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# 1 Introduction

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*Governments around the world are increasingly focused on implementing policies and actions that achieve sustainable development and climate change objectives in an integrated manner. In this context, there is an increasing need to assess and communicate the multiple impacts of policies and actions to ensure that they are effective in delivering a variety of sustainable development and climate change benefits. Policy assessment can help countries more effectively achieve the objectives of both the Paris Agreement and the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs). There is an urgent need to transition towards sustainable development and net zero global greenhouse gas (GHG) emissions, as underlined in the special report Global Warming of 1.5°C<sup>1</sup> by the Intergovernmental Panel on Climate Change (IPCC).*

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## 1.1 Purpose of the methodology

The purpose of this methodology is to help users assess the sustainable development impacts of policies and actions. Sustainable development impacts include a wide variety of impacts across three dimensions: environmental impacts, social impacts and economic impacts. Examples of impacts include improved health from reduced air pollution, job creation, poverty reduction, increased energy access, gender equality, and many others (further elaborated in [Chapter 5](#)).

This methodology helps users answer the following questions:

- What sustainable development impacts is a given policy or action likely to have in the future?
- Is a given policy or action on track and delivering expected results?
- What impacts has a given policy or action had to date?

The methodology was developed with the following objectives in mind:

- to help users assess all relevant sustainable development impacts of policies and actions in an integrated way
- to help policymakers and other decision makers develop effective strategies for achieving sustainable development objectives through a better understanding of the various impacts of policies and actions
- to support consistent and transparent reporting of sustainable development impacts and policy effectiveness.

This methodology supports multiple objectives users may have (elaborated in [Chapter 2](#)), including advancing policies and actions that contribute to multiple SDGs and priorities, building support for climate actions by assessing and communicating the impacts that are most relevant to national audiences, and informing policy design and implementation to maximize positive impacts across multiple impact categories.

The methodology is intended to help policymakers and analysts systematically assess multiple sustainable development and climate change impacts to help achieve the objectives of both the SDGs and the Paris Agreement. Assessing a broad set of impacts before and after policy implementation can help policies be more effective and durable, generate positive benefits for society, and achieve desired climate and development outcomes. This type of assessment can help integrate SDGs and climate targets into a unified process – for example, by identifying and reporting on the sustainable development benefits of actions taken to achieve nationally determined contributions (NDCs) under the Paris Agreement. It may also facilitate increased access to climate finance, given the inclusion of sustainable development priorities in the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement and the Green Climate Fund.

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<sup>1</sup> Available at: [www.ipcc.ch/sr15/](http://www.ipcc.ch/sr15/).

## 1.2 Relationship to other methodologies and resources

This methodology is part of the Initiative for Climate Action Transparency (ICAT) series of guides for assessing the impacts of policies and actions.<sup>2</sup> It is intended to be used in combination with other ICAT guides that users choose to apply. The series of assessment guides is intended to enable users who choose to assess GHG, sustainable development and transformational impacts of a policy to do so in an integrated and consistent way within a single impact assessment process. Users of this methodology should also consult the *ICAT Stakeholder Participation Guide*<sup>3</sup> on how to carry out effective stakeholder participation when designing, implementing and assessing policies and actions, including when assessing sustainable development impacts using this methodology. Refer to the *ICAT Introductory Guide* for more information about the ICAT assessment guides and how to apply them in combination.

This methodology is informed by existing resources such as the *Greenhouse Gas Protocol Policy and Action Standard* (© WRI 2014; all rights reserved)<sup>4</sup> and the *Framework for Measuring Sustainable Development in NAMAs* (UNEP DTU Partnership and IISD 2015).<sup>5</sup> The methodology draws on the *Policy and Action Standard*, which provides guidance on estimating the GHG impacts of policies and actions, by following the same basic structure and series of steps and using many of the same concepts, where they are relevant to assessing sustainable development impacts. Figures and tables adapted or reproduced from the *Policy and Action Standard* are cited, but for readability not all text taken directly or adapted from the *Policy and Action Standard* is cited. In addition to the basic structure and steps, specific elements drawn from the *Policy and Action Standard* include the assessment principles and key concepts 3.1.3-4 and 3.1.7-8 (Chapter 3), describing the policy or action (Chapter 4), the approach to identifying policy impacts and determining significance (Chapters 6 and 7), the framework for quantifying impacts (Chapters 8–11), and the glossary. This methodology is consistent with the *Policy and Action Standard* and can be used in parallel with it.

<sup>2</sup> Available at: <https://climateactiontransparency.org/icat-toolbox>.

<sup>3</sup> Available at: <https://climateactiontransparency.org/icat-toolbox>.

<sup>4</sup> Available at: [www.ghgprotocol.org/policy-and-action-standard](http://www.ghgprotocol.org/policy-and-action-standard).

<sup>5</sup> Available at: <https://unepdtu.org/publications/framework-for-measuring-sustainable-development-in-namas>.

## 1.3 Intended users

This methodology is intended for use by a wide range of organizations and institutions. Throughout this document, the term “user” refers to the entity using the methodology.

The following examples explain how different types of users can use the methodology:

- **Governments.** Assess the environmental, social and economic impacts of policies and actions to inform and enhance policy design and implementation, improve monitoring of progress of implemented policies and actions, retrospectively evaluate impacts to learn from experience, report on progress towards SDGs, and facilitate access to financing for policies and actions.
- **Donor agencies and financial institutions.** Assess the impacts of finance provided, such as grants or loans, to support sustainable development policies and actions, including results-based financing and development policy loans.
- **Businesses.** Assess the impacts of private sector actions, such as voluntary commitments, implementation of new technologies and private sector financing, or assess the impacts of government policies and actions on businesses and the economy.
- **Research institutions and non-governmental organizations (NGOs).** Assess the environmental, social and economic impacts of policies and actions to evaluate performance or provide support to decision makers.
- **Stakeholders affected by policies and actions, such as local communities and civil society organizations.** Participate more effectively in the design, implementation and assessment of policies and actions to ensure that their concerns and interests are addressed.

## 1.4 Scope and applicability of the methodology

This methodology provides an overarching framework and process for assessing sustainable development impacts of policies.<sup>6</sup> It provides general principles, concepts and procedures that are applicable to all types of policies and actions, all sectors, and all types of sustainable development impacts. It does not provide specific guidance for individual impact categories, such as jobs, air quality or health, or prescribe specific calculation methods, tools or data sources. Other guidelines, methods and tools can be used in combination that provide more in-depth methods for specific impact categories, such as air quality and health, or that focus specifically on economic, social or environmental impacts (see the ICAT website<sup>7</sup> for a list of complementary resources).

This document is organized into six parts ([Figure 1.1](#)). [Part I](#) provides an introduction, including objectives, key concepts and steps. [Part II](#) provides guidance on defining the assessment. [Part III](#) provides a qualitative approach to impact assessment, and [Part IV](#) provides a quantitative approach to impact assessment. Parts III and IV cover both ex-ante (forward-looking) assessments and ex-post (backward-looking) assessments. [Part V](#) covers monitoring and reporting, and [Part VI](#) provides guidance on decision-making and using results.

### 1.4.1 Types of policies and actions

In this methodology, “policy or action” refers to interventions taken or mandated by a government, institution or other entity. These can include laws, directives and decrees; regulations and standards; taxes, charges, subsidies and incentives; information instruments; voluntary agreements; implementation of technologies, processes or practices; and public or private sector financing and investment.<sup>8</sup>

The methodology is applicable to policies:

- at any level of government (national, subnational, municipal) in all countries and regions

- in any sector, such as agriculture, forestry, energy, transport, industry and waste, as well as cross-sector policy instruments
- that are planned, adopted or implemented
- that are new policies; or extensions, modifications or eliminations of existing policies.

As the methodology is developed under ICAT, its focus is on assessing the sustainable development impacts of policies that have an impact on climate change. These include policies implemented primarily to achieve climate goals, as well as policies primarily implemented to achieve other environmental, social or economic objectives, but that have an impact, either positive or negative, on GHG emissions.

[Table 1.1](#) presents general types of policies that may be assessed. The list is not exhaustive, and some users may have policies of other types.

<sup>6</sup> Throughout this document, where the word “policy” is used without “action”, it is used as shorthand to refer to policies and actions, and policies and measures. See [Glossary](#) for definition of “policy or action”.

<sup>7</sup> <https://climateactiontransparency.org/icat-toolbox/sustainable-development>.

<sup>8</sup> WRI (2014).

FIGURE 1.1

**Overview of the methodology**

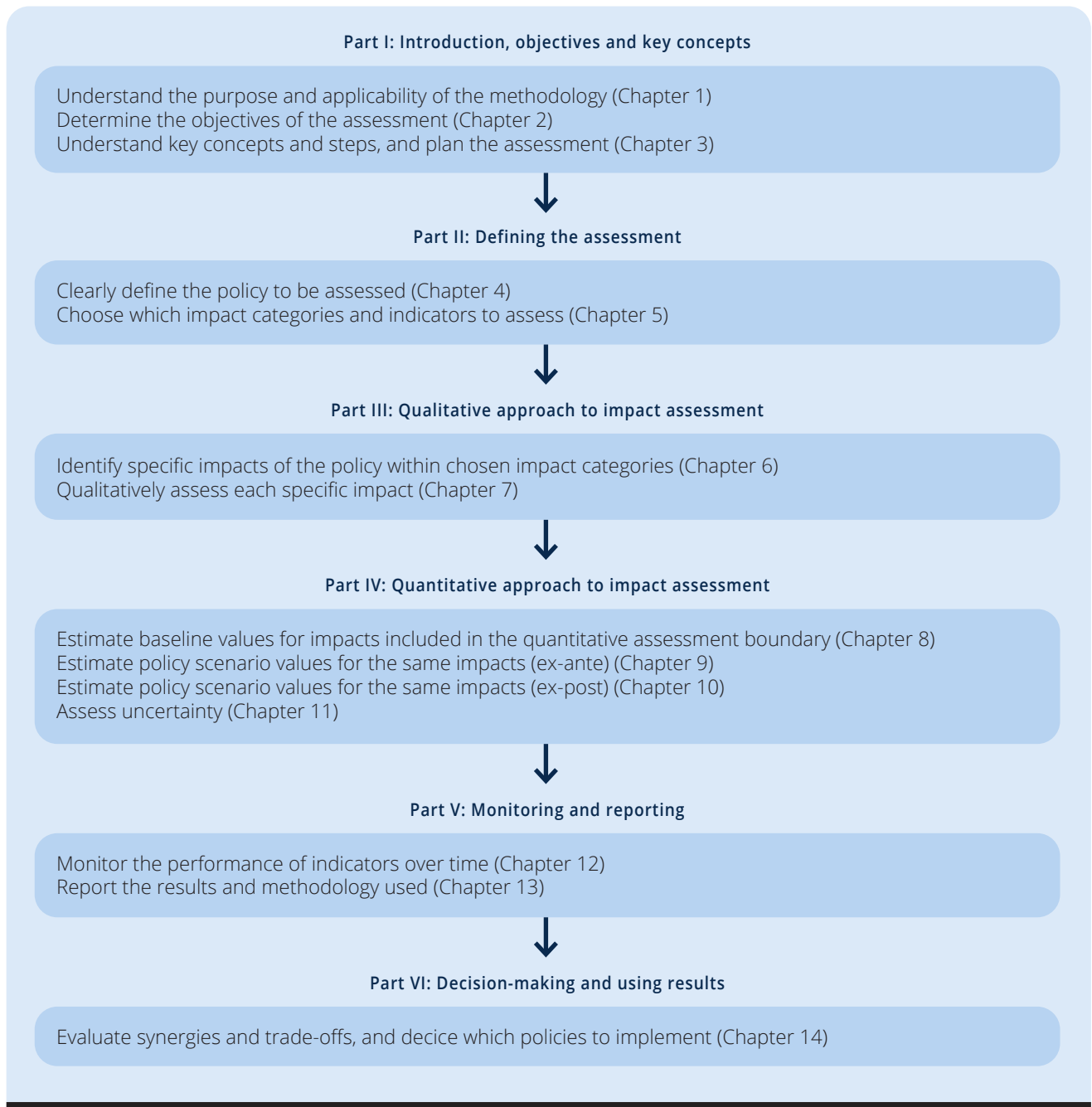


TABLE 1.1

**Types of policies**

Type of policy	Description
Regulations and standards	Regulations or standards that specify abatement technologies (technology regulation or standard), or minimum requirements for energy consumption, pollution output or other activities (performance regulation or standard). They typically include penalties for non-compliance.
Taxes and charges	Levies imposed on each unit of activity by a source – for example, a fuel tax, carbon tax, traffic congestion charge, or import or export tax.
Subsidies and incentives	Direct payments, tax reductions, price supports or the equivalent provided by governments to an entity for implementing a practice or performing a specified action.
Voluntary agreements or actions	Agreements, commitments or actions undertaken voluntarily by public or private sector actors, either unilaterally or jointly in a negotiated agreement. Some voluntary agreements include rewards or penalties associated with participating in the agreement or achieving the commitments.
Information instruments	Requirements for public disclosure of information. They include labelling programmes, reporting programmes, rating and certification systems, benchmarking, and information or education campaigns aimed at changing behaviour by increasing awareness.
Emissions trading programmes	Programmes that establish a limit on aggregate emissions of various pollutants from specified sources; require sources to hold permits, allowances or other units equal to their actual emissions; and allow permits to be traded among sources. These programmes are also referred to as emissions trading systems or cap-and-trade programmes.
Research, development and deployment policies	Policies aimed at supporting technological advances, through direct government funding or investment, or facilitation of investment, in technology research, development, demonstration and deployment activities.
Public procurement policies	Policies requiring that specific attributes (such as social or environmental benefits) are considered as part of public procurement processes.
Infrastructure programmes	Provision of (or granting a government permit for) infrastructure, such as roads, water, urban services and high-speed rail.
Implementation of technologies, processes or practices	Implementation of technologies, processes or practices (e.g. those that reduce emissions compared with existing technologies, processes or practices).
Financing and investment	Public or private sector grants or loans – for example, those supporting development strategies or policies (e.g. development policy loans or development policy operations such as loans, credits and grants).

Source: Adapted from WRI (2014), based on IPCC (2007).

Policies may refer to interventions at various levels of detail, from broad strategies, plans or goals that define high-level objectives or desired outcomes; to specific policy instruments to carry out a broad strategy, plan or goal; to the implementation of technologies, processes or practices (sometimes called “measures”) that result from policy instruments. These are illustrated in [Figure 1.2](#), which shows the range of interventions, from more aspirational to more concrete.

This methodology is primarily designed to assess specific policy instruments, and the implementation of technologies, processes and practices. Users who intend to assess the effects of broad strategies, plans or goals should first define the individual policy instruments – or technologies, processes or practices – that will be implemented to achieve the strategy or plan. Broad strategies or plans can be difficult to assess because the level of detail needed to assess impacts may not be available without further specificity, and different policies used to achieve the same goal could have different impacts.

The methodology is primarily designed for actions at a larger scale than individual projects. The focus is on policies and actions, given the ongoing shift to broader policies and actions as represented by countries’ NDCs. However, users assessing the impacts of individual projects may also find the methodology helpful.

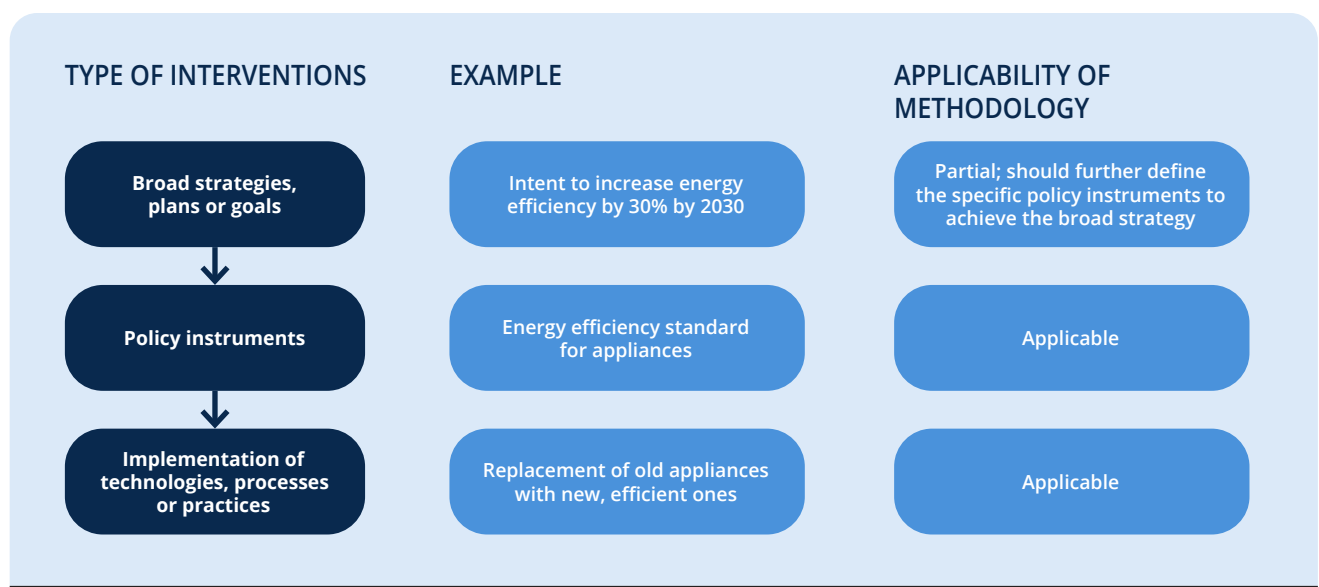
### 1.4.2 Flexible approach

This methodology provides flexibility in how to assess the sustainable development impacts of policies, to enable users to apply it in the context of their own objectives and available resources. It provides guidance rather than requirements and is non-prescriptive, to accommodate various national circumstances. Users do not need to follow all steps, but instead can follow just the steps that are relevant to their own needs. Each step can be implemented using a more simplified or more sophisticated approach, depending on availability of data and resources, and user objectives. Different options for applying the methodology, including whether to follow a qualitative or a quantitative approach, are explained in [Chapter 3](#). Certain objectives may call for greater accuracy, consistency and transparency in the way impacts are assessed and reported, such as accessing financing or reporting on progress towards the SDGs and the Paris Agreement.

As a result of this flexibility, users applying the methodology and readers of the resulting impact assessment reports should be aware of potential uncertainties when interpreting the results. Users who intend to compare or aggregate the results of multiple impact assessments should be aware that differences in reported results may be a result of different methodological choices, rather

FIGURE 1.2

#### Types of interventions



than real-world differences. For example, two assessments of the impacts of a policy on jobs and economic development may come to two different conclusions as a result of differences in methods and assumptions. To help overcome this challenge, this methodology encourages transparent reporting (in [Chapter 13](#)) to explain the methods and assumptions used, to help ensure that results are properly interpreted.

## 1.5 When to use the methodology

The methodology may be used at multiple points throughout the policy design and implementation process, including:

- **before implementation** – to assess the expected future impacts of a policy (ex-ante assessment)
- **during implementation** – to assess the impacts achieved to date, ongoing

performance of key performance indicators, and expected future impacts of a policy

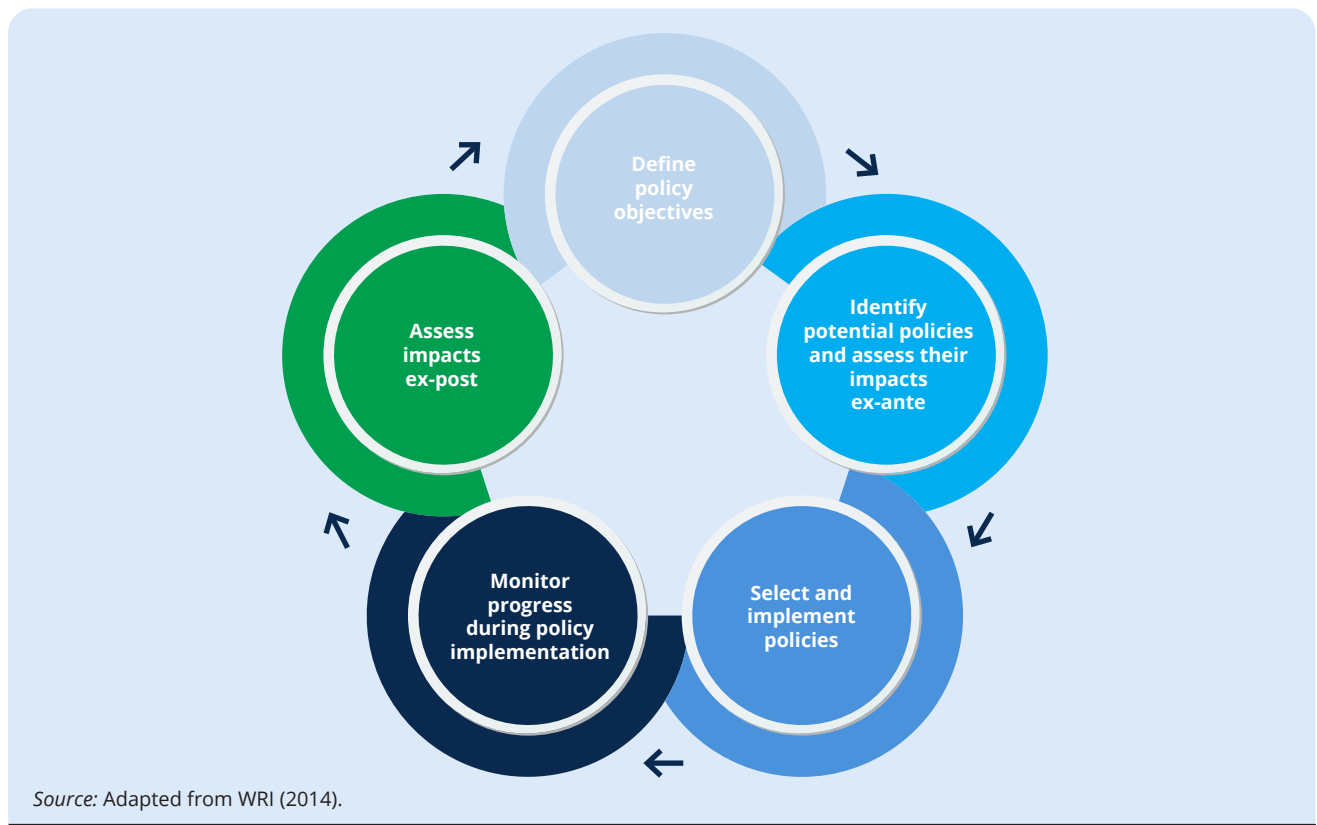
- **after implementation** – to assess what impacts have occurred as a result of a policy (ex-post assessment).

Depending on the objectives and when the methodology is applied, users can follow the steps for ex-ante assessment, ex-post assessment or both. The most comprehensive approach is to apply the methodology before implementation, regularly during policy implementation and again after implementation. Users carrying out an ex-post assessment only can skip [Chapter 9](#). Users carrying out an ex-ante assessment only can skip [Chapter 10](#).

[Figure 1.3](#) outlines a sequence of steps to monitor and assess impacts at multiple stages in a policy design and implementation cycle. In the figure, the process is iterative, such that insights from previous experience inform improvements to policy design and implementation, and the development of new policies.

**FIGURE 1.3**

### Assessing impacts during a policy design and implementation cycle



## 1.6 Key recommendations

The methodology includes key recommendations that are recommended steps to follow when assessing and reporting impacts. These recommendations are intended to help users to produce credible and high-quality impact assessments that are based on the principles of relevance, completeness, consistency, transparency and accuracy.

Key recommendations are indicated in subsequent chapters by the phrase “It is a *key recommendation* to ...”. All key recommendations are also compiled in a checklist at the beginning of each chapter.

Users who want to follow a more flexible approach may choose to use the methodology without adhering to the key recommendations. The ICAT *Introductory Guide* provides more information on how and why key recommendations are used within the ICAT methodology documents, and on following either the “flexible approach” or the “key recommendations approach” when using the methodology. Refer to the *Introductory Guide* before deciding which approach to follow.

## 1.7 Alignment with Sustainable Development Goals

This methodology is informed by, and compatible with, the United Nations SDGs<sup>9</sup> and is intended to help users assess the impact of policies in relation to the SDGs. [Chapter 5](#) describes sustainable development impact categories that users can assess using this methodology, which are consistent with the SDGs. [Chapter 12](#) provides guidance on monitoring progress towards the SDGs.

## 1.8 Calculation methods, models and tools for assessing impacts

This document outlines a general process that users should follow when assessing the impacts of policies, but does not prescribe specific calculation methods or tools that should be used. Users should supplement the methodology with models, calculation tools, spreadsheets or other methods to carry out calculations.

To help users apply the methodology, the ICAT website<sup>10</sup> provides a list of calculation tools, models and resources for estimating the social, economic and environmental impacts of policies, organized by impact category. These supplemental resources provide more detailed methods for various impact categories.

## 1.9 Process for developing the methodology

This methodology has been developed through an inclusive, multi-stakeholder process convened by ICAT. The *Sustainable Development Methodology* is led by the World Resources Institute (lead) and UNEP DTU Partnership (co-lead), who serve as the secretariat and guide the development process. The first draft was developed by drafting teams, consisting of a subset of a broader Technical Working Group (TWG) and the secretariat. The TWG consists of experts and stakeholders<sup>11</sup> from a range of countries identified through a public call for expressions of interest. The TWG contributed to the development of the first draft through participation in regular meetings and written comments. A Review Group provided written feedback on the first draft.

The second draft was applied by ICAT participating countries and other non-state actors to ensure that it could be practically implemented. This version of the methodology was informed by the feedback gathered from that experience and includes case studies from those applications.

ICAT’s Advisory Committee, which provides strategic advice to ICAT, reviewed the second draft. More information about the development process, including governance of the initiative and the participating countries, is available on the ICAT website.

All contributors are listed in the [Contributors section](#) at the end of the document.

<sup>9</sup> <https://sustainabledevelopment.un.org/sdgs>

<sup>10</sup> <https://climateactiontransparency.org/icat-toolbox/sustainable-development>

<sup>11</sup> Listed at <https://climateactiontransparency.org/icat-toolbox/sustainable-development>.



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## 2 Objectives of assessing sustainable development impacts

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*This chapter provides an overview of objectives users may have in assessing the sustainable development impacts of policies. Determining the assessment objectives is an important first step, since decisions made in later chapters should be guided by the stated objectives.*

### Checklist of key recommendations

- Determine the objectives of the assessment at the beginning of the impact assessment process

Assessing the impacts of policies is a key step towards developing effective sustainable development strategies. Impact assessment supports evidence-based decision-making by enabling policymakers and stakeholders to understand the relationship between policies and expected or achieved changes in various sustainable development impact categories.

It is a *key recommendation* to determine the objectives of the assessment at the beginning of the impact assessment process. Examples of objectives for assessing the sustainable development impacts of a policy are provided below.

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### 2.1 General objectives

- **Identify and promote policies that address multiple priorities, contribute to multiple goals and lead to multiple benefits**, such as improved health from reduced air pollution; job creation; poverty reduction; climate change mitigation; increased energy access; gender equality; and others identified in development strategies, the SDGs, NDCs under the Paris Agreement, and other national plans to promote policy coherence and integrated national strategies.
- **Integrate climate policy into broader national development policy and broaden support for climate actions** by assessing and communicating the impacts of climate actions

(environmental, social and economic) that are most relevant to national priorities and stakeholders.

- **Maximize positive impacts, and minimize and mitigate negative impacts** of policies across multiple impact categories and across different groups in society.
- **Ensure that policies are cost-effective** and that limited resources are invested efficiently.
- **Align policies** with national and international laws and principles on sustainable development, climate change and human rights, and with national laws and regulations relating to environmental and social impact assessment.

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### 2.2 Objectives of assessing impacts before policy implementation

- **Improve policy selection, design and implementation** by comparing policy options based on their expected future impacts across multiple impact categories, and understanding the impacts of different design and implementation choices.
- **Inform goal-setting** by assessing the potential contribution of policy options to national or subnational goals, such as SDGs and NDCs, and understand whether planned policies are sufficient to meet goals.
- **Report** on the expected future impacts of policies, domestically or internationally.
- **Access financing** for policies under consideration by demonstrating net benefits across multiple impact categories.

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### 2.3 Objectives of assessing impacts during or after policy implementation

- **Assess policy effectiveness and improve implementation** by determining whether policies are being implemented as planned and delivering the intended results across multiple impact categories and across different groups in society.
- **Inform adjustments to policy design and implementation**, and decide whether to continue current actions, enhance current actions or implement additional actions.
- **Learn from experience and share best practices** about the impacts of policies.
- **Track progress towards national goals** such as NDCs and SDGs, and understand the contribution of policies to achieving them.
- **Report** on the impacts of policies achieved to date, domestically or internationally.
- **Meet funder requirements** to report on sustainable development impacts of policies, if applicable.

Users should identify the intended audience(s) of the assessment report. Possible audiences include policymakers, the general public, NGOs, companies, funders, financial institutions, analysts, research institutions and other stakeholders affected by, or who can influence, the policy. For more information on identifying stakeholders, refer to the ICAT *Stakeholder Participation Guide*.

Subsequent chapters provide flexibility to enable users to choose how best to assess the impacts of policies in the context of their objectives, including which impacts to include in the assessment boundary, and which methods and data sources to use. Users can follow a qualitative and/or a quantitative assessment approach, depending on their objectives (further explained in [Chapter 3](#)). The appropriate level of accuracy and completeness is likely to vary by objective. Users should assess the impacts of policies with a sufficient level of accuracy and completeness to meet the stated objectives of the assessment.