

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.

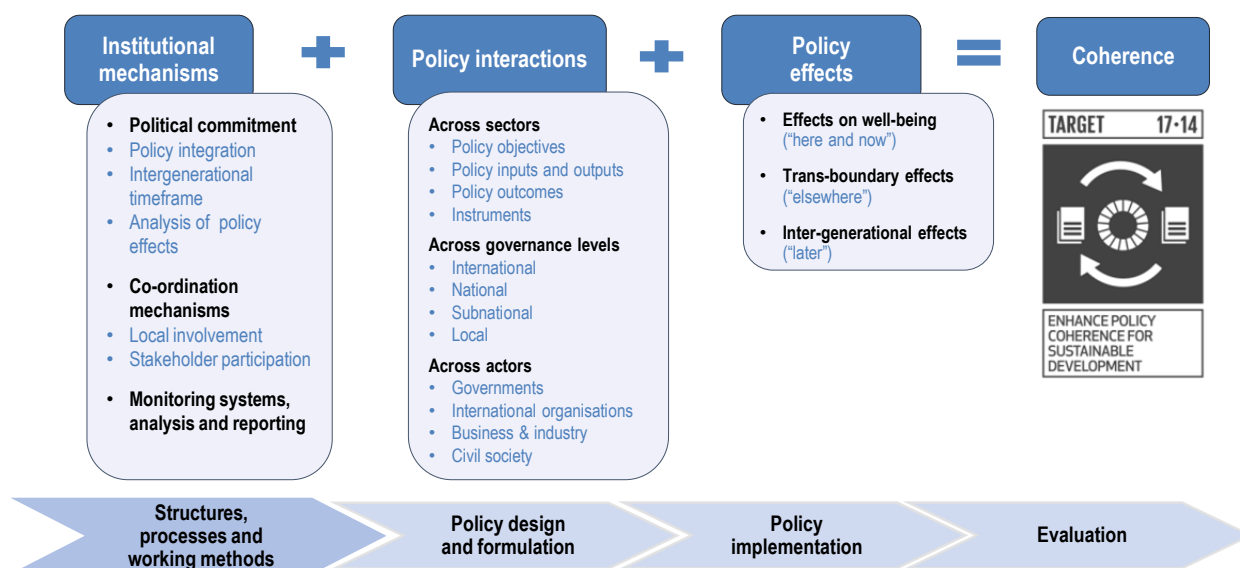
Status of methodology development

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.

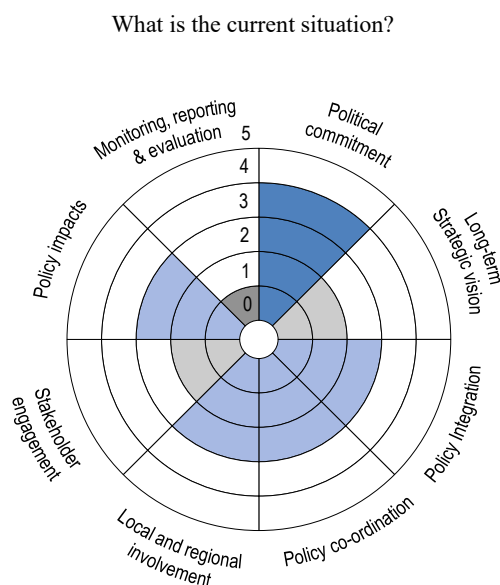
Table 3.1 provides illustrative examples of process indicators that can help assess progress on the key institutional mechanisms for PCSD. These indicators are qualitative in nature and relate to institutional structures (e.g. arrangements for inter-ministerial coordination); processes (e.g. planning 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	<p>1.1. Existence of explicit commitment to PCSD, formally included into national legislation and/or national strategy and/or action plan.</p> <p>1.2. The government defines priority areas, action plans and performance indicators for making progress on PCSD, clearly linked to the SDGs.</p>
2. Long-term perspective	<p>2.1. Existence of strategic frameworks, that allow for considering long-term effects of policies.</p> <p>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.</p>
3. Policy integration	<p>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.</p> <p>3.2. Sustainable development, including potential synergies and trade-offs between sectors, are systematically considered in government proposals for new regulations or policies.</p>
4. Policy Coordination	<p>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.</p> <p>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.</p>
5. Regional and local involvement	<p>5.1. Existence of coordination mechanisms that allow for systematic consultation and collaboration at the national, regional and local levels.</p> <p>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.</p>
6. Stakeholder engagement	<p>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.</p> <p>6.2. The government works with stakeholders to mobilise support for PCSD, through campaigns, policy dialogue, capacity building and information sharing.</p>
7. Policy effects	<p>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.</p> <p>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.</p>
8. Monitoring, reporting and evaluation	<p>8.1. Existence of formal provisions or mandates to regularly monitor and report progress on PCSD.</p> <p>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.</p>

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 through 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	<ul style="list-style-type: none"> ▪ Income inequality (Gini coefficient) ▪ Wealth inequality ▪ GDP growth 	<ul style="list-style-type: none"> ▪ Social and Welfare Statistics: Income distribution ▪ Economic Outlook: Statistics and Projections
Human capital investment is the main transmission mechanism between inequality and growth	<ul style="list-style-type: none"> ▪ Average numeracy score by parental educational background (PEB) and inequality ▪ Intergenerational earnings mobility and inequality 	<ul style="list-style-type: none"> ▪ Survey of Adult Skills (PIAAC) ▪ <i>A Broken Social Elevator? How to Promote Social Mobility</i> (OECD, 2018)
Higher educational attainment contributes to reduced income inequality	<ul style="list-style-type: none"> ▪ Relative earnings from employment by level of educational attainment ▪ Percentage of 25-64 year-olds without upper secondary education and income inequality 	<ul style="list-style-type: none"> ▪ Education at a Glance database ▪ Social and Welfare Statistics: Income Distribution
Skills imbalances and mismatches result in lower productivity	<ul style="list-style-type: none"> ▪ Percentage of workers with skill mismatch or quality mismatch ▪ Productivity measures* 	<ul style="list-style-type: none"> ▪ Survey of Adult Skills (PIAAC) ▪ Productivity Statistics
Segmented and informal labour markets deepen inequality and lowers productivity	<ul style="list-style-type: none"> ▪ Employment by permanency of the job: incidence (%) ▪ Wage penalty for non-regular employees (%) 	<ul style="list-style-type: none"> ▪ Labour Market Statistics ▪ <i>Jobs, Wages and Inequality</i> (OECD, 2014)
Productivity and inequality interact in multiple ways	<ul style="list-style-type: none"> ▪ Productivity growth rate ▪ Income inequality (Gini coefficient) 	<ul style="list-style-type: none"> ▪ Productivity Statistics ▪ Social and Welfare Statistics: Income distribution
Sustainable and inclusive growth requires resource efficiency	<ul style="list-style-type: none"> ▪ Non-energy material productivity ▪ Domestic material input ▪ Domestic material consumption 	<ul style="list-style-type: none"> ▪ Environment Statistics: Material Resources ▪ Productivity Statistics
Climate change affects poor and vulnerable people disproportionately	<ul style="list-style-type: none"> ▪ Economic losses in absolute values and as a percentage of GDP from climate hazards, by country income group 	<ul style="list-style-type: none"> ▪ Centre for Research on the Epidemiology of Disasters (CREED), UNISRD
Climate action can support economic growth and create new jobs	<ul style="list-style-type: none"> ▪ 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, %) 	<ul style="list-style-type: none"> ▪ <i>Investing in Climate, Investing in Growth</i> (OECD, 2017)
Weak institutions and policy capture hinder inclusiveness and economic growth	<ul style="list-style-type: none"> ▪ Correlation between undue influence and wastefulness of government spending 	<ul style="list-style-type: none"> ▪ <i>The Global Competitiveness Report 2018</i> (World Economic Forum, 2018)
Corruption and bribery undermine productivity growth through resource misuse	<ul style="list-style-type: none"> ▪ Correlation between corruption (inversed CPI Index) and productivity (GDP/hour worked) 	<ul style="list-style-type: none"> ▪ <i>Investing in Integrity</i> (OECD, 2017), based on data from Transparency International
Limited access to justice reinforces inequalities across society	<ul style="list-style-type: none"> ▪ Difference in the level of seriousness of legal problems, by income level 	<ul style="list-style-type: none"> ▪ <i>Access to Justice for Inclusive Growth</i> (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]).

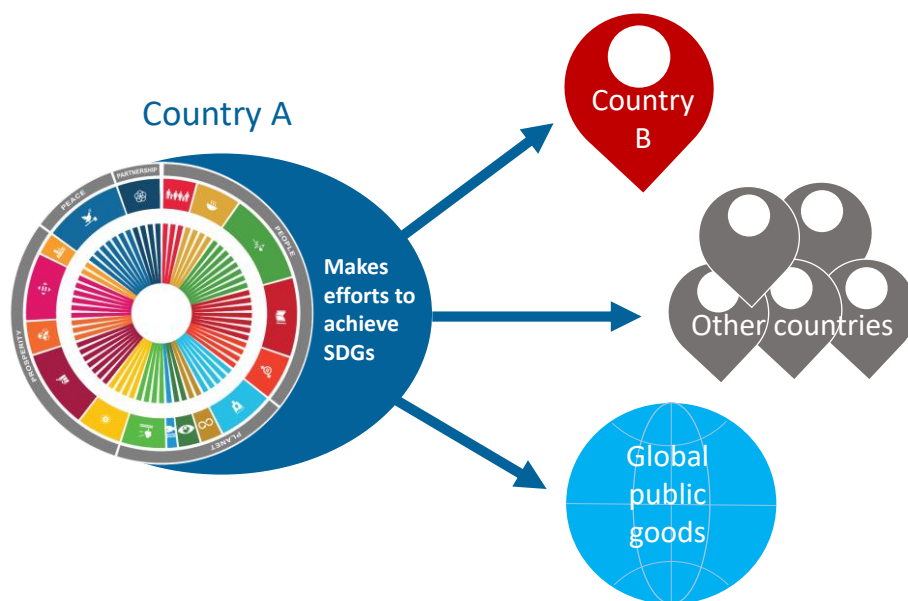
Transboundary effects

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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