Fifth Session of the Open Working Group on Sustainable Development Goals
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Sustained and inclusive economic growth, macroeconomic policy questions (including international trade, international financial system and external debt sustainability), infrastructure development and industrialization

Keynote Presentation by the Secretary-General of UNCTAD

AS PREPARED FOR DELIVERY

Your Excellency, Mr. Csaba Körösi, Permanent Representative of Hungary,
Your Excellency, Mr. Macharia Kamau, Permanent Representative of Kenya,
Distinguished Members of the Open Working Group,
Ladies and Gentlemen,

It is a great pleasure for me to address this fifth session of the Open Working Group on Sustainable Development Goals, and to offer you some of UNCTAD's thinking on the future global development agenda.

The task before you is momentous. The Millennium Development Goals are widely recognized for having focused the development agenda on a set of clear and reachable goals, and for galvanizing global efforts to achieve them. Now all eyes are on you to do the same for the post-2015 agenda. And you are working under the pressures of both growing demands and higher expectations. The need to address climate change poses a new and daunting challenge to our efforts. And if the MDGs aimed to halve the proportion of people living in extreme poverty, now the proposal is to eradicate it altogether - a far more ambitious task.

I would like to use this opportunity to highlight three issues that will, I think, be central in advancing your work: Firstly, the critical role of economic factors, and in particular, the interrelated challenges of building productive capacities, advancing technological progress and promoting structural transformation, as the foundations of sustainable development. Secondly, the need to match the scope and ambition of goals and targets with a commensurate ambition in terms of resources and policy reforms, particularly at the international level. And finally, the need to reflect the policy lessons of past successes and failures in the future development agenda. Based on these, I will offer some possible elements to consider in designing the future global development architecture.

Allow me therefore to begin by highlighting the importance of economic development. This may seem a mute point to this audience, but the MDG framework equated development largely with mitigating specific social deprivations, rather than with a sustained process of structural transformation. The Goals provided a checklist of specific human needs to be met, but without giving adequate attention to their economic sustainability. This not only left the MDG agenda prone to aid-dependence but also downplayed the systemic constraints on, and threats to, growth and development in poorer countries.

Yet, ultimately the MDG achievements can only be sustained if they are underpinned by inclusive economic growth and a process of structural transformation. To tackle the social deprivation highlighted by the MDGs, we must give accent to promoting livelihoods and building productive capacities. These are the economic foundations of social development. Sustainable Development Goals are, first and foremost, Development Goals. This does not mean downplaying social goals. On the contrary, economic and social progress should go together. The future Sustainable Development Goals should recognize the close interdependence that exists between the social and economic dimensions of development.

The same interdependence perspective applies to the environmental dimension of sustainable development. The recent Rio+20 Summit that mandated the Sustainable Development Goals has demonstrated the urgency of measures to address climate change and other threats to the environment. And yet, our efforts to safeguard the environment can only be successful and sustainable if we invest in new patterns of production and consumption that can also raise incomes and create better jobs. Sustainable development with a big S and a small D will not meet the expectations of a majority of humanity.

Ladies and Gentlemen,

The crucial role played by inclusive economic growth and structural transformation in the achievement of any future development goals is also borne out by the country experience: The global achievement of MDG1 on poverty reduction was aided significantly by the fast growth of a number of large countries in Asia. Indeed, in the last three decades, China alone has lifted more than 500 million people out of poverty. This is an incredible achievement, unparalleled and unprecedented. In contrast, if we look at the group of the world's poorest countries - the LDCs - none of them are on track to achieve the full set of MDGs. In particular, poverty-reduction in sub-Saharan Africa today remains more than 20 percentage points behind the MDG target. Even when they achieved growth due to the global commodity-boom, it was not inclusive and did not translate into significant development gains.

Against this background, the future development agenda must create conditions that will allow more countries to achieve the kind of “virtuous circles” of productive investment, rising incomes, poverty reduction and expanding markets that bring about lasting economic and social transformation. Given the greater ambition of the SDGs under discussion, we will need a significant scaling up of efforts.

This brings me to my second point, which is the need to recognize the scale of the task we are setting ourselves, and to match ambition with action. For example, if we are truly aiming to fully eradicate poverty by 2030, we would need the whole of Sub-Saharan Africa and much of South Asia not merely to repeat China's miracle, but to actually do better than China has over the last 20 years. And, they must do so in an environmentally sustainable manner, bearing in mind the global carbon-constraint we are facing.

The scope and ambition of the SDGs will require a significant scaling-up of investment to generate productive capacities, clean technologies and sustainable infrastructure. Estimates of the total requirements vary, but they are all orders of magnitude beyond what has been achieved to date. According to one estimate, investment in infrastructure (in transport, sanitation, energy, and other sectors) in developing countries will need to increase from approximately $0.9 trillion per year today, to approximately $1.8-2.3 trillion per year by 2020, or from around 3% of GDP to 6-8% of those countries' GDP.

I think we can all agree that a continuation of "business-as-usual" will not be able to meet the challenge. The prevailing development policies did not generate the successes needed. Even during the extended period of growth prior to the financial crisis, most developing countries did not achieve the kind of developmental transformation required for the MDGs. Nor did they see the kind of investment-push and technology transfer that would be required to meet future challenges of energy and food security, or climate change. Instead, one of the notable side-effects of the prevailing paradigm in many developed and developing countries was a rise in income inequality, which reduced the poverty-reduction effects of growth, and undermined social stability. Growing inequality within and across countries should be treated as an issue of concern in its own right.

Thus, it is clear that achieving the economic transformations required to eradicate poverty and improve human development, while also reducing the global carbon footprint, will require unprecedented efforts at the global level. We will need a global "new deal" including new investments in infrastructure and carbon-neutral technology, as well as an international economic environment that promotes development.

In designing the global development architecture for the SDGs – and this is my third point - we must draw lessons from past experience. For example, a close look at the most successful cases of development in Asia reveals that they did not always follow orthodox policy-advice. Many of the emerging economies instead used an eclectic policy mix targeting growth and employment goals, boosting agricultural output even as their growth dynamic shifted towards urban centres and supporting local firms even as they integrated more fully into the global economy. The unorthodox measures used include a variety of active industrial policies, as well as monetary policies targeted to raising investment by expanding credit and keeping interest rates low.

If we are to build on and replicate such successes, we need to shape a global environment that allows room for such policies. And if we are to meet the additional needs in the environmental sphere, we will also need to ensure adequate financing and technology transfer that can deliver energy supplies for all, and with greatly reduced greenhouse gas emissions. This means that the successor to MDG8 will need to allow for a different development paradigm, and be far more ambitious than its predecessor. The focus is on global partnerships for development but in reality we are talking about nothing less than a rejuvenation of the entire multilateral system. In this context, allow me to only flag some elements for your consideration as you deliberate on the future global development architecture:

We have seen that international trade can serve as a key enabler of economic growth and catalyst for sustainable development. In this sense it is good to recall that the past decades have witnessed a dynamic expansion of world trade, and that developing countries have grown faster than developed countries in terms of trade and output. However, not all countries benefited to the same extent. LDCs and sub-Saharan Africa remain marginalized within the global trading system, and many remain vulnerable to fluctuations of commodity prices.

We also know that international trade and trade policy alone cannot put in place conditions necessary for inclusive development. To make trade an effective catalyst of sustainable development, more supportive and coherent national policies combining flanking measures and social and employment policies will be critical.

Also, a supportive multilateral trading system is essential. The slow progress in Doha Round negotiations in the WTO after 12 years is a major concern. A development-friendly outcome on these negotiations was expected to address the distortions still present in the multilateral system, to the detriment of developing countries and LDCs. The Ninth WTO ministerial conference next week is expected to reach consensus on a small package of issues but real work on concluding the broader Doha negotiations will need to intensify after Bali.

Yet, even the most development-friendly trade system would be of little benefit unless countries are able to develop much stronger and diversified productive capacities, particularly in the industrial sector. Building such capacities will require significant additional investments, and the bulk of these will have to come from the private sector. In this context, there is a need to formulate a global strategic framework for mobilizing contributions by business, domestic and international, private and public, to achieving sustainable development goals. Such a framework should include three core elements: mobilizing resources and technology, channeling them into the priority sectors and maximizing their development impact on the ground.

The need for such a framework is particularly urgent as Official Development Assistance flows continue to lag behind the amounts pledged, and even further behind the amounts that would be needed to finance existing needs, let alone the ones arising from climate change. We must find mechanisms to hold donors to their pledges to provide 0.7% of Gross National Income in Official Development Assistance. Perhaps a fixed proportion of this aid could be earmarked for economic infrastructure and productive sectors.

In the area of finance, the recent resurgence of sovereign debt crises has drawn attention to the need for better measures to prevent debt problems, and for improved mechanisms to deal with them when they do arise. In particular, the agreement of a formal mechanism for sovereign debt restructuring that includes equitable burden-sharing between debtors and creditors, could make a significant contribution.

Last but not least, the latest crisis has demonstrated once again that de-regulated financial markets do not mobilize resources for long-term productive investment or allocate risk efficiently, but instead are prone to short-termism and boom and bust-cycles. And yet, despite the size of the crisis, reform efforts have so far been limited. Indeed, little has been done to rein in speculative capital flows, or to prevent prolonged misalignments of exchange-rates and the build-up of global imbalances. Thus, much deeper reforms will be needed if we are to prevent a future recurrence of the global crisis.

Most importantly, however, the international community should ensure that its actions are commensurate with the scale of the challenge. And we must also ensure regular monitoring and reporting on progress towards the new systemic goal.

Ladies and Gentlemen,

UNCTAD will approach the challenge of building a more inclusive, stable and sustainable world with the same integrated approach to development policy for an interdependent world that has been the hallmark of our work for almost 5 decades now. We have recently initiated a dialogue amongst the Geneva development community where we will discuss those elements of the post 2015 agenda that relate directly to our work; and we stand ready to support the members of the Open Working Group with all our expertise, as you define the goals that will set out the global development path for decades to come.

Thank you very much.