Policy coherence for sustainable development: mainstreaming the SDGs in Italian decision making process

Structural Reform Support Programme

3rd Workshop: connecting the existing evaluation and monitoring mechanisms related to sustainability towards the revised National Sustainable Development Strategy

Duration: 4 hours
Format: Zoom with working language English
Link https://meetoecd1.zoom.us/meeting/register/tJclc-ytqzoiHtRHZqCUeMu2iS0bouL6Wf0B
Date: Thursday, 17 June 2021
Time: 9h00-13h00 CET

Background note Session 3: Connecting the dots: positioning policy tools for mainstreaming sustainability along the policy cycle

Structure of the session:

- *Positioning the coherence tools along the policy cycle. Initial findings from the draft Italian Governance Scan*
  OECD - Anna Piccinni (Public Governance Directorate)

- *Use of NSDS indicators to orient cohesion policies – Elaboration and use of the Cohesion Matrix NSDS/MFF 2021/2027*
  MiTE - Mara Cossu (Division II - DG CRESS)

- *Towards a set of sustainable development indicators to orient CIPESS' investment decisions*
  DIPE - Maria Elena Camarda (Nucleo di Valutazione e Verifica degli Investimenti Pubblici - NUVV)

- *NSDS as sustainability framework for multilevel environmental assessments (VAS)*
  MiTE – Anna Maria Maggiore (Division V – DG CRESS)

Questions from the floor with OECD moderation.
Wrap up Rapporteur Francesca De Crescenzo (AT Sogesid SpA/MiTE)

Expected outcome of the session: discuss lessons learned from integrating Sustainable Development Priorities and indicators from NSDS during policy formulation and ex-ante evaluation.

Questions for the session:

1. What are the lessons learned by establishing correspondences between programmatic documents, evaluations and the SDGs?
   - what is the relevance of such analysis? i.e. How are policy packages related to each other? Have the below matrixes helped identify synergistic interactions and more coherent policy formulation across the ministries involved and levels of government? Have they contributed highlighting the potential policy trade-offs or unnecessary duplication? Have they highlighted efficiency gains between programmes with shared goals?
   - what are the challenges? i.e. Collecting the evidence? Is the evidence collected through the below matrixes used by policy makers?
   - what are the possible solutions? i.e. using this evidence at different points of the decision making cycle? Make these tools compulsory? Strengthen capacities of key actors in applying these tools for strengthening policy integration?
2. Keeping in mind that the EU semester already introduced the obligation to report accordingly to the SDGs, to which extent these matrixes below are an additional leverage for incorporating the SDGs into programming and reporting at national and regional level?

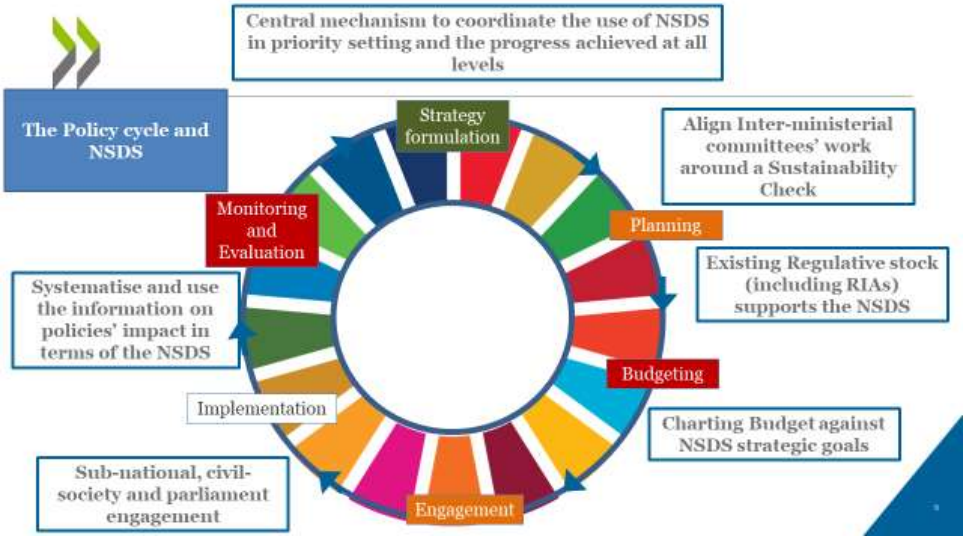
Introduction:

This note aims at identifying options for improving policy integration across the Italian decision making cycle and align it to the National Sustainable Development Strategy and indicators.

At each step of the policy cycle different approaches and tools can be considered. This note considers tools that have been used or are being developed during two phases of the policy cycle: policy identification and ex ante policy assessment. Other phases of the policy cycle are covered by the notes of the other sessions of this workshop (Session 1 on evaluation, session 2 on budgeting).

Figure 1 illustrates existing or potential tools and coordination mechanisms to integrate NSDS into the decision making cycle as identified in the OECD governance scan.

Figure 1. Entry points for strengthening policy coherence across the Italian decision making cycle



Source: author elaboration

Background considerations to be discussed during the session:

In recent years, several efforts (see Table 1) implemented by different branches and levels of the government identify the linkages between the policies formulated or the budget measures being voted and the SDGs, the NSDS or other sustainability measurements (the BES indicators). In fact the 2017 CIPE directive approving the NSDS gave orientations for using the annual programmatic documents (National Reform Programme NRP and Economic and Finance Document EDF) as the tools for mainstreaming the SDGs in the national economic, social and environmental programmes. These orientations made operational the NSDS's Sustainability Vectors objectives to "Ensure the definition and continuity of management of integrated systems for policies, plans and projects monitoring and evaluation" and to "Implement the integrated system of monitoring and evaluation of the NSDS, ensuring its effective management and continuity of implementation".

Table 1: Meta-analysis of existing coherence matrixes mapping policies/budget's contribution to sustainability objectives or indicators

Input/Factor (budget, policies)	Tools	Framework/Indicators used	What does it measure/ Examples
BES Report annex to the annual budget (Ministry of Finance)			
Budgetary measures included in the Economic and Finance Document (EFD) and measures included in PNRR	The trend of the ESW indicators in the past years (ex-post) and projection to 2023 (ex-ante) is quantified and broken down per nationality and territories. The budget measures are grouped per the ESW indicators they are expected to contribute. Their contribution is not quantified.	12 ESW indicators	Mapping of the contribution (ex-post and three years projection) of budget expenditures to well-being outcomes
SDGs mapping under National Reform Programme (NRP) priorities (Ministry of Finance)			
Priorities under the National Reform Programme (PNR) and the Piano per il SUD	Per each priority of the PNR and the priorities area of the Piano per il Sud the chapter maps the related SDGs goals and indicators. The chapter also highlights potential trade-offs among programmatic objectives and the NSDS	SDGs	Qualitative description of the contribution of Reforms and policy packages to the SDGs goal *Example: (Piano per il sud) Mission 3 "A south for the Green Transition" will contribute to SDG 3.9 by reducing deaths caused by chemical substance and pollution of air, soil and water*

			For instance the 4th Mission of the Piano per il Sud "Transforming the South into the fore-runner for technologic Innovation" might clash with other objectives of the NSDS unless the technologic transformation maintain a green and social character.
ECO Budget (Ministry of Finance)			
Budget programmes	Grouping budget expenditures per their contribution to the environment	SERIEE - European system for the collection of economic information on the environment	Contribution of budget expenditures to environmental indicators
SDG budgeting at regional level			
Regional budget	Mapping budget expenditures to the SDGs and the NSDS	SDGs, NSDS strategic choices	Contribution of the budget measures to the SDGs
Cohesion Matrix NSDS/MFF 2021/2027 (DIPCoe/ACT/MiTE)			
Policy objectives of the MFF 21/27 (output and outcome indicator)	The MFF objectives and indicators, as well as the Piano Sud, are grouped per their contribution to the strategic objectives of the NSDS	SDG goals, targets, indicators, and NSDS strategic objectives	The NSDS objectives are correlated to the objectives and measures included in the National cohesion policies as well as their indicators, this enables tracking how each policy domain and measures implemented through EU cohesion fund has an impact on SDGs indicators
Coherence Matrix VAS/NSDS (MiTE) – Coherence of local plans with NSDS			
Plans submitted to regulatory environmental assessments (VAS) i.e. Urban mobility plan	The objectives and actions of the submitted plan are evaluated for their coherence with the objectives of the NSDS. The indicators of the plans are associated to the NSDS indicators.	Strategic objectives and indicators of the NSDS	Database of the indicators that are collected for VAS assessment of the local plans and could be proxy for the NSDS indicators thus contributing to tracking the implementation of the NSDS strategic objectives.

Power BI – coherence matrix between NRRP-NSDS-SDGs[1]			
Priorities under the National Recovery and Resilience Plan (NRRP/PNRR)	MiTE, in collaboration with three key public Universities, is working on a new coherence matrix for identifying the correspondence between the priorities under the National Recovery and Resilience Plan (NRRP/PNRR) and the NSDS	SDGs and NSDS	A online tool links each component and intervention of the NRRP to the relevant NSDS strategic objective and SDGs targets
Matrix for regional Integrated Programming included in the PNR (Conference of the regions)			
Regional provisions (8000 entries)	Italian regions' reforms and investments mapped against their contributions to the NRP, the Country Specific Recommendations (CSR), the NSDS and the SDGs	EU CSRs, MFF, NSDS, SDGs	This annual report is included as annex to the National reform programme and includes a cohesion matrix (Quadro sinottico) that maps regional policies per their contributions to the different policy frameworks

Source: author elaboration

Opportunities to apply the NSDS as a policy framework for strengthening coherence among policy packages as per their contribution to sustainability objectives:

- Using the SDGs as an integrated log-frame to be applied across sectoral areas and multiple programming and financing packages (MFF, Piano SUD, NRRP, Just Transition, PNR, etc) could be strategic to avoid policy objectives and drivers being formulated in parallel. Fragmented programming could potentially lead to poor coordination across sectors and levels, to policy duplication and overlap and wasteful spending. Consequent inefficient spending could lower the quality of service, hampering the achievement of sustainability goals with broader consequences for people's well-being. In the United States, for example, the US Government Accountability Office has estimated that actions from Congress and executive branch agencies to reducing fragmentation, overlap, and duplication in government programs from 2011-2018 – let alone creating stronger synergies - have generated about USD 262 billion in financial benefits (GAO, 2019[207]).
- An integrated approach according to the SDGs helps integrating long-term needs into short and mid-term policy planning. For instance the NRRP/PNRR has to be decided today (2021-2023), to be implemented by 2026, while the vision inspiring these choices should be at least 2030 and 2050.

[1] https://app.powerbi.com/view?r=eyJrIjoiYTc2M2EwZDYtYTkyMC00YWQ3LThmZTgtNGUwNDQ4MmRiM2ZjIiwidCI6ImE0MDZkY2ZmLTAwNTktNDIzYi1iOWE1LTlkYTQyNDNkN2VkMyIsImMiOjI9

1) Experiences in strengthening SDGs integration during policy identification

This section analysis experiences applying the SDGs and the NSDS as policy frameworks when formulating the seven years partnership agreements for EU Cohesion Funds and to align the annual National Reform Programme.

NSDS/MFF 2021/2027 Cohesion Matrix

The purpose of the NSDS/MFF 2021/2027 *Cohesion Matrix*, developed since 2018 by the NUVAP, ACT and the MiTE, is to systematize what different programmatic documents have in common in terms of indicators and quantifiable targets and how they contribute to the achievement of the Strategic Objectives of the NSDS. The resulting *Cohesion matrix* identifies correspondence between the NSDS, the SDGs and the 2014-2020 expected results of the Cohesion Funds and the objectives, indicators and interventions of the Multiannual Financial Framework 2021-2027 Cohesion Policy (MFF), as well as the Plan for the development of Southern regions (Piano per il Sud), the ESF development plans.

Table 2 below, extrapolated from the 2020 report on the implementation of the NSDS by MiTE, shows the correspondence between the NSDS strategic objective "IV.1 Increase energy efficiency and renewable energy production, avoiding or reducing impacts on natural and cultural heritage and landscapes" (under the area Prosperity) and the policy objective, output and results included in the EU cohesion funds.

Table 2: Matrix between a Strategic Objective of the NSDS (IV. Decarbonise economy) and the policy objective for the ERDF (EU Regional Development Fund) 21/27

SDG 2030 Agenda	**7.** Ensure access to affordable, reliable, sustainable and modern energy for all **9.** Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation				
National Strategic Goal SNSvS/NSDS	IV.1 Increase energy efficiency and renewable energy production, avoiding or reducing impacts on natural and cultural heritage and landscapes				
2030 Agenda related targets	**Istat IAEG indicators**	**Policy Objectives and Specific Objectives (PO-SO) 2021-2027**	**Common output indicators for ERDF and Cohesion Fund**	**Common result indicators for ERDF and Cohesion Fund**	**Intervention Field Short title**
7.2 By 2030, increase substantially the share of renewable energy in the global energy mix	7.2.1 - Renewable energy share (transport sector excluded) in the gross final energy consumption	**2.1**	RCO 19 - Public buildings with improved energy performance		034 High efficiency co-generation, district heating + cooling 034b Replacement of heating systems (from coal to gas-based) 034c Distribution + transport of natural gas substituting coal
	7.2.1 Renewable energy share in transport sector (in the gross final energy consumption)	**2.1**	RCO 20 - District heating and cooling network lines newly constructed and improved		
	7.2.1 Renewable energy share in thermal		RCO 18 - Dwellings with		

	sector (in the gross final energy consumption)		improved energy performance			
	7.2.1 Renewable energy share in the total final energy consumption	**2.2**	RCO 22 - Additional production capacity for renewable energy (of which: electricity, thermal) RCO 97 - Renewable energy communities supported	RCR 31 - Total renewable energy produced (of which: electricity, thermal) RCR 32 - Additional operational capacity installed for renewable energy	028 Renewable energy: wind 029 Renewable energy: solar 030 Renewable energy: biomass 031 Renewable energy: water 032 Other renewable energy (including geothermal energy)	
7.3 By 2030, double the global rate of improvement in energy efficiency	7.3.1 Energy intensity	**2.1**		RCR 26 - Annual primary energy consumption (of which: dwellings, public buildings, enterprises, other)	024 Energy efficiency in SMEs 024b Energy efficiency in large enterprises 025 Energy efficiency in housing '026 Energy efficiency in public infrastructure	
		2.3	RCO 23 - Digital management systems for smart energy systems RCO 105 - Solutions for electricity storage	RCR 33 – Users connected to smart energy systems RCR 34 - Roll-out of projects for smart energy systems	033 Smart Energy Systems and related storage	
9.4 By 2030, upgrade infrastructure and retrofit industries to make them sustainable, with increased resource-use efficiency and greater adoption of clean and environmentally sound technologies and industrial processes, with all countries taking action in accordance with	9.4.1 CO2 emission per unit of value added	**2.1**		RCR 29 - Estimated greenhouse emissions	'027 Services linked to LCE and resilience to climate change	

their respective capabilities						

Source: MiTE, 2020 Report on the implementation of the NSDS, 2021

This exercise represents a very advanced effort to link policy objectives and interventions (programmed in the EU cohesion funds) to their output and outcomes indicators and to find correspondence with SDGs indicators as well as grouping them per their contribution to the NSDS.

SDGs mapping under National Reform Programme NRP priorities (Ministry of finance)

In 2020 the Ministry of Economy and Finance (MEF) undertook a similar policy coherence exercise, in accordance with the framework laid out in the European Semester. A chapter of the National Reform Programme (PNR) describes how the priorities of the structural reforms are related to the progress of SDGs indicators. Under every NRP priority, the chapter identifies relevant SDGs, the progress of the key SDGs indicators in the last few years, compared to the rest of the EU member states and the country specific factors that influence these trends. The chapter describes how the current or perspective measures of the NRP and the Piano per il Sud under each priority are expected to/have influenced the SDGs (i.e. the measures included in the Climate Legislation –D.L. Clima- for urban reforestation and sustainable city management, will have a positive impact on SDG11; the incentives for electronic payments to avoid fiscal evasion improved fiscal revenues thus will have effects on the whole SDG 8; Priority 5: Support to material and immaterial sustainable investments will have an impact on SDGs 5, 7, 8, 9, 11, 12, 13, 14, 15) . This matrix applies the same logic of the one described above although at a less granular level of analysis (i.e. it doesn't go into the details of actions and indicators of the reforms to link them to the SDGs indicators). Moreover it does not take the NSDS as the reference framework.

Opportunities for strengthening SDGs integration during policy identification:

These exercises represent an excellent starting point for identifying how the policies contribute to the SDGs trough the NSDS, a number of opportunities could be considered based on these experiences:

- In order to apply these matrixes at the moment of translating strategies from objectives into actions, their use need to be streamlined around concrete NSDS targets and indicators. At present the MFF/NSDS matrix has been successfully used to negotiate regional partnership agreements making sure they contributed to the relevant NSDS strategic goals but could not agree on the expected policies' progresses towards NSDS targets. To work as tool to operationalise their strategies, ministries and levels of government would need to use such matrix to estimate their expected contribution to the quantifiable targets of the NSDS
- These matrices could maps the measures included in key strategic documents[2] with ten years horizon (2030) according to the NSDS and verify which sustainability objectives are overcrowded and which have been forgotten, are policies multi-dimensional (combination of policy drivers being used) and assess their potential inter-linkages or overlaps. This can facilitate policy arbitration and prioritization, by implementing first those policies with higher impact or targeting less populated NSDS objectives.
- Rather than serve as one-off tool during policy formulation the policy mappings could be applied also as methodology for other steps in the policy cycle for instance could inform the regulatory assessment

[2] I.e. the six missions included in the NRRP, the five missions of the Piano per il Sud, the National integrated energy and climate plan (PNIEC), the Long term decarbonisation strategy, etc-

instruments described below. This would ensure that different operational tools track the implementation to of the Sustainable development targets at different steps of the cycle.

2) Ex ante Policy assessment

Some policy ex ante assessment mechanisms are measuring the relevance of each new programme or investments to the achievement of the SDGs and the NSDS. It is the case for the CIPESS investments' evaluation and the VAS evaluations of territorial plans.

The CIPESS evaluation of public investments

Within the Presidency of the Council of Ministers (PCM), the Department for Programming and Coordinating Economic Policies (DIPE) is developing a set of indicators that will be used to evaluate public investments, with a focus on sustainability performance. The set of indicators will be a part of a new operational procedure, following the broadening of the scope, as of 2021, of the Inter-ministerial committee for economic programming, which is now tasked with including sustainable development in its decisions and is thus renamed the Inter-ministerial Committee for Economic Planning and Sustainable Development (CIPE to CIPESS).

DIPE coordinates the preliminary phase that leads to the adoption of CIPESS decisions in consultation with line Ministries. Consequently, the CIPESS Decisions are seen as one of the main tools for effectively implementing the National Sustainable Development Strategy in a coordinated and integrated manner at national, regional and local level. It is too early to assess the interoperability between the forthcoming indicator framework for public investments and the NSDS indicators and the EWS set used in the budgeting process[3] however a number of elements are worth taking into consideration:

- the guidance issued every two years by the Evaluation Unit of the DIPE for conducting the ex-ante (AIR) and ex-post (VIR) investment impact assessment analysis across ministries will now include the relevance for achieving the NSDS as criteria. This same criteria could be included in other sectoral guidance and forthcoming assessment for the implementation of NRRP/PNRR.
- The sustainability considerations that are included in the ex-ante investments' should be monitored in ex-post evaluation mechanisms. Coherence between evaluation instruments along the policy cycle should be ensured

VAS Valutazione Ambientale Straordinaria- Strategic Environmental Assessment (SEA)

The MiTE, in close collaboration with regions and metropolitan areas, assesses the relevance of local plans under Strategic Environmental Assessment (SEA/VAS) to the achievement of the NSDS. For instance, from 2019 to 2020 the MiTE, in collaboration with regions, municipalities and metropolitan areas, added to the SEA/VAS of 22 local plans (such as urban plans, territorial regional plan, Regional strategic Plans, territorial forestry plans, Transport plans, quality of air plan, PRG/PUC/PGT/POR, etc.) also a qualitative assessment of the contribution of each action of the foreseen plans to the implementation of the strategic objectives of the NSDS.

[3] According to the latest legislation on the Governance framework of the NRRP, the DIPE will operate as secretariat for both CITE and CIPESS (Interministerial Committee of Ecological Transition) thus it could be successful in making the link between the set of indicators used for the CIPESS and the ones integrated in the forthcoming National Ecological Transition Strategy. DIPE and CITE, at different levels are also part of the the NRRP Governance (Decreto-legge 77/2021).

Figure Errore. Nel documento non esiste testo dello stile specificato..1. Environmental Strategic Assessment informed by NSDS

AREA SNSVS	SCELTA SNSVS GOAL AGENDA 2030 CORRELATI	OBIETTIVO SNSVS	AZIONI STRATEGICHE DELLA PIANIFICAZIONE LOCALE	INDICATORI DI CONTESTO	INDICATORI DI PROCESSO	INDICATORI DI CONTRIBUTO
PIANETA	II. GARANTIRE UNA GESTIONE SOSTENIBILE DELLE RISORSE NATURALI	II.2 Arrestare il consumo del suolo e combattere la desertificazione	Interventi di recupero, completamento e sostituzione del costruito. Nuove aree di espansione in territori già antropizzati o impermeabilizzati o in aree intercluse dell'urbanizzato esistente. Interventi di valorizzazione del verde. Interventi di tutela dei comparti agricoli e degli elementi di naturalità che li definiscono Interventi che limitino l'impermeabilizzazione dei suoli per assicurare l'invariante idraulica.	Consumo di suolo (temporaneo e permanente) Indice di sprawl (dispersione insediativa)	Aree interessate da interventi di nuova espansione residenziale, produttiva, commerciale Aree interessate da interventi di rigenerazione e micro-rigenerazione Recupero aree utilizzate per l'emergenza (calamità naturali)	Superfici di suolo non consumato interessate da interventi di nuova espansione residenziale, produttiva, commerciale e da interventi di rigenerazione e micro-rigenerazione. Variazione Indice di sprawl (dispersione insediativa)
	III. CREARE COMUNITÀ E TERRITORI RESILIENTI, CUSTODIRE I PAESAGGI E I BENI CULTURALI	III.1 Prevenire i rischi naturali e antropici e rafforzare le capacità di resilienza di comunità e territori	Delocalizzazione e consolidamento del tessuto urbano esistente (finalizzato anche a migliorare la resilienza delle strutture esistenti al rischio frane, alluvione, sismico). Individuazione delle Strutture Urbane Minime (SUM) e integrazione con le aree di protezione civile. Interventi di tutela dei comparti agricoli e degli elementi di naturalità che li definiscono finalizzati al presidio ambientale in zone agricole	Aree a pericolosità da frana dei Piani di Assetto Idrogeologico (PAI) Aree a pericolosità idraulica D.Lgs.49/2010 Aree a Pericolosità sismica locale Aree agricole abbandonate a rischio idrogeologico	Interventi di delocalizzazione di attività/insediamenti che insistono in aree ad elevata pericolosità da frana, a pericolosità idraulica e ad elevato rischio sismico Interventi per l'implementazione della Struttura Urbana Minima (SUM) Recupero di attività agricole in aree abbandonate a rischio idrogeologico	Variazione degli insediamenti/attività localizzate in aree ad elevata pericolosità da frana e a pericolosità idraulica Variazione degli insediamenti in aree ad elevato rischio sismico Variazione delle Aree agricole abbandonate con funzioni di presidio ambientale

Note: Example of the SEA conducted by the Municipality of Norcia considering the relevance of the actions included in the Regulatory Plan for their contribution to the NSDS, and the indicators for environmental monitoring
Source: MiTE, Power-point Presentation during the 3rd Workshop organised within the framework of this project, 17th June 2021

By adding NSDS to existing environmental regulatory assessment the experiment contributed to:

- identify which indicators are collected at local level through the VAS that can be used as proxy for the 43 NSDS indicators
- Map the contribution of local strategies to the strategic objectives of the NSDS

Through this experiment MiTE has learned:

- Need for strengthening competence across the monitoring units around sustainable development.
- If the ex-ante assessment requirements included in environmental national strategies (i.e. the National Plan for Adaptation to Climate Change) would encompass the sustainability criteria, MiTE could multiply these evaluations and collect relevant data for tracking the implementation of the NSDS across levels of the government and increase opportunities for dialogue around the strategy.
- The indicators selected to track the NSDS are sometimes not effective nor significant for environmental assessments. This aspect needs to be considered in the revision of NSDS indicators.

Questions and Opportunities for strengthening SDGs integration during policy identification:

- Consider potential linkages with the matrix analysed above and the regulatory and investment ex-ante assessments: could these assessment feed information into those matrix and vice-versa?
- Reporting on the sustainability dimension needs to be compatible with the current reporting requirements in existing regulatory assessment and avoid additional administrative burden
- Consider sustainability criteria/indicators/standards that are relevant and can be transferable from one sectoral (i.e. environment) ex-ante assessment to others (i.e. evaluations for the implementation of the NRRP/PNRR; Transport and public infrastructure29, Gender evaluation, Green SACE Guarantee instruments, the procurement legislation DL 50/2016; etc) and provide valuable information to decision makers about inter-linkages and trade-offs across different sectors that would other ways not been considered.
- Ensure that ex-ante regulatory assessments capture sustainability information that are also monitored in ex-post evaluation mechanisms and vice-versa. Coherence between evaluation instruments along

the policy cycle should be ensured, and the NSDS targets could both assessments as well as the coherence matrixes at the moment of policy formulation.