DPAD Inputs for ECOSOC 2016 Integration Segment

(Implementing the 2030 Agenda through Policy Innovation and Integration)

1. Creating positive policy synergies between expanding productive capacity and social outcomes[1]

Expanding productive capacity has been considered as a key element to the implementation of the 2030 Agenda for Sustainable Development and achieving Sustainable Development Goals (SDGs), particularly in least developed countries (LDCs). The SDGs contain goals and targets directly related to productive capacity (SDGs 8 and 9), and a number of other SDGs are also indirectly related to productive capacity, such as those on securing positive social outcomes (SDGs 1-5, 8 and 10).

Policymakers need to tap the potential policy synergies between achieving desirable social outcomes and developing productive capacity. Improved social outcomes can contribute to increasing productive capacity; and increased productive capacity can support improved social outcomes. However, positive synergies between productive capacity and desirable social outcomes do not occur automatically, they depend on policy choices.

Improvements in educational attainment can make a vital contribution to increasing productive capacity. However, this requires more than increases in public expenditure on education and in school enrolment. The quality of education matters: students need not only to enrol in courses, but also to complete them and obtain useful qualifications.

Closing the gender gap in educational enrolment and attainment is also important. Additional policies are required to reduce the gender wage gap, to combat discrimination in the labour market and workplace, reduce occupational segregation, increase the wages of female-dominated occupations, and reduce and redistribute the unpaid care work that constrains women's participation in the labour market.

Improvements in nutrition and health are also important for increasing productive capacity. Better nourished and healthier workers have higher productivity; better nourished and healthier children learn more effectively. This requires public investment not only in efficient and equitable health systems, but also in water and sanitation; and in supporting small scale food producers to increase their productivity and incomes.

Inclusive social policies are the key to ensuring that everyone can afford and access improved nutrition, health, and education. Cash transfer schemes for families with children, especially when they put money in the hands of low-income women, have proved effective in a wide range of developing countries.

Measures that directly increase the productive capacity of a country do not necessarily generate positive impacts for all; they may enhance income and social outcomes of some groups while compromising the livelihoods of others. For instance, investments in large scale infrastructure (e.g., dams) and in mining projects can have negative impacts on local populations. Anticipated trade-offs need to be taken into account and compensatory measures adopted and implemented to ensure that local communities are able to share the benefits.

[1] See more elaboration on this issue in the forthcoming CDP report to ECOSOC.

Trade-offs may also exist in the promotion of manufacturing activities in spite of the creation of new jobs, if these jobs are associated with unsafe working conditions. However, unsafe working conditions actually limit labour productivity due to high staff turnover and absenteeism. Hence, positive synergy between social outcomes and increases in productive capacity can be achieved, provided that the risks of a negative synergy are understood, and measures are put in place to counteract them.

2. **Integrative policies for harnessing desirable interactions among growth, poverty eradication and GHG mitigation**[2]

In order to achieve the SDGs, integrated policy approaches are needed in the implementation of the 2030 Agenda so as to produce desirable interactions among economic growth, poverty eradication and environmental sustainability.

The proportion of people living in extreme poverty has declined significantly in the past two decades. Strong economic growth, especially in China and other emerging economies, has been the key factor behind this success. Despite these improvements, poverty rates remain high in many parts of the world, most notably in sub-Saharan Africa. In an environment of subdued growth, further poverty reduction efforts will rely heavily on the implementation of redistributive policies to address inequality, including public investment in education, health and infrastructure, and building stronger social safety nets. The examples of many Latin American economies in the 2000s clearly demonstrate the important role that policies to tackle inequality can play in reducing poverty. At the same time, there is increasing evidence that high degrees of inequality hamper future economic growth.

Poverty reduction efforts should therefore combine growth-enhancing policies with measures that allow the poor to fully participate in the growth process. More progressive national tax systems, improved international cooperation to combat tax evasion and avoidance and subsidy reforms can help create much needed fiscal space. Promoting labour-intensive sectors, such as agriculture, construction and manufacturing, can be an effective policy for poverty reduction if accompanied by sustained productivity growth, which is essential for real wage growth and decent work as envisaged in the 2030 Agenda for Sustainable Development.

Recent evidence suggests that the relationship between economic growth and greenhouse gas (GHG) emissions is undergoing a fundamental shift. Historically, economic growth has been associated with rising emissions, as economic activities have long been energy-intensive. According to the latest data, however, the world might start to see some delinking between growth and emissions. In 2014 and 2015, carbon emissions remained flat even as global output grew at a moderate pace. This reflects shifts in energy sources (from a heavy reliance on fossil fuels to renewable energy) as well structural transformations (from high-emitting economic activities to low-emitting ones) in some large countries, particularly China. Renewable energy investment reached a new record in 2015, mainly due to increased commitments in developing countries. Besides strong policy support, this positive trend can be attributed to a growing realization among institutional investors that renewable energy is a stable and relatively low-risk investment. The recent developments in the area of renewable energy show that economic and environmental goals cannot only be compatible, but mutually reinforcing.

[2] See more elaboration in *World Economic Situation and Prospects (WESP) 2016*

Moreover, structural transformations that shift the economy towards a low-carbon path and impose stringent restrictions on carbon emissions could lead to a repricing of assets, particularly those related to natural resources and extraction sectors. Policy makers should therefore push for better measurement and disclosure of financial institutions' exposure to climate risk and how they manage it. This would help assess the resilience of the financial sector and also inform efforts regarding both climate change mitigation and adaptation.