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Expert Group Meeting: Economic Growth, Inclusive and Sustainable
Industrial Development and Sustainable Consumption and Production
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BRIEFING NOTE: UNIDO EXPERT GROUP MEETING ON ECONOMIC GROWTH, INCLUSIVE AND SUSTAINABLE INDUSTRIAL DEVELOPMENT AND SUSTAINABLE CONSUMPTION AND PRODUCTION: 2-3 MARCH 2015

Organized by the UN Industrial Development Organization (UNIDO) in cooperation with the UN Department of Economic and Social Affairs (UN DESA), an Expert Group Meeting convened on 2-3 March 2015 to discuss the first draft of Chapter 5 of the Global Sustainable Development Report (GSDR) 2015, dedicated to economic growth, inclusive and sustainable industrial development and sustainable consumption and production. The GSDR is a UN publication aiming to strengthen the science-policy interface at the High Level Political Forum (HLPF) on Sustainable Development, which replaced the Commission on Sustainable Development after Rio+20 as the main UN platform providing political leadership and guidance on sustainable development issues at the international level.

The meeting provided an opportunity for contributing agencies and partners to present their views and suggestions on the substantive content of the chapter and develop key messages in time for its finalization. The meeting also aimed to contribute to the international debate on the sustainable development goals (SDGs) and the post-2015 development agenda by helping to achieve a better articulation of the agenda related to economic growth, industrial production, sustainable consumption and production (SCP), and their linkages to the broader objectives of the new development agenda and SDGs.

OPENING SESSION

On Monday, 2 March, Taizo Nishikawa, Deputy to the Director-General, UNIDO, welcomed participants underscoring that 2015 is a crucial year for sustainable development and international cooperation. He noted that there appears to be a consensus on the 17 proposed SDGs, which he said, pay due attention to the economic dimension of sustainable development. He drew attention to UNIDO's leading role in coordinating the drafting of Chapter 5, which discusses new industrial policies that facilitate the development of capacities for shifting towards higher value-added sectors and for accumulating capabilities to accelerate technological upgrading, adopt environmentally sound technologies and achieve productivity growth. He added that the chapter also explores how green industrial policies can effectively promote green sectors and sustainable consumption and production.

Sarwar Hobohm, Director, Strategic Planning and Coordination, UNIDO, expressed hope that the meeting will assist in producing a solid document.

Marina Plutakhina, Senior Sustainable Development Officer, UN DESA, provided an overview of the GSDR-related process, including development of the prototype GSDR, which follows

an assessment of assessments approach, and addresses, among other issues, the nexus of climate, land, energy, water and development issues as a special theme. She noted that the GSDR 2015 draft follows the approach of the prototype but focuses on broader issues, including for instance the nexus of oceans, biodiversity and poverty, integrated perspectives on the SDGs, sustainable industrialization, and countries in special situation. She stressed the need to make Chapter 5 scientifically and technically sound, and align the new industrial policy paradigm to post-2015 goals and targets.

In the brief ensuing discussion, participants highlighted the need to ensure integration of all three pillars of sustainable development, including industrial aspects, into all SDGs, noting that the indicators in particular do not acknowledge the interplay between the three pillars.

SESSION 1: STRUCTURAL CHANGE AND INDUSTRIALIZATION

The session was chaired by Ludovico Alcorta, Director, Development Policy, Statistics and Research, UNIDO.

Antonio Andreoni, Economics Department, School of Oriental and African Studies, University of London, and Institute for Manufacturing, University of Cambridge, presented on "New Developmentalism? Towards sustainable structural transformations." He highlighted the shift in tackling development, noting that under the Millennium Development Goals (MDGs) development was understood as poverty reduction, while in current debates it is seen as structural transformation. He said this transformation involves structural recomposition of the economic and production system, adding that institutional and ideological adjustments are needed to ensure it is sustainable. He presented theoretical arguments and empirical evidence showing that manufacturing industries are engines of sustained economic growth; and highlighted new challenges regarding sustained technological innovation and environmental sustainability. He said that, according to the green growth narrative, industrialization "must be green," and suggested turning constraints into opportunities, therefore viewing the requirement for environmental sustainability as an opportunity for domestic green production rather than an impediment to industrialization.

Annalisa Primi, Senior Economist, Development Centre of the Organisation for Economic Co-operation and Development (OECD), shared her reflections on industrial policies and the post-2015 development agenda, focusing on the need to improve the narrative on industrialization and development, and make it relevant for policy-makers, particularly in developing countries. She said the SDGs process marked a shift in the development narrative by putting production back in the development agenda and by focusing on structures, in addition to outcomes. She said that linking industrial policies to development trajectories is still very controversial; and noted that the realities of manufacturing differ from country to country, while solutions apply in a specific country

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context but not at a global level. On the draft chapter, she suggested: refining the narrative on how industrialization is a pillar of development; exploring the linkages between growth, industrialization and structural transformation; addressing inclusiveness in industrialization by looking at country examples which tackle the imbalances created by globalization at the national level; underscoring that China is a game-changer, in the sense that development of industrial capabilities in China has changed the debate on industrial policy; exploring the role of regional cooperation; and identifying partnerships for implementation and actions to be carried out by non-government actors.

Roman Stöllinger, Vienna Institute for International Economic Studies, Austria, drew attention to education as one of the fundamental causes of growth, corresponding to both human capital as an industrial asset, and skill-intensive industries driving structural change. He highlighted the “carrier function” of manufacturing with regard to associated services, and noted that industrial policy is also about making choices and identifying priorities.

In the ensuing discussion, participants addressed: how industrial policy can be analyzed in positive terms and support environmental and social policies; the role of patents in technology cooperation; and identifying wealth creation, rather than poverty reduction, as the core of the development agenda, and the role of industrial policy and structural transformation in that regard.

SESSION 2: INCLUSIVE GROWTH, SOCIAL SUSTAINABILITY AND INDUSTRIAL POLICY

This session was chaired by Antonio Andreoni.

Philipp Lepenies, Senior Fellow, Institute for Advanced Sustainability Studies, Potsdam, Germany, presented on growth and how it has become qualitative in the international policy narrative by being defined as pro-poor, inclusive, green, sustainable or smart. He highlighted problems regarding the concept of qualitative growth, noting it may be used simply to appease critiques to the model of growth, which, he said, remains universal although growth rates have been declining for decades. He presented the origins of the debate on growth in the US before, during and after the second World War, when the focus changed from income generation to production, due to war needs, and then to employment; and noted that these developments were rooted in political necessity, long before the establishment of an economic theory of growth. He stressed that qualitative growth can be realized only if the way of measuring the gross domestic product (GDP) is changed, starting from the national understanding of measuring growth in the system of national accounts.

Patrizio Bianchi, Rector, University of Ferrara, and Emilia Romagna Regional Government, Italy, drew attention to the radical changes occurring in the last 20 years with regard to economies, and the political situation. He noted that markets are much larger; trade has changed, including the increasing quantity of trade inside the production chain; globalization has increased differences; and reality is more complex than in the past, with poverty reappearing within developed countries and different realities existing in developing countries. He urged reconsidering power relationships in the organization of the world’s production; and developing the capacity to have a comprehensive view and the ability to use different instruments in different contexts. On the new industrial policy approach, he stressed the need for building consistency among policy responses and capacity to respond with proper industrial organization to societal challenges. He finally drew attention to the role of education and called for investing in people’s entitlements and capabilities by paying increased attention to human capital, including skills, dexterity and judgment.

Paul Walsh, Chair of International Development Studies, University College Dublin, Ireland, and Senior Advisor, UN Sustainable Development Solutions Network, noted that all projections regarding sustaining growth, tackling inequality and protecting the environment go in the wrong direction, stressing the need to propose an economic agenda that contributes to the other two pillars of sustainable development. He addressed the issue of planetary boundaries, noting that technical efficiency alone may not lead to sustainability; called for creating markets for sustainable development goods and services, including through government intervention; and underlined the links between trade liberalization, structural change and economic growth, for structural transformation with export led growth. He identified the challenge of devising an industrial policy and investment criteria that contribute to social equity and environmental sustainability; and discussed net welfare losses from exporting unprocessed raw materials, which are then re-imported as high-value high-technology products. He identified a new role for industrial agencies, on industrial mapping; and stressed the need for partnerships, and for building capacity of civil servants in the integration of economic, social and environmental data.

Margaret Kigozi, President, Business and Professional Women, Uganda, highlighted gender issues in growth and industrialization in the context of the SDGs and post-2015 development agenda. She called for a 50% target for women participation in leadership positions in government, the private sector and other institutions, explaining how solutions such as social protection, baby care facilities and flexible working hours could assist in reaching this target. She further called for economic empowerment of women, including through reducing administrative barriers and abolishing archaic laws which prohibit land ownership and inheritance by women.

During the ensuing discussion, participants stressed: linking international organizations with universities in order to devise better measurement tools; focusing on market formation and access, rather than growth; showing how the private sector can contribute to environmental and social goals; and the development of markets for organic produce and sustainable timber with no government intervention.

SESSION 3: DESIGNING POLICIES FOR INCLUSIVE AND GREEN GROWTH, INCLUDING SUSTAINABLE CONSUMPTION AND PRODUCTION

The session was chaired by Ludovico Alcorta, Director, Development Policy, Statistics and Research, UNIDO.

Jesús Barreiro-Hurlé, DG Single Market, Industry, Entrepreneurship and Small and Medium Enterprises (SMEs), European Commission, discussed EU industrial policy, highlighting current risks linked to declining investment in the region and decreased level of innovation of European firms. He argued that industry digitalization marks the fourth industrial revolution, and could result in being resource-efficient and climate-friendly, reducing waste and opening new business models. He drew attention to a consolidated industrial policy for Europe, building an industrial system in the EU by mainstreaming industrial activities in all sectors and focusing on “bundles” of goods and services. He suggested the industrial policy should provide access to markets and inputs, foster innovation closer to the market, and reform regulation for small-firm growth. He concluded that a binding climate agreement and commitments on resource efficiency would promote greening of the world’s industry.

Stephan Sicars, Director, Environment Branch, UNIDO, discussed links between industrial development and environmental sustainability, noting that regulators need to define the tolerable levels of environmental degradation and what is desired to be pursued via positive incentives, such as, for example, renewable energy in Europe. He said

the environmental impact of industry includes the impact of production, of the product per se, as well as the positive impact of the product, such as for instance solar cells; and drew attention to the concept of circular economy, which refers to extracting as few resources as possible to make as many products as possible. He argued that multilateral environmental agreements (MEAs) form the basis of competitive environmental conditions in different countries.

Robert Hamwey, Economic Affairs Officer, Environment, Climate Change and Sustainable Development Branch, UN Conference on Trade and Development (UNCTAD), recommended including reference to trade in the draft chapter, noting that several disputes at the World Trade Organization (WTO) refer to green industrial policies. He underscored achievements regarding sustainable development, including progress on MDGs in many developing countries and increased use of renewable energy; as well as challenges, including stalled negotiations at the WTO on environmental goods and services, and global challenges related to climate change, population increase, resource scarcity and social goals. He called for ensuring coherence between trade, society and environment, noting that the pressure is mounting for discussions on this topic at the WTO.

Elisa Tonda, Head, Business and Industry Unit, UN Environment Programme (UNEP) Division of Technology, Industry and Economics, presented on the 10-Year Framework of Programmes on SCP, a multi-stakeholder platform aiming to accelerate the shift towards SCP in all countries, increase resource efficiency and decouple economic growth from environmental degradation, support capacity building and facilitate access to financial and technical assistance, and serve as an information and knowledge-sharing platform. She highlighted a coherent approach to SCP policy measures, including guiding principles, practice-policy integration, combination of different policy instruments to address barriers, adoption of a life-cycle and value-chain approach, facilitation of collaboration to identify innovative approaches to SCP, and adoption of a long-term view. On consumption, she advocated green public procurement, noting that institutional purchasing is the most important force in global economy; stressed that retailers link producers with consumers and exert influence through the entire product life-cycle; and called for bridging the gap between intention and action with regard to individual consumers.

In the ensuing discussion, participants addressed: the role of government in influencing production and consumption; the role of cities and territorial spaces in defining SCP; stalled negotiations at the WTO of relevance to the environment and natural resources, the beginning of plurilateral negotiations on environmental goods and services and lack of enforcement of the WTO Agreement on Subsidies and Countervailing Measures; and the need to understand what a “green product” is in a regional, rather than global, context.

SESSION 4: GSDR 2015: PRESENTATION OF THE OUTLINE AND DISCUSSION OF CHAPTER 5

This session was chaired by Sarwar Hobohm.

Marina Plutakhina, UN DESA, and Ascha Pedersen, UNIDO consultant, presented the structure and main arguments of the draft Chapter 5. Plutakhina said the chapter, in accordance with the prototype GSDR, takes an assessment of assessments approach; and aims to stress the importance of science for economic growth, argue why industrialization matters to scientific and technological enhancement, and base policy design on scientific evidence. She said the chapter argues that structural transformation through industrialization will continue to be the main driver of wealth creation and prosperity in the post-2015 world.

Pedersen continued by focusing on manufacturing as the primary engine of structural transformation and economic growth. She highlighted cross-regional and cross-country differences regarding structural change and economic development, but noted the general resurgence of industrial policy as a viable element in development policy. She drew attention to types of policy that are essential to green industry development, including on building productive capacity, technology and innovation, infrastructure development, and finance; and underscored a new framework to address fragmentation in international decision-making.

Participants then offered input to the draft. Elisa Tonda stressed: decoupling economic growth from environmental degradation, including seizing opportunities for resource productivity; linking to international trade, but also finance; developing a clear vision associated to the three themes on economic growth, inclusive and sustainable industrial development, and SCP; offering a toolbox of policy instruments; and highlighting the importance of collaboration and partnerships with all stakeholders, including the private sector.

Robert Hamwey suggested that countries in difficult circumstances, such as least developed countries, small island developing states and landlocked countries, would find it difficult to employ structural transformation. He further proposed: linking the rural population to the structural transformation process by providing access to markets; exploring activities of multinational companies as causes of industrialization in some parts of the world; stating that the transformation process takes time; highlighting the potential of a regional approach; following a balanced approach with regard to policies suited for developed and developing countries; and addressing the parallel development of the services sector.

Niranjan Sarangi, First Economic Affairs Officer, UN Economic and Social Commission for Western Asia, focused on economic growth, diversification and sustainability in the Arab region, noting that economic growth is not translated into greater income and improved well-being for the overall population in the region, which is broadly divided into oil-rich and non-oil-rich countries. He drew attention to challenges, including growing labor market informalization, increasing poverty, high youth unemployment, increasing inequality between rich and poor, high energy intensity, and water scarcity. He further identified major regional initiatives and entry points for collaboration between global and regional work on the SDGs.

Patrizio Bianchi drew attention to educational intervention as an instrument to induce structural transformation.

Ludovico Alcorta suggested: clarity in the use of terms regarding structural change or transformation; building the sustainability story by showing how industrial policy leads to sustained economic growth and social transformation, how it addresses social dimensions and how it affects the other pillars of sustainability; highlighting the role of innovation; acknowledging that industrial policy matters where industry is a dominant sector; and acknowledging trade-offs between industrialization and the environment and the need for policy choices.

Annalisa Primi called for: identifying some key messages; linking industrial policies with relevant SDGs; focusing on country experiences rather than academic literature; and integrating the regional and territorial dimension and partnerships with non-state actors.

Roman Stöllinger noted that few countries have industrialized, which shows how difficult the process is; and cautioned against redefining economic terms.

Kazuki Kitaoka, Head, Strategic Planning and Coordination Unit, UNIDO, stressed the universality of SDGs, explaining they are relevant to all countries. Noting that the sustainability story needs to speak to both developing and developed countries, he said innovation may be the entry point. He suggested: addressing continuous transformation; avoiding getting into definitions; focusing on the policy side of the science-policy interface; and moving from identifying trade-offs to providing solutions and focusing on partnerships for sustainability.

Margaret Kigozi noted that innovation is important in the developed world, while in Africa value-addition is crucial.

Antonio Andreoni highlighted that industry development is not for industries' sake, but a way to address other challenges, including increasing productivity in agriculture, and creating services.

In conclusion, Marina Plutakhina noted the time is right to talk about industrial policy, particularly in view of an agreed SDG. Antonio Andreoni stressed the need to integrate different countries' experiences, and highlighted the challenge of making choices about the chapter's narrative.

SESSION 5: DISCUSSION ON INPUTS AND WAY FORWARD AND ORGANIZATION OF WORK TO COMPLETE THE DRAFT

On Tuesday, 3 March, participants shared specific views on the structure, narrative and content of the chapter, including three overarching themes referring to the three pillars of sustainable development, on: economic growth and structural transformation; inclusive growth and social sustainability; and green growth and industrial sustainability. Marina Plutakhina recalled that all input needs to be submitted by 13 March, while publication of GSDR 2015 is scheduled for 12 June 2015, in time for the HLPF session.

Paul Walsh highlighted the importance of bringing production in the sustainability discussions and the role of industry for the post-2015 agenda; and drew attention to the role of political conditions for the investment climate. Antonio Andreoni cautioned against governance-related prescriptions and Jesús Barreiro-Hurlé suggested including a box on different approaches.

Ludovico Alcorta suggested: building elements on innovation and policy into each of the three overarching themes; and adding value by integrating references to the SDGs into the industrial policy analysis.

Patrizio Bianchi recommended: stressing that structural transformation requires long-term policies and the results are not immediate; and adding reference to institutional change, training, and regional action.

Niranjan Sarangi suggested addressing barriers to change, including those related to governance and the role of investment including capital flows. Jesús Barreiro-Hurlé called for a strong message that high development cannot be achieved without industrialization.

Participants discussed the role of state and government in industrial policy, agreeing that growth seen through the lens of the SDGs and structural transformation is different than

what the markets are delivering. They then brainstormed key ideas or messages to be addressed under: an introduction, containing a visionary narrative; economic growth and structural transformation; inclusive and sustainable industrial development; SCP; nexus with other SDGs; and the policy framework, regarding challenges and responses.

On the introduction, participants highlighted that structural transformation is not a means to an end, but inherent part of poverty reduction through wealth creation, and further suggested referring to: the overall framework of SDGs, including a baseline scenario; the nexus among SDGs 8 (sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all), 9 (resilient infrastructure, inclusive and sustainable industrialization, and innovation) and 12 (SCP); a regional approach; the role of innovation; gender; the new industrial policy; the role of institutions, including governments and the private sector; the importance of value addition; contribution to poverty eradication, peace and security, and human rights, including business ethics; and dignity.

On economic growth and structural transformation, they stressed: the role of trade, including regional trade; infrastructure and land; the role of domestic and foreign investment; and development with job creation.

On inclusive and sustainable industrial development (ISID), they made reference to: the multiplying effect of industrialization on job creation beyond manufacturing; technical education and training; formalization of labor; youth employment and entrepreneurship; addressing poverty and inequality within and across countries; support to different types of SMEs; urbanization; and migration of both low-skilled and highly educated people.

On SCP, they highlighted: country experiences on sustainable global value chains; green investment; national cleaner production centers; environmental agreements, regulations and voluntary pledges, and their positive or negative impact on industrialization in different types of countries; technology transfer, including through South-South cooperation; examples of technological change; information on the state of the environment and resource scarcity; and how government decisions on sustainable consumption affect productive processes.

On the nexus with other SDGs, they called for reference to the status of industry under the MDGs, and highlighted goals on food security, health, education and energy among others.

On the policy framework, they suggested reference to: industrial policies; the role of governments and institutions; consistency across policies and multilevel governance; the variety of institutional frameworks across countries; alignment of business ethics; examples of national and international partnerships and networks, including with the private sector; national and regional perspectives; the importance of monitoring and new data for policy alignment; SMEs; and capacity building, including for institutions.

Marina Plutakhina and Sarwar Hobohm thanked participants for their contributions, and closed the meeting at 1:00 pm.



Participants' group photo (photo courtesy of UNIDO)