What is Policy Coherence for Sustainable Development (PCSD)?

The OECD Strategy on Development launched by Ministers in 2012 has contributed to a new definition of ‘Policy Coherence for Sustainable Development (PCSD)’. The perspective has shifted from “donor-centred” and limited “do no harm” perspectives to a ‘partnership approach’ engaging key actors and stakeholders among advanced, emerging and developing economies, and with a greater emphasis on sustainable development. The Strategy has underscored the need for more proactive approaches focused on building synergies across actors and sectors to address common challenges, such as creating enabling conditions for achieving food security and curbing illicit financial flows, which are considered international priorities in the SDG framework.

For the purposes of this Framework, Policy Coherence for Sustainable Development (PCSD) is an approach and policy tool to integrate the economic, social, environmental and governance dimensions of sustainable development at all stages of domestic and international policy making. As policy tool, PCSD aims to increase the capacities of governments and stakeholders to identify synergies, consider trade-offs between multiple and sometimes conflicting objectives – for example between economic growth, environmental protection and reduction of carbon emissions – and address potential spillovers of domestic policies (Figure 3).

Figure 1. Policy Coherence for Sustainable Development (PCSD)


The new definition of PCSD aims to respond to the vision and multi-sectoral and integrated nature of the 2030 Agenda for Sustainable Development. The implementation of the SDGs requires breaking out of policy silos and greater involvement of key actors and stakeholders. PCSD recognises that the integration of the different dimensions of sustainable development represents one of the most difficult balances to achieve in policy making and implementation. In practice, many national sustainable development strategies launched as part of Agenda 21 signed at the United Nations Conference on Environment and Development (the Rio Earth Summit) in 1992, have had a greater focus on environmental issues with attempts to incorporate economic aspects.
The concept of PCSD captures the core elements of sustainable development. According to the most commonly accepted definition, sustainable development refers to “development that meets the needs of the present without compromising the ability of the future generations to meet their own needs.” Sustainable development encompasses economic, social and environmental aims (dimensions), which are considered interdependent and mutually reinforcing.

Sustainable development entails making choices between using resources to maximise current human well-being or preserving resources for future use; or between maximising the human well-being of one country at the expense of others (UNECE/OECD/Eurostat, 2014). It requires consideration and balance of multiple and potentially competing objectives, such as: inclusive economic growth, social wellbeing and good governance, and environmental protection.

The pursuit of sustainable development requires changes in many policy sectors and ensuring coherence between them. In addition to this, a basic tenet of sustainable development is to balance the needs of current and future generations which demands a long-term perspective in policy-making about the consequences of today’s decisions and activities.

**Shifting from PCD towards PCSD**

The *OECD Strategy on Development* has emphasised the critical function that policy coherence for development (PCD) can play as a whole-of-government tool to cope with increasingly complex economic, social and environmental challenges and to address their interconnectedness. Key questions, however, are whether current PCD approaches can effectively support countries to implement a more ambitious set of universal, integrated and transformative sustainable development goals, and if current PCD tools are designed to foster sustainable development outcomes and look at the long-term impact of policies.

Moving from PCD to PCSD is consistent with the transition from MDGs to SDGs. The world has changed profoundly since the early 1990s when the notion of PCD emerged in a context of a growing international concern with aid effectiveness. In the mid-90s the international donor community committed to “achieve coherence between aid policies and other sectoral policies which impact on developing countries”. Current approaches are founded upon the notion that PCD is a responsibility mainly for developed countries. The underlying assumption is that the objectives and results of a government’s (aid provider) development policy can be undermined by other sectoral policies in areas with important cross-border dimensions such as trade, investment, and agriculture, and can have negative impacts on the development prospects of developing countries (aid recipients).

PCD approaches have been instrumental in raising awareness and building commitment in OECD countries. However, efforts have been mainly focused on setting up institutional mechanisms and practices, giving prominence to processes rather than the impact of domestic policies on development. The experience of more than a decade of assessing ‘beyond aid’ issues in the DAC peer reviews has shown that progress is limited. Institutional mechanisms (the ‘three building blocks for PCD’) are and continue to be necessary to raise awareness and build efficient decision-making, but they are not sufficient to deliver more coherent policies in practice.

Efforts to improve understanding of incoherence and promote PCD have also been carried out on a sector-by-sector basis. Analysis has looked at issues with important cross-border dimensions, such as trade, agriculture, investment, environment, technology, migration, amongst others, but without giving due attention to the inter-sectoral, inter-linkages and the multidimensionality of development challenges. Considerations have primarily adopted a “do no harm approach” putting emphasis on the negative impact of developed countries sectoral policies on the prospects of developing countries.
The global development landscape has changed dramatically since the concept of PCD emerged almost three decades ago. The North-South dichotomy has become blurred, as developing countries – particularly emerging economies – play an increasingly important role in international finance, investment, trade, innovation and development co-operation. It is increasingly recognised that approaches need to evolve to respond to a more complex context in which all stakeholders and all countries play a key role in enabling sustainable development, regardless their level of development.

Although it is recognised that institutional mechanisms and practices for promoting PCD are necessary to raise awareness and build efficient decision-making in donor countries, they are not sufficient to deliver more coherent policies in practice. Complementary and more targeted actions are needed to enhance coherence for sustainable development.

Against this background, the OECD Strategy on Development has encouraged a broader approach to PCD as a way to ensure progress as well as to address key global issues such as global food security and illicit financial flows. Applying a broader PCD lens to these areas has generated significant lessons for adapting current approaches to the new 2030 Agenda for Sustainable Development (Box 18).

### Box 1. Lessons learned on PCD from the OECD Strategy on Development

The Strategy has helped bring about a broader approach to PCD, which will entail the following shifts:

- Move away from generalities to an “issues-based” focus on common challenges, such as improving framework conditions for achieving global food security.
- Consolidate, but go beyond institutional mechanisms, and take into account international level coordination.
- Move away from a donors only emphasis to engaging key actors in advanced, emerging and developing countries.
- Go beyond the negative impacts of non-aid policies (“do-no harm”) towards more proactive approaches based on synergies across sectors.
- Recognise the importance of PCD across all levels (local, national regional, and global).
- Shift the focus from sectoral to more integrated cross-sectoral approaches to capture the dimensions of sustainable development in a holistic manner.
- Recognise the role of PCD to inform policy making, not prescribe (Identify win-win scenarios to engage in dialogue on common solutions).

*Source: 2014 Report on the implementation of the OECD Strategy on Development [C/MIN(2014)14].*

**A new analytical framework for understanding and applying policy coherence for sustainable development**

It is recognised that a new analytical framework needs to go beyond the PCD Building Blocks, donor-centred and “do no-harm approaches”, and to take into account the universal, integrated and transformative nature as well as the centrality of sustainable development in the 2030 Agenda.
The universal, integrated and transformative nature of the new agenda requires governments to be able to work across policy domains, actors and governance levels. It involves a significant shift in the way policy-making and policy coherence is approached:

- **A universal agenda** entails recognising that we are no longer in a MDG world divided between donors and recipients. All countries face difficulties in addressing the sustainable development challenges ahead. Actions by governments, international institutions, private sector, and civil society to achieve SDGs and targets need to be adapted to the specific context, capacities and needs of each country.

- **An integrated agenda** requires coherent policy-making to ensure a balanced approach to the economic, social and environmental dimensions of sustainable development in policy-making (horizontal coherence). It requires breaking out of sectoral silos and adopting integrated approaches to consider more systematically complex inter-linkages (such as the water-energy-food nexus), trans-boundary and intergenerational impacts, and trade-offs at different policy levels. As the SDGs overlap and targets interact, policy coherence is fundamental to ensure that progress achieved in one goal (e.g. water) contributes to progress in other goals (e.g. food security or health).

- **A transformative agenda** involves aggregated and coherent actions at the local, national, regional and global levels (vertical coherence). This is critical in an increasingly interconnected global economy where systemic risks have inextricable global-domestic linkages that need to be managed. Some of the sustainable development challenges need to be addressed at the global level (e.g. climate change and other systemic risks); at the national or regional level (e.g. legislative changes, economic transformations needed for climate change mitigation or adaptation, or changes in fiscal and trade policy); and at the local level (e.g. specific details on land use; human settlement patterns, or transportation planning).

The analytical framework introduced in this chapter (Figure 4) provides key elements that need to be borne in mind when analysing policy and institutional coherence for sustainable development in the implementation of the SDGs. It aims to inform decision-making and support policies that systematically consider:

i) the diverse roles of **different actors** at different levels (governments, international organisations, private sector and non-governmental organisations), as well as the diverse sources of finance – public and private, domestic and international – for achieving sustainable development outcomes;

ii) the **policy inter-linkages** across economic, social and environmental areas, including the identification of synergies, contradictions and trade-offs, as well as the interactions between domestic and international policies;

iii) the **enabling and disabling conditions** that influence policy performance and outcomes, i.e. the enablers (that can contribute to) and disablers (that hamper) sustainable development at the global, national, local and regional levels; and

iv) the **policy effects** on the well-being in any one particular country (“here and now”), for people living in other countries (“elsewhere”), i.e. trans-boundary impacts; and for future generations (“later”).
Figure 2. Analytical Framework for Policy Coherence for Sustainable Development

Key Elements for PCSD Analysis

- **Actors** are governments at all levels, parliamentarians, civil society, business and industry, philanthropists, international organisations, bi-lateral and multi-lateral agencies, among others, that are involved and/or influence policy-making and implementation.

- **Policy inter-linkages** are channels through which policies influence each other's performance and objectives. Interconnections also include contextual factors, such as:
  - Systemic conditions (disablers) are the set of social, political, economic, environmental and institutional conditions at the national and international levels that affect sustainable development and have a significant influence in policy performance and outcomes.
  - Enabling environments (enablers) are the set of necessary and interrelated conditions in the political, legal, economic, and social domains that can influence positively policy outcomes.

- **Policy inputs** are institutional factors such as resources, including knowledge, expertise and capital assets that feed into the policy making process.

- **Policy outputs** are goods or services provided by governments to their citizens.

- **Policy outcomes** are intended changes in society that governments seek to generate through laws, policies or official directives.

- **Policy effects** are economic, social, and environmental impacts resulting from the implementation of policies (high-level outcomes). They refer to effects on the wellbeing of the present generation in one particular country (“here and now”); effects on the wellbeing of people living in other countries (“elsewhere”), and effects on the wellbeing of future generations (“later”).

Policy coherence in the implementation of the 2030 Agenda for Sustainable Development

Effective implementation of a universal, integrated and transformative 2030 Agenda for Sustainable Development requires a high degree of policy coherence at multiple levels. Policy (and institutional) coherence for sustainable development (SDG17:14) is part of the means of implementation (MoI) for all SDGs. The SDGs and targets, which are a set of internationally agreed priorities for the next fifteen years, provide the objectives to guide policy coherence for sustainable development going forward.

The OECD, based on the definition provided above, and on the analytical framework introduced in this section, has identified five complementary levels of coherence that need to be addressed in the implementation of the SDGs (Figure 5). Governments as well as other stakeholders, depending on their particular circumstances, will have to prioritise and focus on those levels of coherence that require greatest attention for ensuring progress. These five levels emphasise vertical coherence across multiple levels of governance (from local to global); and horizontal coherence across sectors; actors including governments, private sector and civil society; and between diverse sources of finance, including public, private, domestic and international.

Figure 3. Five complementary levels of coherence for implementing the 2030 Agenda for Sustainable Development

1) Between the SDGs and national policies including at the local level. Consistent actions across multiple levels of governance at the local, regional, national and international level will be fundamental for a successful implementation of the SDGs (vertical coherence).

2) Between the 2030 Agenda for Sustainable Development and other international agendas. The SDGs cannot be achieved without complementary actions at the global level and without supportive international normative frameworks and regimes. These international frameworks are critical for creating international enabling environments through: a fair and well-functioning global trading system, a more transparent global tax system, stable financial systems, equitable access to knowledge, innovation and technology, responsible investment, effective climate action, amongst others.

3) Between economic, social and environmental policies. The 2030 Agenda needs to be implemented in a way that synergies can be realised across the environmental, social and economic dimensions of sustainable development. There is a need for inter-ministerial committees at the highest level to understand key policy linkages, to map out plans with long-term horizons, and to link national budgets and national statistic systems.

4) Between diverse sources of finance (public, private, international and domestic). One of the main challenges in achieving the SDGs will be to increase and mobilise private investments, and a PCSD approach can help countries reduce inefficient legal and policy barriers in order to enhance synergies between the provision of ODA and private financial sources.

5) Between actions of multiple actors (governments, international organisations, civil society and the private sector). Multi-stakeholder partnerships, including public-private partnerships can help mobilise resources, collective action and means for creating the necessary enabling environments to achieve the SDGs

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