

INTERDEPENDENCIES BETWEEN COUNTRIES AND POLICY AREAS: THE ROLE OF UNCTAD IN THE FOLLOW-UP AND MONITORING PROCESS OF THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

The 2030 Agenda for Sustainable Development substantially increases the demand for evidence-based analysis and integrated and coordinated policy support in the area of expertise of UNCTAD. Its comprehensive and integrated nature mirrors the UNCTAD concept of interdependence between countries and policy areas. This concept can now be employed in the follow-up and monitoring process of the Agenda to assess (a) the impact of the international environment on the effectiveness of national implementation strategies and (b) trade-offs and synergies in those strategies. Tailored policy support to member States should alleviate national implementation and reporting burdens, thereby facilitating the adoption of coherent national implementation strategies. Closer collaboration among the multiple stakeholders in the new development agenda will facilitate the effective use of the skills and expertise available across the United Nations system.

Key points

- The 2030 Agenda for Sustainable Development requires evidence-based analysis and integrated and coordinated policy support in the area of expertise of UNCTAD.
- The UNCTAD concept of interdependence can be employed to follow up and monitor implementation of the Agenda.
- Tailored support to member States should alleviate implementation and reporting burdens, facilitating the adoption of coherent national implementation strategies.
- Multi-stakeholder collaboration will facilitate the effective use of skills and expertise available across the United Nations system.

World leaders adopted the 2030 Agenda for Sustainable Development at the United Nations summit for the adoption of the post-2015 development agenda in September 2015, setting 17 Goals and 169 targets through which they have committed themselves and the international community to ending extreme poverty and achieving sustainable development. The Addis Ababa Action Agenda that they adopted in July 2015 complements and supports the means of implementation of the 2030 Agenda for Sustainable Development. The United Nations Statistical Commission established the Inter-Agency and Expert Group on Sustainable Development Goal Indicators to identify the indicators used to monitor progress towards the Goals at the global level.

In addition to securing the financial resources required to bridge the investment gap identified in the Addis Ababa Action Agenda, the task ahead is to move from decisions to actions and put in place an appropriate monitoring and review system for the 2030 Agenda for Sustainable Development. In his recent report (A/70/684), the United Nations Secretary-General sets out such a system and outlines the contributions that the various

stakeholders could make. The Report reiterates that the primary responsibility for implementation is at the country level and designates the High-level Political Forum on Sustainable Development as the central platform of the United Nations to ensure a coherent, efficient and inclusive follow-up and review process at the global level. It also calls on intergovernmental United Nations agencies, such as UNCTAD, to reflect on what the 2030 Agenda for Sustainable Development implies for their respective areas of work, underlining that they should flexibly decide their own approach and contributions to the Forum.

Moving from the Millennium Development Goals to the Sustainable Development Goals and the Addis Ababa Action Agenda has broadened the development agenda and substantially increased the demand for evidence-based analysis and integrated and coordinated policy support in the area of expertise of UNCTAD on trade and development and the interrelated issues of finance, technology, investment and sustainable development. The six action areas of the Addis Ababa Action Agenda mirror the long-standing mandate and activities of UNCTAD, and two of the



five areas of critical importance to the 2030 Agenda for Sustainable Development, namely partnership (Goal 17 and the means of implementation targets) and prosperity (Goals 8, 9 and 10), directly relate to its work programme. These areas are also reflected in the targets of other Goals, just as other Goals are reflected in some of the targets related to prosperity and partnership. This is testimony to the comprehensiveness and integrated nature of the Goals that accord well with the integrated perspective of UNCTAD on sustainable development.

Its integrated approach is reflected in the concept of interdependence, with its two components concerning interdependence of economic, social and environmental conditions among countries, and interdependence among policy areas within countries. Based on its universal membership, evidence-based policy support and a wealth of well-tested policy review tools, UNCTAD can now employ the concept of interdependence to evaluate both the impact of the international environment on country-level implementation efforts and the trade-offs and synergies across sectors and countries. This approach will be instrumental to maximize policy coherence and synergies at all levels in attaining the Agenda's economic, social and environmental Goals.

Accompanied by supportive statistical work, this evaluation could be done in collaboration with other stakeholders and comprise three steps: a global assessment, an assessment of the impact of the international environment on national implementation in all countries and an assessment of policy trade-offs and synergies at the national level, focusing on those countries that face serious capacity and resource constraints in assessment and implementation.

The first step recognizes that a universal and comprehensive agenda requires an evaluation of the distance from the 17 Goals globally and of the collective implications of actions at the national level. It could be dealt with through aggregation from national and regional levels to the global level,¹ as well as through the use of the global metrics that are being identified by the Inter-Agency and Expert Group of Sustainable Development Goal Indicators. The following elaborates on the second and third steps.

An enabling international environment can make or break implementation at the national level

While primary responsibility for the implementation of the 2030 Agenda for Sustainable Development

lies at the national level, the comprehensiveness and universality of the Goals makes a supportive international environment an important determinant of effective implementation. Such an environment takes the form of supportive global trends, international policy frameworks, multilateral rules and effective partnerships, and may be reflected in seven channels:

- The trade channel. While trade integration generally improves efficiency of production, the contributions of trade to investment and ensuing enhanced production, technology upgrading and productivity growth are more important for sustainable development. Exporting increases market size and generates economies of scale that make firms more productive and invest to further expand productive capacity. Export earnings also allow financing imports of capital equipment that embody advanced technology, as well as goods required to address basic needs, such as medicine. These links between trade and investment catalyse structural transformation, employment creation and skills development, directly supporting the accomplishment of Goals 8, 9 and 10.
- The investment channel. Implementing the Goals in developing countries requires an investment push of an estimated \$3.3 trillion to \$4.5 trillion a year, with current levels of investment leaving an annual gap of \$2.5 trillion. Foreign-direct investment (FDI) flows can boost investment in developing countries beyond domestic investment, while a dominance of mergers and acquisitions over greenfield investment would make FDI contribute little to building productive capacity.
- The finance channel. Financial integration confers benefits when it helps to finance imports of capital goods for the creation of productive capacity and reduce pressure for macroeconomic adjustment to temporary shocks. It can also make domestic financial markets more efficient. However, financial integration increases vulnerability, as cross-border private capital flows tend to be highly volatile and associated with global financial cycles with often adverse consequences for macroeconomic stability, the sustainability of foreign-currency denominated debt and income distribution. The balance of these effects is country specific. Benefits are more likely to occur in countries with strong financial regulation and a high level of financial development. The finance channel would be strengthened by bringing the level of official development assistance to internationally committed levels and reorienting such assistance in line with the strategies of recipient countries to implement the Goals.

¹ See UNCTAD, 2015, A sustainable development review process, Post-2015 Policy Brief No. 4, June.

- The technology channel. Expanding the digital revolution into production processes promises universal benefits by reversing the slowdown in productivity growth that has plagued the world economy over the past few years. Its development benefits will add to those derived from enhanced technology transfer, especially when innovation-based investment raises productivity growth and allows workers operating new machinery and software to demand higher wages, with resulting higher aggregate spending further boosting investment and the prosperity of society as a whole. Innovation could also enhance the environmental sustainability of creating productive capacity. If the recent substantial decline in the cost of producing solar and wind energy continues, there will be massive investment in renewable energy that would substantially transform the global energy sector. It could also transform the world economy itself, for example by triggering major productivity increases and accelerating growth in the real economy, irrespective of how the digital revolution is going to move forward.
- The regulatory channel. Norms governing international trade have increasingly been set through bilateral and regional agreements. These often spur global trade less than multilateral agreements, as they are less about market access and more about regulatory convergence and standards that reshape global value chains. Further, their norm setting is non-inclusive and distorts international competitiveness by providing different trading partners with different conditions, often at the expense of lower-income countries that see their preferential margins in international markets erode. International investment agreements govern FDI but are often perceived as paying insufficient attention to inclusive growth and the Sustainable Development Goals. Trade and investment agreements may also unduly hamper domestic policies and regulation set in the public interest. Financial reforms agreed at the international level may insufficiently take account of developmental needs by prescribing overly complex implementation requirements and encouraging too little the proliferation of financial products and organizations that support investment in productive capacity.
- The fiscal channel. Fiscal revenues are a prime source of finance for public investment. But their international origin has been limited by so-called “tax optimization” strategies of transnational corporations that declare profits in tax havens. According to UNCTAD estimates, investment-related tax avoidance schemes cost developing countries some \$100 billion annually – about

twice the amount of FDI that went to Africa in 2015. Decisive multilateral action in this area would help augment public revenue available for the investment push needed to attain the Sustainable Development Goals.

- The institutional channel. Unresolved institutional deficiencies regarding sovereign debt workouts and the provision of official international liquidity in periods of balance-of-payments difficulties raise questions about the development orientation, coherence and consistency of the international monetary and financial architecture. These deficiencies, combined with the close interlinkages between the trade and finance channels through the balance of payments, tend to reduce support from the global economic architecture to sustainable development.

Addressing these channels in an integrated way from the perspective of sustainable development will make it possible to develop a forward-looking assessment of the support from the international environment to the effectiveness of national implementation strategies and of the collective implications of national measures for global processes.

Recognizing and monitoring the multiple solutions to policy trade-offs and synergies at the national level

The interrelated nature of the Sustainable Development Goals also requires policy integration and coherence at the national level. Related assessments of trade-offs and synergies require a normative basis against which national policy frameworks can be evaluated and which allows checking the collective consistency of policies with shared objectives. Developing a set of options and country-specific recommendations would promote national capacities and address vulnerabilities.

One example of potential policy trade-offs or synergies regards the growth–distribution–environment–trade link. Technological progress is generally considered the main source of sustained economic growth. But employing new technologies to attain economic goals could harm social inclusiveness by widening gaps in employment and income opportunities between workers with different skill levels. Economic growth could also face trade-offs with environmental sustainability through increased pollution and the depletion of non-renewable natural resources. Distributional concerns are often addressed through redistributive policies or social safety nets. While necessary and desirable especially in poor countries, such policies may be fiscally unsustainable. Some schools of thought consider

redistributive policies inimical to innovative entrepreneurship. But targeted innovation policy can also create synergies between economic and social Goals. Developed countries can deploy new technologies in traditional industries that employ lower-skilled people or other disadvantaged groups. Related examples in developing countries include pro-poor innovation and agricultural innovation, as the associated productivity growth would disproportionately favour the worse off. Innovation can provide synergies with environmental Goals, for example by reducing the use of input, thereby decoupling environmental effects and economic activity, and by favouring economic transformation towards high-technology products that tend to reduce both resource use and pollution. Trade may add further synergies, as enhanced trade in green products could provide the necessary incentives for innovation and investment towards green structural transformation. Deploying specific technical standards and environmental regulation could further facilitate attaining environmental Goals; it could also generate employment and foster social achievements, though it would also tend to increase trade costs, with potentially adverse economic effects.

This example also points to the need for evidence-based analysis and the exchange of experiences to understand whether the cause of trade-offs and synergies is rooted in national policies or in global processes and rules. Such an assessment would aim at identifying corrective action that is appropriate in a country's specific circumstances and stage of development. Given the likelihood of competing explanations based on different theoretical models, analysis and impact assessment would need to be complemented by peer review processes and debate as to what action should be taken, including in light of other countries' earlier experiences.

Organization and impact of the role of UNCTAD at the country level and within the United Nations system

The long-standing experience of UNCTAD in providing evidence-based analysis and integrated and coordinated policy support, technical cooperation and multi-stakeholder dialogues is a powerful vehicle to help ensure effective implementation and monitoring of a comprehensive and integrated approach to the 2030 Agenda for Sustainable Development

and the Addis Ababa Action Agenda. As such, UNCTAD is ideally placed to play a central role in a follow-up and monitoring system that promotes a cross-cutting understanding of the significant interlinkages across the various goals and targets.

Possible platforms that UNCTAD could use to support member States in this process include its analytical products and policy review processes. Another option would be the preparation, as an input to the High-level Political Forum on Sustainable Development, of an annual progress report on the implementation of the Sustainable Development Goals related to the integrated mandate of UNCTAD. Repurposing its statistical work for the needs of the 2030 Agenda for Sustainable Development would provide evidence-based support to the analysis and impact assessments. These activities combined would alleviate the implementation and reporting burden at the national level, thereby facilitating the targeting of scarce financial and human resources to priority areas and adopting coherent national implementation strategies.

Given that the intergovernmental machinery of UNCTAD is part of the architecture of the United Nations General Assembly, UNCTAD is also a uniquely suited forum for the necessary and growing debate on how best to pave the way towards 2030. Related debate and consensus-building would allow complementing impact assessments by peer reviews and technical support.

UNCTAD can enhance its impact by repurposing its arsenal of expertise for the integrated treatment of trade and development, and interrelated issues in the areas of finance, technology, investment and sustainable development to match the requirements of the Agenda. To harness with maximum effect its knowledge base for the benefit of attaining the Sustainable Development Goals, UNCTAD can deepen established partnerships and ensure synergies from collaboration with other relevant agencies and stakeholders in the provision of tailored policy support to member States at the national and regional levels. This will be an important element of making the entire United Nations system fit for purpose. Together with the other agencies' efforts, this will also help respect the distinct work programmes of each secretariat entity and facilitate the effective use of the skills and expertise available across the United Nations system.

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