Making the Sustainable Development Goals Work

Haciendo que los Objetivos de Desarrollo Sostenible funcionen

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Abstract
The achievement of the 17 Sustainable Development Goals approved by the UN General Assembly in 2015 will depend on whether or not the last goal, “global partnership for sustainable development,” will work. The paper suggests that the leading principle for effective global partnership should be the rebalancing of the negotiating power of the different stakeholders. Section I briefly sketches some changes to the notion of development and of cooperation since 1950. Section II describes the process which has led to the SDGs and to the idea of cooperation as a global partnership. Section III focuses on two major economic changes which have taken place since the seventies: economic growth in Asia and the rise of international finance. Both of which have huge implications for the SDGs and for global partnership. Section IV presents three steps which could help to implement “global partnership for development” according to the principle of rebalancing. Developing countries need more policy space especially in their trade and fiscal policies.

Keywords: Development, goals, cooperation, crisis

Resumen
El logro de los 17 Objetivos de Desarrollo Sostenible aprobados por la Asamblea General de las Naciones Unidas en 2015 dependerá en gran medida del funcionamiento del último objetivo: “Asociación global para el desarrollo sostenible”. El documento sugiere que el punto principal para una asociación global efectiva debería ser el reequilibrio del poder de negociación de las diferentes partes interesadas. De esta manera, en la sección I se describen brevemente algunos cambios en la noción de desarrollo y cooperación desde 1950. En la Sección II se describe el proceso que ha conducido a los ODS y a la idea de cooperación como asociación mundial. La sección III se centra en dos grandes cambios económicos que han tenido lugar desde la década de los setenta: el crecimiento económico en Asia y el auge de las finanzas internacionales. Ambos hechos tienen enormes implicaciones para los ODS y para la asociación global. La sección IV presenta tres pasos que podrían ayudar a implementar la “asociación global para el desarrollo” de acuerdo con el principio de reequilibrio. Los países en desarrollo necesitan más espacio político, especialmente en sus políticas comerciales y fiscales.

Palabras clave: Desarrollo, Objetivo de Desarrollo Sostenible (ODS), cooperación, crisis.
1. Introduction

The structure of the paper is as follows. Section II describe in an extremely synthetic way the main evolution in the notions of development and of cooperation since the sixties up to the new Sustainable Development Goals, SDGs. Of course this is not a comprehensive review of the two issues, for that one can read the very helpful work of Tassara 2012. The paper shows that the notion of development has received a much broader content than it was in the sixties, when it was by and large defined in terms of economic growth. Development is now a multi-faced phenomenon and it is also focused on people's empowerment, there has been a clear movement towards the individual, micro, aspects, while the more structural and macro feature are now less central.

Section III presents a brief view of the evolution from the Millennium Development Goals, MDGs, to the SDGs and in focuses on the last MDG and SDGs, both on global partnership, which seems to be the new view of cooperation.

But how can this view be implemented? Development and cooperation do not take place in the vacuum and must not be confused with the numerous discussions, proposals, debates which are being putting forward every day. Development and cooperation/partnership must take into account the social, economic and political structures existing in our world and we must realistically examine the opportunities and the constraints of this global 'environment'. Therefore section IV brings us down to the real world and describes two major changes in the this global economic environment: economic growth in Asia and the growing role of international finance. These two facts greatly influence the environment in which the SDGs must be pursued through global partnership.

Section V faces SDG 17 and provides some suggestions on how to support to make global partnership work in the new economic landscape, briefly described in Section IV. Here we find the general principle which should lead all the negotiations which are inevitably necessary in order to engage with the SDGs. The paper suggests the general principle of re-balancing of the negotiating powers as the leading way to try to make global partnership not only fair but also effective. Re-balancing is a way to put into action the two principles of universality and differentiation which are in the UN declaration of September 2015. This section provides also some examples of what re-balancing should be and it examines some of the topics which are part of SDG 17 such as trade, fiscal and industrial policies.

2. The evolution of the notions of development and of international cooperation (in a nutshell)

A. In the beginning it was economic growth

On September 25-27, 2016 the seventieth session of the United Nations General Assembly approved a resolution called Transforming our world: the 2030 Agenda for Sustainable Development with 17 Sustainable Development Goals, SDGs, and 169 targets, now we have also 241 indicators(see UN, 2015 and UN-ECOSOC, 2016). This resolution, also called Agenda 2030, presents a very wide view of develop-
ment and in many ways the SDGs can be regarded as sort of contemporary consensus on what development is all about. Sixty years ago there were different views.

Once upon a time there was economic growth: development was mainly defined in terms of increases in income per capita and it was by and large regarded as a one dimensional notion. In development economics there was, and still is, a theory explaining that low income countries will converge to the income per capita of the high income ones. The accumulation of physical capital was regarded as the main element in the explanation of economic growth and Solow’s 1956 model implies that capital will flow to low income economies where it is scarce and hence it can yield higher returns. Technical progress too will also move freely across countries and provided that the markets are competitive and given enough time all countries will tend to have similar incomes per capita.

If this views were correct there would be no need for developmental theories and policies, nor for cooperation activities. Cooperation should confine itself to the mitigation of the short run unpleasant occurrences which might be associated the long run process of economic growth. Cooperation should provide safety nets and care for basic needs and human development.

Since the late forties there have been economic views which are quite skeptical about the efficiency of the market economy and its ability to bring wellbeing to all countries. These non-mainstream contributions date back to the structural change approach of Raul Prebisch and Hans Singer. In the late sixties and in the seventies Dudley Seers and the International Labour Office, ILO, highlight the importance of employment and of decent work (see Seers, 1969 and ILO, 1976). Sunna and Gualerzi provide a very useful reading to these heterodox economic views on development, which however they too focused on the economic component of development (see Sunna and Gualerzi 2016, chapters 3 and 5).

Coming back to the more optimistic views about the economic perspectives of developing countries it is easy to see that apart from East Asia the eighties and nineties have not seen much convergence of most low income countries towards the living standards of high income economies. Moreover theoretical studies and practical experience have shown that economic growth alone does not guarantee participatory and sustainable development. There are rapidly growing countries where social hardships are multiplying and new forms of poverty are being created. There are other countries where despite slow growth considerable improvements have been made in terms human development and well-being.

Nowadays development is no longer defined in terms of income per capita only; development is regarded as a multi-faced phenomenon and as evolving process. Let us briefly point out some of the major contributions to this new view. It all started with the debates in the sixties and seventies, but it was only towards the end of the eighties which a general consensus began to emerge on a broader definition of development, (more in Vaggi, 2010).

Three major contributions to this change can be identified.

First, the 1987 Bruntland Report by the United Nations gives a first definition of sustainable...
development: a process which can satisfy the needs of present generations without compromising the possibilities of future generations (see United Nations, 1987). With this report the environment dimension and the idea of sustainability become essential aspects of the notion of development.

Second, in 1990 we have the first Human Development Report by UNDP with the Human Development Index, which includes not only income, but also education and health (see UNDP, 1990).

Third, in September 2000 the United Nations present the Millenium Development Goals, MDGs, eight goals which provide a widely accepted definition of development, including the fight against poverty, health, education, environment and gender.

More recently the very notion of Gross Domestic Product has been criticized as an appropriate indicator of the standard of living of people. The research work focuses on the definition of well-being, perhaps the most famous report is the Stiglitz, Sen and Fitoussi Report of 2008 (see Stiglitz et al., 2008).

Environmental sustainability receives a lot of attention, see for instance the work of Dasgupta at Cambridge (see Dasgupta and Duraiappah, 2012). In 2012 we have also the first World Happiness Report by a team led by Jeffrey Sachs (see Helliwell et al., 2013).

Poverty too is no longer defined in terms of income only, but more in general as ‘deprivation’ and ‘exclusion’ or the lack of capabilities, in the sense of lack of the possibility to decide and to choose about one’s life. Since 2010 we have the Multidimensional Poverty Index by OPHI, the Oxford Poverty and Human Development Initiative (see Alkire et al., 2013).

All these approaches to development share some major similarities; we single out two of them. First, development corresponds to the enlargement of opportunities and possibilities of choice by the people. Second, development it is a process which is appreciated in a positive way by the people who are involved in it. The evolution of the notion of development and the emergence of that of ‘human development’ have been greatly influenced by the work of Nobel Laureate Amartya Sen (see Sen, 1985 and 1999).

The idea of the Sustainable Development Goals emerged in 2011 during the preparatory works for the 2012 Rio+20 conference thanks to a proposal by Colombia and Guatemala (see Loewe and Rippin, 2015, pp. 2, 4). The COP 21 Paris meeting of December 2016 has been the final event linking development to climate change and environmental sustainability. However the notion of sustainability has already received a broad definition, which is not limited to the environmental aspect (see for instance Sachs 1999).

B. International cooperation

Different views of development have been accompanied by different ideas about how to achieve it.

The eighties and nineties have been the period of the Washington Consensus, a term coined by John Williamson to indicate ten major points which characterized the IMF-World Bank recommendations to developing countries (see Williamson, 1990). These policies have been the key elements of the Structural Adjustment Programs of the IMF and the World Bank. These standardized policies were considered to be necessary and sufficient to trigger economic
growth in very different countries; it was a ‘one recipe fits all’ approach. It is worth noticing that these policies were also the result of a rather optimistic view and limited view about the fact that market forces alone could generate economic growth and development.

The structural adjustment policies received strong criticisms. The idea of a post-Washington Consensus derives from a paper by Joseph Stiglitz in 1998 (see Stiglitz, 1998), when he was Senior Vice-president of the World Bank. In the paper Stiglitz advocates the need for more articulated and less economic focused policies, he also highlights the fact that development has to be interpreted in terms of broader goals, not just income.

In January 1999 the then President of the World Bank James Wolfenshon launched the Comprehensive Development Framework, CDF (see Wolfenshon, 1999 and http://web.worldbank.org/archive/website01013/WEB/0__CON-3.HTM). This very ambitious, but by now rather forgotten, approach proposes a new methodology to approach development and the related policies. Development is defined in terms of many aspects and the analysis includes many different actors: the nation states, international organizations, civil society, the business sector. In a two dimensional table there is an attempt to identify the actors who could be more effective in pursuing each development aspect. In a way this approach anticipates SDG number 17, which deals with “...global partnership for sustainable development”.

Below there is a very fast description of some major international forums which have shaped a widespread view on cooperation and partnership: I am not interested in the precise description of the different contributions, but just to show how the idea of cooperation has evolved towards the notion of global partnership.

In march 2002 in Monterrey Mexico a conference was held on Financing for Development, from which the so called Monterrey consensus emerged. Developing countries should implement the appropriate policies and reforms, above all good governance, but the rich countries should concretely help mainly by committing more and more predictable and stable resources, aid.¹ In 2016 only five of countries reach the 0.7 percent of GDP earmarked for aid, which has been the UN target since the seventies (see OECD, 2015). From November 29 to December 2, 2008 a second conference on Financing for Development was held in Doha. A Third conference of Financing for Development was held by the UN in Addis Ababa on July 2015 in preparation for the September General Assembly (see UN-AAAA, 2015).

Since 2003 five High Level Forums have been held in order to define the best practices in international cooperation. The major topic of all these conferences has been aid effectiveness, which has however been examined from different points of view. The 2005 Paris declaration recommends the donor to have more accountable programs, to adopt coherent aid policies and to coordinate among themselves. In 2008 the third high level forum produced the Accra Agenda for Action in which the notion of country ownership is underlined.

In 2011 Busan the fourth High Level Forum on Aid Effectiveness ended up with the Busan Partnership for Effective Development Co-opera-

¹ In Monterrey emphasis was also laid on the theme of global public goods which include knowledge and research (see also Sumner and Lawo, 2013, p.35).
ration, which focuses on development effectiveness and not just aid effectiveness. This approach requires having shared evaluation tools between all partners, including partners in the ‘South’. The involvement of civil society is another important issue and more attention is dedicated to the development outcomes of policies rather than to input indicators only.

In April 2014 in Mexico City there was the First High-Level meeting of the Global Partnership for Effective Development Co-operation, which was in fact a follow up of all the previous High Level Forums and where the emphasis was on the partnership aspect of international cooperation(see UN-FHLM, 2014). All these forums prepared the way to SDG 17, the one dealing with global partnership.

The outcome of these debates about development and cooperation can be described with two words: empowerment and ownership.

Empowerment is the process of enhancing the capacity of individuals or groups to make choices and to transform those choices into desired actions and outcomes (Alsop et al., 2006, p.10). Thus empowerment is the possibility to enlarge one’s opportunities and her set of choices.

Ownership is the ability of developing countries and of people to take the development process into their own hands. Country ownership appears both in the Paris Declaration and in the Accra Agenda for Action(see above).2

Country ownership means that there is sufficient political support within a country to implement its developmental strategy, including the projects, programs, and policies for which external partners provide assistance. (see http://web.worldbank.org/archive/website01013/WEB/O__CON-5.HTM)

The country has to be in the driving seat, but of course is not just a problem of the central government’s ability to take decisions, it requires the involvement of all stakeholders: local governments, Civil Society Organizations, communities etc.

3. From the Millenium Development Goals to the Sustainable Development Goals

The MDGs played a very important role in highlighting the major development challenges confronting developing countries and the entire world. Extreme poverty, was at the forefront with the one dollar a day story which derives mainly from Martin Ravallion’s work first exemplified in the 1990 World Development Report (see World Bank, 1990, pp.27-9). The one dollar a day threshold has now become 1.90 at 2011 PPP, Purchasing Power Parities, prices.

It might look strange that at the time in which the definitions of development and of poverty are being enlarged and enriched MDG 1 refers to income poverty. However we must remember that from 1980 to 2000 three main regions in the world, Latin America and the Caribbean, Middle East and North Africa and Sub-Saharan Africa had no increase at all in income per capita, with many countries experiencing a significant decline. It was the lost decades period, mainly due to

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2 Country ownership has also been used to indicate the alignment of the countries to the conditionalities of the Structural Adjustment Programs and Poverty Reduction Strategy Papers of the nineties, see Buiter, 2007. For the point of view of civil society organizations on country ownership see Interaction, 2011.
the debt crisis which erupted in Mexico in 1982. It was obvious to regard the fight against income poverty as a priority; as a matter of fact the World Bank dedicated to poverty two World Development Reports, that of 1990 and again that of 2000/2001 (see World Bank, 1990 and World Bank, 2000/2001).

Since the 2012 Rio+20 conference there have been a lot of debates on the post 2015 goals, let me recall three preparatory UN documents.

The first document is the May 2013 report by the United Nations, *The report of the High-Level Panel of Eminent Persons on the Post-2015 Development Agenda*, which includes 12 goals and 54 targets (see UN-HLP, 2013). This report stresses the fact that all goals should be examined having in mind five transformative shifts: *leave no one behind*, *sustainability*, *jobs and inclusive growth*, *peace and institutions* and *global partnership* (see ibid.). The five ‘transformative shifts’ provide an indication of the priorities and above all of the relevant dimensions which should shape future policies and actions; the shifts appear in the September 2015 UN Resolution but not with the same emphasis.

*Leave no one behind* implies that attention should focus on the most disadvantaged and marginalized groups and people, with very important implication for policies in any type of goal: health, education, environment, food, energy, water, megacities etc. This ‘shift’ does not appear as a separate goal in the final UNGA resolution of 2015, but it is quite often mentioned all along that declaration.

*Jobs and inclusive growth* asks for a reconsideration of the production and consumption model and recognize that people do achieve more opportunities and become more independent mainly through access to decent growth. Moreover this shift is a warning about the fact that not any type of growth may be inclusive. SDG number 8 includes some of these recommendations.

*Sustainability*, is clearly a cross-cutting issue for all goals.

Of course there must be effective and open institutions, but in the post 2015 period peace will be a challenge in itself and cannot be limited to good governance, transparency, etc. Building peace provides a broader vision of institutions.

A second document is the report of the *Open Working Group for Sustainable Development Goals* presented in July 2014. The *Open Working Group* was established following the Rio+20 Conference; which is basically the text which will end up into the September 2015 Resolution (see UN-OWG, 2014).

The third document is the *Synthesis Report* presented by the UN Secretary-General on December 4th 2014 and entitled *The road to dignity by 2030*. The report suggests to maintain the 17 goals but they are now clustered into six essential elements: *dignity, people, prosperity, planet, justice, partnership* (see UN-SR, 2014, p.16-19).

The three documents represent the most important contributions to the final Resolution of September 2015, which re-groups the goals into five areas of critical importance: *People, Planet, Prosperity, Peace, Partnership*, the five *Ps*. Moreover the 2015 Resolution establishes that sustainability has three dimensions: *economic, social and environmental*, all to be pursued at the same time.
Agenda 2030 is often criticized because there are too many goals which do overlap and some goals are extremely ambitious: zero poverty by 2030.\(^3\) There is also a confusion between ends and means, between those targets which could be regarded as being a final desired outcome, like end hunger, gender equality, and those goals which are indeed instrumental to achieve the former ones, such as energy, infrastructures.

Notice that from the 2000 MDGs to the 2015 UN Resolution the last goal always refers to partnership. In the MDGs goal number 8 reads: Develop a global partnership for development. There are 6 targets and 16 indicators which include issues such as the increase of aid, the extension of market access, debt sustainability. MDG 8 has been quite often criticized because many targets and indicators are very difficult to measure and in general it provides a generic commitment to achieve the other goals. The story of MDG 8 is however rather interesting because originally there was no goal number 8. As late as June 2000 in a publication by OECD, World Bank, IMF and UN called A better world for all the goals were still seven(see OECD, 2000). MDG 8 was introduced later at the request of developing countries which wanted the goals to be the responsibility of all countries including the rich ones.

SDG 17 reads: Strengthen the means of implementation and revitalize the global partnership for sustainable development, with 19 targets(see UN, 2015). SDG 17 seems to refer more to the quantitative aspect, that is to say to financial support. The 2014 Synthesis Report was more specific asking for “better regulation and more stability in the international financial and monetary system”(see UN-SR, 2014, p.22, n. 95) and it even suggested the possibility of financial transaction taxes(ibid, p.25, n. 112). Moreover the Synthesis Report requested the implementation of “comprehensive and adequate financial regulations in all countries, as the risk of another global financial crisis has not be sufficiently reduced“(ibid. p. 25, n. 114). These recommendations did not find their way into the 2015 final Resolution.

Goal 17 confronts itself with a major issue which is the main topic of this paper: how to give concrete content to the term ‘global partnership’. This implies raising the necessary resources to support the SDGs which could be an enormous amount of money(see Greenhill and Prizzon, 2012). However partnership for development is not just about funds and above all it does not take place in a vacuum, it must be implemented in a specific economic and social international environment. “Global partnership” cannot ignore some major changes that have taken place in the world economy since the nineteen-eighties. We highlight two of them:\(^4\)

- economic growth in Asia
- the rising role of international finance.

Both facts have a structural nature; they are here to stay and they have huge implications for the new goals; it is only by taking into account these facts that international cooperation activities and policies can be set in a realistic context. We will briefly see some positive and some negative aspects of both facts.

\(^3\) Among the several comments see Maxwell, 2014 and Engel and Knoll, 2014. On the progress and improvements of SDGs over MDGs see Fukuda-Parr, 2016.

\(^4\) For a wider discussion of both changes see Vaggi, 2015. On Asian growth and the beautiful image of the “flying geese” model see UNCTAD, 1996. For a history of this model see Kasahara, 2013. Akyuz,2015 provides an interesting analysis of financial markets and developing countries.
4. The economy strikes back: from G7 to G……?

A. The bright side of economic growth

Let us mention three features on the positive side.

First, at the world level MDG 1, halving the number of those living in extreme poverty, less than 1.90 dollar a day at 2011 Purchasing Power Parities, PPP, prices, has been achieved thanks to economic growth in Asia and in China in particular. According to the so called absolute poverty line of 1.90 dollar a day in at 2011PPP prices most of the poor people now live in middle income countries (see Sumner, 2013, p.1, Sumner and Lawo, 2013).

Second, the so called ‘South’ now has some global powers, China, perhaps India, and some regional powers, Brazil, South Africa and Russia, though since 2013 all three of them have been going through an economic slowdown. Emerging economies are not all the same, but the old divisions into rich and poor countries, into and north and south and the tri-partition into first, second and third world need to be replaced by a more articulated geography. The world has moved from G7 to G20 and the capitalist economy is still reshaping economic relations. Between 1995 and 2012 south-south trade has doubled its share in world exports. Now there are more players on the ground and with all difficulties and complications there are real possibilities for south-south cooperation and the SDGs strongly emphasize the universal aspect of the development challenges rather than the north-south cooperation, see Sanahuja, 2016. This does not mean that any type of economic relationship between developing countries should be automatically classified as South-South cooperation. According to the Economic Commission for Latin America and the Caribbean, better known as CEPAL, “the prevailing relationship between China and Latin America and the Caribbean has been of a North-South nature” (ECLAC 2016, p.14).

Third, since 1998 private flows to developing countries have become more and more important; Foreign Direct Investment and remittances are the largest financial flows to developing countries, with 600 and 450 billion of US dollars respectively in 2014. Remittances include only the officially registered ones, hundreds of billions are assumed to enter developing countries in an unofficial way. International aid is around 130 USD billion. Private benefactors and philanthropy flows have also increased enormously in the first fifteen years of the new millennium.5

B. However....on the dark side

Unfortunately some negative economic facts characterize the international economic situation and could jeopardize the progress towards the new SDGs.

First, since 2007-2008 a major financial crisis has hit the rich countries generating large variability and major turbulences in financial markets. International finance is characterized by systemic risk; the best description of this situation is in the work of Hyman Minsky, who foresaw the potential damages of uncontrolled finance more than forty years ago. His ‘financial instability hypothesis’ dates back to the mid-seventies when the overall market for derivatives was still puny (see Minsky, 1974).

5 More flows could come from some new development banks such as the New Development Bank of the BRICS and the Asian Infrastructure Investment Bank, AIIB, both initiatives were launched in 2014 with the backing of China (see Griffith-Jones, 2014).
Second, since the eighties income distribution has worsened in all High Income economies reversing a pattern of increasing equality which had taken place from 1950 till 1980. According to Piketty this largely depends on the fact that during the last thirty years returns on wealth have been higher than the growth rates of the economy, a fact which has led the concentration of wealth into the hands of few people (see Piketty, 2013). SDGs 10 asks for a reduction of inequalities and this is a big improvement on the MDGs; now equity is at the forefront in the debates about development, but the changes in the economic landscape which are discussed in this section show how difficult and complicated it might be to try to achieve this goal. As we shall see in the next section the reduction of inequalities has a lot to do with the way in which global partnership for development will be interpreted.

Third, since 2008 economic growth has been quite weak in most High Income Economies and there has been a slowdown also in emerging economies. This has led to a debate on the so called secular stagnation hypothesis, following Larry Summers’ reappraisal of this term. Many explanations of this phenomenon focus on the relationship between savings and investment and on the fact that due to an excess of savings the real interest rate needed to equate investments and savings at full employment level may be negative. This means that monetary policy becomes ineffective because due to low inflation and low nominal rates there is a floor, the so called Zero Bound Level, ZBL, for nominal rates (see Baldwin, and Teulings 2014, p. 2.). To put it in Keynesian terms it is as if the liquidity trap had become a permanent feature of the economy (see Krugman’s paper in Baldwin, and Teulings 2014, p. 15). At the world level there is an excess of savings over investments, we could say that investments do not growth enough notwithstanding cheap and abundant savings. Major explanations for the increase in savings are related to demographic changes (i.e., pp. 11-12, 14), and to an increase in life expectancy combined with lower population growth rate, the so called “ageing society.”

Other authors believe that technical progress is losing its potentialities in terms of smaller productivity increases than in the past (see the paper by Gordon in Baldwin and Teulings, 2014).

In my view the savings glut plus demography plus weak technical progress hypotheses are not sufficient elements to explain the slowdown of growth rates in high income economies, it is necessary to look for both supply and demand side causes. There is a need for large investments in particular in infrastructures in both high income economies (see Caballero R.J. and Farhi E., 2014, pp. 118-119) and in developing countries where population is still growing (see Wolff G.B., 2014, p. 146).

The present crisis has many features of a crisis of overproduction with a lack of effective demand which derives also from the worsening income distribution (see Palley, 2016). For many years China has been investing 35-40 per cent of GDP, reaching 45 per cent in 2010, while other countries in Asia have followed similar path, even if not with such exceptionally high in-

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6 On the trends on global income inequality among countries see also Milanovic, 2012.

7 Tassara, 2016 provides a very insightful analysis of the challenges facing Latin American countries.

8 On the various explanations for secular stagnation see Baldwin and Teulings, 2014. The origin of the term ‘secular stagnation’ is discussed in Backhouse and Boianovsky, 2016.

9 These phenomena increase the dependency ratio because of the raising share of pensioners.
Inversion ratios. This has contributed to a situation of overcapacity at the world level; the overall productive capacity installed could produce more goods than those which can profitably be sold on international markets. Some sectors appear to be saturated, the car industry being a case in point, but this is also the case for iron, for the containers see-transport business and for many consumer durables and also for some high-tech products.

Fourth, the above situation generates huge imbalances which manifest themselves both in the different growth rates among countries and above all in the deficits/surpluses of the trade and current accounts. This happens among different countries and regions, Asia is a surplus region and US are a deficit country, but also inside the same regional areas, the Eurozone being an obvious example. In the twelve months up to July 2016 the Eurozone as a whole had a hefty 3 per cent of GDP surplus in the current account with a similar deficit in the budget balance, but there were huge disparities within it. The current account surplus was more than 8 of the GDP in Germany and it was almost 10 per cent in the Netherlands.10

According to the free competitive assumption and to the efficient market hypothesis these imbalances should not exist in the long run. With some simplifications we could say that according to mainstream theory capitals should flow from deficit to surplus countries. A deficit in the current account implies that these countries must pay for the extra imports over their exports. This requires an outflow in their financial account side of the balance of payment, which corresponds to an inflow for the surplus countries. This type of capital movements should increase the exchange rates in surplus economies and bring it down in the deficit ones. Therefore imports from surplus-countries would be more expensive and exports from deficit-countries would be cheaper, this change in the exchange rate should help to reduce the imbalances.

Fifth, since the year 2000 in many developing countries, including Sub-Saharan Africa economic growth rates are higher than before, however young people do not find appropriate employment. The situation is particularly severe in some North Africa and Middle East countries, from Morocco to Lebanon; in order to absorb all those entering the labour market these countries should generate between 2.5 and 3 million of new jobs every year. Remember that SDG 8 asks for full employment and decent work for all.

In these countries there is a mismatch between the number of educated people looking for a job and the ability of the economies to absorb them; quite often the result is migration. This fact is extremely worrying because it implies that even when developing countries invest in education, they have a high probability to lose many skilled workers. Education is a fundamental component of human development and it also has huge potentialities to generate innovation and growth, however these potentialities are curtailed by the unfavourable conditions of the demand for labour. This is a clear case in which individual empowerment does not come through because the external environment represent much more a constraint than an opportunity. Decent work is a typical situation which can only be achieved if there are improvements at the personal, micro, level and also in the general economic conditions of the country or region, that is to say at the macro level. The widening of personal capabilities must be accom-
panied by a more vibrant and decent labour market.

C. Neo-Mercantilism

The first four points above regard mainly high income countries, so why should developing countries bother? Unfortunately both stagnating economies and structural imbalances are stimulating neo-mercantilistic and protectionist policies; nations fiercely compete on international markets (see also UNCTAD, 2014, pp. 17-19). Many countries try to overcome these difficulties with deflationary policies, which are made up of strict budgetary policies, compression of domestic demand and the fostering of exports. These policies lead to increasing competition and to neo-protectionist attitudes. Of course not all countries can run a trade surplus at the same time; Mercantilism is a zero-sum-game which leads to “beggar thy neighbor” type of policies. 11

East Asian countries and China are often regarded as the obvious culprits, mainly because they keep undervalued exchange rates, which helps to build current account surpluses and huge reserves. Export subsidies and import duties are the traditional protectionist policies, but we also have selective credit systems, the management of the exchange rate, tax exemption on reinvested profits, domestic wages/incomes compression, subsidies to Research and Development, product standards, rules of origin etc.. Needless to say the opposition to the free movement of people quite often complements neo-protectionist policies.

We must not confuse today Mercantilistic approach with the lack of competition on international markets. During the last thirty years there have been many newcomers in international markets, in particular in East Asia. However, this has very little to do with the idea of competition characterized by a multitude of independent producers, this is a competition among giants. In many sectors: from automotive, to capital equipment, to infrastructure, to international finance there is a strong concentration of productive capacity, also through mergers and acquisition. At the world level these sectors are characterized by oligopolistic competition, in which big transnational companies either organize cartels and lobby for the state to support them with appropriate policies.

In 1776 Adam Smith wrote against the alliance between big corporations and the state because it could lead to lower growth and it could also modify the nature of society.

This alliance could perpetuate and even enlarge the differences between the different market players, thus increasing imbalances instead of reducing them (see Smith 1776, book IV,iii.c.9-10).

Today economic forces look very powerful and we must inevitably ask ourselves how all those nice ideas of development as a complex and multi-faces process could be put into practice. How to enlarge people capabilities in an effective way? Would not people be overwhelmed by the economic forces and rising inequality? What about the new SDGs and global partnership? It looks as if on one side we had an ideal process of development which however risks to be just in our debates and imagination because

11 At the beginning of the seventeen century Thomas Mun a director of the British East India Company wrote “….we must observe this rule; to sell more to strangers yearly than we consume of theirs in value.”(Mun,1623?, p. 5). Mun goes on defending the role of trade with the East-Indies (ibid., p. 7). In Mun’s balance of trade system a surplus in foreign trade is the main cause of national wealth.
on the other side there is the real world, where capitalist markets continuously reshape the economic and social structures in which development should take place. In oligopolistic markets firms try to bend the market mechanisms to their interests.

International finance too is an example of an oligopolistic market in which few international systemic banks play a dominant role, and there is a sort of Financial Mercantilism (see more in Vaggi, 2015).

How can Agenda 2030 work in these conditions?

4. On global partnership: dialogue and negotiations

A. SDG 17: last but not least
We have started the story of development with just one goal, economic growth, now we have plenty of goals, targets and indicators; it is clear that more negotiations are needed and decisions will have to be taken on the priority goals and on the means of implementation. The success of the SDGs will largely depend on and the way in which the priorities will be chosen and how they will be supported.

In Table 1 I have organized the 17 goals and the 169 targets into four clusters, of course it is possible to group the goals in different ways (see for instance Loewe and Rippin, 2015, p. 4 and OECD, 2015, p. 48). Some associations between the five areas of the 2015 resolution and the first three clusters are straightforward and do not need any comment.

- The Environment cluster largely includes the items in the area called Planet of the 2015 UN Resolution.
- The area People largely overlaps with the cluster Human Development.
- The cluster Economics/Financing includes both economic issues and financial means of implementation and it incorporates many targets of the area Prosperity. This cluster underlines the economic dimension of sustainability, but it also refers to the social and economic structures which might either favour or constraint the progress towards the SDGs. Some targets belonging to goals which appear in the first two clusters are classified in the third cluster because they are related to financing and to the means of implementation.
- Partnership is the same in the 2015 Resolution and in the clusters.
- SDG 16 peace and justice comprises inclusive societies, accountability, institutions. In view of the many complicated challenges that it poses SDG 16 could be in a cluster by itself; it could also be part of the partnership cluster, because it has vast implications in terms of global partnership. We leave it under Human Development in order to underscore the human rights aspect and the social dimension of peace: peace and justice are both rights and end-goals in themselves.
The cluster classification requires some comments.

First, the targets in grey could fit into different clusters, they show that there are many overlapping among the different goals and that the large number and the complexity of the targets require more dialogue and negotiations among all the stakeholders.

Second, Table 1 explicitly mentions only those targets which appear in a cluster different from that of the goal they refer too.

Third and most important, most goals and targets are heavily interconnected, a point often repeated in the UN September 2015 Resolution (see for instance UN 2015, p. 11, point 55). In general Table 1 shows that many of the targets included in the first sixteen goals have...
to do with negotiations and require a dialogue among all stakeholders, this is why they appear in the partnership cluster.

Whatever the classification of the different goals without a serious partnership made up of a continuous dialogue and thorough negotiations the SDGs will largely stay on paper.

The need to negotiate the actual cooperation policies plus the considerations of section III on the growing economic imbalances imply that “the global partnership for sustainable development” of SDG 17 should be based on a basic principle:

**to re-balance the economic and power relationships between the different actors.**

This paper strongly contents that the re-balancing of negotiating powers is the only principle which could lead to an effective partnership and hopefully could lead to improvement on the road to the SDGs by 2030. This is because of two facts with which Agenda 2030 has to confront itself:

- first, the complexity and to the interconnectedness of all goals and targets, which is also represented in Table 1;

- second, the variety and the existing differences among all the stakeholders, see chart 1.

These two conditions cannot be by-passed and must be accepted as aspects of the real world in which Agenda 2030 must be implemented. The two conditions also explain why it might be difficult to have a real and effective partnership for development. Re-balancing is an attempt to put the dialogue and negotiations which are the content of the partnership on a more realistic footing; on one side it acknowledges the existing differences and on the other it tries to overcome them.

Probably international cooperation will not cease to be mainly donor-driven, but the role of traditional donors will become less and less relevant and more voices from the ‘global south’ will make themselves heard. In order to have a useful dialogue it is necessary to give concrete substance to *global partnership*, subsection V.B. will provide some examples.

SDG 17 says: *strengthen the means of implementation and revitalize the global partnership for sustainable development*, with 19 targets and three systemic issues, see Table 2.

<table>
<thead>
<tr>
<th>Table 2</th>
<th>SDG 17 and its composition</th>
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</thead>
<tbody>
<tr>
<td><strong>5 Groups</strong></td>
<td><strong>12 targets in the first 4 groups</strong></td>
</tr>
<tr>
<td>Finance</td>
<td>5</td>
</tr>
<tr>
<td>Technology</td>
<td>3</td>
</tr>
<tr>
<td>Capacity building</td>
<td>1</td>
</tr>
<tr>
<td>Trade</td>
<td>3</td>
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<tr>
<td>Systemic issues</td>
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*Source:* Original elaboration from the author
How to make it work? Empowerment, ownership and global partnership require that cooperation should be a dialogue among less unequal partners. At the moment partners are very much different in terms of wealth, trade and financial capacities, knowledge. The re-balancing of negotiating capacities should be the leading principle in order to achieve an effective global partnership.

This process of re-balancing requires at least three steps.

**Step 1: country ownership.**

Faced with a lot of goals and targets each country will have to decide its priorities; it is hard to imagine Malawi moving ahead on all SDGs and their targets. There must be a mechanism which should lead to identification of the country’s main objectives. **Countries in the south should set their own agenda.** Something like this, even if not so clearly stated, is mentioned in target 17.15 which asks for no donors’ driven programs at the country level. This is not so simple as it might appear, because some decisions could not be at harmony with the opinion of the ‘donors’. It is easy to imagine situations in which the different stakeholders could have different priorities. The whole process might require procedures, negotiations and a lot of time and truthfulness by all the sides involved.

**Step 2: trilateral dialogue**

Dialogue and negotiations will take place among traditional donors and recipient countries but not only. There are the so called “new donors” which are mainly countries, such as the BRICS and other emerging economies, but there are also other stakeholders which can provide both resources and technical assistance: development banks, philanthropy institutions, sovereign funds, private investors, business people. In principle all these actors should discuss and agree on the most appropriate development policies, see Chart 1.

If global partnership must be effective then the outcomes of the various forums from Rome 2003 to the Addis Ababa conference on Financing for Development of July 2015 should be adopted by all stakeholders. Old and New donors should give the same message and agree on the various aid effectiveness criteria, the main issue being policy coherence in cooperation activities and coherence also between trade and aid policies. All the principles which have been agreed during the several forums of the years two thousand at the OECD-DAC level, see section II.B. above, should be accepted by all donors, old and new ones. This policy coherence by old and new donors is not at all easy; a lot of aid and loans are still ‘tide’, but consider also labour standards and migrants’ rights, tax competition to attract investments and so on. Moreover it is not just a matter of making ‘new donor countries’ to agree on these principles, but to involve also several very different private institutions.

Step 3 is the core of the argument and requires a section on its own.

**B. Step 3: universality and differentiation and the need for policy space**

Consultations and dialogue should allow developing countries more negotiating power. This follows from the need of re-balancing a situation with large asymmetries. When the parties are very much different in terms of resources, capacities and power, the re-balancing of these
powers helps to guarantee a fairer game; this process might require limitations for the most powerful actors and additional possibilities for the weaker parties.

Re-balancing is needed because of the existing asymmetries which are neither eliminated nor reduced by market forces. The principle of re-balancing is the logical consequences of the two principles of universality and differentiation which are often quoted in the UN 2015 Resolution, but which also appear in other official documents (see for instance ERD, 2015 pp. 310-ff. and UN-SR, 2014, n. 84). Universality means that SDGs are for all countries and for all people, not just for the poorer countries and all stakeholders should be committed to them. Differentiation recognizes that contributions to the achievement of the SDGs depend on the different capacities and needs of the different countries. The principle of “common but differentiated responsibility” derives from the Rio+20 conference (see for instance Bolaji-Adio, 2015, pp. 2, 8).

These considerations imply full use of policy space by developing countries (SDG 17.15, see also UNCTAD, 2014 and Eurodad, 2014); they must be allowed to implement policies and actions which could reduce the distance with both high income countries and the emerging economic powers.

Let us indicate some of the main areas where policy space is needed and on which human and institutional capacities should focus, in brackets the reference to some specific targets which appear in the SDGs.

1. Trade, Special and Differential Treatment (10.a)

2. Industrial policies: Export, Taxes, Investments, exchange rate

3. Decent work, Migrations (8.8, 10.7, 10.c)

4. Public finances and budget: tax system, subsidies

5. Social protection systems (1.3).

Let me examine the implementation of policy space in three main areas: trade relations, industrial and budgetary policies, social protection systems.

First, trade relations are a typical case in which applying the same rules to players with enormous differences as to their economic structure and productive capacity would be against fairness and probably would also lead to inefficient outcomes.

Following the Uruguay Round Agreement and the establishment of the World Trade Organization in 1995 the possibility for developing countries to intervene in foreign trade has been greatly constrained. Trade negotiations have to be based on the principle of reciprocity among all trading partners and this has generated some paradoxical situations.12

As UNCTAD points out (see UNCTAD 2014 pp.82-ff.) some flexibility still exists particularly for developing countries. These exceptions to the general obligations which are incorporated into the main trade agreements go under the name of special and differential treatment, SDT. However, far from being an exception SDT should be the norm in so far as it helps to re-balance the very large differences in productive

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12 The group of UN experts on financing for development asks for trade and investment rules to be geared towards the sustainable development of poorer countries (see UN-ICESDF, 2014, pp. 41-42).
capacities of high income and emerging economies on one side and of Low Income and Least Developed countries on the other. SDT in trade is mentioned in SDG 10.a. The major problems do not concern trade in goods and services, but international agreements on property rights, investments, dispute settlements, financial services in general.

The 2001 Everything But Arms, EBA, EU approach to trade with developing countries is a good example of Special and Differential Treatment; EBA implies duty-free and quota-free imports to the EU from the Least Developed Countries, but for armaments.

**Regional integration and coordination among countries in the south** would also greatly help the process of re-balancing different negotiating powers. The **Economic Partnership Agreements, EPAs**, originating out of the Cotonou agreement of 2000 between the EU and the group of African, Caribbean, Pacific, ACP, countries have acknowledged the principle that negotiations take place between the EU and regional groups and not with individual countries. Unfortunately it took more than ten years of negotiations to reach some final agreements (see Vaggi and Evans 2002).

Regional integration would help developing countries to achieve a stronger negotiating position and it would encourage the countries to establish regular procedures for consultations at the regional level (see Ramsamy, et al. 014). Think of infrastructures, energy, logistic, all issues which should be dealt with at a supranational level. African countries are trying to have a common strategy also on SDG 16 which focuses on good governance and peace (see Bola-ji-Adio, 2015, pp. vi, 11).

Second, **industrial and budgetary policies** are among the most important policy tools to be used to reduce the productive capacity gap (see UNCTAD, 2014, p. 92). Industrial policies have been widely adopted in East Asia, but in the past also in OECD countries. The government intervenes to promote technological innovations and to sustain exports, this can be done with direct subsidies and tax exemptions but also through favourable credit conditions. Special Economic Zones are an example of active industrial policies, mainly designed to attract Foreign Direct Investments, FDIs which are extremely popular in developing economies. Inside these zones labour relations and labour standards hardly adhere to those recommended by ‘decent work’, which is part of SDG 8. ECLAC ask for the possibility to implement environmentally-focused industrial policies (see ECLAC, 2016 p. 70).

In order to implement these policies and also to fight poverty developing countries need **fiscal space**, that is to say a budgetary policy which is countercyclical and in particular it allows countries to expand public expenditures in periods of declining growth (see ECLAC, 2016, pp. 67-8). The **fiscal system** is another important dimension of the policy space (see UNCTAD, 2014 pp. 161-2). Developing countries still derive a lot of their public revenues from taxes on foreign trade and from indirect taxation in general. Tax revenues are already the largest domestic source of finance in Africa with a tax to GDP ratio of 17%, OECD countries have a 35% or more (see Mackie, and Williams 2015, p.7). However the tax composition needs to be improved. Developing countries need to widen their tax base and to rely more on income taxes, not to mention wealth taxes, but raising domestic resources.
for development is a big challenge (see Touray, 2014). To increase the public revenue from incomes takes time and implies major advances in good governance and also in administrative capacities. Without major improvement in tax collection and in the fiscal system in general there is no way to have a more equitable society and to reduce the dependence from foreign funds. Of course the shift towards a more efficient and more equitable tax systems would require time and support from foreign stakeholders.

More policy space for Low Income and Lower Middle Income countries implies granting them the possibility to adopt active policies to promote development, with a direct involvement of the government. The active role of the state in promoting domestic productive capacities and in strengthening the country’s position in foreign trade might look like a neo-mercantilist policy. However, there is a major difference between the developmental role of the state and neo-mercantilism:

- the former aims at reducing the distances between Low and High Income countries;
- the latter aims at maintaining and even enlarging these differences.

In Upper Middle Income Countries which have already reached decent levels of income per capita the developmental role of the state should focus on domestic demand and on its composition.

Third, social protection systems, SPS, in Europe we could use the term ‘welfare system’. Social protection is meant to avoid the worsening of the conditions of the poorest people, remember that the first transformative shift of the High Level Panel document is leave no one behind (see UN-HLP, 2013). Social protection for those who have more difficulties is a way to re-balance an unfair, may be even dangerous, situation and it fits well with the general principle of reducing the differences and giving more opportunities to the weakest social groups.

Social protection floors are mentioned in the document by the group of experts on development finance (see UN-ICESDF, 2014, p. 22), where we also find the term global safety nets (ibid., p. 44), an expression which had already been used during the debt crisis of the eighties.

Europe could provide a major contribution to this debate because in many ways the welfare system is a unique social and political experiment of Europe. The welfare system originated in Europe during the last century and in most High Income Countries it achieved major results in the years between 1945 and 1980 (see Piketty, 2013), contributing to the emergence of what we call ‘middle class’. The challenges are straightforward:

- will this welfare system survive in the countries where it exists?
- will it be extended to emerging/developing countries?

The Eurodad-Ibis position paper for the 2015 Addis Ababa conference on Financing for Development stresses the issue that a comprehensive system of social protection is already part of the commitment of the UN states (see Eurodad-Ibis, 2015, p.6).

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13 On the developmental role of the state in Asian economic growth see Wade, 1990.
A final point on dialogue and negotiation. The rise of international finance is more worrying than that of East Asia. In the latter case there are countries and governments with whom it is necessary to carry on a dialogue on many relevant partnership issues, such as climate change, human rights, labour conditions, trade regulations etc. The partners are well identified and there are also forums where debates could take place.

In the case of finance it is much less clear who the partners are and how to have a debate. Where are the institutional settings for the negotiations? We all know the big international investment banks, but there are a myriad of different types of funds, some financial centers, such as Wall Street and the City, and other offshore centers. Capital, not labour, is fully mobile across countries and the number and types of financial products continuously increase. Most derivative products are not traded in regulated financial markets, but they are negotiated ‘Over The Counter’, that is to say with agreements and contracts between two or more parties and without any type of supervisory authority. How is it possible to open a dialogue for development with these international financial investors? We know how volatile financial flows are and how dangerous this volatility has been for developing countries(see Akyuz, 2005). Inflows can be either a blessing or a curse, but unfortunately since the capital flows to Latin America of the late seventies we have seen a lot of capital reversal, or outflows which have had terrible consequences on developing countries. This was the case during the big debt crises of the eighties, Argentina had similar problems between 1995 and 2001 and even recently some African countries risk economic crises because of their international debts.

Conclusions
Steps 1, 2 and 3 will never materialize without good governance, not only in the sense of avoiding or at least limiting corruption, but also in terms of institutional and administrative capacity. Target 16.a mentions the need to “strengthen relevant national institutions… for building capacities at all level”. Without major improvements in administrative and institutional capacities it would be impossible to achieve the new SDGs and global partnership for sustainable development will be an empty statement.

Re-balancing plus the improvement of institutional capacities in developing countries should prevent the widening of the gap between the partners and smooth the existing differences. Re-balancing is in line with Montesquieu’s famous tripartite division of powers, without this separation there is no freedom(see Montesquieu, 1748 vol. 1 p.164). Checks and balances imply the existence of counteracting forces: “In order to avoid that someone abuses of power, it is necessary that, in the state of things, power obstruct power” (ibid., pp. 162-3).

Economic growth could produce checks and balances and it might reduce differences, but it could also increase distances and concentrate economic power into few big firms. There is no automatic trickle down mechanism of economic growth; free trade and free capital movements cannot guarantee that the development goals will be achieved. Free trade is an extremely powerful mechanism and after centuries of wars in Europe Montesquieu could even write that “the natural consequence of trade is to bring peace”(ibid., vol. 2, p. 8). More than two centuries later referring to Montesquieu Hirschman will speak of doux commerce, sweet trade,
as a formidable argument for capitalism (see Hirschman, 1977, p. 60). However trade could also be quite sour and the same for finance.

Development is no automatic by product of economic growth, positive actions and policies are needed to generate more equitable and inclusive societies. Goals are like a lighthouse showing the direction; economy, finance and even politics are the ocean in which we have to navigate. SDG 17 on global partnership is about the rules on the boat.

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