



FIFTH SESSION OF THE OPEN WORKING GROUP ON SUSTAINABLE DEVELOPMENT GOALS OF THE GENERAL ASSEMBLY

New York, 25-27 November 2013

**Statement by Mr. Kemal MADENOGLU
Undersecretary for Ministry of Development of Turkey**

Honorable Co-Chairs,
Ladies and gentlemen,

1. I would like to thank Co-Chairs and the Secretariat for organizing the fifth meeting of the Open Working Group on SDGs. We have the honour to make these remarks on behalf of the Troika composed of Italy, Spain and Turkey.
2. We have been discussing different aspects of development in order to set the sustainable development goals (SDG) for the post-2015 period. MDGs focus relatively on social development and give less emphasis to economic development and thereby sustainability. Therefore, SDGs should be broader and provide necessary flexibility to incorporate global goals into national agendas.
3. While discussing sustainable development, we should consider the role of horizontal (across segments) and vertical equity (across generations) concepts in terms of providing equal opportunity. We should keep in mind that by providing horizontal equity, we will contribute to the vertical equity as well. Development should take not only current but also future generations' needs into account and policies should be two-folded at national and international level.

Honored participants;

4. Economic growth is a *sine qua non* for development since it is the main source of the increase in overall welfare. Nevertheless, growth should have some features in order to reap its effects as much as possible especially for developing economies. First of all, making the growth sustained is critical as it serves for the vertical equity. Secondly,

having inclusive growth is utmost importance as it provides room for social policies and thereby serves for horizontal equity as well as vertical equity. Thus, we need to shape our growth models in a way to maximize its benefits for development, inclusively for the current and future generations.

5. In order to achieve sustained growth, which requires significant structural change and especially technological change; countries need to pursue growth strategies depending on their challenges and characteristics. The developing world is more diverse today than in the past, representing an increasingly differentiated group.. For instance, poverty increase is not a problem only for LDCs, since two thirds of the people living in absolute poverty are located in middle-income countries. The variety of issues within the developing world has increased, making it impossible to apply “one-size-fits-all” recommendations. Therefore, the SDGs should consider the variety among all economies and should not disregard the importance of LDCs especially should not limit the convergence process of LDCs. Nevertheless, this variety must consider the final aim of a growth rich in employment and taking in due care the engagement for a decent work for all as part of the inclusive growth.
6. At the same time, growth should also provide better and permanent living standards for all segments of the society. Thus, inclusiveness is a critical concept for sustainable development. Progress in high growth does not necessarily result in a more even distribution of the created prosperity. In fact, increase in the income inequality in recent decade draws significant attention as an important risk for sustainable development. We need to address the concept of inclusive growth in order to reduce the gap between the rich and poor not only in terms of income but also in terms of non-monetary dimension of living standards and implications for inter-generational equity. Therefore, implementing appropriate and coordinated economic and social policies providing equal opportunities in areas such as education, employment and energy and for disadvantaged groups will strengthen the sustainability of development.

Excellencies;

7. To increase the growth and production capacity both in the short-run and especially in the long-run, increasing the capital stock is crucial. Financing of investment is a challenging factor especially for developing countries. FDI is a long-term financing which is less affected by temporary fluctuations in the global financial markets compared to other types of financing. On the other hand, based on the type of FDI, its impact on the receiving economy may differ. Green-field FDI will have more favorable effects like increasing production capacity, transferring production technology and institutionalization experience, increasing productivity and creating employment. Therefore, countries should give priority to policies for attracting FDI. In this respect, economic stability and predictability which will be built on political stability, is a critical issue. Moreover, win-win approach, which enables cost efficient production for international companies while

increasing production capacity of the receiving countries, should be strengthened to support the policies for directing FDI to developing countries.

8. Beside the investments that increases production capacity directly, developing economies need significant amount of infrastructure investment. Infrastructure investment plays a critical role in terms of investment environment and investment opportunities which will contribute to development process. In addition, it can stimulate private investment and causes spillover effects. In fact, developing countries should be supported in terms of increasing long-term financing. In this context, cooperation among countries and international institutions should be improved. Moreover, sustainability criteria can be incorporated into country risk assessment process of international institutions, multilateral and regional development banks and credit rating agencies. Thus, they can promote sustainable development while assessing and monitoring the social and environmental consequences of the policies and investments implemented.

Ladies and Gentlemen;

9. Industrialization has a potential for sustained increase in production capacity, technological development as well as innovation and competitiveness. Due to the linkages, it would affect the other sectors favorably as well. As developed and developing countries have different economic structures and needs, special focus should be given for designing different sets of policies for industrialization process to achieve sustained and inclusive growth.
10. Moreover, industrialization process has a critical role not only for sustaining economic growth but also for making it inclusive. Particularly, appropriate industrial policies need to be designed for LDCs and some developing countries. These countries, having a progress in their manufacturing industries, can benefit from direct employment generation by shifting from agriculture to labor-intensive industries and also from its productivity linkages. The shift from agriculture to higher value added sectors may also lead to improvements in wages, skills, labor conditions and opportunities for disadvantaged groups. Additionally, industrialization stimulates the technological development and innovation capacity which enhances competitiveness, sustainable production and integration with the world economy by creating positive externalities. Industrialization process should also consider the value of natural resources for all generations while contributing to the economy and social life through environmentally sound production processes and products. A special attention should be paid to the potentiality of green economy which can represent a careful compromise among the needs of developing countries towards a highest in value economy, the passage from informal to formal economies and the respect for the environment.
11. In parallel to industrialization policies, country specific production potentials in agriculture and high-value-added services sectors, such as tourism and ICT, should also be utilized.

12. At the same time, economic growth policies should acknowledge the differing characteristics of private sector actors in order to favor the creation of an enabling business environment and a competitive private sector. SMEs require special support measures, especially in providing them with access to credit and insurance services through dedicated and varied funding mechanisms.
13. Integration with the global economy, both in financial and trade terms, might have affirmative effects on the growth performance. Based on the strengths of the economies and their comparative advantages, countries should promote integration with global markets. On the other hand, possible drawbacks of the integration should also be handled on national and international dimension. Especially on the international dimension, trade barriers should be reconsidered and eliminated as much as possible. In that regard, capacity building requirements of LDCs in terms of technology and finance should be paid special attention to promote equity as well as empower their competitiveness.
14. Financial integration enables countries to have necessary financing for investment, but it poses some risks. The recent financial crisis showed that problems in a particular sector of a particular country may evolve into a big crisis affecting all economies. This crisis had long-lasting structural adverse effects on growth, employment and public balances of the economies which significantly interrupt the development process. This contagious effect is, to some extent, a result of the global financial system. Unfortunately, current international financial system lacks necessary regulation and supervision framework on the global scale. Thus, ongoing works on restructuring a resilient and stable international financial architecture is very important.
15. In the current global financial system, capital flows may create risks for stability at country and global level. Therefore, debt sustainability constitutes a critical issue for ensuring sound growth structure. In fact, debt sustainability is an important issue not only for developing countries, but also for developed economies. What we experienced recently indicates that debt crisis can have unfavorable consequences for the economies and societies. With high debt levels, it is very difficult to achieve progress in redistribution policies and social development. Debt sustainability should be always kept in mind in order to sustain development particularly without putting extra burden on the next generations.
16. All the aforementioned policies would have a contributing effect on growth performance. However, from social perspective, in order to maximize the benefits, social policies particularly labor market policies need utmost importance. In this context, government has a chance to improve growth potential and inclusiveness by focusing on education policies that will increase quality of labor force. Additionally, to maximize the benefits, especially for improving income distribution, social policies should be formed considering positive discrimination to increase social inclusion of the disadvantaged groups, women and youth.

Distinguished Co-Chairs,

17. Last but not least, it is also essential to minimize the pressures on the natural resources as a consequence of the growth process by making the existing production processes more efficient. We need to realize that considering environmental impacts of development is not an obstacle but a boost for growth in the long term. We should keep in mind that environment is a very powerful tool in terms of economic and social perspective, creating competitiveness, employment and also a better sense of ethics that regards intergenerational equity.
18. To sum up, giving priority to stability and predictability, SDGs should consider per capita income/expenditure, income distribution, investment, natural capital, employment and global integration indicators.
19. Thank you very much.