

Interactive dialogue 3

Fostering sustainable economic growth and transformation and promoting sustainable consumption and production

I. INTRODUCTION

In the twentieth century, global GDP rose more than 23-fold while world population only quadrupled over the same period. Poverty was progressively reduced, halving over the last twenty years alone, while still leaving one sixth of the world population, over one billion people, in absolute poverty. Many individuals gained access to a wider and better variety of goods, habitat conditions and means of transport as well as to more advanced technologies, including information and communication technologies (ICTs). The economic and social infrastructure consistently expanded and improved and was made available to more, though not all, thus further improving living standards and life expectancies. Many women and men have seen their personal experiences enriched by better access to health services, higher educational attainment, a growing exposure to cultural diversity, and new forms of communication

Growing prosperity has been accompanied by globalization that has brought economies and societies closer through trade, investment, migration, innovation and information and knowledge exchange. Globalization has aided the geographical expansion of production systems, helped create employment and diffused new technologies and ways of making goods and services, all of which have improved the performance of economies that were able to integrate effectively. It has also made possible the emergence of newly industrializing countries and regions contributing to world growth and supported the diversification of economic activity internationally. While globalization has not benefited all countries equally and helped transmit economic shocks across borders, engagement in global value chains (GVCs) has helped trigger economic growth and enabled some countries to climb the technological ladder.

II. STOCKTAKING

Yet the task of spreading prosperity still requires greater efforts. Economic growth has not always delivered shared prosperity. War, famine as well as natural and man-made disasters have not helped either. Most least developed countries (LDCs) could not add value to their rich commodity endowment while other countries have gone through premature deindustrialization. These countries have not always sufficiently invested in their local economies and have struggled to diversify away from commodity dependence. A number of middle income countries have also faltered in moving to more technology- and knowledge-intensive economies. Developed countries (DCs) too have faced secular slowdown of productivity growth, and have not been able to restore pre-2009 financial crisis growth rates.

Jobless growth is widespread. Global unemployment reached 201 million people in 2014, according to ILO statistics 40 million or so young people join the workforce every year and are having particular difficulty in finding jobs. Employment formalization and protection of labor rights has not kept pace with growth, especially in developing countries: wages and working conditions have often been far from decent, while in many countries social protection has been limited. Income inequality has also been on the rise. In recent years, OECD countries saw the gap between the rich and poor reaching its highest level in 30 years while, despite significant poverty reduction in many MICs and LDCs, income distribution remains highly unequal. Wages lag behind productivity increases, or even remain stagnant in some countries, contributing to increases in pre-tax income inequality.

Growth, income distribution, consumption and production are inextricably linked. High per capita consumption in developed countries and increasing consumer demand with rapidly rising incomes in many developing countries have serious consequences for natural and finite resources. During the twentieth century, total material extraction grew by a factor of eight, while the extraction of construction materials has grown by a factor of 34, ores and minerals by a factor of 27 and fossil fuels by a factor of 12. In the period since World War II, material intensity of the economy declined while material use per capita more than doubled. With the world population reaching 9.5 billion by 2050, material extraction is expected to increase by 140 billion tonnes annually until 2050, assuming that developed countries' rates of consumption do not change and developing countries follow similar patterns. Unrelenting high resource consumption, reliance on carbon-intensive and polluting technologies and processes and the accumulated waste of discarded goods, coupled with a growing concentration in resource-intensive urban areas will continue to be a major cause of environmental degradation and climate change.

III. PROPOSALS FOR ADDRESSING ISSUES IN NEW AGENDA

Sustainable development is the international community's response to emerging global dilemmas. For the first time a universal, integrated, and ambitious sustainable development agenda has been agreed upon and is to be put into action. The idea of sustainability is a powerful one which calls for balanced and integrated consideration of the economic, the social and the environmental dimensions. Thus, economic growth will have to be socially inclusive and environmentally sustainable.

Critical to sustainable economic growth's fostering rising prosperity will be achieving rates that are sustained and generate decent jobs. Sustained growth can only be realized through structural and technological transformation, i.e. the ability of an economy to constantly diversify into rapidly expanding activities characterized by higher technological intensity, greater value added and productivity. Historically industrialization performed this 'engine of growth' role through technological development and innovation, by 'pulling activities' in various sectors through productive linkages and by generating employment directly and indirectly. Through investments in seeds, fertilizers and mechanisation, together with the adoption of resilient agricultural practices, such as soil improvement and water saving techniques, and sound management of genetic resources, the agriculture sector can also increase productivity and rural incomes (75% of the world's poor live in rural areas) and contribute to the achievement of food security. For the poorest countries, rural development is an indispensable component of structural transformation.

While all countries will need to pursue economic policies towards reaching sustained growth, special efforts will be required in LDCs. In order to maintain steady long run economic growth globally, it is vital to promote, at local and national levels, policies and institutions that support the establishment of productive activities; increase the productivity and research in agriculture; raise industry's share in GDP and foster industrial growth and diversification; facilitate entrepreneurship, creativity and innovation; accelerate technological upgrading; and, encourage the formalization and growth of micro and small and medium size enterprises.

Structural transformation is usually more effective when accompanied by planned urbanization and infrastructure development. In an increasingly urbanized world, where over half of the population lives in cities, reliable, sustainable and resilient infrastructure will be essential. Investments in infrastructure such as energy, telecommunications, water supply and irrigation schemes, roads and other means of transport have proven major complements to industrialization and , agricultural, rural and urban development efforts. Key to successful structural transformation will be providing a conducive policy environment as well as encouraging investment, technology transfer and financing for safe, low-cost and energy/resource efficient housing; and, for affordable, accessible and clean water, and sustainable energy and transport systems. To ensure they can participate in the growing digital economy of the future, developing countries must also plan for and invest in developing their ICT infrastructure.

Inclusiveness is essential to sustainable economic growth. Addressing the social pillar requires pursuing full and productive employment and decent work for all women and men, including young people. Labor rights and safe and secure working environments for all and a permanent social dialogue need to be promoted, and the worst forms of child labor eliminated. Life-long training and continuous skill development for employability are crucial to ensure vibrant labor markets and rising earnings. Reducing income and other disparities will require progressively increasing, and then sustaining, the income growth of bottom income earners; boosting micro, small and medium-sized enterprises' earnings and giving them access to financial services, global value chains and markets; adopting equalizing fiscal, salary and social protection policies and eliminating discriminatory laws, policies and practices; and empowering and promoting social and political inclusion. The expansion of social protection, including social protection floors, is part of the new agenda.

Similarly, environmental sustainability is indispensable to sustainable economic growth. This requires avoiding the depletion of our planet's resources and protecting future generations from the worst effects of climate change. Hence, the sustainable economic growth agenda must endeavor to decouple economic growth from environmental degradation, with developed countries setting an example. Key aims include improving global resource efficiency in consumption and production; reducing waste generation; achieving environmentally sound management of chemicals and all wastes throughout their lifecycle, particularly through the implementation of the 10 year framework programmes on sustainable consumption and production; promoting renewable energy and water conservation; promoting the development, dissemination and transfer of environmentally sound, including low- or zero-emission, technologies; and ensuring the engagement of businesses, including through public – private partnerships. Incentives will have to be re-oriented so that public and private investors and consumers find attractive allocating resources into goods and activities that are environmentally sound and lower their energy and resource use. International trade may contribute to the diffusion of environmental goods and services in response to changing consumer and producer demands; to respond to changing consumer preferences, producers including MSMEs, in developing countries may need technical support and technologies to enable their meeting stricter product and production standards. More generally, providing information to people and increasing awareness of the impact of different lifestyles on the environment can be an effective means of inducing behavioural shifts towards living in harmony with nature.

Questions for discussion:

- Which policies and incentives have proven to contribute most effectively to achieving sustainable economic growth, and sustainable consumption and production? Which capacity building activities and other forms of cooperation are needed to accelerate sustainable and inclusive growth in the poor, slow-growing economies? Are special efforts required for countries affected by disasters or conflicts?
- What are the financial, trade and technological imperatives for sustainable economic growth and sustainable consumption and production? Are the capacities required to meet these imperatives available?

- How can the public and private sectors work in a coordinated way to promote sustained, inclusive and sustainable economic growth? What sort of partnerships could be envisaged to promote more sustainable patterns of consumption and production?
- How can the UN system contribute at the local, national, regional and international levels to achieve sustainable economic growth and sustainable production and consumption? How can the measurement and monitoring of sustainable economic growth and sustainable production and consumption be improved?