What does MDGs Experience Tell Us about SDGs Challenges?

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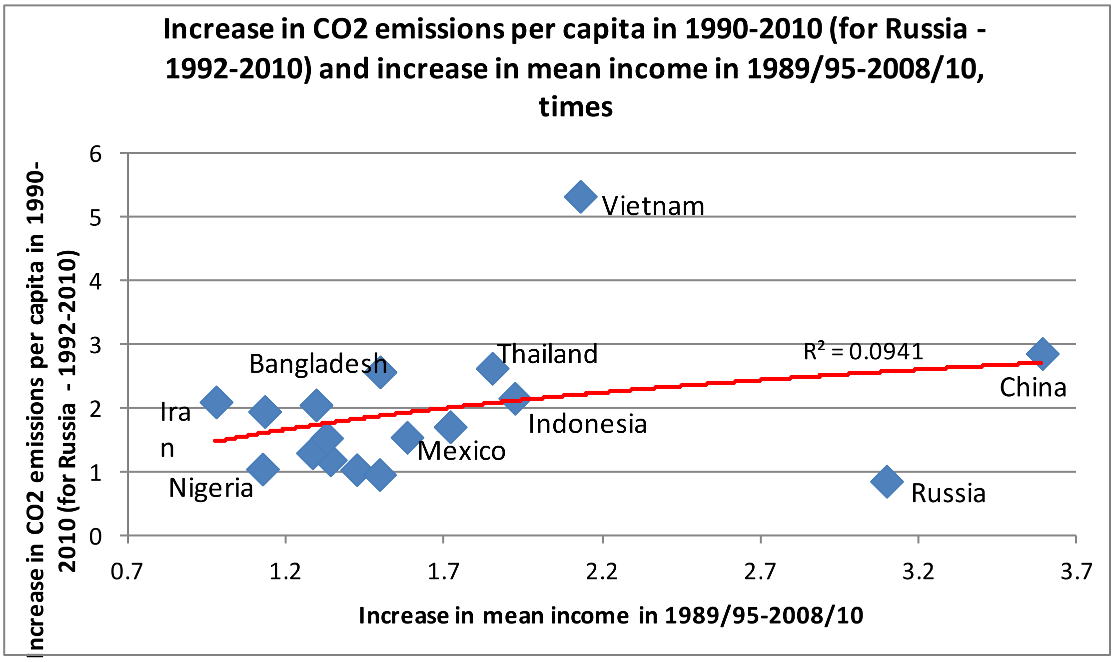
The world leaders have recently adopted an ambitious 2030 Agenda for sustainable development. This comes at the conclusion of MDGs era which is generally regarded as largely successful in reducing poverty, improving educational attainment and maternal and child health, and some other key social and environmental indicators. The success of the MDGs era has encouraged the world leaders for more aspiring sustainable development goals (SDGs).

However, SDGs are much more challenging than MDGs in terms of scope, coverage, targets and environment in which they are to be achieved. Sustainable development is defined to cover three dimensions: economic, social and the environment. That is, there has to be sustained economic growth and improvements in social development without degrading the environment. In practical terms, there has to be at least: (i) increases in mean income (and reductions in poverty), (ii) declines in Gini coefficient and (iii) reductions in CO2 emissions, on a sustained basis.

What does MDGs experience tell us about the above three minimum targets of broader sustainable development goals? Unfortunately, countries that experienced the highest increase in mean income are also the countries with highest increase in CO2 emissions (see Chart 1). That is, there seems to be a trade-off between economic and environmental dimensions.

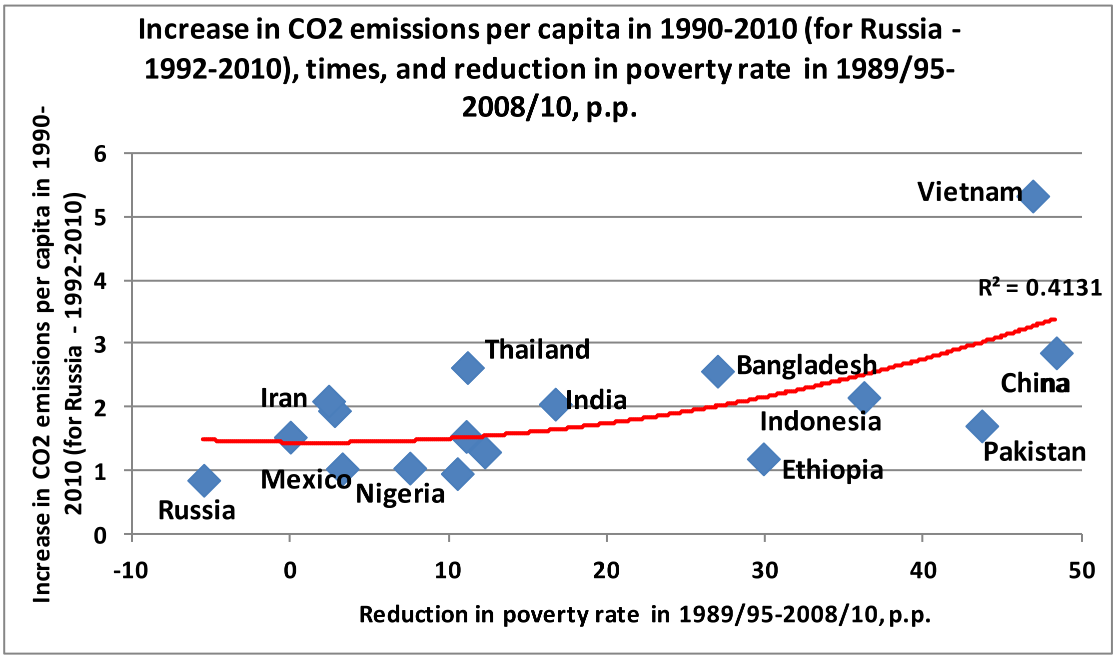
Chart 1: Trade-off between economic and environmental dimensions



Source: World Development Indicators, POVCAL (World Bank)

The same trade-off is also seen in the positive correlation between poverty reduction and CO2 emissions. That is, countries that achieved the greatest progress in poverty reduction did so at the expense of increasing per capita consumption of energy and CO2 emissions (see Chart 2). If poverty reduction is considered an element of social dimensions then this also implies a trade-off between social and environmental dimensions.

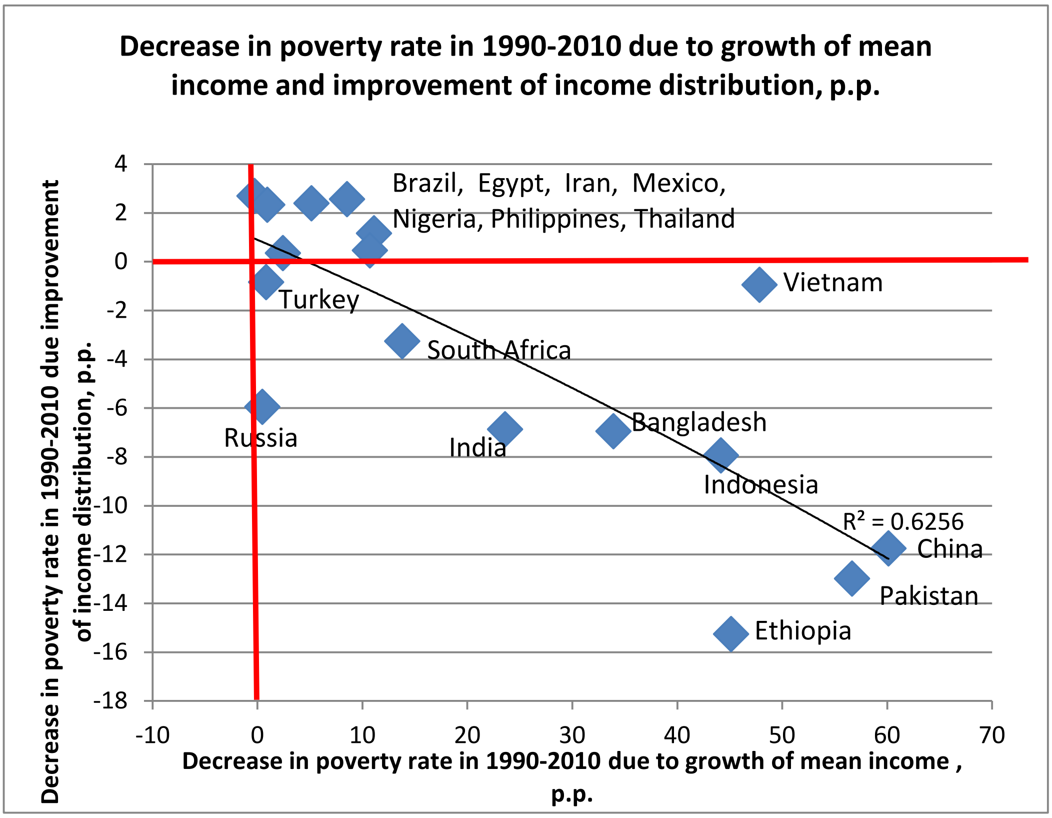
Chart 2: Trade-off between social and environmental dimensions



Source: World Development Indicators, POVCAL (World Bank)

There also seems to be a trade-off between economic and social dimensions. That is, mean income growth and reduction in inequality appear to be negatively related; in most cases reduction of poverty due to the growth of mean income was accompanied by the deterioration of income inequality. Decomposition of the reduction of poverty into two parts – due to the growth of mean income (holding income distribution constant) and due to the improvement of income distribution – reveals the negative correlation between income growth and inequality (see Chart 3).

Chart 3: Trade-off between economic and social dimensions



Source: POVCAL (World Bank)

In sum, none of the largest developing countries performed equally well during 1990-2010 on the three counts – the three most basic dimensions of sustainable development– income growth (and poverty reduction), equality (income distribution) and environment (CO2 emissions per capita) . It is apparent that there were no “role models” – countries that succeeded “in all fronts” and enjoyed equitable and green growth. Countries with strongest growth of income and/or poverty reduction were much less successful in reducing inequality and/or limiting emissions of carbon dioxide.

Countries are also challenged by changed global economic environment. Impressive poverty reduction and improvements in some other social indicators were achieved during the MDGs era when the global economy experienced sustained economic growth. Between 2000 and 2007 world per capita GDP augmented by nearly 18% and China’s per capita GDP, which contributed the most to the reduction of poverty globally, expanded by over 110%. During the same period per capita GDP of Sub-Saharan Africa and South Asia enlarged by 24% and 46%, respectively.

However, since the world economic and financial crisis or Great Recession of 2008-2009, the global economic growth slowed significantly. Growth rates in China and all major regions, such as South Asia – the home to the largest number of absolute poor – and Sub-Saharan Africa decelerated significantly compared to the pre-crisis period. This slowdown reduces the room for manoeuvre to achieve SDGs, but also shows the potential that the world economy has to fight the unpleasant trade-offs: the lost output in 2008-15 as compared to the period of 2000-07 was about $10 trillion for the world as whole, over $250 billion for South Asia and over $550 billion for Sub-Saharan Africa (in PPP 2011 prices).

To put it in perspective, funds needed to prevent global warming are estimated at about 1-2 trillion dollars a year, comparable to about $1.25 trillion a year lost in 2008-15 due to the slowdown of growth ($10 trillion/ 8 years) . And the world needed only $182 billion annually to close the poverty gap. That is transfers of \$182 billion a year would have been enough to bring the people living below \$1.90 a-day international poverty line above it globally. The estimated annual amounts for required transfer in South Asia and Sub-Saharan Africa are \$43 billion and \$104 billion, respectively. To put it differently, if only the growth of the world economy continues at a reasonable pace, the fruits of this growth would be enough to eliminate poverty completely and to prevent the global warming. But there are two implicit assumptions – (i) the benefits of growth should be used more equitably both nationally and globally and (ii) the growth recovery process should be more green.

Therefore, the growth recovery and achievement of SDGs would need a New Deal type response, but after decades of rising inequality and environmental deterioration, it must also involve international cooperation and coordination as well as a collective global commitment to sustainable development. The SDGs are universal and the current crises are global in nature; hence appropriate and adequate responses are needed in all countries.

The implementation of the United Nations global social protection floor initiative adopted in 2009 in response to the global financial and economic crisis should go a long way in consolidating development gains and making the growth process more inclusive. At the 3rd International Conference on Financing for Development in Addis Ababa, countries have committed to "provide fiscally sustainable and nationally appropriate social protection systems and measures for all, including floors…" They have also committed to "strong international support for these efforts", and to "explore coherent funding modalities to mobilize additional resources..."

Making the growth process greener requires new set of technologies that use less fossil fuel and depend more on sustainable efficient energy sources. For most developing countries, it would mean technological leap frogging, and least developed countries would need support from developed countries. The proposed technology bank and science, technology and innovation capacity-building mechanism for least developed countries as contained in the Addis Ababa Action Agenda is a step in the right direction. Countries have also committed to "increasing public investment, which plays a strategic role in financing research, infrastructure and pro-poor initiatives."

Thus, despite many disappointments, such as the failure to upgrade the UN Committee of Experts on International Cooperation in Tax Matters into a full-fledged inter-governmental body in the face of developed countries' steep opposition as well as the lack of time-bound, actionable commitments needed to deliver on the long-held aid target of 0.7% of GNI and privatizing development finance, the Addis Ababa Action Agenda could be turned into a Global Green New Deal (GGND). It has elements including public works programmes in line with the Global Jobs Pact and support for social protection contributing to the Global Social Protection Floor. It should, therefore, be central to the broader international counter-cyclical response to the crisis complemented by national stimulus packages in all countries aimed at reviving and greening national economies for achieving the SDGs.