The Sustainable Development Goals: A duty and an opportunity

by
Gabriela Ramos,
OECD Chief of Staff and Sherpa to the G20
The Sustainable Development Goals (SDGs) are universal, multidimensional, and ambitious. To achieve them we need an integrated framework that promotes a growth path that respects the environment, and whose benefits are shared by all, not only by the privileged few. The concept of sustainable development challenges us to rethink how we relate to the world around us and how we expect governments to make policies that support that world view.

First, there is the realisation that economic growth alone is not enough: the economic, social and environmental aspects of any action are interconnected. Considering only one of these at a time leads to errors in judgment and unsustainable outcomes. The growth accounting that we have relied on has fallen short, by not raising the alarm regarding the accumulated imbalances that brought the worst financial crisis in our lifetime in 2008, and regarding natural resource depletion and high inequalities of income and outcomes for people.

Next, the interconnected nature of sustainable development calls for going beyond geographical or institutional borders, in order to co-ordinate strategies and make good decisions. Problems are rarely easy to contain within predefined jurisdictions such as one government agency or a single neighbourhood, and intelligent solutions require co-operation as part of the decision-making process. Our policy decisions should keep in mind that our decisions and actions will have impacts elsewhere, will influence the future, and be bound by national circumstances, institutional settings, and the historical and cultural traits that define our societies.

Most of all, we need a growth path that puts people's well-being at the core of policy efforts, and where GDP per capita and income are key elements of course, but not the only ones. In a highly interconnected global economy, the linkages between our economies, societies and environment should be central, and our policy choices should be informed by this high level of complexity.

The SDGs are therefore a healthy reminder that, to deliver, we should change the way we operate and update the tools that we use to understand the world. Indeed, to realise that GDP is a means to an end, and not an end in itself.
At the OECD we have been preparing for this in the last decade. We launched the New Approaches to Economic Challenges Initiative that makes a call to develop an agenda for sustainable and inclusive growth. We have also developed a hands-on agenda for green growth, and we have been working to address the slowdown of productivity growth with policy measures that will also have a positive impact on reducing inequalities of income and opportunities. That means changing the way we work, getting away from the “silo” approach, and trying to anticipate and shed light on the unintended consequences of the choices we make.

Our work on inclusive growth is a good illustration of this. Rising income inequality is often accompanied by greater polarisation in educational and health outcomes, perpetuating a vicious circle of exclusion and inequality. Moreover, inequalities impose costs on economic growth, particularly where inequality of opportunity locks in privilege and exclusion, undermining intergenerational social mobility. Accounting for the multidimensional nature of inequalities means evaluating the effects of policies on both income and non-income outcomes, as well as for different social groups.

Our analysis shows that “multidimensional living standards” – a measure that combines changes in household income, health and labour market outcomes – rose faster for more affluent social groups than for middle class or low-income households on average among OECD countries, and suggests that improvements in life expectancy and strong job creation during 1995-2007 did not compensate for widening income inequality.

A better understanding of the effects of policies on specific social groups allows policy makers to identify trade-offs and complementarities between growth and distributional objectives. For instance reducing regulatory barriers to domestic competition, trade and inward foreign direct investment can lift the incomes of the lower-middle class by more than it does GDP per capita. Conversely, a tightening of unemployment benefits for the long-term unemployed, if implemented without a strengthening of job-search support and other activation programmes, may lead to a
decline in the income of the lower-middle class, even if it boosts average incomes.

These findings are reinforced by our work on the quality of jobs, defined as good pay, labour market security, and a decent working environment. There appear to be no major trade-offs between job quality and quantity but rather, potential synergies: countries that do relatively poorly with respect to job quality tend to have relatively low employment rates and vice versa.

In talking about jobs and equality, it is important to remember that the environment is not something you can think about later, once you have enough growth. Economic progress rests on ecological foundations. Natural capital – air, water, and other resources – is finite and has to be managed just as carefully as other forms of capital. More stringent environmental policies, when well-designed, need not undermine productivity growth. Similarly, policies that make environmental sense can support economic growth and promote social inclusion too.

Designing a strategy to implement the SDGs comes down to answering three questions. What should economies be doing? How should they be doing it? And for whom? These questions are not new. Gro Brundtland’s answer in her 1987 report *Our Common Future* was economies promoting “growth that is forceful and at the same time socially and environmentally sustainable”. But 20 years after Brundtland, we have still not managed to develop an integrated framework that combines the main objectives of well-being in a synergistic way. To do so we need to develop the best tools, but more importantly, to change habits – which is not easy – or to go against vested interests that benefit from the status quo. The political economy of reform is not going to be easy.

On the side of change, the SDGs give us not just the duty but the opportunity to advance our thinking. Let’s not waste it!
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OECD work on green growth and sustainable development: www.oecd.org/greengrowth
