Integrated policy approaches to the implementation of the 2030 Agenda

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Introduction

My topic is on integrated policy approaches to the implementation of the 2030 Agenda.

I would start with the cross-cutting nature of the SDGs, which requires integrated policy approaches.

After sketching a theoretical framework, I will focus more on integrated policy approaches in practice, showing an example on how to integrate the Belt and Road Initiative with the 2030 Agenda.

The need for integrated policy approaches

At the core of the 2030 Agenda is the determination by all UN Member States to eradicate poverty and hunger in all their forms, secure a sustainable planet for future generations, and build peaceful, inclusive societies as a foundation for ensuring lives of dignity for all.

With 17 Sustainable Development Goals and 169 targets covering economic, social and environmental dimensions, the 2030 Agenda is not only ambitious and universal, but also integrative.

If we look at individual SDG goals, frankly speaking, none of them are totally new. Each of them has been defined in the previous UN development agendas or internationally agreed development goals.

For example, the goals to end poverty and hunger have been in other UN development agendas for decades, including the MDGs. In fact, as early as 1973, the World Bank called for extreme poverty to be eradicated by the end of the twentieth century.

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However, what makes the 2030 Agenda different from other UN development agenda in the past is its emphasis on the totality of all the SDGs, namely a balanced achievement of all the goals, rather than individual goals.

Many of the SDGs and targets are cross-cutting to each other. The achievement of some of the SDGs depends highly on the achievement of the others.

Policies to promote one subset of the SDGs may have significant spill-over effects, positive or negative, on the achievement of other SDGs. Policies to target individual SDGs are still important, but more importantly are the integrated policy approaches which can promote all the goals.

Many countries have had good policy experience in achieving some individual goals. For example, China has made remarkable progress in substantially reducing poverty and hunger in recent decades. However, no country, developed or developing, could claim they have sound policies to achieve all the SDGs.

In fact, some SDGs cannot be achieved by individual countries, but by all countries together, such as the goal to combat global climate change and maintain sustainable global commons, such as oceans, forests and biodiversity.

One of my colleagues in the Department of Economic and Social Affairs has identified the interlinkages among different goals, and produced a web (figure 1).

The large dots present the SDGs, while the small dots, the targets.

His methodology for identifying the interlinkages among the SDGs may not be unique, or the best. There are alternative ways of doing so, but we all agree that SDGs are intensively cross-cutting each other.

This is the reason why Member States call for integrated policy approaches to the implementation of the 2030 Agenda, and emphasize the achievement of the totality of the SDGs, rather than individual goals.

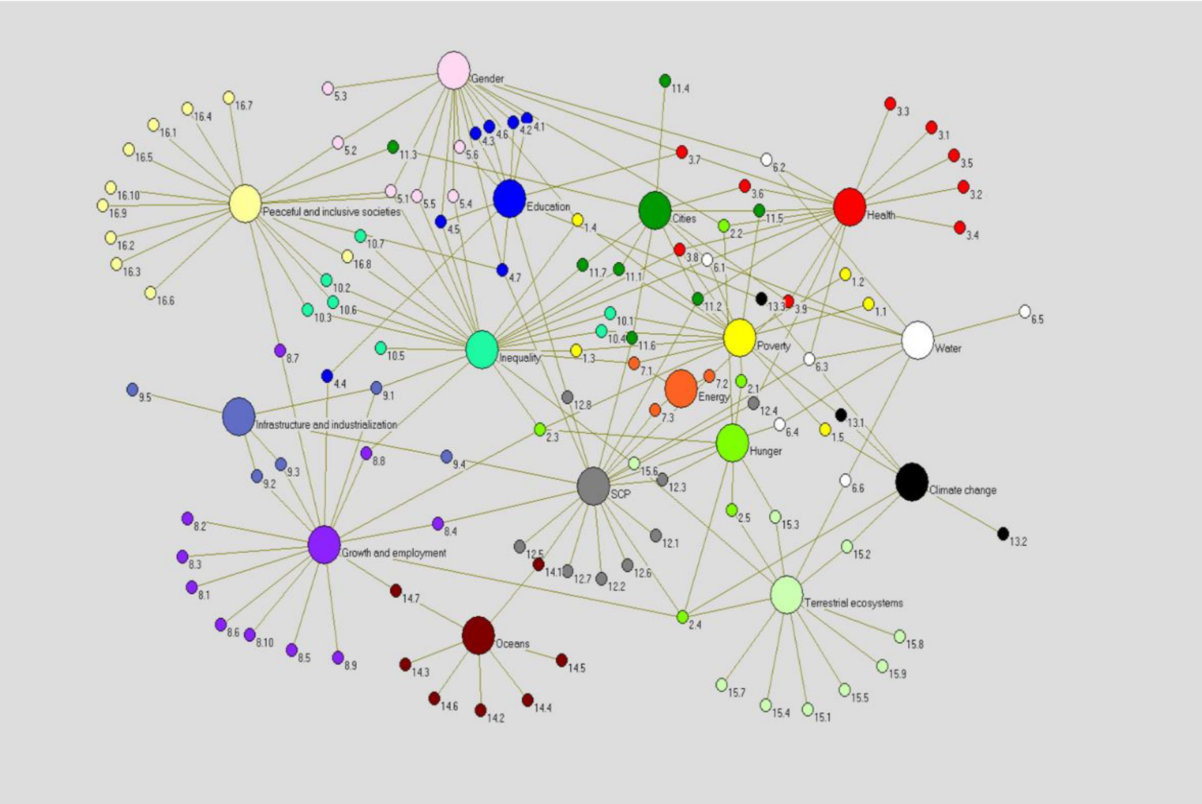

Figure 1: Cross-cutting among the SDGs

Source: David Le Blanc (2015).

<u>Integrated policy approaches in theory</u>

What is an integrated policy approach?

Theoretically, we can define an integrated policy in the framework of dynamic programming, as follows.

$$\min_{P} E_t \sum_{j=0}^{2030-t} \beta^j \sum_{i=1}^{17} \alpha_i \; |V_{i,t+j}(P_{t+j}, X_{t+j}) - SDG_{i,t+j}|$$

Subject to: Economic constraints
Social constraints
Environmental constraints

P: policy variables, including policies in economic, social and environmental domains

V: indicator reflecting the state of progress in each SDG

X: other variables, which, along with policy variables, are determining progress in the SDGs

α: weight assigned to the gap in the achievement of each SDG

β: time discount factor

In this framework, we define the objective function as the weighted average of the gaps between the goals and the observed progress as measured by the SDG indicators, V(..).

The progress as measured by the indicators is a function of policy variables and other variables.

The policy variables belong to three sub sets:

Economic policies, such as monetary policy and fiscal policy; social policies, such as redistribution measures; and environmental policies, such as carbon tax and green-house gas emissions quota.

The constraints for this dynamic programming framework include economic, social and environmental constraints.

For example, the System of National Accounts; budget constraints for governments, households and firms; external balance constraints; demographic structure; and the boundaries of the planet's ecosystems.

With this setting, an integrated policy approach is to pursue a solution to this dynamic programming problem, by identifying a set of optimal policies which minimize the gaps in the achievement of the SDGs by 2030, subject to a set of economic, social and environmental constraints simultaneously.

Implicitly, we would assume a central planning agency to make the decision.

Integrated policy approaches in practice

In practice, we may not be able to follow exactly this theoretical framework; instead, we can pursue some ad hoc integrated policy approaches.

There are a few ways of doing it.

First, we can still pursue sectoral policies, but we should augment the domain of constraints.

Take monetary policy as an example. Currently, many national central banks would formulate their monetary policy in a framework, in which they set the stance of interest rates, or other monetary policy instruments, to meet the targets of inflation and employment, subject to some economic constraints. To move towards more integration of monetary policy for the achievement of the SDGs, the central banks could either augment the policy targets, by including some SDG targets in social and environmental dimensions; or augment the constraints by ushering in more social and environmental conditions.

One specific example is the green monetary policy initiative by China's central bank. In order to support "green" financing, including incentives to encourage banks to extend more loans for projects friendly to the environment, the central bank of China plans to add commercial banks' qualified green credit into collateral for monetary policy operations and to include institutions' green credit performance in the central bank's macro-prudential assessment (MPA). In addition to interest rate subsidies and preferential tax treatment for green projects.

Secondly, integrated policy approaches in broad sense also include measures to integrate and coordinate many existing global, regional and national development strategies and cooperation frameworks with the 2030 Agenda.

One good example is to integrate China's initiative for jointly building the Silk Road Economic Belt and the 21stCentury Maritime Silk Road (the Belt and Road) with the 2030 Agenda.

Integrating the Belt and Road with the 2030 Agenda

The Belt and Road runs through Asia, Europe and Africa, connecting the vibrant East Asia onone end and developed European economies on the other, and encompassing the middle countries which are currently underdeveloped but have huge potential (figure 2).

About 65 countries are along the Belt and Road, accounting for 60 per cent of the world's population, 30 per cent of global GDP, and 40 per cent of world trade. These countries are also the home to 50 per cent of the people under extreme poverty in the world.

The majority are developing countries, including 9 least developed countries (LDCs), and 12 land-locked developing countries (LLDCs). These countries are facing special challenges, but also possess tremendous potential for sustainable development.

The Belt and Road initiative also welcomes the countries beyond the geographic definition of the Belt and Road to take part in the development cooperation initiative.

While the Belt and Road and the 2030 Agenda are different in their nature and scope, they share in many respects a similar vision and a set of basic principles.

The 2030 Agenda is guided by the purposes and principles of the Charter of the United Nations, and so is the Belt and Road, as stated in the Vision and Action on the Belt and Road.

Figure 2. The Belt and Road

Source: Xinhua.

The Belt and Road has identified **five priority areas** for international development cooperation (table 1).

Table 1. Belt and Road Five Priority Areas for Cooperation

B&R1: **Policy coordination**, including building a multilevel intergovernmental macro policy exchange and communication mechanism; coordinating economic development strategies and policies; working out plans and measures for regional cooperation; and providing joint policy support for the implementation of practical cooperation and largescale projects.

B&R2: **Facilities connectivity,** including improving the connectivity of **infrastructure** construction plans and technical standard systems among countries along the Belt and Road; forming **regional infrastructure network**; and promoting **green and low carbon infrastructure** construction by taking into full account the impact of **climate change**.

B&R3: **Trade and investment,** including improving **investment and trade** facilitation, removing investment and trade barriers and ensuring the implementation of the **WTO Trade Facilitation Agreement**; expanding mutual investment in such areas as **agriculture, both conventional and renewable energy, information technology, biotechnology, new materials and other emerging industries**.

B&R4: **Financial integration,** including building a currency stability system, investment and financing system and credit information system in Asia; establishing the Asian Infrastructure Investment Bank and BRICS New Development Bank (which are already in operation); strengthening financial regulation cooperation and coordination; improving mechanism of addressing cross-border risks and crisis; and encouraging commercial equity investment funds and private funds to participate in the construction of key projects under the Belt and Road.

B&R5: **People-to-people bond,** including promoting cultural and academic exchanges, personnel exchanges, media cooperation, youth and women exchanges and volunteer services; expanding tourism; sharing epidemic information and exchanging of prevention and treatment technologies; increasing cooperation in **science and technology** by establishing joint labs, international technology transfer centers; and advancing cooperation on youth employment, entrepreneurship training, vocational skill development, social security management, public administration and management.

As illustrated in figure 3, a recent study has identified a large set of intrinsic linkages from the **five B&R priority areas** to the ***17 SDGs***[2].

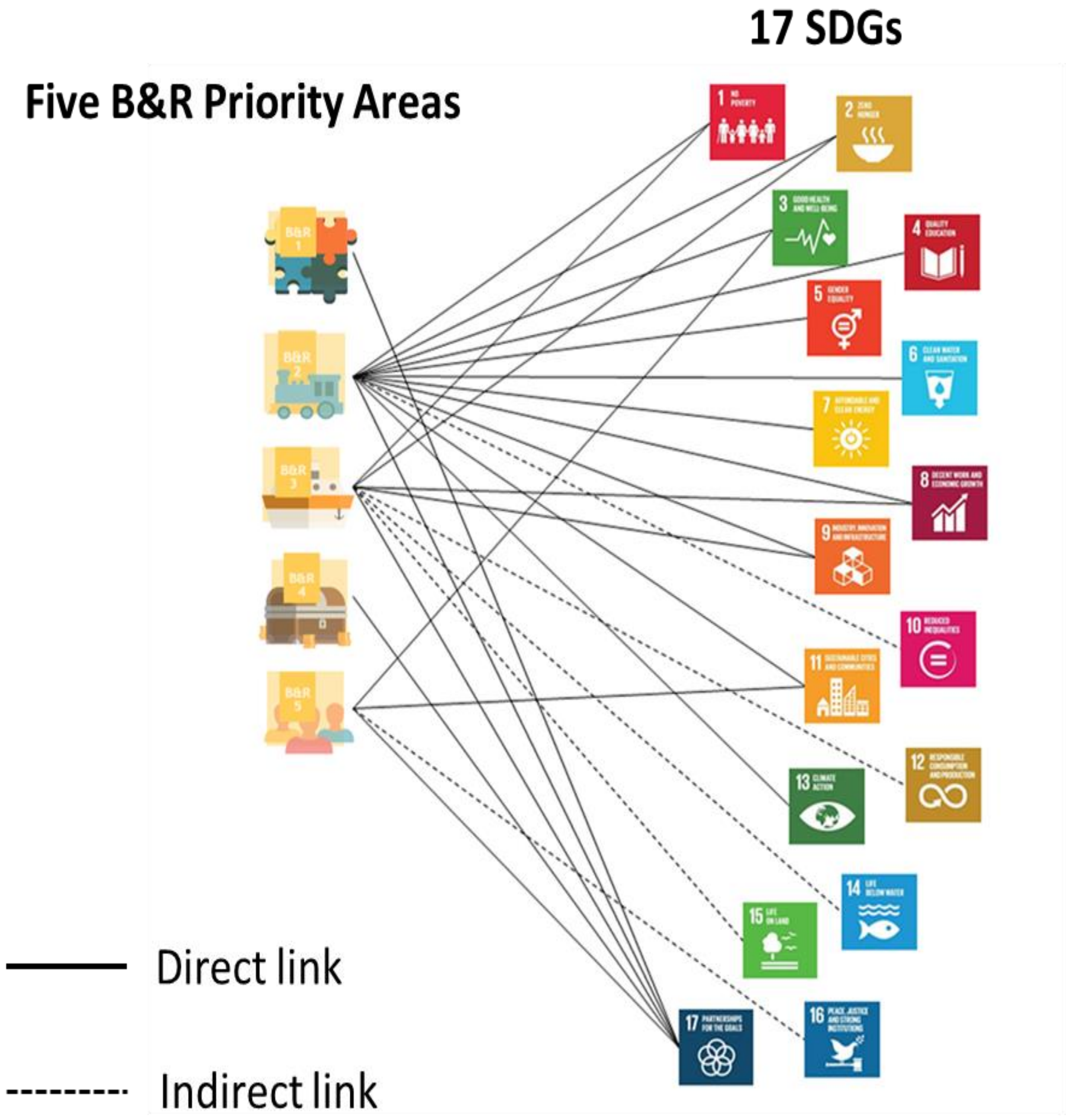

Figure 3. Contribution of the Belt and Road to the achievement of the SDGs

Source: Hong (2017).

[2] For a more detailed analysis, see Hong (2017).

A fundamental factor underpinning the five priority areas under the Belt and Road is to promote broad “connectivity” across countries and regions. In fact, in the original Chinese document, the five priority areas are called “Wu Tong”, or translated literally, “five types of connectivity”.

Connectivity is also a cornerstone for achieving the Sustainable Development Goals, as it can advance progress in the three dimensions of sustainable development.

In the ***economic dimension***, improved connectivity can increasingly integrate economic activities and resources, such as production, consumption, trade, finance, investment, capital, labour and technology across countries and regions, so that these activities and resources can be more efficiently allocated and organized.

For example, the importance of infrastructure investment for enhancing economic productivity has long been recognized. Public infrastructure raises the marginal productivity of private inputs and the rate of return on private capital. In addition, public infrastructure is beneficial for investment adjustment costs, the durability of private capital, and both the demand for and supply of health and education services, which in turn enhance human capital, thus supporting long-run economic growth.

The effects of infrastructure investment on poverty reduction come from at least two channels: growth and income distribution. First, as infrastructure investment makes positive contribution to economic growth, it reduces poverty through raising the overall living standards in the economy. Secondly, infrastructure can bring income distribution effect in favour of the poor people by improving employment and earnings prospects for the poor people, resulting from growth in the non-agricultural sectors of the economy and by increasing productivity in both the agricultural and non-agricultural sectors. Meanwhile, infrastructure investments in such areas as transport, water, sanitation, irrigation, telecommunications and energy can directly improve the welfare of the poor people by providing access to basic needs.

In the ***social dimension***, infrastructure investment can improve social inclusiveness, and improve equality in both opportunity and outcome.

For example, in addition to the distribution effect in favour of the poor people mentioned above, infrastructure can also be a crucial catalyst to accelerate the achievement of gender equality and empower all women and girls.

Appropriate infrastructure provision may release women from time-consuming tasks, which can then be invested in economic or socially beneficial activities. There is considerable evidence of time savings from improved infrastructure provision. An increase in government spending on infrastructure investment has positive impact on economic growth most notably through changes in women’s time allocation and their bargaining power over family resources. Increase in the level of information and communication technology (ICT) infrastructure tends to improve gender equality in education and employment. The infrastructure projects can also be a source of women empowerment and promotes gender equality.

In the ***environmental dimension***, infrastructure investment plays a key role for the badly needed structural transformation, in order to achieve sustainable consumption and production patterns, and to combat climate change.

As infrastructure usually has a long life-cycle, it has a significant long-term “lock-in” effect on environmental sustainability, in terms of settlement patterns, energy patterns, transportation patterns, and carbon patterns of production and consumption. It is crucial, therefore, to promote green and low carbon infrastructure investment, as underscored in the priority area of B&R2.

The five priority areas under the Belt and Road initiative are also well dovetailed to the seven action areas of the Addis Ababa Action Agenda.

As an integral part of the 2030 Agenda, the Addis Ababa Action Agenda (AAAA) of the Third International Conference on Financing for Development defined seven action areas to support, complement and help to contextualize the means of implementation targets in the 2030 Agenda (table 2)

Table 2. Seven Action Areas of Addis Ababa Agenda

A. Domestic public resources;
B. Domestic and international private business and finance;
C. International development cooperation;
D. International trade as an engine for development;
E. Debt and debt sustainability;
F. Addressing systemic issues;
G. Science, technology, innovation and capacity-building.

As shown in figure 4, the **five Belt and Road priority areas** for development cooperation are also closely linked with the ***seven action areas of the AAAA***.

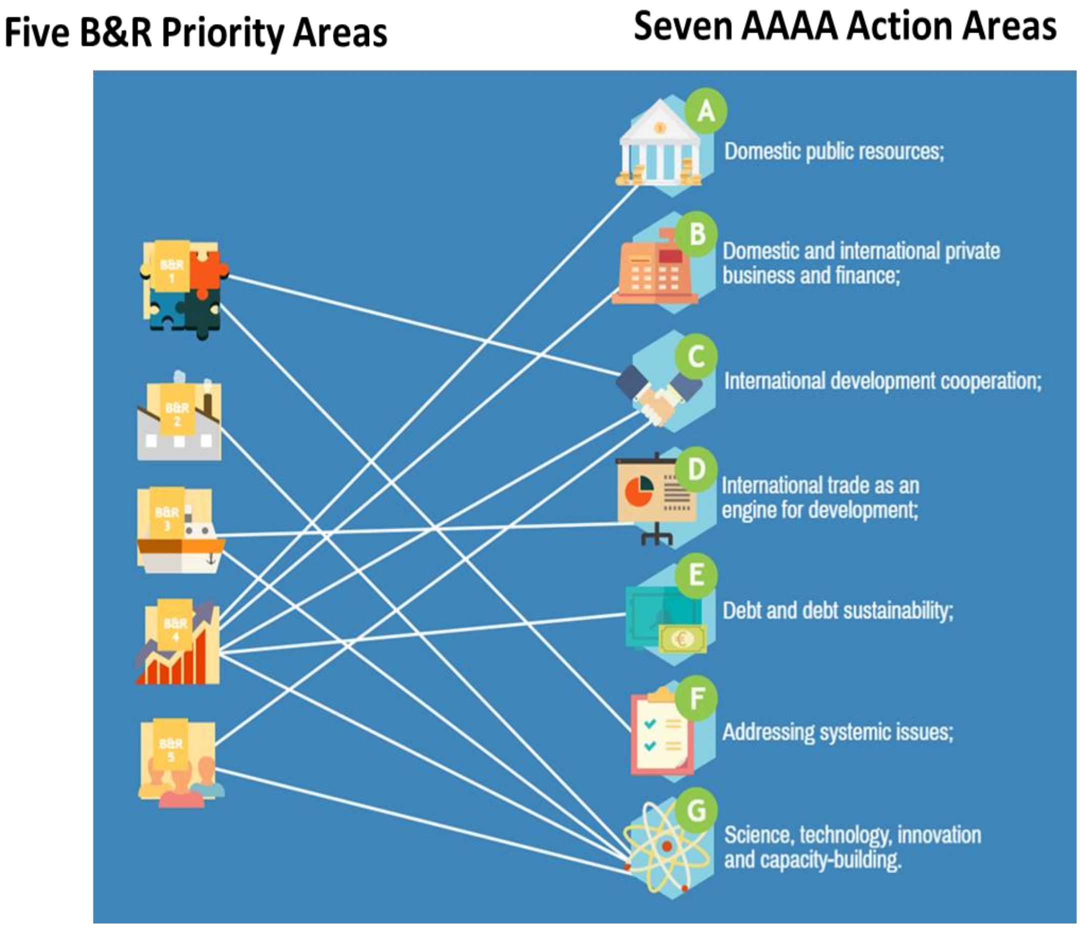

Figure 4. Links from the Belt and Road to the AAAA Action Areas

Source: Hong (2017).

For example, the first three ***AAAA action areas*** (***A, B*** and ***C***) underscore domestic resource mobilization, official development assistance (ODA), and additional financial resources for developing countries from multiple sources. The priority areas for cooperation in **B&R4,** on **financial integration**, can mostly facilitate the advancement in those three AAAA action areas: the setup of the Asian Infrastructure Investment Bank (AIIB), the Silk Road Fund, and the New Development Bank, as well as the initiative to encourage commercial equity investment funds and private funds to participate in the construction of key projects, are all the concrete steps to mobilize additional financial resources for developing countries.

While ***AAAA action area D*** is aimed to promote international trade as an engine for development, **B&R3** is focused on improving investment and **trade facilitation** and removing investment and **trade barriers**, including a number of specific measures, such as enhancing customs cooperation, **implementing the WTO Trade Facilitation Agreement**, lowering nontariff barriers, improving the transparency of technical trade measures, etc. All these measures will lead to increases in global trade as well as the exports of developing countries, as intended by ***AAAA action area D***.

The AAAA underscores that investing in sustainable and resilient ***infrastructure***, including transport, energy, water and sanitation for all, is a pre-requisite for achieving many SDGs. However, a huge gap remains in global infrastructure investment. As shown in figure 4, it is estimated that the world needs to invest $3.3 trillion annually in the narrowly defined economic infrastructure from 2016 through 2030 in order to barely recover the global economic growth to the trend prior to the global financial crisis of 2008[3], but the current level of infrastructure investment is only about $2.5 trillion, with a cumulative shortage of $13 trillion by 2030. Moreover, in order to meet the need to achieve the SDGs, the gap in the broadly defined sustainable development infrastructure (including not only economic infrastructure, but also social and environmental infrastructure) is even larger.

Dovetailed so well with the AAAA, the priority areas for cooperation as defined in **B&R 2, 3, and 4** can indeed make a significant contribution to bridging this gap in infrastructure investment for the achievement of the SDGs.

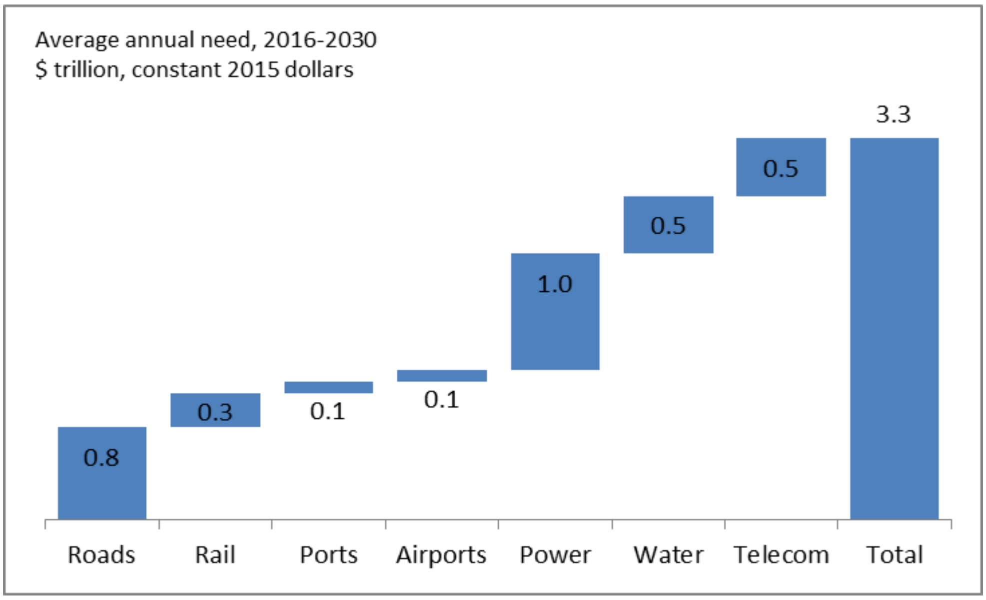

Figure 4. Gap in global infrastructure investment

Source: McKinsey Global Institute (2016).

[3] McKinsey Global Institute (2016).

A UN/DESA capacity development project

Since it was unveiled in 2013, the Belt and Road has increasingly gathered momentum. So far, about 100 countries and international organizations have already participated in different forms in the development cooperation under the initiative, including some countries beyond the geographic definition of the Belt and Road, such as Australia, France, Germany, South Africa, the United Kingdom, and even some countries in Latin America. Many countries have signed agreements to align their own development strategies and initiatives with the Belt and Road.

A large number of specific cooperation projects in the five broad Belt and Road priority areas have been launched. The Asian Infrastructure Investment Bank is already in operation to finance projects. As a result of these and other activities under the Belt and Road, both trade and investment flows in many countries along the Belt and Road have shown more vibrancy in 2015-2016 than other regions, against the backdrop of a generally subdued global trade and investment environment.

This marks just a beginning. The prodigious long-run potential of the Belt and Road for the development of many developing countries, particularly for the achievement of the SDGs, remains largely untapped.

In order to provide assistance to developing countries along the Belt and Road so that they can fully benefit from the potential of the international development cooperation under the initiative and accelerate the achievement of the SDGs, through the linkages from the five Belt and Road priority areas to the 17 SDGs as delineated in the previous sections, UN/DESA has launched a capacity development project, under the auspices of the UN Peace and Development Fund, to be implemented in the next two to three years, with a possibility of renewal for a longer period.

Strengthening national policy capacities for jointly building the Belt and Road towards the Sustainable Development Goals

Objective:

The objective of this capacity development project is to strengthen the national capacity for developing countries along the Belt and Road in analysing and formulating coordinated integrative policies for supporting their engagement in the international development cooperation under the Belt and Road initiative so as to accelerate the implementation of the 2030 Agenda and the achievement of the SDGs.

Participating countries:

In the first round, 20 countries along the Belt and Road will be included in this project. The remaining countries will have an opportunity to participate in the future rounds.

Key elements of the project:

(1) ***Training and institutional networking*** of policymakers and policy researchers in participating countries, through workshops on studies of policies and strategies for development cooperation under the Belt and Road and for the achievement of the SDGs, including the use of modelling tools and other quantitative methods, and forming an international consortium of experts and policy institutions along the Belt and Road;

(2) ***Policy dialogue*** at different levels, including policy dialogue with national policymakers, policy dialogue among the participating countries, and policy dialogue with international organizations and on international platforms, such as the High Level Political Forum and the Development Cooperation Forum at the United Nations;

(3) ***Joint research and policy analysis*** among the project participants on various policy options and alternative scenarios under the Belt and Road initiative for the achievement of the SDGs, with a special focus on coordinated integrative policies among economic, social and environmental dimensions, the interconnected effects among the participating countries and the spillover effects on the rest of the world;

(4) ***Publication and dissemination*** of the project outcome, including a report on the latest development in the measures undertaken by participating countries in the five Belt and Road priority areas for cooperation, major achievements, gaps and risks, policy options, and alternative scenarios for the achievement of the SDGs, with an effort to link the specific situation in individual participating countries to the broad global macro trends in the implementation of the 2030 Agenda. If the project is renewed for a longer period, this report can become a recurrent biennial publication to update dynamically the development under the Belt and Road and the corresponding progress in the achievement of the SDGs. The report and other outcomes of the project will be disseminated to policymakers and the general public through various events.

Partners of the project:

National partners: ministries and agencies, policy research institutions;

International partners: UN agencies, funds and programmes, and Regional Commissions;

Partners within DESA: various DESA Divisions.

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