

# Meeting of the Members of the Council on the 2030 Agenda for Sustainable Development

Paris, 6 March 2019

## **Key issues for discussion**



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This paper has been developed to help frame the discussions among OECD Members and Partners at the 2019 Meeting of the Members of the Council on the 2030 Agenda for Sustainable Development. For each of the three thematic sessions, it provides a brief synthesis of why the chosen issue matters, what the evidence tells us, as well as possible implications for public policy. It also proposes guiding questions for the discussion.

This paper should be read alongside the draft agenda, which provides an up-to-date list of presenters. A selection of room documents presenting relevant OECD work will also be made available to participants at the meeting venue and online.

As in previous years, the meeting provides participants with the opportunity for a political dialogue on progress, constraints and lessons learned in the implementation of the 2030 Agenda at the national level. With the exception of a small number of targeted presentations by guest speakers at the beginning of each session, the format is deliberately interactive. Any delegation may intervene at any point. Delegations are invited to refrain from delivering lengthy formal statements.

This year's discussion will focus on (1) addressing inequalities by empowering those left behind; (2) achieving environmental objectives; and (3) mobilising more impactful and effective financing for the SDGs. The topics have been chosen on the basis of the OECD's expertise, the interest expressed by participants, and the potential for the discussion to feed into other relevant debates (such as the UN High Level Political Forum, as well as high-level events being convened by the presidencies of the UN General Assembly and Economic and Social Council in 2019).

## Session 1: Addressing inequalities by empowering those left behind: promoting gender mainstreaming and skills and education policies that are fit for 2030

### **What are the issues at stake?**

Delivering on the central promise of the 2030 Agenda, leaving no one behind, means that at least 730 million people<sup>1</sup> would need to be lifted out of extreme poverty by 2030 to achieve SDG 1. Some 10% of the global population live in extreme poverty – predominantly in sub-Saharan Africa and fragile states.<sup>2</sup> Almost all OECD countries have met SDGs targets when it comes to absolute poverty, however relative poverty loom large, with 12% of the population living with less than half of the median income and 40% being economically vulnerable<sup>3</sup>. In addition, over the last three decades or so, inequalities have been on the rise in the majority of OECD countries and remain large in most of emerging<sup>4</sup> and low-income economies. In terms of real disposable household income, the richest 10% earned on average one quarter of the total income and held about one half of the total net wealth across OECD countries in 2016.<sup>5</sup>

Women and girls are particularly exposed to poverty: 330 million women and girls live on less than USD 1.90 a day globally, which is 4.4 million more than men<sup>6</sup>. Across OECD countries, 12% of women live in poor households, which is 2 percentage points higher than men<sup>7</sup>

Gender gaps in labour market participation have shrunk considerably in 16 emerging economies, which account for over half of the world's population<sup>8</sup> but progress has been uneven. Participations gaps remain large in the Middle East and North Africa, India and Indonesia. Those gaps also vary significantly within emerging market economies, with the most disadvantaged groups displaying the greatest gender disparities.<sup>9</sup> Gender employment gaps have narrowed in almost three-quarters of OECD countries since 2012, yet the overall decline has been slow; between 2012 and 2016, the average gender employment gap in the OECD decreased from 11.8 to 11.2 percentage points. When women do work, they are more likely to work part-time, are less likely to advance to management, are more likely to face discrimination and earn less than men. Across OECD countries, the gender pay gap among full-time workers remains almost unchanged at just below 15% since 2010 and gaps are especially large among high earners<sup>10</sup> (see Box 1 on The Equal Pay International Coalition on how the OECD is working with the International Labour Organization (ILO) and UN Women to address the gender pay gap).

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<sup>1</sup> World Bank. 2018. Poverty and Shared Prosperity 2018: Piecing Together the Poverty Puzzle, p.1 <https://openknowledge.worldbank.org/bitstream/handle/10986/30418/9781464813306.pdf>

<sup>2</sup> As the 2018 OECD States of Fragility report shows, fragility and being left behind go hand in hand. More than 80% of the world's poorest people are projected to live in fragile contexts by 2030, many of which have the most unequal distribution of incomes in the world.

<sup>3</sup> Balestra and Tomkin (2018).

<sup>4</sup> Balestra et al., (2018).

<sup>5</sup> OECD (2018), *Opportunities for All: The Framework for Policy Action on Inclusive Growth*, OECD Publishing. The richest 1% (5% and 10%, respectively) held on average 18% (38% and 52%, respectively) of the total households net wealth in OECD countries, in 2016 or latest.

<sup>6</sup> UNWOMEN (2018) Turning promises into action: Gender equality in the 2030 Agenda for sustainable development. <http://www.unwomen.org/-/media/headquarters/attachments/sections/library/publications/2018/sdg-report-fact-sheet-global-en.pdf?la=en&vs=3554>

<sup>7</sup> OECD Income Distribution Database; accessed in January 2019.

<sup>8</sup> OECD (2016), *OECD Employment Outlook 2016*, OECD Publishing, Paris

<sup>9</sup> OECD (2017), *The Pursuit of Gender Equality: an Uphill Battle*, OECD Publishing, Paris; OECD Gender database: [www.oecd.org/gender](http://www.oecd.org/gender)

<sup>10</sup> OECD (2017), *The Pursuit of Gender Equality: an Uphill Battle*, OECD Publishing, Paris

Gender gaps persist in all areas of social and economic life, and in countries at all levels of development. While young women in OECD countries now obtain more years of schooling than young men, on average, girls are much less likely to study in the science, technology, engineering and mathematics (STEM) fields. Women also remain underrepresented in political and business leadership positions. Harassment and violence against women (VAW) represent the worst manifestation of gender inequality, but VAW remains endemic in much of the world. Public attitudes towards the roles of men and women continue to be a serious obstacle to greater gender equality<sup>11</sup>. Gender stereotypes are sometimes portrayed through the mass media in terms of expectations about male and female stereotypical behaviour; which under certain circumstances may normalise “hegemonic masculinity” and women’s limited representation in media outlets – including at high levels – with possible negative implications for how girls and women are portrayed in a society<sup>12</sup>.

### **Box 1: The Equal Pay International Coalition**

In 2017, the OECD co-founded the Equal Pay International Coalition (EPIC) with ILO and UN Women, to further pay equity and help countries achieve SDG Target 8.5<sup>13</sup>.

EPIC is built on the recognition that no single actor can achieve target 8.5 alone, and that efforts can be accelerated through leveraging expertise across a diverse range of stakeholders. Key stakeholders include Australia, Canada, Germany, Iceland, Jordan, Korea, New Zealand, Panama, Peru, South Africa, Switzerland, as well as the International Organisation of Employers (IOE) and the International Trade Union Confederation (ITUC), and a number of private sector companies and civil society organizations. EPIC also includes Equal Pay Champions who are influential individuals who advocate for equal pay in their personal capacity.

EPIC accelerates progress towards gender pay equity by raising awareness, sharing knowledge, embracing innovation and scaling up initiatives and programmes that have already yielded positive results. The Coalition also provides support to improve legislation, build capacity and strengthen monitoring and enforcement mechanisms. Widespread awareness, built on a strong foundation of empirical evidence, is crucial for tackling discrimination, which often reinforces the gender pay gap. EPIC’s work also includes advocacy campaigns and equal pay conferences, meetings and sharing of good practices to increase public awareness and media coverage on the issue.

Education plays a critical role in eradicating poverty and creating opportunities for prosperous future, but high inequalities undermine the ability to invest in education and reduce the opportunities for children. On average, 16% of students of lower secondary school age across the world did not attend school<sup>14</sup>. While in OECD countries, only 1.6% of adolescents are out of school, in sub-Saharan African countries, only 28% of adolescents are enrolled in secondary

<sup>11</sup> OECD (2017), *The Pursuit of Gender Equality: an Uphill Battle*, OECD Publishing, Paris

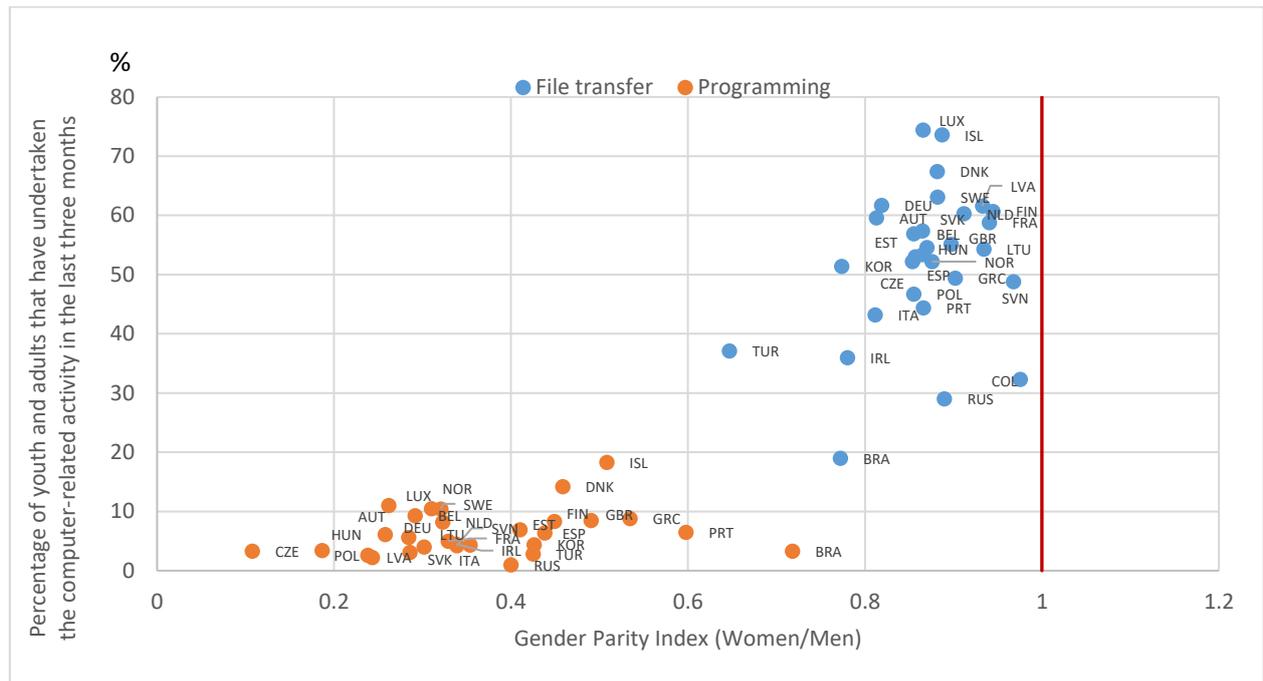
<sup>12</sup> Hegemonic masculinity is a representation of society’s ideal of how male behaviour should be and sometimes this social ascendancy is portrayed through the mass media. Source: UNESCO (2014), *Media and Gender: A Scholarly Agenda for the Global Alliance on Media and Gender*, by Aimeé Vega Montiel, [http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/CI/CI/pdf/publications/media\\_and\\_gender\\_scholarly\\_agenda\\_for\\_ga\\_mag.pdf](http://www.unesco.org/new/fileadmin/MULTIMEDIA/HQ/CI/CI/pdf/publications/media_and_gender_scholarly_agenda_for_ga_mag.pdf)

<sup>13</sup> SDG 8.5 By 2030, achieve full and productive employment and decent work for all women and men, including for young people and persons with disabilities, and equal pay for work of equal value

<sup>14</sup> The Institute of Statistics of the United Nations Educational, Scientific and Cultural Organization (UNESCO; 2014 data); OECD (2017), *Educational Opportunity for All*



**Figure 1: Proportion of youth and adults that have undertaken computer-related activities in the last three months, and related Gender Parity Index (2016)**



Source: United Nations Global SDG Database (2016)

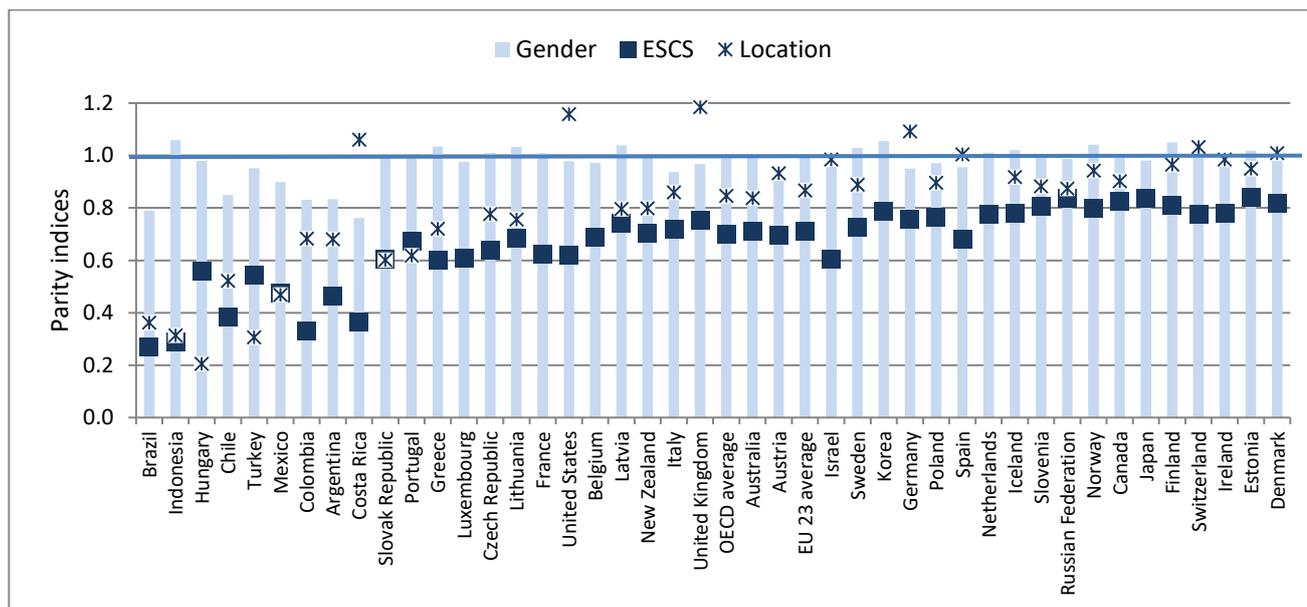
Besides gender differences, the performance of 15-year-olds in mathematics is strongly associated with the location of their school (in rural or urban areas) and with their socio-economic background (Figure 2). In low-income countries there is a wide gap in enrolment rates between students from high- and low-income families: for example, students from the richest 20% of households in Ghana have on average six more years in school than their peers at the bottom of the income distribution.

Across OECD countries, 18-24 year-olds whose parents have not attained tertiary education represent only 47% of new entrants into bachelor’s, long first-degree or equivalent programmes, although they represent more than 65% of the population of that age group. Moreover, first- and second-generation immigrants are under-represented among entrants into and graduates from bachelor’s or long first-degree programmes.

The drag of socio-economic status on equity builds up over life: those who have attained only upper secondary education are less likely to be employed and earn 65% as much as their tertiary-educated peers. In addition to this, access to good-quality life-learning opportunities is unevenly distributed. On average across the OECD, only 17% of low-skilled workers participated in job-related training in a 12-month window, compared to 40% among all workers<sup>22</sup>. Low skilled workers are generally at a higher risk of automation, and would benefit from having access to lifelong learning opportunities.

<sup>22</sup> OECD (March 2018), Policy Brief on the Future of Work, “Putting faces to the jobs at risk of automation”

**Figure 2: Gender, Socio-economic status and Location Parity Index (2015)**  
**Proportion of 15-year-olds achieving at least Proficiency Level 2 (PISA) in mathematics<sup>23</sup>**



*Note: Countries are ranked based on the sum of distance of each index to 1 (high to low). Socio-economic parity is measured based on the PISA index of economic, social and cultural status (ESCS). The ESCS Parity Index is the ratio of the indicator value for the first quartile over the value for the fourth quartile of ESCS. Location parity is measured using the PISA definition of rural and urban areas (urban schools are located in communities with over 100 000 inhabitants). The Location Parity Index is the ratio of the value for students in urban schools over the value for students in rural schools.*

Source: PISA (2015).

<sup>23</sup> The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West Bank under the terms of international law.

## What are the policy implications?

A “people-centred growth model”, such as the one embodied in the OECD *Framework for Policy Action on Inclusive Growth*<sup>24</sup>, is key to reduce inequalities and ensuring that no one is left behind.<sup>25</sup> The Framework stresses the importance of investing in people and places left behind; supporting business dynamism, making labour markets more inclusive, and build efficient and responsive governments. The Framework highlights that horizontal agendas such as inclusive growth and the SDGs require a whole-government-approach that factors in distributional and equity considerations (e.g. equality of opportunities), in the design and implementation of policies.

Reducing gender gaps offers a case in point of such a holistic approach. Bringing together gender and sustainability goals requires a coherent policy framework that recognises the role that women play in maintaining ecosystems and in promoting responsible consumption and production patterns.<sup>26</sup> To address the gender-sustainability nexus, policy-makers should act at three levels simultaneously: (i) *individual* – by taking into account differences in the needs and behaviours of individuals, and advancing well-being objectives with sustainability goals in mind; (ii) *societal* – by ensuring gender equality in public life, including labour markets, legislation, and all sectorial policies; (iii) *global* – by incorporating a gender and sustainability perspectives into all transboundary policies such as trade, investment, migration, development cooperation, and environment, including the private sector.<sup>27</sup>

The OECD has long documented the importance of tackling gender disparities starts in education and labour market policies. Addressing gender gaps in education (particularly in developing countries) will help boost economic empowerment of women. Increasing gender equality in the labour market also requires a more equal sharing of care responsibilities. Access to affordable, good-quality early childhood education is crucial in this respect, as is providing incentives for fathers to take paternal leave. More OECD countries are reserving non-transferable periods of paid parental leave for use by fathers, which seems to have increased men’s uptake of parental leave. Paying parental leave well will help increase uptake further. Policies to promote greater access to flexible working arrangements can help all workers to find a better balance between work and family life.

Tackling gender stereotypes is also crucial but challenging and OECD countries have applied a range of tools, including awareness campaigns, to increase the uptake of parental leave and part-time work among fathers. Since 2013, at least six OECD countries – Australia, Austria, the

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<sup>24</sup> C/MIN(2018)5 and C/M(2018)15, Item 137.

<sup>25</sup> OECD (2018), *Opportunities for All: The Framework for Policy Action on Inclusive Growth*. The Framework aims to help countries address the inequalities along three policy dimensions: (1) to promote a better sharing of productivity gains, while maintaining strong incentives to create prosperity in the first place; (2) to protect and make the most out of a diverse workforce and thriving business environment, and (3) to create opportunities to increase resilience and adapt labour and product markets to global circumstances and future demands.

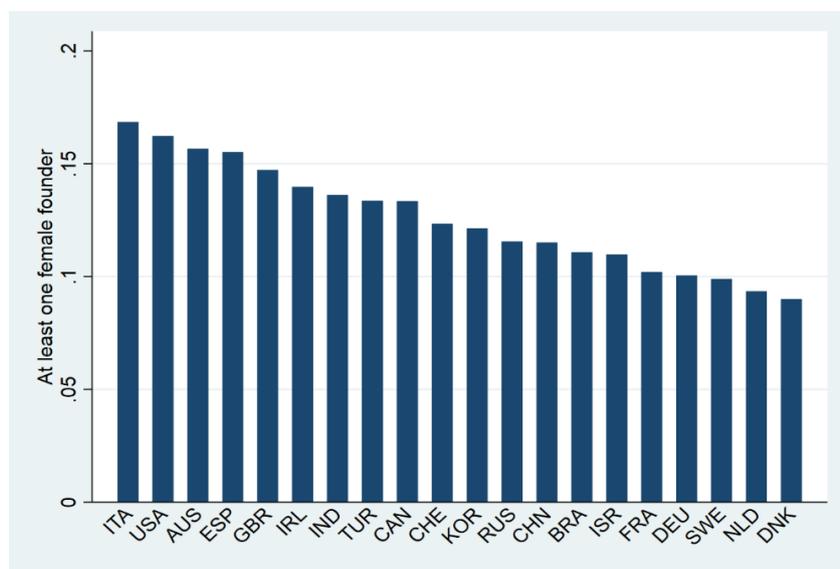
<sup>26</sup> Boarini and Strumskyte, 2018.

<sup>27</sup> For instance at the individual level, governments could work to increase female labour force participation while ensuring that such employment is flowing to sectors with sustainable production practices, and leveraging women’s attitudes to the environment and their role in household decision-making in order to promote sustainable consumption patterns. At the same time, governments should take into account gender and environmental considerations in urban and infrastructure development and natural resource management. At the societal level, action could revolve around tackling the gender deficit in ownership, asset control and governance, with a specific focus on the utilities, energy and transportation sectors, which account for the largest part of the carbon and environmental footprint. At the same time, governments should ensure green and gender budgeting and accountability in public policies. At the global level, it would be important to jointly address the gender and sustainability impact of trade and investment policies, cross-border corporate activities, migration, development cooperation and other transboundary spillovers.

Czech Republic, Korea, Portugal and Slovenia – have carried out national public awareness campaigns against gender stereotyping and norms, using a mixture of traditional and online media channels. More action is also needed to avoid that media and social networks have a negative impact on social norms and gender stereotypes.

Another area where more action is needed is on expanding women’s access to capital and business creation. Female-founded start-ups are less likely to receive venture capital funding than start-ups founded by men only (Figure 3). Female-founded start-ups are also less likely to receive funding in Europe, but not in the US. However, in both regions, even when taking into account the personal and regional characteristics, the amount of funding received by female founded start-ups is a third less than that for male-led start-ups.

**Figure 3. Female-founded innovative start-ups across the OECD and BRICS, Share of companies with at least one female founder, among those seeking venture capital funding**



Note: Graph limited to top 20 countries in terms of number of start-ups. The sample is limited to companies in OECD and BRICS countries, founded between 2000 and 2017. *Dissecting the Gender Gap in Start-Up Funding Using Crunchbase*

Source: Calculations from Lassebie et al. “Levelling the Playing Field: Dissecting the Gender Gap in Start-Up Funding Using Crunchbase” (OECD forthcoming 2019) based on [www.crunchbase.com](http://www.crunchbase.com)

Clear progress has been made with political commitments to eliminate gender inequality in many countries (SIGI, 2019). New legislation has enhanced equality and abolished discriminatory laws, including through gender-transformative programmes and action plans. However, too often political engagements, legal reforms, and gender-sensitive programmes are still not being translated into real change. Gender-based discrimination remains a lifelong and heterogeneous challenge for women and girls in many developing countries. Locally designed solutions combined with adequate legislation are needed for more social change to take hold.

In emerging and low-income economies, in particular, progress is needed on eliminating legal barriers and loopholes to women's empowerment and protection of women's rights. Nearly half of all countries in the world prevent women from entering certain professions; the majority allows girl child marriage; only ten countries in the world have legal frameworks to protect women from

online violence (SIGI, 2019).<sup>28</sup> In addition, a transformative gender approach to challenge customary laws and social norms that lock women's empowerment opportunities would be needed.<sup>29</sup> Standard policies to promote gender equality are not sufficient to create social transformation, particularly if customary laws and social norms determine communities and individuals' behavior.<sup>30, 31, 32</sup>

In line with the 2015 *OECD Recommendation on Gender Equality in Public Life*<sup>33</sup> mainstreaming gender considerations in the design and implementation of policies is key to reduce gender disparities. As part of its Policy for Global Development, Sweden has made gender equality a core priority of its national strategy, identifying gender equality budgeting as a strategic tool to meet Goal 5 and thus ensure the implementation of the 2030 Agenda. In Mexico, gender mainstreaming has been incorporated as a transversal requirement in the realisation of the National Development Plan. In the context of its Gender and LGBTI Equality Policy Plan 2018-2021, the Netherlands is currently working on implementing SDG5 through the introduction of a quality requirement 'Effects on Gender equality'.

Similar initiatives take place outside OECD countries (see also Box 2: Reducing inequalities through development co-operation). Paraguay targeted gender mainstreaming in SDGs by establishing gender equality as a cross-cutting priority in its National Development Plan of Paraguay 2030 (PND 2030). Kenya identified gender mainstreaming as a central strategy for development policies, which helped the country to advance in developing and improving methodologies for measuring different forms of gender-based discrimination, such as unpaid care work.

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<sup>28</sup> To monitor progress towards legal protection, the SIGI is one of the official data sources for SDG 5.1.1 (measuring whether legal frameworks are in place to promote, enforce and monitor gender equality and women's empowerment).

<sup>29</sup> For example, the Indian government faces one of the highest number of adolescent brides in the world. To accompany the 2006 Child Marriage Act prohibiting girl child marriage (SIGI, 2019), a three-pronged approach has been implemented. This was based on national mass media campaigns to raise awareness on the negative impact of child marriage and to sparkle public dialogue around the issue, reaching out 240 million people so far; the provision of trainings to influential community and religious leaders to allow them to become actors of social change, leading to a 16% increase in community engagement to tackle child marriage; and direct interventions in local communities to trigger discussions around child marriage (SIGI, 2019).

<sup>30</sup> The OECD Social Institutions and Gender Index (SIGI) shows that translating political commitment into actions notably requires to include discriminatory formal and informal laws, social norms and practices into the equation. SIGI shows that, despite increasing political commitments and legal reforms enhancing women's rights, persistent customary laws and social norms weaken the implementation of legal reforms and expose women and girls to ongoing discrimination.

<sup>31</sup> Similarly, despite criminalisation of female genital mutilation in many African and Middle East countries, this harmful practice remains pervasive in certain communities, and justified by both women and men, despite its threats on girls' health, just because men believe that marrying an excised woman would ensure having a faithful wife and more sons.

<sup>32</sup> For instance, while some national legal frameworks criminalise domestic violence, threats to women's physical integrity are widespread and considered "normal", with 27% of the world's female population justifying domestic violence under certain circumstances and 33% of them victim of domestic violence.

<sup>33</sup> The 2015 Recommendation suggests to (1) develop a gender equality strategy and integrate it into the broader SDG agenda; (2) establish institutional frameworks for gender equality, in particular gender institutions; (3) advance gender mainstreaming through the application of gender impact assessments and through the use of government tools such as public procurement, regulatory cycle and budgeting; and (4) develop effective reporting, monitoring and evaluation mechanisms of gender equality strategies.

## **Box 2: Reducing inequalities through development co-operation**

Donors can do better to implement a twin-track approach to achieve gender equality and women's empowerment in the development efforts and funding programmes, as recommended by the Development Assistance Committee (DAC) and analysis by the Development Co-operation Directorate and the DAC Network on Gender Equality (GENDERNET).<sup>34</sup> Bilateral allocable aid to gender equality has remained low at about USD 2 billion per year since 2010, as depicted by the ODA *Gender Equality Policy Marker*. In 2016-17, the OECD-DAC Members committed an average of USD 44.8 million per year on gender equality and women's empowerment, however, a total of 62% of aid still does not target gender equality.<sup>35</sup> However, progress has been made by some countries. Switzerland, for example, approved new guidance for integrating its commitment to leave no one behind in the development co-operation programme since January 2019. Germany and Australia have supported the Cambodian government with a mechanism to identify and target the poorest households for social protection in rural and urban areas. Moreover, Swedish International Development Co-operation Agency (Sida) uses a "poverty toolbox" to conduct multidimensional poverty analyses.

Education has a strong potential to reduce socioeconomic and gender inequalities and make growth more inclusive, especially when playing in favour of the most disadvantaged children and families. While countries have invested considerable resources to ensure universal coverage of schooling in their populations, more schooling has not necessarily been met by higher educational attainment and higher levels of student performance. The challenge of achieving learning for all is a multi-dimensional one as it requires improving the effectiveness of schools in transmitting foundational skills, and at the same time designing institutions to sustain those skills along the life cycle of education.

In preparing children and youth for the jobs of tomorrow, it would be important to establish education systems that offer high-quality and outcome-focused learning opportunities, which are key to help people to switch jobs and adapt to changing external conditions. This would be especially important for children and youth with a disadvantaged background, that struggle the most to adapt to structural changes. Countries like Canada, Estonia, Finland and Singapore have been successful in delivering high-quality education for all youth.

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<sup>34</sup> Research on [Gender Equality and Women's Empowerment in Fragile and Conflict-Affected Situations: A Review of Donor Support](#), a number of policy and programming recommendations on ways to improve donor support to gender equality and women's empowerment in fragile and conflict-affected settings found that engaging women in peace processes improves the likelihood of success. Complementary practical [guidance](#) also provides implementation advice on engaging men for gender equality and taking politically-informed approaches.

<sup>35</sup> The OECD Strategic Analysis and Data on Official Development Assistance (ODA) to Gender Equality and the OECD on Development Finance for Gender Equality and Women's Empowerment: Data and Policy Implications.

Evidence from the OECD's PISA and other international benchmarking studies has revealed a range of features common to high-performing education systems, such as, placing education as a national priority by allocating resources to areas where they can deliver the most impact according to school's socio-economic characteristic, location and any special education needs. Specific policies can foster equitable educational outcomes at each stage of life; for example through<sup>36</sup>:

- Investing in early childhood education by removing barriers to early childhood education and care (ECEC), ensuring provision of quality of ECEC and supporting family and community-based interventions;
- Supporting low performers from disadvantaged backgrounds and disadvantaged schools, who need to be identified early on to provide effectively targeted support they need;
- Addressing gender biases in education curricula and encouraging greater female enrolment in STEM studies.
- Fostering entrepreneurship to improve and facilitate youth transition from school to work and adult life.<sup>37</sup> Entrepreneurship ecosystems for high-growth entrepreneurs are developing quickly, but offer employability and social mobility only to a few; while young entrepreneurs often face challenges in accessing financing instruments, improving capacity building, developing business networks and an entrepreneurial culture, accessing new markets and overcoming regulatory barriers, even more so than their adult counterparts; and
- Providing continuous education opportunities for adults to help them adapt to a changing world of work, by focusing on improving employability of adults from disadvantaged backgrounds and reducing barriers for their participation in adult education (e.g. a number of countries, including Austria, Canada and France, have introduced individual learning accounts for adults that can be used to finance costs of lifelong learning);

### ***Guiding questions for discussion:***

- What will it take for governments to translate the vision of no one left behind into more equitable, inclusive and sustainable policies domestically and internationally? How can the OECD support the development of these policies?
- How can gender mainstreaming be accelerated? How to promote access to good-quality affordable early childhood education? Which aspects of the OECD gender policy agenda should be further strengthened?
- How to best deliver educational and skill policies that help the most disadvantaged to navigate structural changes and to best prepare for the jobs of tomorrow? Can you share successful experiences of skilling programmes that were targeted to disadvantaged children and youth?

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<sup>36</sup> OECD (2017), *Educational Opportunity for All: Overcoming Inequality throughout the Life Course*, OECD Publishing, Paris.

<sup>37</sup> For example, in the LAC region the prevalence of own-account workers among youth (16%) is on average more than twice higher than in the OECD countries (6%). Only 21% of young entrepreneurs in the LAC region possess tertiary education, compared to 34% in OECD economies.

## Session 2: Achieving environmental objectives, including for interim 2020 targets

### **What are the issues at stake?**

The SDGs are an indivisible set of global priorities that integrate the economic, social and environmental dimensions of sustainable development. Global momentum towards sustainable development has been significantly enhanced by the adoption of the 2030 Sustainable Development Agenda and the Paris Agreement on climate change. Despite this positive progress, some of the recent calls for measures to increase national competitiveness still come at the expense of environmental protection.

While urgent action is required to make progress on all SDGs, a group of targets are already set to be achieved in 2020. Most of these are environment-related (see Box 6 at the end of this section for the full list) and available data reveal a lack of progress on many fronts. Global trends in biodiversity continue to decline; oceans are being used at unsustainable rates (with increasing pressures of overfishing, pollution, habitat degradation, and climate change); and global greenhouse gas emissions continue to rise. Making progress towards environmental SDGs can also generate co-benefits that ensure advancement on interrelated goals such as food security, adequate sanitation, health, quality employment and education. For example, in 2016 an estimated 4.2 million people died as a result of high levels of ambient air pollution; and 91 % of the urban population worldwide were breathing air that did not meet the World Health Organisation air quality guidelines value for particulate matter (PM 2.5)<sup>38</sup>. The attainment of the SDGs and the targets impact the attainment of environmental objectives. For example, with respect to SDG7 on affordable, reliable, sustainable and modern energy for all, in 2016, 3 billion people or 41% of the world's population were still cooking with polluting fuel and stove combinations<sup>39</sup>. Many environment-related SDGs lack good quality data, which hampers countries' ability to evaluate policy outcomes and determine priorities for future action.

Decoupling economic growth from natural resource use is fundamental to sustainable development, including through the achievement of SDG 8.4<sup>40</sup> and SDG 12.2<sup>41</sup>. The OECD's recent *Global Material Resources Outlook to 2060* shows that the materials intensity of the global economy is projected to decline more rapidly than in recent decades — at a rate of 1.3% per year on average. Despite these advances, global materials use has continued to grow and is projected to nearly double from 89 gigatonnes (Gt) in 2017 to 167 Gt in 2060. Increase in materials use globally is projected to occur for all material groups (see Figure 4) and in all regions of the world<sup>42</sup>.

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<sup>38</sup> UN (2018) Report of the Secretary-General, The Sustainable Development Goals Report 2018

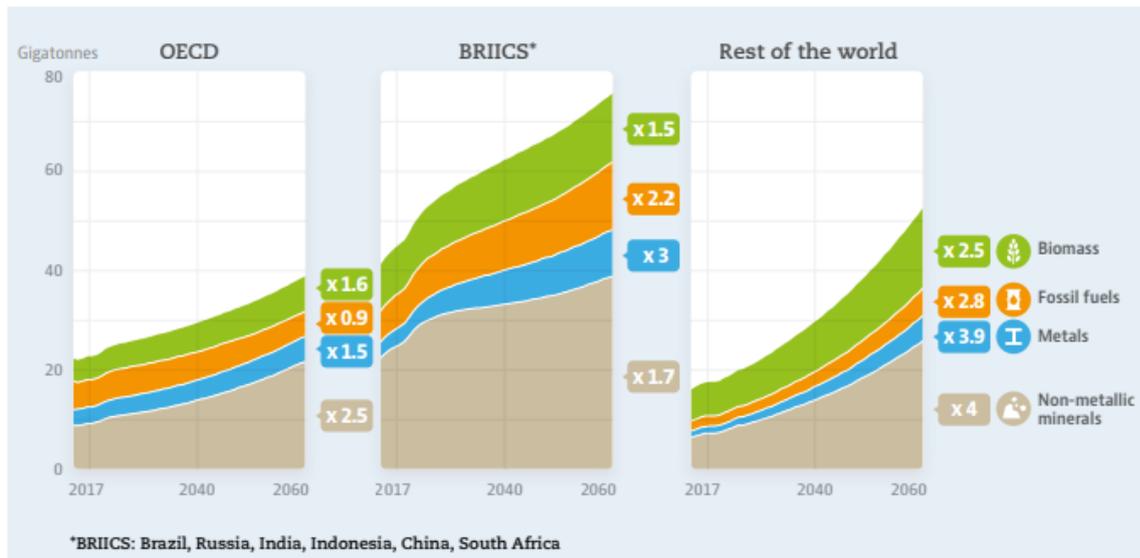
<sup>39</sup> UN (2018) Report of the Secretary-General, The Sustainable Development Goals Report 2018

<sup>40</sup> SDG 8.4 improve progressively through 2030 global resource efficiency in consumption and production, and endeavor to decouple economic growth from environmental degradation in accordance with the 10-year framework of programs on sustainable consumption and production with developed countries taking the lead.

<sup>41</sup> SDG 12.2 by 2030 achieve sustainable management and efficient use of natural resources.

<sup>42</sup> In the OECD it will increase from 24 to 39 Gt; in BRIICS from 47 to 75 Gt; and in the rest of the world from 18 to 53 Gt.

**Figure 4: Material use rises for all material groups**

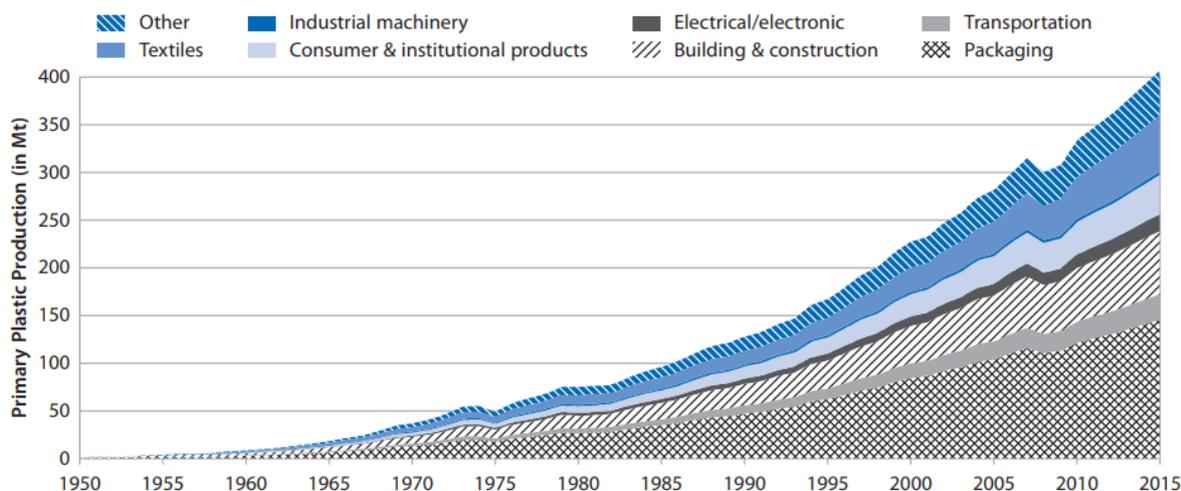


Source: OECD (2019) *Global Material Resources Outlook to 2060*

Similar challenging trends are observed on waste reduction and recycling, addressed in SDG 12.5<sup>43</sup>. OECD work on *Improving Markets for Recycled Plastics: Trends, Prospects and Policy Responses* shows that plastics have become one of the most prolific materials on the planet: about 380 million tonnes of plastics were produced globally in 2015, up from 2 million tonnes in the 1950s (Figure 5). Yet, while recycling rates have increased, today only 15% of this plastic waste is collected and recycled into secondary plastics globally each year. Governments are beginning to take action on this front and are launching new national and international initiatives, such as those on resource efficiency and ocean plastics developed in the frameworks of the G7 and the G20.

<sup>43</sup> SDG 12.5 By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse.

**Figure 5: Global primary plastics production by sector, 1950 to 2015 (million tonnes)**



Source: Geyer, Jambeck and Law (2017), *Production, use and fate of all plastics ever made*, <http://bit.ly/2uBs8AT>

Since 1970, one tenth of the world’s terrestrial biodiversity and one third of freshwater biodiversity have been wiped out. We are on course to lose another 10% of terrestrial species by 2050<sup>44</sup>. Biodiversity and ecosystem services provide invaluable – but often invisible – benefits at global, regional and local scales. These include services such as nutrient cycling, habitat provisioning, pollination, erosion control and climate regulation.

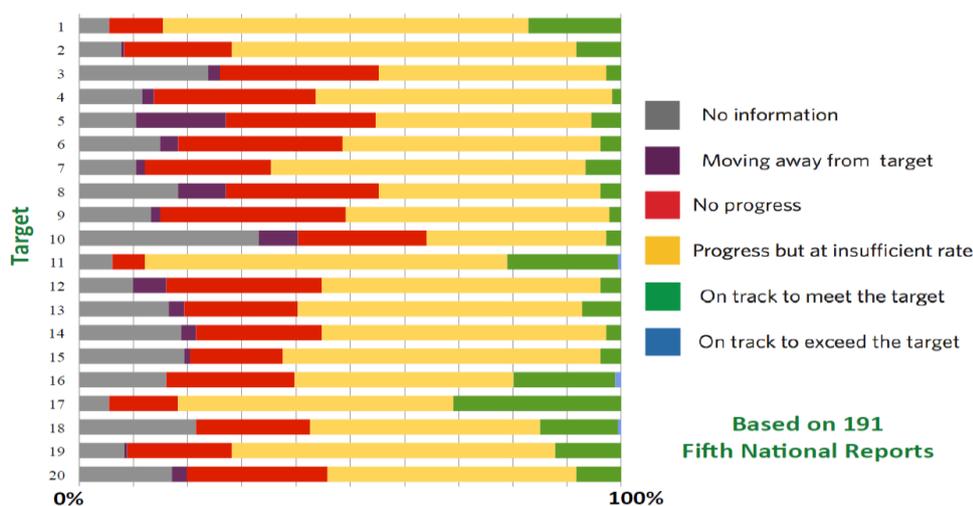
Globally, coastal waters continue to deteriorate due to pollution and eutrophication. Without concerted efforts, coastal eutrophication is expected to increase in 20 per cent of large marine ecosystems by 2050<sup>45</sup>. Whereas the growth potential of oceans economy is projected at twice the rate of the world economy, the prospects of this depend critically on the sustainable use and stewardship of the oceans.

Many of the targets for SDG14: Life Below Water and SDG15: Life on Land are meant to be achieved in 2020 as connected to the 2011-2020 Aichi Biodiversity Targets under the UN Convention on Biological Diversity (CBD). More specifically, 4 of the 10 SDG 14 targets are intended to be achieved by 2020, as are 5 of the 12 SDG 15 targets. Despite global efforts, progress towards the set of 20 Aichi Biodiversity Targets, which cover both marine and terrestrial ecosystems, is not occurring as rapidly as needed to mitigate biodiversity loss. Only a minority of countries are on track to achieve biodiversity targets (Figure 6).

<sup>44</sup> OECD (2018) *Mainstreaming Biodiversity for Sustainable Development*

<sup>45</sup> UN (2018) *Report of the Secretary-General, The Sustainable Development Goals Report 2018*

**Figure 6: Progress towards the 2011-2020 Aichi Biodiversity Targets, Percentage of countries meeting the targets**



Source: SCBD (2019) Presentation Current State and Future Trends, Regional Consultation Workshop on the Post-2020 Global Biodiversity Framework for Asia and the Pacific

<https://www.cbd.int/meetings/POST2020-WS-2019-01>

The urgency of stepping up climate change mitigation and adaptation actions cannot be overstated. Global CO<sub>2</sub> emissions from energy and industry increased in 2017, following a three-year period of stabilisation. Ecosystems threatened by climate change provide food, maintain biodiversity and deliver economic benefits estimated at USD 170 billion a year. These benefits and more will be lost if progress on climate change mitigation and adaptation remains incremental. The costs of extreme weather events, natural disasters, rising sea levels, desertification and other shifts associated with the changing climate are adding to this bill and eroding development gains across a number of countries. This disproportionately affects low-income countries and small island developing states (SIDS) and acts as a multiplier of threats including food insecurity, political instability and conflict (see Box 3 on progress towards SDG 13.A<sup>46</sup> on climate finance for developing countries). For example, it is expected that climate change will result in declining crop yields, with decreases of 20% and above widespread by 2050<sup>47</sup>. In Sub-Saharan Africa, South East Asia and Latin America, with climate change-associated factors such as water scarcity, rising sea levels and storm surges could displace over 143 million people or 2.8% of the population by 2050<sup>48</sup>. Other sources suggest up to 1 billion<sup>49</sup> environmental migrants<sup>50</sup> by 2050.

<sup>46</sup> SDG 13.A. Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly \$100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible.

<sup>47</sup> FAO (2016), Climate is changing. Food and agriculture must too

<sup>48</sup> Rigaud, K. et al. (2018) Groundswell: Preparing for Internal Climate Migration, World Bank, Washington, DC, <http://hdl.handle.net/10986/29461>

<sup>49</sup> OECD (2018) Development co-operation report 2018, p. 95

<sup>50</sup> Environmental migrants are persons or groups of persons who, for reasons of sudden or progressive changes in the environment that adversely affect their lives or living conditions, are obliged to have to leave their habitual homes, or choose to do so, either temporarily or permanently, and who move either within their territory or abroad, IMO (2018)

At the twenty-first session of the Conference of the Parties (COP21) in December 2015, countries agreed to “limit global warming to 2°C above pre-industrial levels” and “pursue efforts to limit the temperature increase even further to 1.5°C” (UNFCCC, 2015), contributing to the aims of SDG13: Climate Action. Global GHG emissions in 2030 need to be approximately 55% lower than in 2017 to put the world on a least-cost pathway to limiting global warming to 1.5°C (25% lower than in 2017 to limit to 2°C).<sup>51</sup>

The Nationally Determined Contributions (NDCs), which specify countries’ emissions reductions for the post-2020 period, collectively still fall substantially short of what is necessary to put the world on a pathway in line with the Paris Agreement long-term temperature goal.

**Box 3: The \$100 billion target**

Helping developing countries meet their climate objectives is a central pillar to meeting global climate objectives (SDG 13.A). Recent OECD analysis shows that public climate finance from developed to developing countries increased by 44% from 2013 to 2017: from USD 37.9 billion in 2013 to USD 54.5 billion in 2017<sup>52</sup>. While this shows some progress, achievement of the USD 100 billion goal requires not just adequate levels of public finance but also improvements in the effectiveness with which public funds are used to mobilise private finance and build domestic capacities in developing countries.

The digital transformation holds a potential for the monitoring of environmental objectives and in mapping and quantifying synergies between SDGs. Big data, artificial intelligence (AI), the internet of things (IoT), blockchain and other innovative technologies can contribute to environmental objectives in a range of urban and sectoral policies (e.g. in energy, water, agriculture and transport) to regional and national policies for climate change mitigation and adaptation. For example, AI and the IoT can incorporate data from smart meters, manage and repair renewable grids, store energy, and forecast energy demand. Big data and deep learning can help to improve the accuracy of climate change projections, improve the efficiency and productivity of agricultural production, forecast and track air pollution, simulate zoning laws and devise flood plains to assist with disaster preparedness.

The potential of the digital transformation for a net zero carbon economy is, however, not realised and there are signs of decline in green innovation (indicated by the share of environment-friendly inventions and by public R&D budgets for environmental technologies). Existing technologies are not scaling up and diffusing fast enough and remain locked in specific sectors and countries, with few spill overs. The capacity to adopt low-emissions innovative technologies remains out of reach for many less-advanced economies. A necessary condition to reinvigorate investment in green innovation is the introduction of a sufficiently high and stable price on pollution. It would also incentivise behavioural responses, which would trigger additional demand for energy savings and other policies aimed at fostering efficiencies and contributing to environmental objectives.

<sup>51</sup> UNEP (2018) Emissions Gap Report 2018  
[https://wedocs.unep.org/bitstream/handle/20.500.11822/26879/EGR2018\\_ESEN.pdf?sequence=10](https://wedocs.unep.org/bitstream/handle/20.500.11822/26879/EGR2018_ESEN.pdf?sequence=10)

<sup>52</sup> OECD (2016), 2020 Projections of Climate Finance Towards the USD 100 Billion Goal: Technical Note, OECD Publishing, Paris, <https://doi.org/10.1787/9789264274204-en>

## ***What are the policy implications?***

The ability of the global economy to sustain long-term prosperity and well-being on a broad base will hinge on success in mitigating environmental pressures and risks as well as curbing the reliance on finite natural resources.

Incorporating environmental sustainability objectives within national and sectorial strategies would help significantly. In Finland, for example, the government has committed to exploring the use of a sustainable development impact assessment tool to systematically identify the unintended effects of policies, including on environment. The existing impact assessment process for bill drafting will be improved to ensure better alignment with the SDGs and to enhance coherence between actions undertaken at national and global levels. Steps are also taken by the Prime Minister's Office in 2018-2019 to include sustainable development impact assessment in key policy and legislative motions. The national follow-up system includes indicators on transboundary and intergenerational issues, which can be used to inform decision-making<sup>53</sup>.

The OECD is supporting countries in developing ways to introduce the value of natural capital in decision-making, recognising the social and economic benefits of a healthy environment. For example, the OECD Green Growth Framework and the Green Growth Indicators are mainstreamed through the country peer review process, such as Environmental Performance Reviews, the Green Growth chapters of OECD Economic Surveys and the flagship Going For Growth report. Other OECD work includes providing tailored advice on SDG implementation at the national level through work on long-term low greenhouse gas emission development strategies, framework on policy coherence for development<sup>54</sup> and work on mainstreaming climate change and biodiversity objectives across policy planning. The OECD also works with countries to improve their environmental information systems, develop policy-relevant indicators, and fill major data gaps including by using novel data sources such as earth observation.

Improving resource efficiency and furthering the transition to a circular economy are also important elements of green growth. Transitioning to a more circular economy could provide solutions to the challenges of increasing material resources use, as highlighted in the OECD's *Global Material Resources Outlook to 2060* and *Improving Markets for Recycled Plastics: Trends, Prospects and Policy Responses*. OECD's RE-CIRCLE project aim is to provide policy guidance to a range of stakeholders in OECD member countries and emerging market economies through quantitative and qualitative analysis.

The Paris Agreement also invites signatory countries to create long-term low greenhouse gas emission development strategies (LT-LEDS)<sup>55</sup>. Some countries are beginning to develop long-term low-emission development strategies and systematically integrate climate considerations in infrastructure planning, but they remain the exception rather than the rule. To date, only ten of the UNFCCC's 197 parties have submitted long-term low-emission development strategies: Benin, Canada, the Czech Republic, France, Germany, the Marshall Islands, Mexico, Ukraine,

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<sup>53</sup> OECD (2017, 2018)

<sup>54</sup> The OECD Framework for Policy Coherence for Sustainable Development (PCSD) provides a methodology for identifying and addressing critical interactions between the SDGs and targets, as well as the transboundary and intergenerational policy effects. It also helps governments identify and address analytical and institutional gaps, and to self-assess national performance and progress over time.

<sup>55</sup> These instruments have been defined as pathways which can help countries in identifying institutional, economic, technological changes and steps that are needed for the transition towards low-GHG economic development; generating as well insights into the development and implementation of (NDCs).

the United Kingdom and the United States<sup>56</sup> (see Box 4 for success factors and examples from the UK, France and Germany).

**Box 4: OECD findings on preconditions for success in developing long-term low emission development strategies (LT-LEDS) and selected examples from the UK, France and Germany:**

**Political commitment and strong leadership:** to initiate a national debate on a country's long-term strategy; to institutionalise a legal backing for its development; and to delegate the creation of the strategy to a suitable entity that has the required know-how.

- In the UK and in France, the Prime Minister and the former President endorsed the LT-LEDS, while the German LT-LEDS was adopted by the whole government including the Chancellor.
- Both, the UK and France, enacted a law – the UK Climate Change Act and the French Energy Transition for Green Growth Act (ETGG Act). Both laws require the respective governments to create a LT-LEDS in order to meet carbon budgets. In Germany, both governing political parties agreed on the creation of the LT-LEDS in the coalition agreement from 2013, although this document is not legally binding

**Engaging key stakeholders at early stages:** a clear and transparent timeline regarding the process of the stakeholder dialogue and clarity on the different activities and the role of different stakeholders enhances transparency while broadening participation.

- Germany initiated a broad and sophisticated public dialogue with citizens that cumulated in a “citizen report”. 52 out of the 77 measures included in the final LT-LEDS came from the report. An external consultancy managed the 18 month-long stakeholder engagement process.

**Policy coordination through the involvement of other ministries as well as local and sub-national governments ensures policy consistency with existing strategies.**

- France's LT-LEDS outlines 44 policy recommendations to transition to a low carbon economy across sectors: Transport, Residential-Tertiary, Agriculture, Forest-Timber-Biomass, Industry, Energy Production, and Waste. These recommendations link the LT-LEDS to existing sectoral plans.

**Scientifically sound modelling underpinning the interim and long-run targets of the strategy demonstrates the feasibility of the targets and, in turn, enhances credibility.**

**Clear monitoring mechanisms that are transparent and trustworthy, with indicators that are measurable and relevant to the targets and policies set in the strategy.**

**Clear funding strategy for measures included in the strategy.**

**Mechanisms that can facilitate making the commitment to implement the strategy: creation of an independent advisory body, a unit within government to track progress, and incorporating consequences in case of failure.**

- France and the UK created independent advisory bodies (outside of government) for monitoring the implementation of the LT-LEDS. Having these bodies contributes to making the political commitment to the LT-LEDS more credible since such institutions are independent and can, in principle, assess the implementation of the LT-LEDS objectively.

<sup>56</sup> UNFCCC, <https://unfccc.int/process/the-paris-agreement/long-term-strategies>, accessed on 13 February 2019

Mainstreaming marine and terrestrial biodiversity, and the ecosystem services they provide, in a wide range of national planning processes, strategies and policies is fundamental to the achievement of SDGs 14 and 15. OECD work on *Mainstreaming Biodiversity in Sustainable Development* (2018) examined how 16 of the most biodiversity-rich countries worldwide are integrating biodiversity in a range of national strategies and plans, in national budgets; in the agriculture, forestry and fisheries sectors; and in development co-operation. It provides good practice insights on how biodiversity mainstreaming can better be undertaken. For example, Brazil, China, Colombia, Nepal and the Philippines have a strategic direction, specific actions or targets, and indicators that help to measure progress. In the case of Peru, biodiversity is mainstreamed into the Bicentenary Plan 2021 via the strategic objective of “natural resources and environment” (one of six), which elaborates on biodiversity-specific goals, priority actions, indicators and targets, and includes cost estimates to implement underlying programmes. While progress is being made, there are large variations between countries, and efforts have not yet yielded results on the ground at the scale that is necessary to mitigate trends in biodiversity loss. Greater efforts are also needed to consistently monitor and evaluate biodiversity mainstreaming across countries.

Recognising that there can be obstacles to effective biodiversity policy reform (e.g. competitiveness concerns or distributional implications) the OECD report on *Political Economy of Biodiversity Policy Reform* (2017) provides an in-depth review of recent ocean and terrestrial biodiversity-related policy reforms and provides good practice insights on how these obstacles can be overcome. In Switzerland, for example, environmental NGOs played a key role as part of their lobbying efforts to disseminate information about expected benefits of reforms to specialised agricultural groups, such as alpine farmers, which benefitted from more payments for extensive production and biodiversity payments under the new system. This helped to encourage their engagement to support the reform process.

The forthcoming OECD report *Climate Change Mitigation through a Well-being Lens* places climate change mitigation goals in the perspective of wider sustainable development objectives. The report examines specific policies for mitigating climate change in key sectors (energy, industry, residential, transport and agriculture) and how these can be implemented in a way that increase synergies and minimise trade-offs with other well-being goals. For example, revenues from carbon pricing can be recycled for social spending. Luxembourg applies a social contribution rate to energy products, which is redirected towards an Employment Fund (dedicated to the promotion of training on the job and the integration/reintegration of jobseekers into employment). Likewise, Korea earmarks an education tax on fossil fuel consumption, and redirects funds to its education budget. Another example is how Transport for London has been able to achieve important shifts towards sustainable modes in juxtaposition with the systematic use of accessibility indicators. This has allowed achieving climate change mitigation, but also benefits in terms of social and economic fairness, health and support for new housing development. These indicators have been mainstreamed, for instance into standards for development, guiding activity location, density, parking recommendations, and the selections of opportunity areas; land-value capture mechanisms, constituting the base for negotiations on planning obligations and other contributions from developers (e.g. Community Infrastructure Levy); and the planning of the transport system.

Putting in place payments for ecosystem services schemes in agriculture is a way to incentivise the transition to low emission, sustainable agriculture and food systems. For example, in 1997, Costa Rica introduced a programme that compensates farmers and landowners for forest

conservation. Forestland in turn provides ecosystems services including carbon sequestration, hydrological services, biodiversity conservation, and preservation of scenic beauty. The programme has helped to protect nearly one million hectares of forest, 90% of the forest area in the country. An agreement signed in February 2019 between the Ministry of Agriculture and the Ministry of Environment expands this scheme to agricultural land.

National and cross-sectoral level efforts at integrating environmental objectives in development strategies have to be supported by sectoral strategies and action plans (see also Box 5 on development co-operation in support of environmental targets). OECD work on infrastructure, for example, highlights key actions for aligning financial flows with low-emission, resilient infrastructure. Financing Climate Futures: *Rethinking Infrastructure*, a collaboration with UN Environment and the World Bank Group provides governments with 6 transformative areas and 20 actions for how governments can ensure that infrastructure is low-emission, resilient and meets climate and development priorities. Aligning public, development, and private finance with long-term planning processes is fundamental.

**Box 5: Development co-operation in support of environmental targets**

Providers of development co-operation can play a catalytic role in supporting developing countries in their efforts to mainstream environment into national and sectoral planning processes in support of sustainable development. The OECD has a unique, project-level database that captures environmental and climate-related development finance for the three Rio Conventions, on Biodiversity, Climate Change, and Desertification. For example, biodiversity-related official development assistance (ODA) by members of the OECD Development Assistance Committee (DAC) reached USD 8.3 billion per year in 2015-16, representing 6% of total bilateral ODA commitments. This reflects a steady increase over the years, both in absolute terms, and as a share of total bilateral ODA. Despite this trend, there remains considerable scope to further strengthen the focus on biodiversity considerations in sectors with a high impact on biodiversity, such as (i) water and sanitation, and (ii) agriculture, forestry and fishing.

**Guiding questions for discussion:**

- What are the main challenges and opportunities for mainstreaming environmental objectives, including on biodiversity, climate change and resource efficiency, into national planning processes? How are intergenerational issues addressed in your country?
- What tools have been developed to assess the transboundary impact of domestic policies? How can countries ensure that policy coherence is mainstreamed into the policy design process?
- How can countries support innovation and diffusion of technologies that contribute to environmental objectives?

### **Box 6: 2030 Agenda for Sustainable Development interim targets for 2020**

2.5 By 2020, maintain the genetic diversity of seeds, cultivated plants and farmed and domesticated animals and their related wild species, including through soundly managed and diversified seed and plant banks at the national, regional and international levels, and promote access to and fair and equitable sharing of benefits arising from the utilization of genetic resources and associated traditional knowledge, as internationally agreed.

3.6 By 2020, halve the number of global deaths and injuries from road traffic accidents.

4.b By 2020, substantially expand globally the number of scholarships available to developing countries, in particular least developed countries, small island developing States and African countries, for enrolment in higher education, including vocational training and information and communications technology, technical, engineering and scientific programmes, in developed countries and other developing countries.

6.6 By 2020, protect and restore water-related ecosystems, including mountains, forests, wetlands, rivers, aquifers and lakes.

8.6 By 2020, substantially reduce the proportion of youth not in employment, education or training.

8.b By 2020, develop and operationalize a global strategy for youth employment and implement the Global Jobs Pact of the International Labour Organization.

9.c Significantly increase access to information and communications technology and strive to provide universal and affordable access to the Internet in least developed countries by 2020.

11.b By 2020, substantially increase the number of cities and human settlements adopting and implementing integrated policies and plans towards inclusion, resource efficiency, mitigation and adaptation to climate change, resilience to disasters, and develop and implement, in line with the Sendai Framework for Disaster Risk Reduction 2015–2030, holistic disaster risk management at all levels.

12.4 By 2020, achieve the environmentally sound management of chemicals and all wastes throughout their life cycle, in accordance with agreed international frameworks, and significantly reduce their release to air, water and soil in order to minimize their adverse impacts on human health and the environment.

13.a Implement the commitment undertaken by developed-country parties to the United Nations Framework Convention on Climate Change to a goal of mobilizing jointly \$100 billion annually by 2020 from all sources to address the needs of developing countries in the context of meaningful mitigation actions and transparency on implementation and fully operationalize the Green Climate Fund through its capitalization as soon as possible.

14.2 By 2020, sustainably manage and protect marine and coastal ecosystems to avoid significant adverse impacts, including by strengthening their resilience, and take action for their restoration in order to achieve healthy and productive oceans.

14.4 By 2020, effectively regulate harvesting and end overfishing, illegal, unreported and unregulated fishing and destructive fishing practices and implement science-based management plans, in order to restore fish stocks in the shortest time feasible, at least to levels that can produce maximum sustainable yield as determined by their biological characteristics.

14.5 By 2020, conserve at least 10 per cent of coastal and marine areas, consistent with national and international law and based on the best available scientific information.

14.6 By 2020, prohibit certain forms of fisheries subsidies which contribute to overcapacity and overfishing, eliminate subsidies that contribute to illegal, unreported and unregulated fishing and refrain from introducing new such subsidies, recognizing that appropriate and effective special and differential treatment for developing and least developed countries should be an integral part of the World Trade Organization fisheries subsidies negotiation.

15.1 By 2020, ensure the conservation, restoration and sustainable use of terrestrial and inland freshwater ecosystems and their services, in particular forests, wetlands, mountains and drylands, in line with obligations under international agreements.

15.2 By 2020, promote the implementation of sustainable management of all types of forests, halt deforestation, restore degraded forests and substantially increase afforestation and reforestation globally.

15.5 Take urgent and significant action to reduce the degradation of natural habitats, halt the loss of biodiversity and, by 2020, protect and prevent the extinction of threatened species.

15.8 By 2020, introduce measures to prevent the introduction and significantly reduce the impact of invasive alien species on land and water ecosystems and control or eradicate the priority species.

15.9 By 2020, integrate ecosystem and biodiversity values into national and local planning, development processes, poverty reduction strategies and accounts.

17.11 Significantly increase the exports of developing countries, in particular with a view to doubling the least developed countries' share of global exports by 2020.

17.18 By 2020, enhance capacity-building support to developing countries, including for least developed countries and small island developing States, to increase significantly the availability of high-quality, timely and reliable data disaggregated by income, gender, age, race, ethnicity, migratory status, disability, geographic location and other characteristics relevant in national contexts.

## Session 3: Mobilising more impactful and effective financing for the SDGs

### **What are the issues at stake?**

Financing the successful implementation of the Sustainable Development Goals (SDGs) is a formidable challenge. For instance, to meet climate and development objectives the OECD estimates that USD 6.9 trillion per year in infrastructure investments alone are needed<sup>57</sup>. Inadequate financing for sustainable development is a risk for developing countries in particular, but also a threat to sustainable and peaceful prosperity globally. While an increase in finance flows is imperative, the challenge ahead is not only to mobilise more financing, but also more effectively maximise its impact, including through alignment of the budget cycle with the achievement of the SDGs.

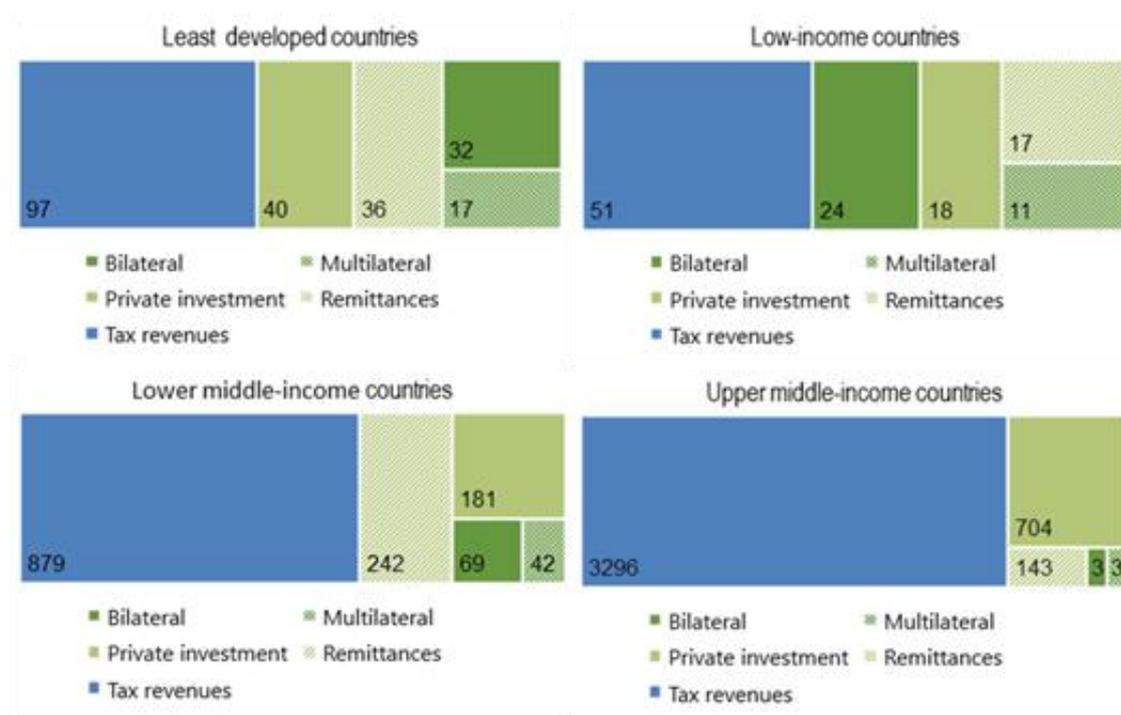
Revenue of governments, the central pillar of financing for sustainable development at USD 4.3 trillion still remains below the recommended GDP threshold in many developing countries; and is not increasing enough to fill the SDG financing gap. The volume is context-dependent (Figure 7 next page) – while tax revenues represent 78.2% of the overall financing mix in upper middle-income countries (UMICs), they only account for 42.7% of financing in least developed countries (LDCs). Illicit financial flows (IFFs)<sup>58</sup> also impede effective domestic resource mobilisation, by hiding certain income flows from the sight of tax authorities and other law enforcement agencies. In addition, tax crimes undermine citizens' confidence in their governments, affect tax morale, and deprive governments of revenues needed for sustainable development.

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<sup>57</sup> OECD/The World Bank/UN Environment (2018), *Financing Climate Futures: Rethinking Infrastructure*, p. 20

<sup>58</sup> The international movement of money, illegally or illicitly, is a global concern impacting all countries. IFFs have several sources and channels including bribes, tax evasion, criminal earnings, cash smuggling, shell corporations, informal value transfer systems, trade based money laundering, and fraudulent customs invoicing.

**Figure 7: On average, tax revenues are the largest financial resource for all developing countries regardless of income category<sup>59</sup> in USD billion, 2016**



Source: IMF (2017[7]), “World revenue longitudinal data”, <https://data.world/imf/world-revenue-longitudinal-dat>; and OECD (n.d.[8]), “Global revenue statistics” (database), <https://stats.oecd.org/index.aspx?DataSetCode=REV>; OECD (2018[9]), “Creditor Reporting System” (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1>; World Bank (2018[10]), “Migration and remittances data”, <http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>; IMF (2018[2]), “Balance of payments statistics 2017”, <http://www.imf.org/external/datamapper/datasets/BOP> for private investment data.

Public financing at the sub-national level is also crucial for the achievement of the SDGs. In 2016 in the OECD, cities and regions were responsible for almost 60% of public investments on the ground<sup>60</sup>. About 65% of the 169 targets underlying the 17 SDGs will not be reached without proper engagement of and coordination with local and regional governments<sup>61</sup>.

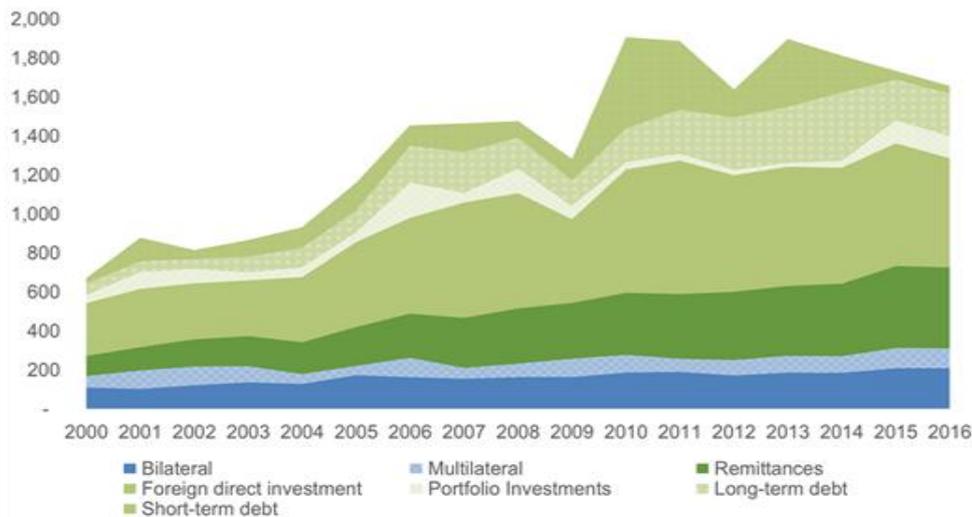
External finance constitutes an additional issue. Mainly due to a drop of private finance, total external finance to developing countries declined by 12% between 2013 and 2016 (Figure 8). Foreign direct investment inflows (FDI) in developing countries dropped by 30% over 2016-17.

<sup>59</sup> Note: The estimates have been calculated for the list of developing countries eligible for ODA but exclude a number of countries and territories because of lack of data on tax revenue. Those excluded are the following low-income countries (LICs): Democratic People’s Republic of Korea; Somalia, which is also a least developed country ([LDC]); and South Sudan (also an LDC). Among lower middle-income countries and territories (LMICs), the following are excluded: Bhutan (LDC), Kosovo, Mongolia, Myanmar (LDC), Sri Lanka, Syrian Arab Republic, Vanuatu (LDC), West Bank and Gaza Strip. The third group to be excluded are upper middle-income countries (UMICs): Cuba, Fiji, Former Yugoslav Republic of Macedonia, Libya, Montenegro, Nauru and Venezuela.

<sup>60</sup> OECD (2018), *Subnational Governments in OECD Countries: Key Data 2018 edition*, <http://www.oecd.org/regional/regional-policy/Subnational-governments-in-OECD-Countries-Key-Data-2018.pdf>

<sup>61</sup> UN Sustainable Development Solution Network (2016) Getting Started with the SDGs in Cities. A Guide for Stakeholders

**Figure 8: External financing to developing countries (2000-16)**  
**2016 USD billion, constant prices**



Source: Author's calculations based on: OECD (2018), "Creditor Reporting System" (database), <https://stats.oecd.org/Index.aspx?DataSetCode=crs1> for official bilateral and multilateral flows; World Bank (2018[10]), "Migration and remittances data" <http://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data> for remittances; IMF (2018[2]), "Balance of Payments database", <http://www.imf.org/external/datamapper/datasets/BOP> for world FDI inflows to developing countries, portfolio investments, and long-term and short-term debt.

In addition, sustainable development benefits of FDI are not straightforward. For many years, low environmental and social standards have been viewed favourably by some investors looking to minimise costs in the short term, and by some countries seeking to attract investment. Rethinking private sector incentives and carefully selecting policies in host and sending economies play an important role for enabling FDI's potential to advance sustainable development. Forthcoming OECD analysis on FDI qualities focuses on clusters of issues connected to FDI and its multiple SDGs. For instance, gender inclusion and equality is often an unmet opportunity in both developed and developing countries. Initial analysis finds that in terms of the correlation between FDI and gender employment equality for instance, foreign companies tend to employ more female workers than domestic companies across developing regions; however, it is also shown that FDI is concentrated in sectors that report higher gender employment inequality as compared to other sectors.

While official development assistance (ODA)<sup>62</sup> has been stable over time and reached USD 147.2 billion in 2017, many countries still remain at levels below international commitments; this is a significant issue especially in LDCs, that rely on aid for over two-thirds of their external finance.

More needs to be done to align official development assistance to the SDGs, and allocate ODA to the countries, sectors and people with the greatest needs, ensuring horizontal principles notably environmental sustainability, policy coherence, and gender equality. Globally, the share of ODA going to countries most in need is stalling, and is highly volatile from year-to-year, which reduces predictability and undermines effectiveness. Bilateral ODA does not correlate with

<sup>62</sup> Official development finance (ODF) – including ODA but also other official flows and resources mobilised from the private sector by official development interventions – has however increased by 35% in real terms between 2012 and 2016.

national poverty or income levels, and sectoral aid allocations do not reflect the sector-specific needs or gaps. For example, just 4% of total bilateral aid is dedicated to gender equality and women's empowerment<sup>63</sup>. Tracking how ODA and official development finance more broadly is allocated and where it is channelled is an important step in establishing its impact and link to sustainable development outcomes.

In 2017, international migrants sent an estimated USD 613 billion to their home countries. Most of the remittance flows (76%) went to developing countries reaching a record high of USD 466 billion (around three times ODA value). Remittances provide an important source of external financing for sustainable development, and present a key source of income for many households.

However, the sustainable development impact of remittances is often not fully realised (OECD, 2017). These flows are often used to finance basic consumption needs, rather than more productive or broader investments with more longer-term sustainable development impact. High transfer costs reduce the amount received, and also encourage the use of informal channels. The prevalence of informal channels further limits the capacity of remittance-receiving households to use the formal financial system for savings and investments.

Private giving remains smaller but is steadily rising (USD 41.8 billion in 2017), with philanthropic (private) flows averaged USD 7.9 billion per year over 2013-15. OECD analysis shows that private philanthropists favour investing in stable, middle-income economies and 97% is channelled through large, established partners, such as international organisations and NGOs. 67% of country-allocable philanthropic giving was targeted to middle-income countries, such as India, Nigeria, Mexico, China, Ethiopia or South Africa. Only 28% of the country-allocable funding benefitted the least developed countries. More than half of all philanthropy funds towards developing countries focuses on health and reproductive health. Other sectors such as education, particularly tertiary education, also rely significantly on resources provided by philanthropy.

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<sup>63</sup> OECD Development Co-operation Report 2018

## ***What are the policy implications?***

A new holistic approach is urgently needed to meet the resourcing needs of the SDGs and to reach those left behind<sup>64</sup>. While financing volumes need to increase in all countries, this will not automatically help to achieve the goals. Focus is also needed on the quality, equity, and impact of these flows, including through putting the implementation of SDGs at the core of investment strategies and budgeting processes. Accelerated international cooperation is also important, whether through targeted support mechanisms such as financial support or capacity building, or broader collaboration to ensure fair international competition and taxation and better measurement and tracking of SDG financing<sup>65</sup>.

### *Mobilising more resources and achieving more impact through an enabling environment*

Creating and nurturing an enabling environment for investment, entrepreneurship and innovation, as well as stepping up capacities to collect taxes and fight fraud, evasion, and corruption are all important preconditions for attracting the needed revenues.

With domestic resource mobilisation providing the largest and potentially most reliable sources of revenue for countries in all stages of development, in the past year, many countries demonstrated significant progress in making legislative, regulatory and organisational changes in delivering on the OECD/G20 Base Erosion and Profit Shifting (BEPS) standards. Many tax administrations are planning and implementing significant reforms to their tax systems, along with adoption of new tax technologies<sup>66</sup>. Tax policy and reforms should also be informed by analysis based on comparable and reliable statistics on tax revenue.<sup>67</sup>

There is a need for all countries to pay greater attention to the spill overs from their tax policies and to continue to work together on a fairer and more efficient system of international taxation, including efforts to fight tax evasion and tax avoidance. This is particularly important for developing countries for which spill overs in international corporate taxation are especially marked and important<sup>68</sup>.

Countries should also improve co-operation among tax and law-enforcement agencies, including anti-corruption and anti-money laundering authorities<sup>69</sup> to combat tax evasion and other illicit financial flows (IFFs) thus recovering resources that could be channelled towards sustainable

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<sup>64</sup> OECD (2018), *Global Outlook on Financing for Sustainable Development 2019: Time to Face the Challenge*

<sup>65</sup> Nearly half of the agreed SDG financing targets rely on indicators exclusively based on ODA. Only 9 out of 32 SDG financing indicators utilise data beyond ODA, i.e. other official flows (OOF), FDI and remittances. There is a need for standard measurement beyond ODA, including also South-South and triangular cooperation. The OECD is working with the international community to develop a statistical measurement framework for measuring resources targeting the SDGs – Total Official Support for Sustainable Development (TOSSD) is designed by a [task force](#) comprised of experts from the statistical and development communities coming from developed and developing countries, and international institutions.

<sup>66</sup> OECD/UNDP (2018) *Tax Inspectors Without Borders Annual Report 2017/18*, p. 10

<sup>67</sup> The OECD's new Global Revenue Statistics Database helps track progress on domestic resource mobilisation as a major step forward providing detailed comparable tax revenue data for 92 countries from 1990 onwards, including 56 non-OECD countries in Africa, Latin America, and Asia. Regional revenue statistics are also available, including *Revenue Statistics in Africa*. The 21 African countries participating in the initiative have significantly increased domestic resource mobilisation since the year 2000 (AUC/ATAF/OECD, 2018).

<sup>68</sup> IMF (2014)

<sup>69</sup> Much of the work carried out by the OECD in the field of taxation directly or indirectly supports the global and country-level effort to fight IFFs including the work of the Global Forum on Transparency and Exchange of Information for Tax Purposes, Automatic Exchange of Information (AEOI) implementation, and the OECD Task Force on Tax Crimes and Other Crimes supported by the G20.

development. International cooperation is also crucial to support countries with limited capacities in domestic resource mobilisation, for example in effectively taxing multinational enterprises or providing tax certainty and predictability to businesses and other tax payers<sup>70</sup>. For example, the OECD/UNDP Tax Inspectors Without Borders (TIWB) initiative has, to date, recovered USD 414 million in increased tax revenues in its partner countries, with over USD 100 in additional tax revenues recovered for every USD 1 spent on operating costs. Whilst revenue impact is important, in the last year TIWB has gathered evidence of other long-term outcomes, including on skills transfer, organisational change, and taxpayer compliance.

Countries should also better harness the potential of remittance transfers<sup>71</sup>. A 5% decline in remittance costs could potentially generate USD 15 billion in savings, thus reducing the leakages in available financing for sustainable development. Policies that make the financial sector more accessible to all parts of the population can encourage more remittances to be sent through formal channels, which can generate further saving and investment effects.

Governments can also play an important role in strengthening the conditions for philanthropy to thrive for example by establishing a legal status clearly distinguishing foundations from CSOs.

To inform allocation decisions and appropriately target interventions, policy makers should carry out impact assessments mapping the impact of interventions against each goal.

Providers of development cooperation policy should align impact assessments with the SDG targets defined by each partner country and consider specific country challenges and other development actors and increasingly non-DAC donors (see also Box 7). The OECD is exploring how to make better use of the SDGs as a common platform for results in partner countries. This will feed into its work to develop a Framework for Measuring SDGs Impacts. The Framework will provide policy guidance to improve the quality and standardisation of impact metrics and work towards building global consensus for impact measurement standards.

**Box 7: Working together to maximise the impact in development co-operation policy**

At the operational level, development cooperation must seek greater co-ordination across the development finance landscape to face the challenge of increased complexity of interactions. Financing strategies and results frameworks must be better aligned with countries' development strategies and monitoring frameworks. The alignment of national financial systems with the objectives of the Paris Agreement is an important consideration to mobilise impactful financing and create markets for resilient communities in developing countries. Using and strengthening partner countries' data and systems where needed will enable providers to get the results information they need to learn and improve their practice to maximise development impact.

ODA must work in unison with private sector investors, the tax revenue system, migrants, philanthropists and others outside of traditional development circles, to support development goals.

<sup>70</sup> SDG 17.1 Strengthen domestic resource mobilization, including through international support to developing countries, to improve domestic capacity for tax and other revenue collection.

<sup>71</sup> A number of international agreements including the Addis Ababa Action Agenda (paragraph 111), the 2030 Agenda (paragraph 29) and the G20 Remittance Agenda, recognise the importance of domestic policy related to international migration and the potential to reduce the cost of remittance transfers.

The impressive flows needed to fill SDG financing gaps also require supportive policies to harness new approaches in mobilising private finance for sustainable development, such as blended finance<sup>72</sup>, social impact investing (SII)<sup>73</sup>, and green finance<sup>74</sup>. All three can help address the financing gap for the SDGs and official providers increasingly show interest in innovative financing instruments, yet volumes remain low. Blended finance in particular has the potential of bridging the resource gap for financing SDGs in developing countries by shifting the risk-return profile to attract commercial investment leveraging ODA. Between 2012-2017, blending mobilised USD 151.5 billion<sup>75</sup> targeting mostly SDGs 1 (no poverty), 6 (clean water and sanitation), 7 (affordable and clean energy), 8 (decent work and economic growth), 9 (industry, innovation and infrastructure), 11 (sustainable cities and communities), 13 (climate action), and 17 (partnerships for the goals); Blended finance is also gaining traction among development finance providers, with 167 facilities launched by 2016<sup>76</sup>. Building on the *OECD DAC Blended Finance Principles*, the OECD keeps engaging with donor and recipient governments, intermediaries, and other partners to arrive at a common framework of understanding for cohesive action, and consistent estimates of the blended finance market. This will help in attracting more commercial finance to expand blending across a range of contexts and all SDGs<sup>77</sup>.

Recent trends also show that the global SII market is growing rapidly. For instance, SII assets under management currently represent USD 228.1 billion, and of this, 56%, or USD 127.7 billion, was allocated to emerging markets<sup>78</sup>. Governments are also searching for new tools – including market-based solutions, outcomes based approaches and different forms of public-private partnerships – to increase their effectiveness and long-term sustainable results while working with the limitations of tighter budgets. According to OECD analysis, 45 countries have already adopted SII-related public initiatives in the domestic perimeter so far. The OECD Policy Framework for Social Impact Investment (SII) assists governments in their efforts to design SII-conducive policies, equally applying to both donor and developing countries.

### *SDG-aligned budgeting*

The way governments choose to spend their money will be decisive in achieving the SDGs at home and abroad. Managerial focus and efficiency can significantly increase the effectiveness of SDG public financing. In order to ensure accountability, results, and implementation beyond electoral cycles, the integration of the SDGs into the budget process and re-profiling existing spending to make sure they are SDG-aligned is critical. For the SDGs to become part and parcel of a government's work, a sustained partnership with the Ministry of Finance and other key partners is a necessary condition.

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<sup>72</sup> Blended finance has a primary focus on the mobilisation of additional financing for development through the use of development finance to mobilise commercial investors within the context of a specific transaction.

OECD (2018), *Making Blended Finance Work for the Sustainable Development Goals*, OECD Publishing, Paris. <http://dx.doi.org/10.1787/9789264288768-en>

<sup>73</sup> Social Impact Investing is the provision of finance to addressing social and/or environmental needs with the explicit expectation of a measurable social, as well as financial impact.

<sup>74</sup> Green finance focuses on the transformation of economies to becoming more green, low-emissions and climate-resilient.

<sup>75</sup> OECD (2019), *Amounts mobilised from the private sector by development finance interventions in 2012-17*

<sup>76</sup> OECD (2018), *Making Blended Finance Work for the Sustainable Development Goals*

<sup>77</sup> The *Tri Hita Karana Roadmap for Blended Finance* was launched as a unifying framework for mobilising additional commercial capital towards the SDGs <http://www.oecd.org/dac/financing-sustainable-development/development-finance-topics/tri-hita-karana-roadmap-for-blended-finance.htm>

<sup>78</sup> Global Impact Investing Network (GIIN) 2018 Annual Impact Investor Survey

There are a number of ways in which countries are approaching the alignment between SDGs and the budgetary process. In Norway, for example, each ministry describes activities in relation to the SDGs they are responsible for, both from the domestic and international points of view. The descriptions are shared with other ministries for review, before the Ministry of Finance compiles the texts and adds it to the national budget annual White Paper<sup>79,80</sup>. In Mexico, for example, the Office of the President, the National Institute of Statistics and Geography and the Ministry of Finance and Public Credit, with support from the UNDP, have used a results-based management perspective to develop a mechanism to link the budget to the SDGs.<sup>81</sup>

In some countries, the Ministry of Finance drives SDG implementation as the main coordinating institution, thus providing a strong budgetary underpinning for action on SDGs. This is the case in Denmark, for example, where the Ministry of Finance is responsible for co-ordinating national implementation, supported by an inter-ministerial SDG working group; whereas the Ministry of Foreign Affairs is responsible for international engagement in support of the SDGs. In 2018, the Danish national and local governments agreed on embedding SDG objectives within the annual budget negotiations<sup>82</sup>.

The SDGs can also be integrated into budgetary cycles with a more specialised focus, such is the case for green or gender budgeting.

Green budgeting involves an overall assessment of how tax and expenditure policies, and analytical processes, must adapt to support achievement of climate and other environmental commitments. The scale of the challenge is enormous given the existing misalignment between the SDGs and current public expenditure and taxation practices. For instance, between 2010 and 2015, fossil fuel subsidies amounted to USD 373-617 billion annually across 76 economies, which collectively contribute 94% of global carbon dioxide emissions<sup>83</sup>. In contrast, the amount that governments spend on biodiversity, estimated at about USD 50 billion per year, is approximately one tenth of the spending on fossil fuels, and environmental protection averages around 1.3% of public expenditures<sup>84</sup>. The OECD's report – Effective Carbon Rates 2018 – shows that the price we are putting on carbon emissions does not reflect the costs of those emissions to society. Even a low-end estimate of the costs shows that carbon prices are only a quarter of what they should be.

*The Paris Collaborative on Green Budgeting*, launched in December 2017, is developing new tools to promote co-ordination of public policies and fiscal frameworks, and to understand the implications of the ecological transition for budgetary policy and sustainability. Several countries have recently made noteworthy progress towards evaluating and tracking their domestic public expenditures (either positive, negative, or both) relevant to the Paris Agreement or the Aichi Biodiversity Targets. For example, the European Union introduced climate and biodiversity

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<sup>79</sup> Hege, E., Brimont, L (2018). Integrating SDGs into national budgetary processes. Studies N°05/18, <https://www.iddri.org/sites/default/files/PDF/Publications/Catalogue%20Iddri/Etude/201807-ST0518-SDGs-budget-EN.pdf>

<sup>80</sup> OECD (2018) Policy Coherence for Sustainable Development, p. 90

<sup>81</sup> The process is based on two main steps: 1. Each ministry applies the performance evaluation system to match their programmes to the SDGs; 2. Programmes that contribute to each SDG target were identified indicating a direct or indirect contribution in order to estimate the total investment per target and overall. 102 SDG targets were further disaggregated by different topics (sub-goals), allowing a more precise indication of any sub-goal to which a programme is linked. The approach has allowed to link the budget to SDGs, to evaluate these links, and make policy and allocation decisions based on an initial analysis of how much is currently invested in each of the goals<sup>81</sup>. Following this exercise, specific actions, dates and other elements are incorporated into the Guidelines for the Programming and Budgeting Process for the Fiscal Year 2018.

<sup>82</sup> OECD (2018), *Policy Coherence for Development*

<sup>83</sup> OECD (2018) *OECD Companion to the Inventory of Support Measures for Fossil Fuels*

<sup>84</sup> OECD (2017) *Governments at a Glance*

tracking into its budget. Other countries have introduced tax schemes to encourage environmentally-friendly low-carbon behaviour or to internalise negative environmental externalities, while also generating substantial amounts of public revenue. This can include taxing carbon emissions or local air pollutants, and taxing activities or pollutants with adverse effects on biodiversity, amongst many others, and can also form a component of environmental fiscal reform (OECD, 2013).

Gender budgeting is an increasingly common tool for ensuring for ensuring that women's and girls' concerns are mainstreamed in policy and public administration. It can also be combined with the approaches described and link into the SDG-aligned budgeting process. Almost half of OECD countries report that they have introduced, plan to introduce, or are actively considering introducing gender budgeting<sup>85</sup>.

The achievement of the SDGs also requires adequate financing and supportive mechanisms for subnational governments. This is particularly true for countries where subnational governments are overly reliant on transfers of funds from central governments, and have limited capacity and autonomy to raise own funds by levying local taxes. Local governments running intermediary cities (those with less than one million inhabitants), have less capacity and access to financial resources than large or primary cities. Addressing the finance gap for cities will require a series of policy interventions. Establishing a predictable and transparent financial framework is a first and necessary step forward. In addition, local governments should have increased autonomy to collect own financial resources, and access grants or finance from partner development organisations. For instance, local governments should be empowered to tap new sources of financing, through land value capture or Public-Private Partnerships (PPP).

### ***Guiding questions for discussion:***

- What mechanisms do countries have in place to make sure that financial resources are effectively allocated across various development objectives? How are developing countries enhancing domestic resource mobilisation and ensuring more effective public expenditure?
- How can the OECD and its partners improve the measurement of both inputs and impact in support of the SDGs? What are the new and emerging tools, measurement frameworks and standards that can accelerate data and tracking of SDG financing and progress, both at the national and sub-national levels?
- How are countries aligning their budgeting practices and re-profiling spending to achieve their 2030 Agenda-aligned development strategies and plans including at the sub-national level?

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<sup>85</sup> OECD (2017) *The Pursuit of Gender Equality: An Uphill Battle*