UNDP’S STRATEGY FOR
INCLUSIVE AND
SUSTAINABLE GROWTH
## Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACRONYMS AND ABBREVIATIONS</td>
<td>2</td>
</tr>
<tr>
<td>EXECUTIVE SUMMARY</td>
<td>3</td>
</tr>
<tr>
<td>I. THE DEVELOPMENT CHALLENGE</td>
<td>4</td>
</tr>
<tr>
<td>1. Context</td>
<td>4</td>
</tr>
<tr>
<td>2. Why is inclusive and sustainable growth critical to Agenda 2030 and</td>
<td>9</td>
</tr>
<tr>
<td>the Sustainable Development Goals (SDGs)?</td>
<td></td>
</tr>
<tr>
<td>3. Theory of change</td>
<td>9</td>
</tr>
<tr>
<td>II. UNDP’S ROLE IN PROMOTING INCLUSIVE AND SUSTAINABLE GROWTH</td>
<td>13</td>
</tr>
<tr>
<td>1. UNDP’s support to countries in achieving inclusive and sustainable</td>
<td>13</td>
</tr>
<tr>
<td>growth</td>
<td></td>
</tr>
<tr>
<td>2. UNDP’s comparative advantage in achieving inclusive and sustainable</td>
<td>14</td>
</tr>
<tr>
<td>growth</td>
<td></td>
</tr>
<tr>
<td>III. OVERVIEW OF UNDP’S POLICY AND PROGRAMME SUPPORT FOR INCLUSIVE</td>
<td>18</td>
</tr>
<tr>
<td>AND SUSTAINABLE GROWTH</td>
<td></td>
</tr>
<tr>
<td>1. Support integrated planning for inclusive and sustainable growth</td>
<td>19</td>
</tr>
<tr>
<td>2. Support employment creation, decent work, and redistributive</td>
<td>20</td>
</tr>
<tr>
<td>programmes to address poverty, inequality, and exclusion</td>
<td></td>
</tr>
<tr>
<td>3. Mobilize and scale up financing for enabling transition to inclusive</td>
<td>22</td>
</tr>
<tr>
<td>and sustainable growth</td>
<td></td>
</tr>
<tr>
<td>IV. PARTNERSHIPS</td>
<td>24</td>
</tr>
<tr>
<td>REFERENCES</td>
<td>26</td>
</tr>
</tbody>
</table>
# Acronyms and Abbreviations

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Abbreviation</th>
<th>Definition</th>
</tr>
</thead>
<tbody>
<tr>
<td>CIS</td>
<td>Commonwealth of Independent States</td>
<td></td>
</tr>
<tr>
<td>ESR</td>
<td>Ecosystem Service Review</td>
<td></td>
</tr>
<tr>
<td>FDI</td>
<td>Foreign direct investment</td>
<td></td>
</tr>
<tr>
<td>GDP</td>
<td>Gross domestic product</td>
<td></td>
</tr>
<tr>
<td>IFI</td>
<td>International financial institutions</td>
<td></td>
</tr>
<tr>
<td>ILO</td>
<td>International Labour Organization</td>
<td></td>
</tr>
<tr>
<td>IMF</td>
<td>International Monetary Fund</td>
<td></td>
</tr>
<tr>
<td>LDCs</td>
<td>Least-developed countries</td>
<td></td>
</tr>
<tr>
<td>MDGs</td>
<td>Millennium Development Goals</td>
<td></td>
</tr>
<tr>
<td>ODA</td>
<td>Official development assistance</td>
<td></td>
</tr>
<tr>
<td>OECD</td>
<td>Organization for Economic Co-operation and Development</td>
<td></td>
</tr>
<tr>
<td>PESE</td>
<td>Brazilian Business and Ecosystem Services Partnership</td>
<td></td>
</tr>
<tr>
<td>SDGs</td>
<td>Sustainable Development Goals</td>
<td></td>
</tr>
<tr>
<td>SHD</td>
<td>Sustainable human development</td>
<td></td>
</tr>
<tr>
<td>SPIAC-B</td>
<td>Social Protection Interagency Co-operation Board</td>
<td></td>
</tr>
<tr>
<td>UNDESA</td>
<td>United Nations Department of Economic and Social Affairs</td>
<td></td>
</tr>
<tr>
<td>UNDP</td>
<td>United Nations Development Programme</td>
<td></td>
</tr>
<tr>
<td>UNDG</td>
<td>United Nations Development Group</td>
<td></td>
</tr>
<tr>
<td>UNDS</td>
<td>United Nations Development System</td>
<td></td>
</tr>
<tr>
<td>UNECA</td>
<td>United Nations Economic Commission for Africa</td>
<td></td>
</tr>
<tr>
<td>UNEP</td>
<td>United Nations Environment Programme</td>
<td></td>
</tr>
<tr>
<td>UNESCAP</td>
<td>United Nations Economic and Social Commission for Asia and the Pacific</td>
<td></td>
</tr>
<tr>
<td>UNICEF</td>
<td>United Nations Children’s Fund</td>
<td></td>
</tr>
<tr>
<td>UNIDO</td>
<td>United Nations Industrial Development Organization</td>
<td></td>
</tr>
<tr>
<td>UNITAR</td>
<td>United Nations Institute for Training and Research</td>
<td></td>
</tr>
</tbody>
</table>
**Executive Summary**

“We are resolved to free the human race from the tyranny of poverty and want to heal and secure our planet. We are determined to take the bold and transformative steps which are urgently needed to shift the world onto a sustainable and resilient path. As we embark on this collective journey, we pledge that no one will be left behind.”

(Preamble: The 2030 Agenda for Sustainable Development, 2016)

In 2015, the world embarked on an ambitious and collective journey. For the first time in history, an expanded vision of development – sustainable development – took hold of citizenry and political leaders alike. It is a vision of unprecedented scope, significance and balance with respect to the three dimensions of sustainable development: economic, social and environmental.

Transforming this vision into reality is the challenge that we now face. Balancing the triple objectives of sustainable development is a complex task. It will require political will and capacity, resources and partnerships, policies and strategies, if the Sustainable Development Goals (SDGs) that the world has set for itself, are to be achieved. In many countries, it will require fundamental changes in the pattern of economic growth itself because such growth has not had desirable environmental or social outcomes. Billions of citizens continue to live in poverty and are denied a life of dignity. Over 2.1 billion people in the developing world lived on less than US$3.10 a day in 2012 (World Bank, 2015). Rising inequalities and enormous disparities in wealth, power and opportunities impede the full realization of human potential. Natural resource depletion and adverse impacts of environmental degradation, including desertification, drought, land degradation, freshwater scarcity and loss of biodiversity add to and exacerbate the list of challenges that humanity faces.

For these reasons, Goal 8 of the 2030 Agenda for Sustainable Development seeks to promote sustained, inclusive and sustainable growth, full and productive employment, and decent work for all. Underpinning the achievement of the SDGs are the means of implementation: the how of development. At the country level, these will include identifying and implementing specific policies and programmes in order to transition to more sustained, inclusive and sustainable growth pathways so that economic growth does not take place at the expense of the poor and vulnerable groups within societies, or at the expense of environmental degradation.

This UNDP strategy on inclusive and sustainable growth presents the organization’s offer of services to support programme countries as they formulate and implement national plans for achieving inclusive and sustainable growth and full and productive employment. Based on evidence from empirical investigations by notable authors such as Anand and Kanbur (1993), Deininger and Squire (1996), Ravallion and Chen (1997), Easterly (1999), Alessina and Rodrik (1994), Perotti (1996), Barro (2000), Lopez (2004) and Akanbi (2016), three broad priorities have been identified as critical for enabling countries to achieve this goal:

- Integrated planning for inclusive and sustainable growth
- Supporting employment creation, decent work and redistributive programmes to address poverty, inequality and exclusion
- Mobilizing and scaling up financing for enabling transition to inclusive and sustainable growth

In each of these three areas and based on UNDP’s own mandate and areas of comparative advantage, specific policy and programmatic options have been identified to assist countries.

Taking into account different national realities, capacities and levels of development and respecting national policy and priorities mean that there is no one-size-fits-all solution. Each country faces specific challenges in its pursuit of sustainable development. Yet all nations seek to build strong economic foundations. By committing ourselves to achieving inclusive and sustainable growth, we express also a commitment to world of shared prosperity, to changing unsustainable patterns of production and consumption and to ensuring the sustainable management of our planet’s natural resources.
I. The Development Challenge

1. CONTEXT

Over the last two decades, the world has witnessed impressive average gains in multiple dimensions of material prosperity. Gross domestic product (GDP) per capita in low- and middle-income countries has more than doubled in real terms since 1990, life expectancy has risen from 63.2 years to 68.6 years in developing countries and gender parity has been attained in primary education. Still, even as the world is globally richer than ever before, more than 896 million people lived in extreme poverty in 2012 and over 2.1 billion people in the developing world continue to live in extremely precarious, vulnerable conditions.¹

Moreover, over the last two decades, income inequality has been rising on average within and across countries. In a sample of 118 countries, household income inequality (as measured by the Gini index) rose by 9 percent for the group of high-income countries and by 11 percent for low- and middle-income countries. As a result, a significant majority of people in the world live in societies that are more unequal today than at any other time in history. Remarkably, the sharpest increases in income inequality have occurred in those developing countries that were especially successful at pursuing vigorous economic growth and managed, as a result, to graduate into higher income brackets. Economic progress in these countries did not alleviate disparities, but appears rather to have exacerbated them (UNDP, 2013).

That economic growth is a necessary but insufficient condition for poverty and inequality reduction is axiomatic in development policy circles. Indeed, evidence over time and across countries testifies to a highly variable relation between economic growth, income inequality and poverty. Widening income inequality in different countries is associated with very different growth paths. In some countries, rapid economic growth was accompanied with rising income inequality, whereas, in others, with inequality rose during periods of depression and stagnation (Akanbi, 2016). Recognizing this diversity of country experiences is perhaps the most important lesson to be learnt from the evidence. “It shifts attention away from an unquestioning suspicion of high growth rates as such towards an examination of the particular nature of growth in different countries and the implications of different types of growth for poverty and inequality” (Kanbur, 2011:8).

Put differently, what really matters most for addressing poverty and inequality is the specific pattern of growth. It cannot simply be assumed that any kind of growth will result in favourable human development outcomes.

Nor is any pattern of growth capable of ensuring environmental sustainability. Evidence is incontrovertible that current patterns of growth are not environmentally sustainable, with the poorest, most vulnerable households most often paying and absorbing the costs of such growth – in higher mortality rates and worse health outcomes.

Indeed, environmental degradation has been growing at alarming rates in many developing countries, with significant consequences for those living in poverty. The degradation of agricultural lands, shrinking forests, diminishing supplies of clean water, dwindling fisheries and the threat of growing ecological vulnerability from climate change impact especially poor households and particularly women, who depend directly on a wide range of natural resources and ecosystems for their livelihoods.

Further, estimates indicate that the environmental toll in many developing countries has reached 3 to 10 percent of their GDP. So, if the economy grows less than 3 percent in developing countries, there is no gain, if one takes into account the environment (DESA, 2015).

It is precisely in recognition of the fact that current patterns of economic growth have not been compatible with social and environmental outcomes that the international development community adopted Goal 8 as part of the Sustainable Development Goals (SDGs) – To Promote Sustained, Inclusive, and Sustainable Growth, Full and Productive Employment, and Decent Work for All.

Inclusive Growth

The concept of inclusive growth typically refers to equity with growth or to broadly shared prosperity resulting from economic growth. In development, the concept of inclusive growth has gained widespread currency in recent years, because it has broadened the discourse beyond a concern only with extreme poverty. In some countries such as China and Viet Nam, despite

¹ Extreme poverty is measured by the new metric, that is, people living on less than US$1.90 per day PPP. Using the higher poverty line of US$3.10 a day, 2.1 billion people lived on less than this in 2012 (World Bank, 2015).
progress on reducing absolute poverty, income inequality has soared – and this has happened even as economic growth rates soared. This is the by-passing of the benefits of growth: the fact that vast numbers of households are not sharing or participating in the growth process or are doing so under conditions of extreme vulnerability and stress, is why the focus of development policy has increasingly shifted to determining how growth can be made more equitable and more inclusive.

Different approaches to inclusive growth differ with respect to how exactly such growth can be measured. Notwithstanding such differences, the chief concern of all of these approaches is with extending disproportionate benefits of growth to a wider share of the population (Birdsall, 2007; McKinley, 2010; Ali and Son, 2007; Rauniyar and Kanbur, 2010). With respect to policy, two issues are especially significant in the discussion on inclusive growth:

1. The interplay between income distribution and growth
2. The interplay between income distribution and extreme poverty

First, by now, it is well established that changes in income distribution are not independent of changes in economic growth and vice versa. Thus, higher growth rates may well exacerbate income inequality. In other words, the pattern of growth could be such that the benefits of growth are not being widely shared across households. The gains from economic growth could accrue disproportionately to households in upper income quintiles.

For policymakers, this is an indication also that specific policy instruments that may be seen to be ‘exclusive’ to growth – such as trade or financial openness or fiscal policy – have attendant distributional impacts. In other words, it cannot be assumed that ‘growth-inducing’ policies do not have impacts on income inequality or poverty. An inclusive growth strategy will need to identify policies that will fundamentally alter the distribution bias of growth while maintaining (or raising) long-term growth.

Second, changes in income inequality also have a bearing on (extreme) poverty outcomes. For instance, certain types of decreases in income inequality (such as those that raise middle-level incomes) can reduce poverty by less than other kinds of reductions in income inequality (such as those that raise the incomes of poorest households). In other words, inclusiveness itself can be more or less pro-poor. So, in countries where extreme poverty is a persistent and chronic condition, the focus of policy must be on ‘growth with as much inclusiveness of the poorest as possible’ (Rauniyar and Kanbur, 2010:8).

From a policy perspective then, enabling transitions to more-inclusive growth patterns will require countries to first and foremost assess why current patterns of growth have side-stepped such large segments of their populations and to identify what measures can be taken to alter the distributional bias of such growth. Indeed, more-inclusive growth patterns can expand opportunities and access to economic, social and political resources, strengthening democratic life and social cohesion. And perhaps most important, by ensuring that economic progress alleviates extreme inequalities, it embraces that most fundamental principal of social justice that ‘all human beings are born free and equal in dignity and rights’.

Cross-country empirical investigations suggest that growth has neither a positive nor a negative effect on inequality (Anand and Kanbur, 1993; Deininger and Squire, 1996; Ravallion and Chen, 1997; Easterly, 1999). With respect to the impact of inequality on growth, some have suggested that rising income inequality can dampen growth (Alesina and Rodrik, 1994; Perotti, 1999). Other studies have found no link (Barn, 2000; Lopez, 2004). Notable results from a developing country study (Akanbi, 2016) also suggests a growth-inequality disconnect, meaning that growth does not necessarily promote an equal distribution of income in society. However, as income distribution begins to equalize, economic growth rises. Over time, though, more analysts have moved to the view that an initial condition of greater inequality does indeed dampen growth and reduces the impact of growth on extreme poverty reduction.
Explanations for rising income inequality in developing countries have pointed to several factors: technical change and the globalization of trade and finance that may have had positive growth impacts but with adverse consequences for income distribution; domestic policies ranging from macroeconomic policies that have prioritized growth consolidation over human welfare concerns to labour market policies that have weakened the bargaining power of labour; and urbanization that has exacerbated the urban-rural divide and demographics that have increased the dependency ratio.

Indeed, the worsening of income inequality is related in large measure to the decline in the share of labour in total GDP. Since 1993, the share of labour in national income fell on average by 0.3 percent per year (Harrison, 2002). Jobless growth, the growing informality of labour, and stagnant, fluctuating and precarious incomes all reflect these trends.

Moreover, specific groups within the population have been especially affected. Two thirds of working age youth in some developing countries are either unemployed or trapped in low-quality jobs and, in some countries such as Liberia, Malawi and Togo, the figure exceeds 70 percent (ILO, 2013). Ethnic and racial minorities face persistent discrimination in trying to access labour market opportunities and women are occupationally concentrated at the lower end of the employment and income spectrum, regardless of sector.

It is noteworthy that a major feature of globalization has been the enormous increase in women’s participation in wage work. While women’s integration in the labour force has varied by country, region, race/ethnicity and class, for most women, it has involved either first-time entry into wage labour or transition from intermittent to continuous participation in paid work. “Export-oriented production has recruited a large number; and the informalization of employment, in the form of casual, contract labour, and home-based work has further facilitated the rising demand for female workers” (Beneria, Berik and Floro, 2016: p. 114).

**Sustaining Economic Growth**

As globalization has advanced, it has also shaped the growth patterns of many developing economies. As of 2008, exports were more than one third of GDP in Africa, Asia, the Commonwealth of Independent States (CIS) and the Arab States, with the most rapid growth occurring in the least-developed countries (LDCs) where exports as a share of GDP more than doubled between 1995 and 2008. Out of 141 developing countries, 95 depend on primary commodities for at least 50 percent of their export earnings (Brown, 2010). In fact, by 2009, the share of primary commodities in total exports was 81 percent in Africa, the CIS and the Pacific Islands. For LDCs, in 2009, the share of primary commodity exports in total exports had reached 92 percent and the vast majority depended on just one or two primary commodities (UNDP, 2011).

Further, since the late 1990s, private capital flows have become a significant source of investment in developing countries. For instance, in many countries in Africa (including Uganda, Cameroon, the Gambia and the United Republic of Tanzania), foreign private capital stocks reached 30 percent of GDP (Bhinda and Martin, 2009). Moreover, there is a growing trend in some developing countries to rely more on foreign capital relative to domestic capital for investment. This trend appears to be more prevalent in those countries that have attracted growing inflows of foreign investments, such as the CIS countries. But the LDCs, too, mainly in Africa, have been impacted by this trend. For instance, FDI as a share of total investment is over 66 percent in the Congo and 60 percent in the Central African Republic.

As countries have pivoted towards export-based growth and towards an increased dependence on foreign private capital flows, they have increased their exposure to global economic and financial crises. International commodity prices, international trade and financial markets are prone to sharp fluctuations that cause volatility in export revenues, terms of trade and financial flows. Such volatility in the sources of income and investment makes economic growth itself volatile, unstable and unsustainable. Especially vulnerable are the smaller, lower-income countries where FDI projects are huge in relation to the size of the host economy. Since these countries tend to be much less diversified and depend on one or two large projects or sectors, the volatility of foreign private capital flows can seriously jeopardize growth.

According to some estimates, the 2008 financial crisis may have reduced the overall potential level of output in developing countries by between 3.4 percent and 8 percent over the longer run – compared with its pre-crisis path (World Bank, 2010).
With the contraction of growth came the contraction in employment. Between 2007 and 2009, at least 30 million jobs were lost worldwide (UNDP, 2011). And, as unemployment rose, so did poverty. “Between 47 million and 84 million more people are to remain poor or have fallen back into extreme poverty in developing countries than would have been the case had the recession in 2008 not occurred” (UN, 2011).

The period since the 2008 global economic crisis provides evidence on the instability of jobs. The crisis resulted in lay-offs in export-oriented industries in many developing countries. As exports declined rapidly in textiles, apparel and clothing, footwear and the electronics sectors in Asia, Central America and the Caribbean, women were more susceptible to losing their jobs (Sirimanne, 2009). In Cambodia, for example, thousands of women workers lost their jobs in the garment industry and had no option but to engage in informal activities (Dasgupta and Williams, 2010). In the textile maquila factories in Honduras, approximately 19,000 workers lost their jobs due to the crisis as of April 2009, the majority of whom were women (Touza and Pineda, 2010).

Crises, whether these take the form of international commodity price shocks or trade or financial shocks, are no longer rare occurrences, but have become a systemic feature of the global economy. And, typically, the costs of crises are borne by those households and individuals least equipped to deal with them. Preventing such reversals requires sustaining economic growth. It means promoting growth patterns that are more resilient to shocks. And, at its core, this means pivoting away from an excessive reliance on an export-based growth strategy, especially one unduly reliant on a single commodity or a narrow range of primary commodities. It also means reducing dependence on volatile capital flows to finance economic growth.

**Environmentally Sustainable Growth**

To achieve the Millennium Development Goals (MDGs), the desired growth pattern was set to be sustained, inclusive and equitable. Even though this was not an explicit Goal as such, achieving the MDGs was certainly seen to be conditional on the ability of countries to establish a sustained and inclusive growth path (UNDP, 2010). However, in the post-2015 era, it has become apparent that, for economic growth to be sustainable, the value of the environment has to be fully considered.

The concept of environmental sustainability typically refers to the rates of renewable resource harvest, pollution creation and non-renewable resource depletion that can be continued indefinitely. If they cannot be continued indefinitely, then they are not sustainable. Thus, the concept of sustainability is viewed through three aspects of natural capital (Daly, 1990):

- **Renewable resources** (the rate of harvest should not exceed the rate of regeneration)
- **Pollution** (the rates of waste generation should not exceed the assimilative capacity of the environment [sustainable waste disposal])
- **Non-renewable resources** (the depletion of non-renewable resources should require comparable developments of renewable substitutes for that resource)
In the end, transitioning to inclusive and sustainable pathways will depend on country-specific circumstances and will be a function of specific national priorities. But it is testimony of the urgency felt around the world that many developing nations have begun to focus on developing and diffusing ‘green’ technologies and sustainable agricultural practices and have initiated plans to reduce dependence on fossil fuels, to develop alternative energy sources and to practice sustainable water and waste management – all of which are essential components for ensuring that economic growth patterns will be environmentally sustainable.

UNDP recognizes that growth that harvests and degrades natural at a rate that threatens to undermine the well-being of communities and impede sustained economic growth is not sustainable.

The relationship between poverty reduction, economic growth and environmental sustainability, however, is complex. For instance, in many countries, achieving GDP per capita growth has been closely associated with increases in carbon dioxide emissions. So, in some countries, the pursuit of environmental sustainability may involve a lower rate of growth in the short term, with important consequences for poverty reduction. Such trade-offs should be explicitly addressed in a comprehensive development strategy.

Over the last 30 years, China has achieved miraculous economic growth to become the world’s second-largest single-country economy. However, growing the GDP at any cost has created social and environmental problems. Consequently, China’s economic losses due to pollution and environmental degradation accounted for 10.51 percent of gross national income in 2008, according to the World Bank.

An extensive growth model that relies on high resource input and heavy pollution is not sustainable. The Chinese Government in recent years has begun calling for a major policy shift (Zhang, J, 2012).

Coal-fired power plants have propelled much of China’s economic rise for decades, helping make the country the world’s biggest emitter of greenhouse gases. In guidelines released in 2015, China halted plans for new coal-fired power stations in many parts of the country. Electricity generated from fossil fuels like coal is the biggest single contributor globally to the rise in carbon emissions. The recent economic slowdown, policies to discourage coal-fired power plants near big cities, and a huge investment in solar and wind energy capacity helped reduce coal use in China last year.

What happens if economic growth picks up? Will China renew construction of coal-fired power stations? This is why access to cheap energy has become a key policy imperative.
2. WHY IS INCLUSIVE AND SUSTAINABLE GROWTH CRITICAL TO AGENDA 2030 AND THE SUSTAINABLE DEVELOPMENT GOALS (SDGs)?

"Promote sustained, inclusive, and sustainable growth, full and productive employment and decent work for all" is Goal 8 of the Sustainable Development Goals (SDGs).

In September 2015, world leaders adopted the 2030 Agenda for Sustainable Development, which includes a set of 17 Sustainable Development Goals to end poverty, fight inequality and injustice and tackle climate change. In so doing, the world committed itself to achieving sustainable development in its three dimensions – economic, social, and environmental – in a balanced and integrated manner.

Creating the conditions for inclusive and sustainable growth then is precisely an attempt to bridge these three dimensions of sustainable development. As noted by the SDG Outcome Document, "sustained, inclusive, and sustainable growth is essential for prosperity. This will only be possible if wealth is shared and income inequality is addressed. We will work to build dynamic, sustainable, people-centred economies, promoting youth employment and women’s economic empowerment, in particular, and decent work for all. […] We will strengthen the productive capacities of least-developed countries in all sectors, including through structural transformation. We will adopt policies that increase productive capacities, productivity, and productive employment, financial inclusion, sustainable agriculture, pastoralist and fisheries development, sustainable industrial development, and universal access to affordable, reliable, sustainable and modern energy services."

The 17 SDGs and their associated targets are integrated and indivisible. Creating the conditions for sustained, inclusive and sustainable growth then will also impact progress and achievement of other Sustainable Development Goals and associated targets and vice versa. Ending extreme poverty (Goal 1), reducing inequality (Goal 10), ensuring the sustainable management of water and sanitation (Goal 6) and ensuring access to reliable and sustainable energy (Goal 7) are among only some of the Goals that will both depend on, but also determine the progress made with achieving the Goal of sustained, inclusive and sustainable growth, full and productive employment and decent work for all.

More specifically, inclusive and sustainable growth is associated with reductions in income inequality. And the evidence shows that higher-income households also have better educational, health and nutritional outcomes compared to low-income households. For instance, 87 percent of the variation in the ratio of child mortality rates between the richest and lowest quintiles can be attributed to variations in wealth inequality (UNDP, 2013). Hence, tackling income inequality is important not simply because of its adverse implications for poverty reduction and for economic growth, but also because it limits the ability of households and individuals to acquire those very capabilities needed to get ahead in life. So, in sum, even as trade liberalization may boost economic growth, it also alters relative product and factor prices, so its net effect on poverty reduction depends on how all of the latter change. If price changes are pro-poor, this reinforces the positive growth effects of trade policy on the poor.

UNDP is committed to supporting the implementation of Agenda 2030 and has already taken great strides in moving towards an integrated approach to sustainable development. For a detailed description of UNDP’s support to Agenda 2030 as a whole, please refer to UNDP’s ‘Support to the Implementation of the 2030 Agenda for Sustainable Development’ (UNDP, 2016).

3. THEORY OF CHANGE

Establishing a Goal for inclusive and sustainable growth in the 2030 Agenda is itself an acknowledgement that current patterns of economic growth have not been capable of the transformative change required to meet the SDGs. It is a recognition of the fact that, without fundamental changes in the structure and pattern of growth, rising inequalities and exclusion may well prevail and, unless systems that build resilience to protect economies and societies against crises are forthcoming, millions of vulnerable households may slide right back into poverty and, without sustaining the environment, economic growth itself may be compromised.

Achieving inclusive and sustainable growth, however, is no easy task. There is no single blueprint for all countries. There are trade-offs between different policy objectives and these should be identified at the outset in national development plans and strategies. Still, the evidence and trends presented earlier point to three broad policy priorities:

---

5 www.unpd.org/content/undp/en/home/librarypage/sustainable-development-goals/undp-support-to-the-implementation-of-the-2030-agenda/
Redistributive programmes such as social protection programmes and consumer subsidies for basic goods are also effective policy instruments for reducing poverty and inequality. Consumer subsidies, especially those for basic food items, directly affect the prices of basic household goods such as food. Such expenses represent a large percentage of low-income households' budgets, so subsidizing the cost of essential food items can have a significant impact on the economic welfare of low-income households in a large majority of developing countries (Bibi and Nabli, 2010).

Social protection programmes can provide households with a minimum of income security necessary for investing in human capital and income-generation activities. Regular and reliable income transfers can unlock productive entrepreneurial capacity, increase labour force participation and boost local development and job creation (Omilola and Kaniki, 2014; Barrientos and Nino-Zarazua, 2010; Samson, 2009). Moreover, social protection can play a key role in lowering the risks faced by low-income households to crises and shocks (Fiszbein and Schady, 2009).

In this context, it is especially important to address the inequality of opportunities that consistently excludes specific groups, including women, ethnic and racial minorities, among others, from the gains of development. Persistent inequality between different segments of a population can entrench discriminatory practices and cultural biases that fuel social exclusion. Thus, policy measures must address the inequality of outcomes and opportunities in tandem.

Activities for facilitating the creation of productive employment, including in firms and sectors promoting environmentally sustainable practices, include: supporting work and employment sectors to better address poverty, inequality and exclusion; promoting decent work; removing barriers to access to labour market opportunities; improving working conditions, particularly for the poor; and scaling up redistributive programmes, especially support to social protection systems.
Rent-sharing agreements are negotiated in a way that leads to highly favourable terms for investors at the expense of lower public revenues (European Parliament, 2014). Hence, countries highly dependent on sectors such as extractives or commodities for revenue require capacity to manage boom time revenues more prudently.

Financial markets have increased the number of options to choose from to advance investments that support the transition to more sustainable growth patterns. These are especially evident in the areas of climate change adaptation and mitigation, for the sustainable management of ecosystem goods and services and for sustainable, affordable and clean energy.

Activities to mobilize and scale up financing include promoting fiscal policy consistent with inclusive and sustainable growth objectives; promoting domestic resource mobilization; and promoting the adoption of innovative financing mechanisms for environmental sustainability and clean energy.

In many natural resource-rich countries, implementing fiscal regimes that are capable of sustainably managing resource revenues has also proved challenging. For instance, tax incentives in the extractives sector can result in large revenue losses when

---

6 Additional fiscal space can also be generated by cutting unproductive expenditures and by preventing the leakage of resources – that is, by improving the efficiency and efficacy of public expenditures.

PHOTO: OUMOU SOW/UNDP MAURITANIA
SUSTAINABLE DEVELOPMENT GOAL 8 OF THE 2030 AGENDA

OUTCOMES OF STRATEGY

- Integrated Planning for Inclusive and Sustainable Growth
  - a) Evidence base analysis for national plans
  - b) Economic diversification
  - c) Sustainable natural resource management

- Employment Creation, Decent Work, and Redistributive Programmes
  - a) Productive employment
  - b) Decent work
  - c) Remove barriers to labour markets
  - d) Redistributive programmes

- Mobilizing and Scaling Up Financing for Inclusive and Sustainable Growth
  - a) Fiscal policy
  - b) Domestic resource mobilization
  - c) Innovative financing mechanisms

ENABLING ACTIVITIES

PROMOTE SUSTAINED, INCLUSIVE, AND SUSTAINABLE GROWTH, FULL AND PRODUCTIVE EMPLOYMENT, AND DECENT WORK FOR ALL
II. UNDP’s Role in Promoting Inclusive and Sustainable Growth

1. UNDP’S SUPPORT TO COUNTRIES IN ACHIEVING INCLUSIVE AND SUSTAINABLE GROWTH

“Helping countries to achieve the simultaneous eradication of poverty and significant reduction of inequalities and exclusion.” This is UNDP’s vision, as stated in the organization’s Strategic Plan 2014-2017. The Plan notes that achieving this vision will require “pursuing economic growth, environmental sustainability, and social equity simultaneously, while putting in place measures to mitigate risk and prevent losses of gains made when a crisis strikes.”

This UNDP strategy on inclusive and sustainable growth translates the organization’s vision into concrete, identifiable programming priorities to help countries eradicate poverty and reduce inequalities and exclusion. By doing so, it will contribute primarily to the Strategic Plan outcome – growth and development are inclusive and sustainable, incorporating productive capacities that create employment and livelihoods for the poor and excluded (outcome 1). It will also support the achievement in other areas of work, including democratic governance (outcome 2), gender equality and women’s empowerment (outcome 4) and prioritization of poverty, inequality and exclusion in development debates and actions (outcome 7).

This is directly aligned with the SDGs that emphasize the need to transition to more inclusive and sustainable growth pathways so that economic growth does not take place at the expense of the poor and vulnerable groups within societies or at the cost of environmental degradation. The Strategy contributes directly to Goal 8 of the SDGs: sustained, inclusive and sustainable growth, full and productive employment, and decent work for all.

This Strategy will seek to “assist programme countries to design and implement pathways that can tackle the connected issues of poverty, inequality, and exclusion while transforming productive capacities, avoiding the irreversible depletion of social and natural capital and lowering risks arising from shocks” (UNDP, 2014).

Moreover, the strategy will place particular emphasis on specific population groups, determined country by country. These include:

A. Those living in poverty, defined by absolute and relative measures using the international US$1.90 per day poverty line, the multi-dimensional poverty index (MPI) and national poverty lines;

B. The working poor, defined as those active in the labour force, but whose income still falls below the poverty line of US$3.10 per day.

C. Those groups that are experiencing the greatest inequalities and exclusion in terms of access to opportunities and achievements of outcomes, especially women, female-headed households and youth.
**Principles of Engagement**

The policy and programming framework of this strategy will be guided by engagement principles that reflect UNDP’s approach to development, which includes inter alia:

- **Being guided by national ownership and capacity,** with programme countries making decisions on how best to meet their people’s aspirations and with UNDP helping to develop the policies, leadership, skills, partnering ability and institutional capabilities that can sustain results over time.

- **Recognizing the intrinsic value of normative guiding principles and the human-rights-based approach.**

- **Using sustainable human development (SHD) to guide our contributions** – understanding the concept to mean the process of enlarging people’s choices by expanding their capabilities and opportunities in ways that are sustainable – from the economic, social and environmental standpoints, benefiting the present without compromising the future.

- **Reflecting the pivotal significance of gender equality**, understanding that SHD will not be fully achieved unless men and women are able to contribute on an equal basis in their societies.

- **Ensuring participation and voice** in pursuit of equitable access to opportunities across the population, working with poor and excluded groups, as agents of their own development.

The policy and programme support will also comply with UNDP’s ‘Social and Environmental Standards’ (UNDP, 2016), following the application of core principles of human rights, gender and sustainable development where potential harm to people and the environment is to be avoided, mitigated or managed.

2. **UNDP’S COMPARATIVE ADVANTAGE IN ACHIEVING INCLUSIVE AND SUSTAINABLE GROWTH**

UNDP is well equipped to help programme countries address the transition to more inclusive and sustainable growth pathways. On the substantive side, UNDP’s specific strengths include a proven ability to influence policy and develop capacity, especially in the thematic practices of poverty reduction, pro-poor economic policy and environmental sustainability. Hence, the organization is uniquely poised to support countries in pursuing a more balanced, inclusive and sustainable growth strategy.

As of 2015, UNDP was implementing over 1,276 projects related to inclusive and sustainable growth. These projects cover a wide range of issues, including support for creation of productive employment, social protection, enterprise development, women’s economic empowerment and environmental sustainability, among others.

Indeed, for the past two decades, UNDP has been a recognized leader in promoting policy research and policy advocacy, including through the auspices of its regional programmes, on pro-poor and inclusive growth, pro-poor macro-economic policy, growth, poverty, income distribution diagnostics and green growth frameworks. This is evident, for instance, in research programmes such as the Asia and the Pacific programme on the Macroeconomics of Poverty Reduction – a set of 12 detailed country studies that examined the types of macro-economic policies most conducive to poverty reduction – and in Latin America and the Caribbean’s country studies on growth and income distribution. Similarly, UNDP work on the emergence of Africa has brought together global and regional leaders, experts and researchers on inclusive social and economic development to share lessons learned and challenges in order to support strategies and policies on emergence.

More recently, UNDP’s contributions at the global level have included policy research and advocacy on inequality and inclusive growth (for example, UNDP, 2013) as well as on economic vulnerability and resilience in developing countries (for example, UNDP, 2011). Moreover, UNDP has been at the forefront of advancing conceptual thinking on the green economy and on environmentally sustainable growth.

Besides policy research and advocacy, over the past two decades, UNDP has supported a range of programming initiatives in support of country efforts to address poverty, inequality and exclusion and to implement inclusive and sustainable growth policies.

For instance, in partnership with UN agencies and development partners, UNDP has supported the implementation of the Aid for Trade programme. Specifically, UNDP provided support for the design of trade policies and the mainstreaming of such in...
national development plans to spur the process of inclusive and sustainable growth. In Cambodia, Comoros, Chad, South Sudan and Yemen, for example, it supported trade diagnostics to identify priority sectors and policy reforms needed to enhance the impact of trade on poverty reduction. In Malawi, Samoa and Sierra Leone, UNDP supported critical capacity assessments of trade-related institutions to strengthen organizational performance.

The Poverty Environment Initiative, implemented by UNDP and UNEP, supports the efforts of governments to conduct climate and environmental expenditure and institutional reviews, leading to budget reforms and re-prioritized spending in countries, including Bangladesh, Bhutan, Botswana, Malawi, Mali, Mozambique, Mauritania, Nepal, Rwanda and Tanzania. Through the UNDP, UNEP, UNIDO, UNITAR, ILO Partnership for Action on Green Economies, UNDP is working with governments to catalyse greater action and investment in green technologies in Burkina Faso, China, Ghana, Mauritius, Mongolia, Peru, Senegal and South Africa.

Moreover, since 2010, UNDP has helped over 150 countries to access more than US$2 billion from multilateral environmental vertical funds, including the Global Environment Facility, the Adaptation Fund, the Least Developed Countries Fund and the Special Climate Change Fund, among others.

UNDP has offered strategic assistance to catalyse such investment into green technologies, practices and enterprises that will pave the way to an inclusive and sustainable development pathway. Such financing has been used to develop capacity, remove policy and regulatory barriers and expand/transform green markets. These include green lending facilities and challenge funds for small and micro enterprises, the promotion of environmental and social certification for premium products, and the development of innovative financial products, such as impact investment and social impact bonds.

UNDP has assisted countries in generating productive employment and job opportunities, focusing specifically on youth and women. It has helped countries build capacity to develop and implement institutional and policy frameworks and the removal of structural barriers that poor women, youth and other disadvantaged groups face in the labour market. It has supported countries stimulate job creation by helping biodiversity-friendly producers to access new markets and by promoting eco-tourism initiatives that generate income for local communities. UNDP has promoted secure land tenure systems and large-scale rehabilitation projects to strengthen livelihoods.

UNDP’S SUPPORT FOR SUSTAINABLE AND EQUITABLE MANAGEMENT OF EXTRACTIVE INDUSTRIES

Even as the extractives sector has financed economic growth in several developing countries, all too often this has been at the expense of increasing growth volatility, social strife and environmental degradation and usually with little job creation. Yet such outcomes need not be inevitable.

This UNDP programme supports countries to strengthen their legal and institutional frameworks to negotiate and enforce contracts in transparent and accountable ways and to ensure that exploration and extractive operations are environmentally and socially sustainable. UNDP also supports countries to manage revenues transparently and to deal with revenue volatility. Furthermore, UNDP supports countries to invest revenues from the extractives industry in economic diversification activities (‘UNDP Strategy for Supporting Sustainable and Equitable Management of the Extractive Sector for Human Development’, 2013).
As of 2014, with the support of UNDP, 11.2 million people (5.7 million women) benefited from improved livelihoods in 94 countries. UNDP has contributed to the direct creation of 920,000 new jobs (41 percent for women) in 77 countries; supported 33 countries to adopt policies to boost employment; and strengthened the capacity of 14 countries to collect and analyse youth employment statistics. Moreover, over 2.4 million women benefited from interventions designed to reduce or eliminate barriers to women’s economic employment.

**Overview of relevant UNDP regional and global projects and key results achieved**

At present, UNDP is supporting a number of regional and global projects that support developing countries to transition to more inclusive and sustainable growth pathways. These include:

**The Africa Facility for Inclusive Markets:** The Facility supports cross-border value chain initiatives and the capacity of regional economic communities in Africa to develop inclusive markets. It is aimed at enhancing the contribution of the private sector, including micro, small and medium-sized enterprises to trade, economic growth and poverty reduction.

**UNDP’S SUPPORT FOR SOCIAL PROTECTION**

UNDP has supported over 75 countries with the design, expansion and implementation of social protection systems. A systematic review of projects linked to social protection in 2015 found that UNDP support could be organized around the following categories:

- Support for development of national strategies, policies and laws concerning social protection (in Uzbekistan, Mauritius, Tanzania and the Gambia, among others)
- Strengthening national frameworks on social protection systems, including social protection floors (in Belize, Mauritius, Philippines)
- Strengthening national and local capacities for the implementation and delivery of social protection (in Viet Nam, India)
- Support for evidence-based analysis for social protection systems (in Croatia, Egypt)

India: Millions of rural unemployed workers have accessed social protection through the National Rural Employment Guarantee Programme. As a key partner, UNDP has helped the government to implement NREGA by enabling ICT innovations, increasing awareness of the programme among vulnerable communities, supporting social audits and strengthening the capacity of the Ministry for Rural Development, which is responsible for NREGA’s implementation. The programme has benefited over 200 million of the poorest people in the country, its beneficiaries being 50 percent women, 23 percent of Scheduled Castes and 17 percent of Scheduled Tribes.

The global project **Tax Inspectors Without Borders**, in partnership with OECD, supports national efforts to step up capacities to monitor tax evasion and tax avoidance. It assists international tax audit experts to work alongside national tax authorities to build systems to assess and collect taxes owed by international companies.

UNDP also has other specific strengths: its long-standing role as a trusted partner working across sectors and with multiple stakeholders – most recently, in the context of supporting countries as they design, implement and monitor integrated MDG-based national development plans and national poverty reduction strategies. These partnerships with national counterparts, including with national ministries of planning and finance and other sector ministries, provide the organization with specific advantages of supporting integrated development planning. As countries begin to implement programmes to achieve the SDGs, this will be a valuable system-wide asset to build on.

Other organizational strengths include its capacity to foster South-South and triangular partnerships, a strong normative foundation, legitimacy and an unparalleled world presence. A large country network and a core coordination function within the United Nations development system reinforce these strengths.
UNDP’s Global Green Commodities Programme, launched in 2009, focuses on highly traded commodities with substantial environmental and social impacts. These include beef, cocoa, coffee, cotton, palm oil, pineapple, rice, shrimp, sugar, tea, tuna and timber. The targeted environmental and social impacts of the Programme include:

- Reduced natural habitat conversion to farmland
- Increased biodiversity within agricultural landscapes
- Improved water management in agriculture
- Reduced net greenhouse gas emissions by commodity supply chains
- Increased long-term income for poor farmers
- Increased food security

The Programme works with governments, the private sector and farmers to improve production practices, agricultural yields and product quality while protecting the environment. In doing so, the Programme supports national policies and practices of commodity production and supply chains through its strong partnerships with relevant ministries and local stakeholders, bringing them together with progressive and strategically committed brands, retailers and traders.
III. Overview of UNDP’s Policy and Programme Support for Inclusive and Sustainable Growth

This UNDP strategy on inclusive and sustainable growth reflects a forward-looking, evidence-based strategic approach. It is a guide to practitioners on the priority policy and programming options that the organization promotes, backed by resources and partnerships, to support countries achieve their sustainable development goals.

Based on the evidence and analysis presented earlier, three priority areas for policy and programme support have been identified to support UNDP’s engagement at national, regional and global levels. In each of these priority areas, specific options for policy and programme support have been identified. These can be implemented through various modalities, depending on country needs and capacities. Thus, the proposed entry points should be seen not as prescriptive, but as reflecting potential options for UNDP assistance to developing countries.

**NATIONAL PLANNING FOR GROWTH**
- Poverty Impact of Growth Diagnostics
- Growth and Economic Diversification strategies
- Social and Environmental Standards to assess policy risks
- Natural resource management
- Access to affordable and renewable energy

**DECENT WORK AGENDA AND WEALTH REDISTRIBUTION**
- Enterprise development policies
- Active employment policies for women, youth and other unemployed groups
- Green jobs
- Public employment guarantee programmes
- Safety and security at work, especially in the informal economy
- Minimum wage and basic income policies
- Social protection policies and floors
- Pro-poor consumer subsidies

**ECONOMIC TRANSITION POLICIES**
- PER and social audits
- National revenue capacity enhancement for tax evasion and avoidance prevention
- Payment for environmental services
- Carbon pricing
Balancing their economic and environmental objectives to pursue sustainable growth strategies will indeed require many countries to recalibrate current growth strategies to make them more sustainable. Still, there remain concerns among policymakers that adopting more environmentally sustainable growth pathways involves a trade-off in the form of faster economic growth.

As countries begin to develop and implement national plans to achieve the SDGs, especially in the context of Goal 8, UNDP can assist programme countries in the following possible ways.

### POLICY PRIORITIES AND PROGRAMME ENTRY POINTS

<table>
<thead>
<tr>
<th>A. Establish Evidence Base for National Plans to achieve Inclusive and Sustainable Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Support country-specific diagnostics on distributional and poverty impacts of growth and associated policies, including trade and macroeconomic policies (example: poverty and social impact assessments, human development impact assessments).</td>
</tr>
<tr>
<td>• Build national capacities for macroeconomic frameworks and fiscal space assessments to support implementation of inclusive and sustainable growth strategies.</td>
</tr>
<tr>
<td>• Support policy analysis on trade-offs between current growth strategies and adoption of sustainable growth frameworks.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>B. Promote Economic Diversification and Sustainable Growth Pathways</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Support policy analysis on economic and export diversification in the context of industrial policy and structural reforms, especially for countries facing excessive growth volatility.</td>
</tr>
<tr>
<td>• Support development and application of social and environmental standards to assess potential social and environmental risks of specific policies and programmes.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>C. Promote Sustainable Natural Resource Management and Access to Affordable Clean Energy</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Support sustainable agricultural practices that minimize environmental impacts, including deforestation, losses to biodiversity and nutrient run-offs into water bodies.</td>
</tr>
<tr>
<td>• Promote sustainable management of water and sanitation and waste management practices.</td>
</tr>
<tr>
<td>• Promote adoption of green technologies to reduce or to eliminate the use and generation of hazardous substances and innovations for products whose methods of production have the smallest possible impact on the environment.</td>
</tr>
<tr>
<td>• Promote access to affordable and alternative sources of energy.</td>
</tr>
</tbody>
</table>
2. SUPPORT EMPLOYMENT CREATION, DECENT WORK AND REDISTRIBUTIVE PROGRAMMES TO ADDRESS POVERTY, INEQUALITY AND EXCLUSION

Jobless growth has been a defining characteristic of many countries and regions: the employment elasticity of growth has systematically fallen since 2000 in regions such as sub-Saharan Africa, the Middle East and Latin America and the Caribbean (Kapsos, 2005). With little job creation, many low-income households have ended up in low-productivity sectors with inadequate earnings, lacking job security or safe working conditions. And, in this employment landscape, women workers tend to predominate in the bottom tiers, occupying the lowest-paid jobs, piece-rate subcontracted work and other insecure forms of self-employment.

Available statistics indicate that the highest levels of the informal share in 2005-2010 are estimated for sub-Saharan Africa and South and Southeast Asia, where this share reaches nearly 70 percent of non-agricultural employment. In countries such as Mozambique, Bolivia, Bangladesh and India, the share of informal employment in total non-agricultural employment is as high as 87.2 percent, 75.1 percent, 76.9 percent and 84.2 percent, respectively (Charmes, 2012). The Asia Pacific region alone has more than 1 billion people who remain in vulnerable employment (UNESCAP, 2013). In other words, marginality and precarious jobs are an integral part of the labour market experience for a large share of the working population.

Especially precarious is the situation of youth, of women and of ethnic and racial minorities who face additional barriers in accessing labour market opportunities. The trenchant nature of horizontal inequalities often means that specific groups face systemic and institutionalized discrimination. Legal discrimination is, for instance, a remarkably common barrier to women’s work. Out of 143 countries, 128 had at least one legal differentiation in 2013. These barriers include restricting women’s ability to access institutions, own or use property, build credit or get a job. Addressing such legal and institutional barriers that prevent women and other excluded groups from participating in employment and income-generating activities will be key to ensuring the inclusivity of economic growth.
### POLICY PRIORITIES AND PROGRAMME ENTRY POINTS

#### A. Facilitate Creation of Productive Employment, including in Firms and Sectors Promoting Environmentally Sustainable Practices

- Support labour market reforms that promote job creation in sustainable agriculture, higher value-added manufacturing and in the care economy, among other sectors.
- Support enterprise development especially for firms producing for domestic markets.
- Promote productive employment opportunities specifically for youth and women, among other disadvantaged groups, in the labour market through, for instance, support for job fairs, job-clearing houses and youth job clubs.
- Promote job creation in biodiversity-friendly firms, eco-tourism and sustainable harvesting and for sustainable management of ecosystems.
- Support public employment guarantee programmes and public employment programmes at local levels and in remote districts and those that reach socially excluded and other vulnerable groups.

#### B. Promote Decent Work

- Support policy reforms that protect the rights of workers in terms of the safety and security of working conditions, especially in the informal sector, small and medium enterprises, export processing zones and jobs that currently fall outside legislative purview, such as domestic work.
- Advocate for basic income policies for the working poor and the enforcement of minimum wage laws.

#### C. Remove Access Barriers to Labour Market Opportunities

- Establish partnerships with the private sector to facilitate productive employment of specific vulnerable groups, including women.
- Support legal reforms to increase access of disadvantaged groups to livelihoods through employment, credit and property.
- Work with civil society organizations, the media and policymakers to address social norms and societal perceptions that reproduce unequal opportunities and preclude the inclusion of specific groups from accessing employment and income opportunities.

#### D. Scale Up Redistributive Programmes, especially Support to Social Protection Systems

- Promote development of national strategies, policies and laws concerning social protection.
- Provide the framework and approach for building social protection systems, including social protection floors.
- Promote efforts to increase the gender responsiveness of social protection measures, including for workers in the informal sector.
- Support consumer subsidies for basic goods (such as essential food items) especially for poor households and other vulnerable communities.

---

3. MOBILIZE AND SCALE UP FINANCING FOR ENABLING TRANSITION TO INCLUSIVE AND SUSTAINABLE GROWTH

Transitioning to inclusive and sustainable growth will require significantly scaled-up resources. It will also require the best possible use of each available dollar, including official development assistance (ODA), remittances, philanthropy and South-South flows. Clearly, though, additional resources will come from two main pillars: public domestic resources, where the most substantial development spending happens, and private sector finance and investment – especially for clean energy, carbon finance and sustainable growth.

A massive step-up in domestic resource mobilization will require first and foremost a fiscal policy that creates fiscal space to accommodate and prioritize the public investments needed to transition to more stable, inclusive and sustainable growth. It is not evident that fiscal policy in many developing countries has been oriented towards this objective. For instance, a focus on fiscal consolidation and the adoption of pro-cyclical policy, even in the midst of crises, has often served to aggravate and deepen adverse growth, distributional and poverty impacts (UNDP, 2011).
**POLICY PRIORITIES AND PROGRAMME ENTRY POINTS**

| A. Promote Fiscal Policy Consistent with Inclusive and Sustainable Growth Objectives | • Support fiscal space assessments and public expenditure reviews to identify poverty and distributional impacts of fiscal policy.  
• Support participatory public expenditure reviews such as social audits and citizen report cards to improve efficiency and accountability of public expenditure.  
• Support use of remittances as development finance and as counter-cyclical flows to manage impacts of economic crises. |
| --- | --- |
| B. Strengthen Domestic Resource Mobilization | • Support development of progressive tax regimes.  
• Support development of national legislative and regulatory frameworks to curb tax evasion and tax avoidance by national and foreign firms and high net-worth individuals.  
• Strengthen national capacities for management of revenues from natural resources. |
| C. Promote Adoption of Innovative Financing Mechanisms for Environmental Sustainability and Clean Energy | • Support development of payment systems for environmental services, including environmental funds; debt-for-nature swaps; and fees related to use of natural resources such as charges related to toxic waste, dumping of pesticides and fertilizers, among others.  
• Support community-level arrangements for common pool resources.  
• Support development of carbon pricing policies and frameworks. |
IV. Partnerships

UNDP’s strategy to support countries transition to more inclusive and sustainable growth pathways is ambitious. As the preceding section has identified, it requires scaled-up efforts at national levels and across a wide range of sectors. It requires integrated policy frameworks, innovative programming tools and being at the forefront of advancing a key part of the Sustainable Development Goals by supporting achievement of several development goals at national levels.

Implementing such an ambitious agenda will require strengthening and amplifying partnerships with other UN agencies as well as with development actors, including IFIs, private foundations, the private sector and civil society.

**UN Agencies**

UNDP is already working extensively with other UN agencies, and at all levels, to support and assist countries as they pursue inclusive and sustainable growth strategies. As the co-lead of the UN Inter-Agency Thematic Task Force on the Sustainable Development Goals, specifically for the Goals related to poverty, inequality, and inclusive and sustainable growth with productive employment and decent work for all, UNDP has been a principal partner along with the ILO, UNICEF, UN Women, UNEP, UNIDO, The International Trade Centre (ITC) and The World Bank to coordinate the substantive policy agenda for the international development community on these issues. In partnership with these agencies, UNDP has supported global consultations with civil society and briefings for Member States on inequality, on illicit financial flows, on social protection and on sustainable growth, among other issues, all of which are crucial elements of this UNDP strategy. These partnerships have proved critical for policy advocacy; for focusing attention on issues that were not made explicit by the MDGs; and, in doing so, for highlighting the transformational and ambitious agenda of the SDGs.

As the previous section highlighted, many of UNDP’s global and regional projects are implemented in partnership with other UN agencies, including regional UN commissions and UN agencies’ regional policy centres. For instance, UNECA, UNESCAP and the regional centres of UNICEF, the ILO and others have been important partners with UNDP in assisting countries to prepare, implement and monitor national poverty reduction strategies and MDG-based national development plans. These integrated national development plans, the technical capacities needed for costing them, as well as the development of national monitoring indicators will all be the base from which national strategies for inclusive and sustainable growth will be developed. It will be important to build on UNDP’s prior relationships as countries begin to adopt the new development agenda and prepare national plans for its achievement.

Partnerships with other UN agencies have been key for implementing many of the other programmes at country level that promote inclusive and sustainable growth. For instance, the partnership with UNEP has evolved through the development and implementation of a number of programmes such as the Poverty and Environment Initiative and the Partnership for Action on Green Economies. These partnerships have addressed issues relevant to sustainable growth and poverty reduction at the national level.

Building on these relationships, strengthening and expanding partnerships to support country-level work will be key moving forward. For instance, the Social Protection Inter-Agency Cooperation Board (SPIAC –B), co-led by the ILO and World Bank and supported by 29 international development organizations, bilateral development agencies and civil society organizations, is an example of how UNDP can leverage its specific strengths. The primary objective of the SPIAC –B is to harmonize donor support on social protection at the national level and to facilitate knowledge sharing and best practices between countries. It is working with the United Nations Development Group (UNDG) to coordinate such support, and with civil society on policy advocacy and for monitoring social protection progress. Given UNDP’s substantial presence on the ground and its leadership role in the UNDG as well as its extensive country network, UNDP can play a key role in coordinating the work of the SPIAC–B at national levels. Moreover, it can promote and facilitate knowledge exchanges between countries on social protection systems through the International Policy Centre for Inclusive Growth, a globally recognized centre of excellence for information on social protection tools, data and best practices.

As UNDP moves to implement the strategy on inclusive and sustainable growth, it will be especially important to strengthen partnerships with specific UN agencies such as the ILO for the development and implementation of programmes supporting the creation of productive employment and adoption of decent work standards and also with UN Women to advance women’s economic empowerment.
Also important will be strengthening partnerships with international financial institutions (IFIs) on issues related to, inter alia, carbon pricing, market-based approaches such as payments for ecosystem services, and the greening of value chains. UNDP’s substantial experience with supporting countries’ access environmental finance will be invaluable in facilitating access to new financing modalities such as those under the World Bank’s Carbon Finance Unit.

**International Financial Institutions**

Furthermore, IFIs will remain important partners as countries prepare national plans to transition to inclusive and sustainable growth, eliminate extreme poverty and address inequality. The World Bank’s central mission is poverty alleviation and shared prosperity (reducing inequality) and the IMF provides assistance on macroeconomic/fiscal policy as well as on early warning systems indicating trade, or commodity price, or financial shocks. UNDP will seek to expand its partnerships with IFIs to ensure that the transition to inclusive and sustainable growth accommodates and balances the objectives of economic, social and environmentally sustainable growth and to support countries build economic resilience to withstand the impact of economic and financial crises.

UNDP will need to forge strategic partnerships with other multilateral development banks that have a regional focus but share a common mission of promoting inclusive and sustainable growth. These include the Asian Development Bank, the African Development Bank and the Inter-American Development Bank. These institutions provide technical and financial resources and are key development actors at regional and country levels.

**Private Sector and Civil Society**

In a climate of stagnant or falling official development assistance and in the face of an increasingly ambitious development agenda, many countries will face challenges in accessing technologies and innovations, enforcing social and environmental standards in export firms and in mobilizing resources for implementing programmes necessary to support the transition to inclusive and sustainable growth.

The private sector will be an important partner on all these fronts. For instance, the private sector can play a key role in improving access to affordable and clean energy and can introduce innovative financial instruments such as impact investing to support these efforts at national and local levels. Corporate social responsibility can be extended to address social and environmental standards in sectors such as agriculture and mining as well in export producing sectors and in industrial manufacturing firms. Moreover, employment creation, the adoption and implementation of the decent work agenda and the provision of social insurance will depend fundamentally on actions taken by firms in the private sector.

UNDP’s neutrality has greatly facilitated partnerships with civil society organizations in many countries. Areas where this partnership has been especially important are those of policy advocacy and monitoring the impacts of economic growth and of macroeconomic and trade policies on poverty, inequality and exclusion. Further, partnerships with civil society have been instrumental in shaping public opinion and focusing public policy on the environmental impacts of current growth strategies. These partnerships will continue to be vital for the effective implementation of UNDP’s strategy on inclusive and sustainable growth.
References


www.undp.org/content/dam/undp/library/Poverty%20Reduction/Towards_SustainingMDG_web1005.pdf


International Policy Centre for Inclusive Growth (2112) "Macroeconomic Vulnerability in Developing Countries: Approaches and Issues", Working Paper No 94, Brazil.


Ranganathan, J. and M. Grossi (2013) "Must Brazil Choose between Economic Growth and Environmental Conservation?", World Resources Institute.


