

Policy coherence and sustainability transition – inspiration for auditors and evaluators



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Introduction

Policy coherence can be defined as an attribute in policy-making “that systematically reduces conflicts and promotes synergies between and within different policy areas to achieve the outcomes associated with jointly agreed policy objectives”. Policy coherence requires policy objectives integrated across sectors, coherence with and between policy instruments and policy implementation which does not distort the goals of formal policies. (Nilsson et al, 2012.)

Policy coherence among environmental, economic and social policies is crucial in sustainability transformations and in achieving the Agenda 2030 and the 17 Sustainable Development Goals (SDGs) (OECD, 2019). The SDGs have a potential to facilitate the integration of actions across sectors and levels of government and actors (UN, 2018). It is no surprise that policy coherence is one of the means of implementing the SDGs. Nevertheless, SDG target 17.14., “Enhance policy coherence for sustainable development”, is a challenge. So far, evidence shows that no country has reached a high level of economic wellbeing in an environmentally sustainable way (O’Neill et al., 2018).

In the context of the SDGs, the OECD (2016) includes processes and outcomes in the Policy Coherence for Sustainable Development (PCSD) approach. In this approach, besides institutional mechanisms and policy interactions across sectors, policy effects, including transboundary and intergenerational effects, also matter. This resonates with the National Audit Office of Finland’s understanding of sustainable development – besides the SDGs, it is about interaction between the sustainability dimensions, the long-term span and a global perspective.

Lacking policy coherence has been identified as one of the problems in current governance systems. The structures based on strong sector ministries often lead to siloed structures and difficulties when there is a need for integrated approaches. This can reduce effectiveness and erode impacts when it comes to the use of the entire public sector budget, not only sector allocations. Incoherence increases the risk of actions offsetting each other. Missed synergies also represent a lost opportunity.

There is a growing body of scientific literature on policy coherence in the context of the SDGs. Research includes perspectives from network analysis (Le Blanc, 2015), SDG interactions (Nilsson et al, 2018), trade-offs and co-benefits (Miola et al 2019), forests (Katila et al 2020), and health and wellbeing (Nunes et al 2016), to mention a few. Yet, the need for understanding SDG interactions and accessing tools to analyse their synergies seems to be on the increase.

Performance audits and evaluations can help to gain better understanding of the challenges related to policy coherence and the contradictions in policy mixes as well as to identify best practices.

The European Environmental Evaluators Network organized a Forum on 4-5 November 2020 in a virtual format. The host of the event, the Finnish Environment Institute SYKE, offered the National Audit Office of Finland an opportunity to chair two sessions on policy coherence and integrate the audit community into the event. The sessions gathered around 40 researchers, evaluators and auditors from Europe and around the world.

This report summarises the presentations and discussions held in the sessions. The first session focused on the concept of policy coherence and integration and was chaired by the NAOF's Deputy Director Vivi Niemenmaa. The second session, chaired by the NAOF's Senior Performance Auditor Karoliina Pilli-Sihvola, presented tools and methods to assess policy coherence.

This report aims to act as an inspiration for auditors, evaluators and policy-makers in their work on policy coherence and sustainable development. A special target group is the INTOSAI Working Group on Environmental Auditing, which has included policy coherence into its Work Plan 2020–2022.

Policy coherence and policy integration in the context of the SDGs

David Le Blanc from the United Nations Department of Economic and Social Affairs (UNDESA) set the stage for the two sessions by providing some basic considerations on policy coherence. The UN has worked with policy coherence since the 1990s by analysing the consistency of policies across different domains, such as trade and environment, or energy and climate change. In the European and OECD context, the discussion on policy coherence started in the 1990s in the field of development policy, meaning that domestic policies should not have adverse impacts on the development of other countries.

The discussion on policy coherence has received increasing attention as a result of the UN's 2030 Agenda for Sustainable Development. In 2014, the Open Working Group on SDGs identified a target on policy coherence as one of the targets under SDG 17 (17.14: Enhance policy coherence for sustainable development).

The interdependence among the goals and targets was put forward as integral to the 2030 Agenda. However, in his presentation, Henrik Carlsen from the Stockholm Environment Institute (SEI) noted that the discussion on how the integrated nature of the SDGs could be operationalised only started later and was not as pronounced in 2015.

Le Blanc stressed that there are many definitions for policy coherence. One way is to address the level of integration, where the ladder goes from collaboration to coordination and integrated policy-making.

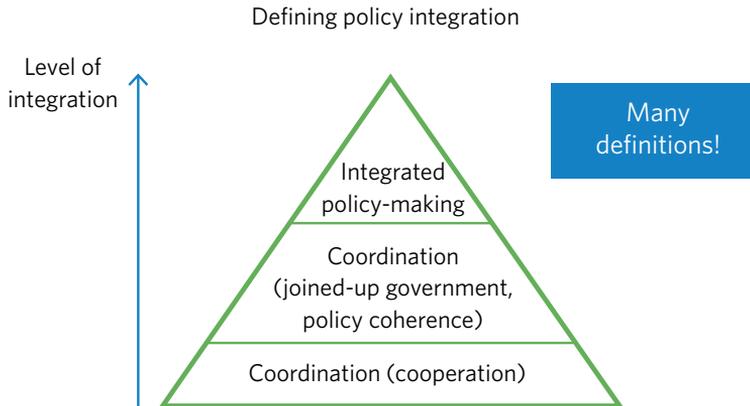


Figure 1: Defining policy integration. (Source: Meijers and Stead, 2004)

Research Professor Paula Kivimaa from the Finnish Environment Institute presented work on policy coherence in the context of the EU Horizon 2020 research project “Cascading climate risks: towards adaptive and resilient European societies” the focus was on the extent to which policy subsystems in EU foreign, trade and finance policies are coherent with climate change adaptation (CCA) policies, how CCA issues have been integrated into these policy subsystems, and how cross-border impacts affect policy coherence and integration. She referred to Furness and Gänzle (2017, p. 487): “Coherence is not the natural state of affairs in bureaucratic political systems, whether at national administration or EU level”.

Kivimaa made a conceptual difference between policy coherence and policy integration. Firstly, she defined policy coherence according to Nilsson et al. (2012) as an attribute of policy that systematically reduces conflicts and promotes synergies between and within different policy areas to achieve the outcomes associated with jointly agreed policy objectives. She summarized different forms of policy coherence as:

1. horizontal (between policy sub systems/domains)
2. vertical (e.g. between the EU and member states)
3. internal (consistency of objectives within a policy sub system)
4. multilateral (interaction between international organizations)

Second, Kivimaa defined policy integration as a situation where certain policy goals associated with one policy subsystem are adopted also in another policy sub-system. For example, in the area of CCA, policy integration can be defined as “the incorporation of climate adaptation objectives into all stages of policymaking in non-climate policy sectors”. This will include building long term adaptation capacity and preparing for sudden impacts of climate change. Elements of policy integration include:

1. learning and reframing processes promoted by tools such as policy appraisal, interdepartmental task forces and reporting requirements
2. procedural instruments to advance policy integration such as overarching plans and strategies
3. evidence of policy integration in policy outputs (objectives and instruments).

Measuring policy coherence has also been under development. Le Blanc from UNDESA identified the following options:

- Efforts made by governments to promote integrated policy-making and policy coherence, such as creation of new institutions or coordination mechanisms for SDG implementation
- Activities taking place in relation to collaboration and coordination, such as number of coordination meetings, joint policy documents or consultations with stakeholders
- Performance in terms of outcomes, such as the degree to which various legal and regulatory instruments covering specific sectors are consistent, or efficiency of public spending in specific areas
- Ultimate outcomes: are all the relevant indicators for the issue at hand moving in the right direction, or only some of them?

Global level indicators for SDGs have been developed by UN Member States through a dedicated working group (the Inter-Agency and Expert Group, or IAEG). The UN Environment Programme is the “custodian agency” for the indicator 17.14 on policy coherence. UNEP has created a composite indicator consisting of:

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
6. Alignment across government levels
7. Monitoring and reporting for policy coherence
8. Financing for policy coherence.

Finally, Le Blanc provided some critical dimensions into consideration in evaluations of policy coherence. It is important to choose the level in the SDG hierarchy: the entire 2030 Agenda or a whole set of SDGs, SDG Goal level, or SDG Target level or narrower. He also urged to find the appropriate scope, bear the whole-of-government approach in mind, and to look at policy documents and institutional mandates.

Tools and methods to assess policy coherence

There is a high demand among auditors and evaluators for tools and methods which would reveal interactions between different sustainable development policy domains and identify potential trade-offs and risks in achieving policy coherence.

OECD has developed a self-assessment tool for analysing policy coherence and countries' institutional preparedness for policy coherence for sustainable development, presented by **Senior Policy Analyst Ernesto Soria Morales**. The tool is a checklist which helps countries to assess institutional mechanisms and practices for policy coherence for sustainable development (PCSD). The checklist is structured according to the eight guiding principles (Building Blocks) of the OECD Recommendation on Policy Coherence for Sustainable Development) (see figure below). With the checklist, policy-makers and other interested parties can screen policies, organisational structures and policy-making processes, and consider essential factors that can influence improvements in policy coherence for the implementation of the SDGs. The checklist tool also helps users to examine their current institutional mechanisms and practices for promoting policy coherence: identify strengths and areas for improvement, and determine what changes are needed, if any, to adapt and align their mechanisms with the vision of the 2030 Agenda for Sustainable Development.



Figure 2: OECD eight principles for promoting PCSD, organised under three main pillars.

The checklist is not a substitute for a review of the policy coherence system of a country, but it can complement external assessments and peer reviews. The checklist assessing institutional mechanisms and practices for policy coherence for sustainable development is available at: <https://www.oecd.org/governance/pcsd/toolkit/selfassessment/>.

An interactive version with scores attributed to each question of the checklist will be available by the end of 2020. With his interactive version, once the user has completed the self-assessment, the results will be automatically generated and visualised through a spider graph, which will show the score for each of the eight building blocks assessed and how the country is positioned against the good practice outlined in the OECD Recommendation.

Dashiell Velasque from the Brazilian Federal Court of Accounts presented a method the Brazilian Supreme Audit Institution has developed to assess occurrence of certain types of interaction in public policies. The Fragmentation, Overlap and Duplication (FOD analysis guide) was first developed by the Government Accountability Office of USA (GAO, 2015). The guide helps analysts and policymakers to identify and evaluate instances of fragmentation, overlap and duplication among programs. The guide can also be used to identify options to reduce or better manage the negative effects of FOD, and evaluate the potential trade-offs and unintended consequences of these options. SAI Brazil has further developed the method to include also the cases of gaps.

DFOG stands for...

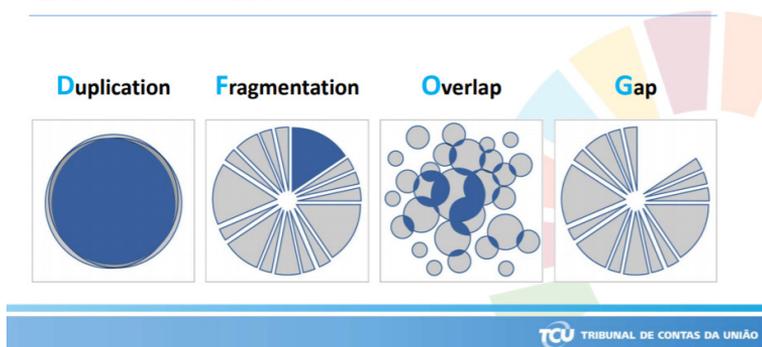


Figure 3: DFOG stands for Duplication, Fragmentation, Overlap and Gap.

DFOG analysis has clear steps:

1. Map the policies
2. Identify DFOG
3. Identify effects, both positive and negative.

SAI Brazil has used the DFOG method in two audit projects. The first one on SDGs (2016-2018) focused on SDG 2.4 (Sustainable food production systems). The audit mapped relevant public policies, such as promotion of organic food production, support to sustainable production through technical assistance, credit and insurance, and tax policies related to the use of pesticides.

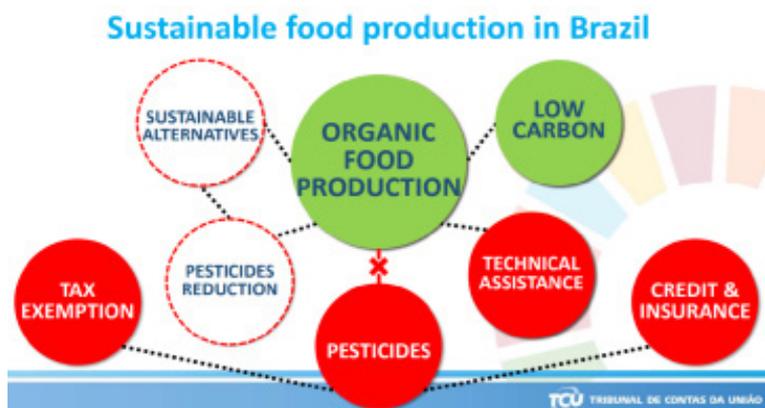


Figure 4: Sustainable food production in Brazil.

The audit found fragmentation in certain public policies, overlapping goals in two or more programs, roles and responsibilities unclearly defined and gaps when it came to mechanisms for horizontal coordination, integrated follow-up and review. As a concrete example, the governments simultaneously support organic farming and provide tax exemptions for the use of pesticides.

The second use case was on the Coordinated Audit on Protected Areas (2018-present). The findings are still being consolidated and are estimated to be presented early 2021.

Velasque also identified challenges related to the use DFOG analysis: the question of keeping the scope manageable, how to use the information gathered in order to help promoting/boosting government coordination and public policies coherence in a fragmented context, and how to assess or estimate the losses and gains related to DFOG.

Henrik Carlsen from Stockholm Environment Institute (SEI) presented the SDG Synergies Approach, a method and tool developed at SEI for coherent implementation of the 2030 Agenda. The tool is a further software implementation of a method described in Weitz et al., (2017). A recent paper by Bennich et al (2020) provides a review of approaches for SDG interaction studies.

The starting point for the analysis is the “indivisible whole”, i.e. the fact that the 17 SDGs and 169 targets are pieces that together paint a picture of a sustainable world in 2030. SDG targets influence each other in positive and negative ways, and without careful planning they can slow or undo progress in each other.

The fact that public administrations are often not organized to deal with issues crossing traditional sectors, scales, actor constellations or are long-term in nature, creates an implementation challenge. In general, governments have limited resources and need to prioritize actions amongst the “indivisible whole”. Consequently, there is a need for methods and tools for capturing trade-offs and synergies in order to make more robust and effective implementation strategies.

The two basic questions addressed by SDG Synergies are how to prioritise amongst the goals and/or targets, and how to organise collaboration for implementation of the Agenda. Utilising the tool, networks of interactions are constructed based on the following question: “If progress is made on target x, how does this influence progress on target y”. By contextualising and analysing score interaction, the tool provides a matrix illuminating the trade-offs or synergies between the targets.

SDG Synergies method and tool



Figure 5: SDG Synergies method and tool.

The results can help to analyse the following topics:

- Which targets have a catalytic effect?
- Where are potential trade-offs?
- Which targets require targeted support, and which targets are aided by progress in other areas?
- Which targets have strong interactions and would benefit from cross-sectoral collaborations?
- How can a particular target be implemented to avoid trade-offs and draw on synergies?

The method can be useful in many ways. It supports a systems perspective in decision-making, stakeholder collaboration over different sectors, prioritisation of goals and targets, capacity building, it emphasises the process and transparency, and is systematic and easy to understand. A first version of the tool will be available in December 2020 at: www.sdgsynergies.org.

How could Audit Offices approach policy coherence?

The lack of policy coherence is a risk for effective governance and wise public spending. Therefore, it is a highly interesting topic for Supreme Audit Institutions, which hold their governments accountable for taxpayers' money. An example of incoherence is when the governments on the one hand build support systems for renewable energy and various low-carbon measures, but on the other hand subsidise fossil fuels.

In the context of SDG audits, one of the main findings in a project which assessed governments' preparedness to implement SDGs was that governments have made some progress in addressing horizontal policy coherence between sectors, but less attention has been paid to vertical coherence between levels of government (IDI, 2019). As the audits move towards assessing the implementation of SDGs, more findings on policy coherence can be expected. Policy coherence is also one of the key components of IDI's audit model on SDGs (IDI, 2020). In the EEEN sessions we heard examples of how Supreme Audit Institutions have approached policy coherence and sustainability.

Katy Losse from the National Audit Office of UK gave a presentation of the NAO UK approach to auditing policy coherence for climate and environment. NAO UK has had a long-standing work programme on climate and environment issues. The new 5-year strategy of NAO UK includes plans to focus more on long-term value-for-money issues, including the UK's 'net zero' emissions target.

When thinking and auditing policy coherence, NAO UK has developed some central attributes that they can usefully bring to the discussion as auditors:

- Access rights
- Regular engagement with MPs and senior civil-service
- System-wide' perspective
- Insights into delivery risks for complex programmes
- Analytical expertise
- Financial audit programme & expertise.

NAO UK has also identified some key risks for government's approach:

- public money for environmental projects is not put to good use
- the gaps and misalignments in government's plans increase long-term costs
- government does not handle strategic challenges well.

Currently, the NAO UK has set some objectives to conduct audits bearing in mind these attributes and risks. They have also conducted studies which examine government's set-up to deliver 'net-zero' and its wider environmental goals. How government is organized to reach 'net zero' study includes for example following issues which are related to PCSD: cross-government ownership, extent/quality of plans, arrangements for monitoring & reporting progress, alignment of government's own emissions e.g. from estates and procurement. NAO UK has also ongoing study on environmental tax measures. The tax measure study will include an examination of how the tax system fits into the wider landscape of government's environmental work and how relevant policy-coherence issues are tackled.

Elsa Da Costa from the Office of the Auditor General of Canada (OAG) presented Canada's approaches to examining policy coherence for SDG targets. Canada has built its approach based on IDI (2020) SDG Audit Model which is a practical guidance to SAIs for conducting audits of SDG implementation. Canada's Government committed to the 2030 Agenda and has national targets and indicators. OAG aims to audit national targets which are linked to SDGs by integrating the SDGs targets in their processes.

The OAG audit on National Implementation of 2030 Agenda and SDGs will be published in Spring 2021. The audit includes the examination of the SDG targets 1.2 (poverty), 5.5 (women's equal opportunities) and 8.6 (youth employment). SDG target-level in audit provide a manageable scope for auditing. SAI Canada notes that auditing SDG targets can provide an overall view of policy coherence and integration.

Da Costa described that national commitments to the 2030 Agenda provide an opportunity to look at national SDG targets. National SDG targets should be examined for their ambitiousness to the global targets, determine a baseline, quality of target and quality of indicators. Whole-of government policy coherence may present challenges to auditors. Taking an audit risk-based universe (picture) to examine the national targets can provide a better understanding the stakeholders, the synergies and the trade-offs of policies and actions and available resources are important. In addition, the approach can allow for a better understanding of the Leave no one behind and of the vulnerable populations, as well as identifying their potential needs.



Figure 6: SDGs from the audit-risk perspective.

Auditors would have the ability to report on SDG target progress and implementation and finally have the overall view of coherence and integration for SDG target. The PCSD building bricks (done by OECD) will be examined carefully in OAG audit, including; leadership and engagement, legal and institutional frameworks, interactions with different levels of government, stakeholder’s roles and engagement, actions undertaken, resources allocated, monitoring- reporting and data will be researched.

Just transition

A key principle of the Agenda 2030 is the ‘Leave no-one behind’, and a key issue in sustainability transition is justice – who “pays” for the transition. In Finland, the sustainability discourse started in the 1990s mainly in the environmental policy sphere but has slowly extended towards more cross-sectoral arrangements. For example, the General Secretariat of Sustainable Development was shifted in 2016 from the Ministry of Environment to the Prime Minister’s Office.

The current discussion on just transition is widely recognised as a key element in sustainability transitions. However, the literature on SDG synergies and policy coherence does not seem to address the ‘Leave no-one behind’ principle. **Performance Auditor Taina Rintala from the National Audit Office of Finland** presented an audit case on transferring basic social assistance to the Social Insurance Institution of Finland from the viewpoint of sustainable development. The presentation was based on the findings of an audit, *Transferring basic social assistance to the Social Insurance Institution of Finland: the significance of assessing the effects of implementation in the law-drafting process*, and a subsequent analysis of the reform from the viewpoint of sustainable development. One of the premises in the case was that social and health policy, in particular, is an area with objectives tied to the activities of other sectors. It is an area the activities of which pave the way for achieving the objectives of other policy areas. Another premise in the case was that the link between environmental policy and social and health policy is still seldom recognized.

This is interesting because the impacts of a legislative proposal, for instance environmental impacts, must be assessed in the statute-drafting process. The guidelines concerning the impact assessment underline that the assessments should focus only on the key impacts of the proposal. This may lead to a situation where policy areas focus on assessing only the most obvious impacts in their own policy area and thereby potentially weaken the assessment of environmental impacts in the social and health policy area. Therefore, achieving the sustainable development goals and implementing policy measures that comply with the intergenerational aspect and the ‘Leave no one behind’ principle require policy coherence. In Finland, we already have tools for implementing it: guidelines for the assessment of the impacts of statute drafting, and the Constitution of Finland. The case is described in more detail in appendix 1.

The Way forward

The EEEN sessions on policy coherence supported our thinking at the National Audit Office that policy coherence is one of the key elements in good governance and sustainable development. Especially now, when governments and the EU are planning major economic stimulus packages, the coherence of recovery funding and green, climate friendly funding is a fundamental precondition for sustainability transition. The lack of coherence would be a lost opportunity for both current and future generations.

The speakers of our sessions provided excellent insights both into the concepts and into tools and methods. Tools are already available, and more are to come. These methods can support policy evaluation and audit work, but they also raise awareness and support learning and dialogue among organizations and their stakeholders.

Finally, the exchange of ideas between policy-makers, evaluators and auditors made it clear that we can benefit from each other's work. SAI's perspective connected with the effectiveness of public sector budgets can hopefully enrich the work done by environmental evaluators in other organizations. We at the NAOF wish to thank the EEEN Forum organisers and the presenters and participants in the EEEN session and believe that we created good synergies among coherence studies!

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Appendix 1

In the beginning of 2017 entered into force a reform that transferred the responsibility for the implementation of the basic social assistance from municipalities to a single national player, the Social Insurance Institution of Finland, KELA. Municipalities continued to be responsible for the supplementary and preventive social assistance. The reform was perceived as a mainly technical change related to the implementing body, and its environmental impacts were not assessed. However, the reform has had environmental impacts which may not all of them support economic and social goals. They become apparent from two major changes: the number of bodies implementing the basic social assistance was considerably reduced, and applying social assistance electronically is now possible for everyone.

The first example of the interaction between the reform and its environmental impacts stems from Kela not having a service point in all municipalities. This makes applying for social assistance more difficult for people who are unable to submit an electronic application. For this reason, the people who need personal help to apply for social assistance may have to travel even long distances. This may increase the greenhouse gas emissions caused by traffic. Limited coverage of Kela's service network means also that applicants who need personal help incur extra costs from travelling to Kela's service point or sending the application by post. Because applying causes costs, the people who need help may not apply for it. From a viewpoint of social goals, the reform does not support SDG 1: End poverty in all its forms everywhere. Nor does the reform support SDG 9.1: Develop quality, reliable, sustainable and resilient infrastructure with a focus on affordable and equitable access for all. From the viewpoint of the economic goals, the limited coverage of Kela's service network means that some applicants have to rely on others' help to apply assistance. This is one of the reasons why municipalities keep on working with the basic social assistance. This has caused indirect costs of the adult social work of municipalities and the health-related social work of hospitals. From this viewpoint, the reform does not support SDG 16: Build effective institutions at all levels.

A second example comes from the result of the electronic applications, as the applicants do not have to move from one place to another. Electronic application thus reduces traffic-related greenhouse gas emissions. Electronic application also reduces the demand for paper, as no paper forms, enclosures and envelopes are required for making the application. Lower demand for paper reduces the need to cut down forests, which in turn prevents the reduction of carbon sinks. The lower demand for paper has an impact on the financial productivity of forestry companies. Unless the demand for paper can be replaced with some other use for paper, paper mills will be closed. Electronic application also reduces the amount of traditional postal mail, which in turn reduces the need for staff at the postal service. These impacts will lead to an increase in unemployment and possibly also in benefits-related expenditure and to a fall in tax revenue. From the perspective of economical dimension these will not promote sustainable economic growth, full and productive employment and decent work for all even though lower demand of paper may support environmental goals.

One of the objectives of the reform has been to reduce the underuse of social assistance, i.e. to increase the number of applications for social assistance. This is because some people who would have been entitled to receive social assistance have not applied for it. The reason for this has been considered to be the fear of stigmatization. Electronic application and the transfer of the implementation to Kela have been considered to reduce this fear. According to studies, underuse has actually been reduced. From the perspective of the social dimension, it supports SDG 1. However, studies show that, although the transfer has made it easier to apply for basic social assistance, the reform has complicated – rather than improved – the availability and accessibility of services for some applicants. This has been the case with the applicants who don't have the ability, skills, opportunities or tools to apply for social assistance electronically and who need not only basic social assistance but also supplementary or preventive social assistance. In the case of these customers, the reform does not necessarily support the leave no one behind principle of sustainable development.

The studies have also shown that the reform does not support the intergenerational approach. This is because the transfer of basic social assistance to Kela has separated financial support more clearly from social service. The weakening of the connection between financial support and social service was solved by the disclosure procedure. Kela informs municipalities through an electronic system of people who need social service, and the municipalities are responsible for providing services to these customers. However, it is completely up to the customers whether they decide to apply for assistance or not from the municipality. According to the surveys related to the reform, social services experts spend part of their working hours looking for customers who would need social services according to the information Kela has provided through the electronic system –and they fail to reach some of these customers. This causes delays in addressing the problems in municipalities and thus may promote long-term need for social assistance. Studies have shown that the children of parents who have received social assistance are more likely to become unemployed and receive social assistance as young adults than the children of parents who have not received social assistance. The longer the time that the parents have received social assistance, the greater the likelihood.

There are some issues that is important in view of adopting the principles of sustainable development and achieving the sustainable development goals and targets. (1) We should see the sustainable development goals and targets as vehicles that encourage us to look at prepared reform from new perspectives; (2) We should pay more attention to the different ways of promoting the objectives. This can prevent the implementation of measures that are contradictory to same other SDGs; (3) We should consider the implementation from the perspectives of different target groups. This might promote the integration of the leave no one behind principle with all decision-making; (4) We need much more information about intergenerational aspect in order to be given it more consideration in reforms.



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