (2017[26]).
- SDG 6 (Clean Water and Sanitation), SDG 7 (Affordable and Clean Energy), SDG 11 (Sustainable Cities and Communities), SDG 12 (Responsible Consumption and Production) and SDG 15 (Life on Land), as reviewed by the HLPF 2018 on the "Transformation towards sustainable and resilient societies" (2018[27]).
- SDG 4 (Quality Education), SDG 8 (Decent Work and Economic Growth), SDG 10 (Reduced Inequalities), SDG 13 (Climate Action) and SDG 16 (Peace, Justice

and Strong Institutions), as under review by the HLPF 2019 on "Empowering people and ensuring inclusiveness and equality" (2019[28]).

During the development and implementation process, the initiative met various challenges: the perimeter of the F.A.M.E. sector; the apparent ambiguity between traditional economic indicators and elements essential to creativity; the 'business-(in)tangibles-(non)financials-(non)measurable-gratuitousness dialogue'; the need to overcome the indexes commonly used; and the 'preaching and practicing' test.

Ten projects, one in each for the ten *L4C* territories – Italy, the European Union, the United States of America, Japan, South America, Eurasia, Asia, the Middle East, the Far East, and Africa, are now following the Guide assessing feasibility in practice. The projects are making use of Lady Lawyer Fashion Archive, the Collection – assembling pieces from six continents, witnessing the evolution of the last fifty years of Fashion – aimed to emphasise the vital role the Fashion sector can play in delivering on the 2030 Agenda.

For the upcoming 2019-2020 period, the *Pinking* Guide plan is to unlock potential for co-operation through multi-stakeholder partnerships and taking an increasingly multi-faceted.

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