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The UN and Goal Setting

From the MDGs to the SDGs

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Introduction

This chapter looks closely at the notion of sustainable development and the components of the post-2015 development agenda. It provides a road map to the Sustainable Development Goals (SDGs) adopted by Member States during the United Nations General Assembly (UNGA) in September 2015. The SDGs envision a world that is ‘comprehensively sustainable: socially fair; environmentally secure; economically prosperous; inclusive; and more predictable’,¹ and call for a concerted effort to build a future based on ‘sustainability’. The SDGs encompass social, economic, and environmental objectives, and target both developed and developing countries. They replace the former Millennium Development Goals (MDGs) and establish a new financing framework for development.

The analysis in this chapter centres on the notion of sustainability that underpins the SDGs and is central to the 2030 development agenda. More specifically, this chapter is concerned with two key themes: first, what is development; and, second, why does sustainable development matter? The chapter considers the importance of development, identifies relevant theories of development, and considers the determinants of development. As we shall see, development can be defined in both human and economic terms, with different implications for the development agenda. Over the past decade, a range of theories have been developed to explain the determinants of development. This has sparked an extensive debate about the relationship between law, political institutions, and economic development.

Third, the chapter considers the value of development objectives such as the SDGs. It considers the purposes and premises of the SDGs and discusses their underpinnings. In doing so, this chapter lays the groundwork for subsequent discussion in this book. The main purpose is to outline the 17 SDGs and their implications for scaling up development finance.

1 Business and Sustainable Development Commission, *Better Business. Better World* (January 2017), <http://report.businesscommission.org/report>, 5.

What Is Development?

There is no generally agreed-upon criteria for classifying countries as developed or developing countries.² This is because there are different measures of development. We can measure development across a range of variables, including economic, social, and political and trade factors. Accordingly, different international institutions employ different criteria for measuring development and classifying countries. Most OECD members are considered high-income countries, and, membership of the OECD is taken as a criterion for developed status. Moreover, the term *developing country* is not a legal term *per se*, but it does appear in some international treaties and agreements, most obviously in the provisions of some WTO agreements and the UN Framework Convention on Climate Change in developing countries. For instance, Article XVIII(1) of the General Agreement on Tariffs and Trade (GATT) defines developing countries as those ‘economies which can only support low standards of living and are in the early stage of development’.

The World Trade Organization’s Self-Selection Principle allows WTO member countries to unilaterally announce whether they are developed or developing countries (referred to as ‘unilateral declarations’). Self-selection can take place on an ad hoc basis. However, such an announcement is open to challenge by other WTO members. In addition to references in the GATT to ‘developing countries’, some international environmental treaties also refer to developing countries. However, they adopt different classification criteria. For example, the Kyoto Protocol divides countries into four main groups: (i) members of the OECD; (ii) countries with economies in transition; and (iii and iv) countries outside these two categories, which are mainly developing countries and the least developed countries (LDCs).

Other terms may be used in the development literature. Reference may be made to First World Countries, as opposed to Second, Third, and Fourth World Countries. In addition, a differentiation is made between the Global North and the Global South. The term *Global South* is taken to refer to developing countries in the Southern Hemisphere. Here, the Global South would include Latin America, South and Southern Asia, the Middle East, Africa, and the Pacific Region, whereas the Global North includes North America, Western Europe, and Japan. Core States are generally defined as the Group of Seven plus One, or G7 + 1 (Russia); Group of Eight or G-8; and Group of Twenty or G-20. Furthermore, the IMF distinguishes between ‘advanced markets’ and ‘emerging markets’, with emerging markets being a new category of countries that arises from the category of developing countries – they are partners and competitors of some developed countries.

2 Michael J. Trebilcock and Mariana Mota Prado, *What Makes Poor Countries Poor? Institutional Determinants of Development* (Edward Elgar Publishing, 2012), 2.

The term *development* does not have a fixed definition that is accepted universally. There are different visions of development. Generally speaking, the notion of ‘development’ is understood to refer to progressive social, political, and economic change in developing countries. Often, development is associated with economic growth – the latter concept being understood as an increase in the capacity of an economy to produce goods and services, compared from one period of time to another. The term is generally taken to refer to the ability of firms to produce goods and services at an efficient and optimal level.

According to the Commission on Growth and Development – which includes a broad group of eminent economists and policymakers – countries with high, sustained growth exhibit five common characteristics:

1. *Strategic integration with the world economy*: High-growth countries benefit from the world economy in several ways: they import ideas, technology, and knowhow from the rest of the world, while at the same time exploiting global demand for their goods.
2. *Mobility of resources, particularly labour*: In high-growth economies, capital, and especially, labour moves rapidly from sector to sector, industry to industry. This mobility of resources was found to be a feature of all the 13 high-growth countries considered in the Growth and Development Report.
3. *High savings*: Sustained economic growth is typically backed up by high domestic savings.
4. *High investment rates*.
5. *A capable government committed to growth*.³

We can juxtapose economic conceptions of development such as economic growth with more holistic conceptions of development, such as human well-being or freedom. In *Development as Freedom*, Nobel Prize-winning economist Professor Amartya Sen views development as the process of expanding real freedoms and removing major sources of ‘unfreedom’ – demonstrating a strong correlation between poverty and lack of freedom.⁴ The achievement of such freedoms is seen as the primary end of development. Although this book accepts the view that the attainment of such freedoms is an important dimension of development and instrumental to social progress, its primary focus will be on sustainable economic growth. Sustainable economic growth is not seen as the ultimate end of development, but rather one dimension of it.

3 Commission on Growth and Development, *The Growth Report: Strategies for Sustained Growth and Inclusive Development* (Washington, DC: World Bank, 2008).

4 See Amartya Sen, *Development as Freedom* (New York: Knopf, 1999).

Is There a Right to Development?

The UNGA Declaration on the Right to Development of 4 December 1986 defines the concept as ‘an inalienable human right by virtue of which every human person and all peoples are entitled to participate in, contribute to, and enjoy economic, social, cultural and political development, in which all human rights and fundamental freedoms can be fully realized’ (at Art. 1). The right to development includes, but goes beyond, the neoclassical model of economic growth measured by increases in gross domestic product (GDP) or per capita income.

The right to development was proclaimed in the Declaration on the Right to Development adopted in 1986. The right is also recognised in some other international instruments that are nonbinding resolutions. It has therefore been argued that the right to development does not create binding obligations in international law.

Measuring Economic Development

As stated, different international institutions employ different criteria to measure development. A frequently used indicator is a change in total economic output expressed as GDP. Based on GDP and economic output, we can further subcategorise countries into high-income, middle-income, low-income, and low-middle income countries.

For the 2019 fiscal year, low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of \$995 or less in 2017; lower middle-income economies are those with a GNI per capita between \$996 and \$3,895; upper middle-income economies are those with a GNI per capita between \$3,896 and \$12,055; high-income economies are those with a GNI per capita of \$12,056 or more.⁵ The World Bank conventionally refers to low-income and middle-income countries as developing countries, and to high-income countries as developed countries.

According to some estimates more than 80% of the world population lives in developing countries.⁶ These countries produce only 20% of the world’s products and services. Low-income countries have markedly different economies from higher-income countries. More than half of the countries are in Sub-Saharan Africa.

⁵ World Bank, World Bank Country and Lending Groups, <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups> (last accessed 28 February 2019).

⁶ World Bank, ‘Nearly Half the World Lives on Less than \$5.50 a Day’ (Press Release, 17 October 2018), <https://www.worldbank.org/en/news/press-release/2018/10/17/nearly-half-the-world-lives-on-less-than-550-a-day>.

Among developing countries, the subcategory of least-developed countries (LDCs) is recognised in international practice. The UN Economic and Social Council (ECOSOC) designates a list of LDCs, which is updated every three years. The three criteria employed for the identification of LDCs are low income, weak human resources (based on indicators of nutrition, health, education, and adult literacy), and economic vulnerability (based on the instability of agricultural production, instability of export, the economic importance of nontraditional activities, handicap of economic smallness, and the percentage of the population displaced by natural disasters). Countries with populations exceeding 75 million are not included in the list.

Measuring Non-Economic Aspects of Development

The Human Development Index (HDI) has been used since 1993 by the UN Development Programme (UNDP). The HDI measures a country's achievements in three principal dimensions: health and longevity, measured by life expectancy; education, measured by the percentage of adult literacy and the combined enrolment ratio for primary, secondary, and tertiary schools; and standard of living, measured by GDP per capita.⁷

Second, there is a multidimensional poverty index which was developed by Oxford University in conjunction with UNDP (the United Nations Development Programme). This index seeks to quantify the nature and extent of poverty in each country. The purpose of this index is not only to reveal how many people are poor but also to ascertain the nature and intensity of the prevailing poverty. Thus, the Multidimensional Poverty Index (MPI) captures measures such as child mortality, years of schooling, access to water, sanitation, electricity, health, and living standards.⁸ The MPI is often used to reveal acute poverty in countries.

Another multidimensional approach is exemplified by the MDGs, which have now been replaced by the SDGs. The MDGs used various indicators to monitor development progress, setting a number of targets including: (i) to eradicate poverty and hunger; (ii) achieve universal primary education; (iii) promote gender equality and empower women; (iv) reduce child mortality; (v) improve maternal health; (vi) combat HIV/AIDS, malaria, and other diseases; (vii) ensure environmental sustainability; and (viii) develop a global partnership for development. The MDGs also focused on the importance of developing an open trading and financial system, addressing the special needs

7 UN Development Programme, The Human Development Index (HDI), <http://hdr.undp.org/en/content/human-development-index-hdi>.

8 Sabine Alkire and Maria Emma Santos, 'Acute Multidimensional Poverty: A New Index for Developing Countries'. OPHI Working Paper No. 38 (2010): 7.

of small-island developing States, dealing with debt problems of developing countries and making the benefits of new technologies such as information and communication technologies available in developing countries. Unlike the SDGs, however, the MDGs targeted developing countries only.

The MDGs and their framework for accountability have led to substantial improvements in certain areas. The developing countries increased their focus on reaching the 8 MDGs, and created specific funds to achieve certain goals (such as advancing education/health, combating malaria, etc.). Most notably, the mortality rate of children under five was cut by more than half since 1990.⁹ Moreover, as a result of the MDGs, the number of people living in extreme poverty has declined by more than half from 1.9 billion in 1990 to 836 million in 2015.¹⁰ Compared with 1990, however, there are now more poor people in Sub-Saharan Africa and fewer in East Asia and the Pacific.

The Sustainable Development Goals (SDGs)

The SDGs were developed through a bottom-up and consultative process, and are intended to be holistic and universal in nature, in the sense that they encompass social, economic, and environmental goals. The SDGs were first formally discussed at the United Nations Conference on Sustainable Development held in Rio de Janeiro in June 2012 (Rio+20). During the conference, the UN Member States agreed to establish an intergovernmental process to develop a set of ‘action-oriented, concise and easy to communicate’ goals to help drive the implementation of the sustainable development agenda. The Rio+20 outcome document, *The Future We Want*, also called for the goals to be coherent with the UN development agenda beyond 2015.¹¹ A 30-member Open Working Group (OWG) of the General Assembly was tasked with preparing a proposal on the SDGs, as well as a concrete list of targets and measurable indicators to ensure that progress against the SDGs can be tracked. On 25 September 2015, the United Nations General Assembly accepted the OWG’s proposals and used them as a basis for developing the 2030 Agenda.

9 United Nations, *The Millennium Development Goals Report* (2015), http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20PR%20Key%20Facts%20Global.pdf.

10 Ibid.

11 United Nations, *The Future We Want*. Outcome document of the United Nations Conference on Sustainable Development, Rio de Janeiro, Brazil, 20–22 June 2012, <https://sustainabledevelopment.un.org/content/documents/733FutureWeWant.pdf>.

The new SDGs came into effect in September 2015.¹² They replace the MDGs and, unlike the MDGs, apply to all countries including developed and developing countries, regardless of their level of development. The goals and targets set out an exceptionally ambitious and transformational vision, envisaging a world free of poverty, hunger, and disease, and also free of fear of violence – a world with universal literacy and equitable and universal access to quality education, health care, and social protection, promising more peaceful and inclusive societies. The Preamble to the SDGs states as follows:

... We envisage a world of **universal respect for human rights and human dignity, the rule of law, justice, equality and non-discrimination; of respect for race, ethnicity and cultural diversity; and of equal opportunity** permitting the full realization of **human potential** and contributing to **shared prosperity**. A world which invests in its **children** and in which every child grows up free from violence and exploitation. A world in which every **woman and girl** enjoys full gender equality and all legal, social and economic barriers to their empowerment have been removed. . . .

We envisage a world in which every country enjoys **sustained, inclusive and sustainable economic growth and decent work** for all. A world in which consumption and production patterns and use of all **natural resources – from air to land, from rivers, lakes and aquifers to oceans and seas – are sustainable**. One in which **democracy, good governance and the rule of law, as well as an enabling environment at the national and international levels**, are essential for sustainable development, including sustained and inclusive **economic growth, social development, environmental protection and the eradication of poverty and hunger**. . . .

In its scope, however, the framework we are announcing today goes **far beyond the Millennium Development Goals**. Alongside continuing development priorities such as **poverty eradication, health, education and food security and nutrition**, it sets out a wide range of economic, social and environmental objectives. . . It also, crucially, defines means of implementation.¹³

12 The SDGs can be downloaded from <https://sustainabledevelopment.un.org/post2015>. See also United Nations, 'Transforming Our World: The 2030 Agenda for Sustainable Development' A/RES/70/1 (September 2015), <https://sustainabledevelopment.un.org/content/documents/21252030%20Agenda%20for%20Sustainable%20Development%20web.pdf>.

13 Ibid., 3–6.

The SDGs are more complex than the MDGs and significantly expand the scope of the former goals. The focus is not simply on development but sustainable development or ‘development that meets the needs of the present without compromising the ability of future generations to meet their own needs.’¹⁴ Another definition used in the 2002 Convention for Cooperation in the Protection and Sustainable Development of the Marine and Coastal Environment of the Northeast Pacific defines sustainable development as:

... the process of progressive change in the quality of life of human beings, which places them as the centre and primary subjects of development, by means of economic growth with social equity and transformation of production methods and consumption patterns, sustained by the ecological balance and life support systems of the region. This process implies respect for regional, national and local ethnic and cultural diversity, and full public participation, peaceful coexistence in harmony with nature, without prejudice to and ensuring the quality of life of future generations.¹⁵

The concept integrates economic and social developmental as well as environmental protection. In addition to being a guiding principle in the SDGs, the notion of ‘sustainable development’ is part of the ‘object and purpose’ of a growing number of international treaties, and thus relevant to the interpretation of these instruments.¹⁶ The term appears often in economic, social, and environmental treaties, which make explicit reference to developed and developing countries.¹⁷

According to some commentators, the new SDG agenda is likely to displace current country groupings, such as developed or developing countries, with new country classifications according to variables such as: per-capita income levels (low, middle, or high-income countries), specific conditions (e.g. post-conflict,

14 World Commission on Environment and Development, *Our Common Future* (Oxford: Oxford University Press, 1987), <https://www.sustainabledevelopment2015.org/AdvocacyToolkit/index.php/earth-summit-history/historical-documents/92-our-common-future>.

15 The 2002 Convention for Cooperation in the Protection and Sustainable Development of the Marine and Coastal Environment of the Northeast Pacific (18 February 2002).

16 See D. French, *International Law and Policy of Sustainable Development* (Manchester: Manchester University Press, 2005), 168.

17 See M.C. Cordonier Segger and A. Khalfan, *Sustainable Development Law: Principles, Practices & Prospects* (Oxford: Oxford University Press, 2004), 31. Examples of treaties which use the notion of ‘sustainable development’ include the 1992 UN Convention on Biological Diversity, the 2000 Cartagena Protocol, the 1992 UN Framework Convention on Climate Change, the 1997 Kyoto Protocol, as well as the 2000 Cotonou Partnership Agreement between the European Union and the African Caribbean and Pacific Countries.

small-island, or landlocked), or specific problems (e.g. highly polluting, ecological footprint).¹⁸

The new SDGs are broadly formulated and consist of 17 goals (16 substantive goals and one goal that calls for the ‘means of implementation’ to achieve the 16 goals) and 169 targets. Thus, SDG 1 calls for the end of extreme poverty and builds on the poverty-reduction efforts of the MDGs, while SDG 2 focuses on hunger eradication. Development under the new SDG agenda will commence once extreme poverty is eradicated. Other substantive goals include universal health coverage (SDG 3), universal quality education (SDG 4), ending gender discrimination (SDG 5), universal access to water (SDG 6), access to modern energy (SDG 7), sustainable economic growth (SDG 8), sustainable infrastructure (SDG 9), environmental sustainability (SDGs 11–15, e.g. reducing exposure to climate-related extreme events; combating climate change through low-carbon energy systems as addressed by SDG 13), and reduced inequalities (SDG 10).

These broad goals link with specific targets, and address a wide range of issues that are interlinked. For instance, Goal 1 (eliminating poverty) is related to inequality in Goal 10, which again is related to gender equality in Goal 5, which, in turn is related to decent work – Goal 8 – and quality education – Goal 4. The goals and targets should be viewed as an integrated, indivisible whole and not separately, and it is important to recognise the linkages between and within the goals.

A key difference between the SDGs and the MDGs is that the SDGs tackle a dual challenge: they seek to (1) overcome poverty (which is captured in SDG 1), and (2) promote sustainable development that encompasses economic, social, and environmental dimensions.

Sustainable Development Goal 8 specifically addresses the importance of sustainable economic growth, and refers to the importance of promoting development-oriented policies that support entrepreneurship and encourage the formalisation and growth of micro-, small, and medium-sized enterprises (MMSEs).¹⁹ The achievement of SDG 8 will require effective domestic resource mobilisation (DRM) and extensive private sector investment.

18 Adolf Kloke-Lesch, ‘The G20 and the Sustainable Development Goals (SDGs): Reflections on Future Roles and Tasks’, Third Annual G20 Think Tank Summit ‘Global Governance and Open Economy’ (August 2015), available via Sustainable Development Solutions Network Germany, https://www.die-gdi.de/fileadmin/user_upload/pdfs/dauerthemen_spezial/20150730_Kloke-Lesch_The_G20_and_the_Sustainable_Development_Goals.pdf, 2.

19 See SDGs generally, http://www.un.org/ga/search/view_doc.asp?symbol=A/RES/70/1&Lang=E (last accessed 28 February 2019) at para. [8.3].

Situating the SDGs in the International Legal Framework

The SDGs are a statement of aspirations intended to guide global development efforts. The Goals are not part of a binding legal treaty, but part of a revitalised global partnership intended to work in the spirit of global solidarity. They represent voluntary guidelines like the predecessor MDGs and are intended to inspire policy and legislative action over the next 15 years in areas of critical importance. Since the goals are not enshrined in a treaty, countries are not legally obliged to implement them. The implementation of the SDGs, therefore, will largely depend on civil society and citizens exerting pressure on their respective governments to implement the goals. Furthermore, global engagement in support of the implementation of the goals and targets will be essential for the achievement of the SDGs, as recognised in the UN Resolution:

We recognize that *each country has primary responsibility* for its own economic and social development. The new Agenda deals with the means required for implementation of the Goals and targets. We recognize that these will include the *mobilization of financial resources as well as capacity-building* and the *transfer of environmentally sound technologies* to developing countries on favourable terms, including on concessional and preferential terms, as mutually agreed. *Public finance*, both domestic and international, will play a vital role in providing essential services and public goods and in catalysing other sources of finance. We acknowledge the role of the diverse *private sector*, ranging from micro-enterprises to cooperatives to multinationals, and that of civil society organizations and philanthropic organizations in the implementation of the new Agenda.²⁰ [emphasis added]

The SDGs, although integrated and indivisible, global in nature, and universally applicable, take into account different national realities, capacities, and levels of development. Each government will need to set its own national targets guided by the global level of ambition but taking into account national circumstances. Furthermore, each government will decide how these aspirational and global targets should be incorporated into national planning processes, policies, and strategies. Although SDGs are not legally binding, governments are expected to establish national frameworks to achieve the goals.

²⁰ United Nations, 'Transforming Our World: The 2030 Agenda for Sustainable Development' A/RES/70/1 (September 2015), 10.

Enabling legal frameworks will therefore be crucial for the implementation and achievement of the SDGs. The Goals, in particular, are intended to help the policy-setting process, which typically consists of political parties setting out a policy agenda (i.e. determining country-specific objectives, goals, and milestones via a national development plan, thus providing policy leadership) and legislating to achieve these policies. This, in turn, is expected to ensure meaningful national ownership of the SDGs.

Not all SDGs, however, will be of equal importance in every country or regions of a country. In deciding upon the relevant Goals and targets, each country is likely to face specific challenges to achieve sustainable development. These challenges will differ depending on the countries' own priorities and needs. Furthermore, some SDGs will require legal innovations – for example, passing specific laws to achieve the SDGs. It might also be crucial to review all proposed legislation through a sustainable development lens and mainstream the SDGs in this manner (e.g. referencing the SDGs and explaining how a piece of legislation contributes to the achievement of the SDGs). This will assist in the dissemination of the SDGs.

Another important tool for disseminating the SDGs will be free trade agreements. For example, Chapter 16 of the Japan–EU Free Trade Agreement includes all of the key elements of the European approach on sustainable development and provides for certain agreements – including the UN Framework Convention on Climate Change and the Paris Accord, as well as commitments to the conservation and sustainable management of natural resources, addressing biodiversity (including combating illegal wildlife trade), forestry (including fighting against illegal logging), and fisheries (including combating illegal, unreported, and unregulated [IUU] fishing); and the promotion of Corporate Social Responsibility and other trade and investment practices supporting sustainable development.²¹

Theories of Development: Towards a New Theory of Sustainable Development

While it is beyond the scope of this chapter to consider various theories of development in depth, the key theories will be shortly considered in this part. These theories can be grouped into four categories: (1) economic theories of development; (2) cultural theories of development; (3) geographic theories of development; and (4) institutional theories of development. Except for the latter theory, generally speaking, the theories tend to marginalise the importance

21 EU-Japan Economic Partnership Agreement 18.4.2018 COM (August 2018), 192 final. See Article 16.1, http://trade.ec.europa.eu/doclib/docs/2018/august/tradoc_157228.pdf#page=440.

of a country's institutions to development. Furthermore, the theories do not consider the relevance of sustainable development.

Economic Theories of Development

Economic theories of development can be categorised into a number of sub-theories. For example, some theories adopt a *linear stages approach* to development. According to these theories, countries need to mobilise domestic savings and foreign investment to enhance GDP growth.²² *Structural change theories*, on the other hand, proceed from the assumption that economic growth requires the transformation of domestic economic structures from a 'heavy emphasis on traditional subsistence agriculture to a more modern, more urbanized, and more industrially diverse manufacturing and service economy'.²³ Hence, the implication of this group of theories is that the state needs to implement policies that promote industrialisation, mechanisation of the agricultural sector, the creation of a strong education system, urban planning, and infrastructure investments.²⁴ The significance of the institutional framework for development, however, is largely left out in such models.

The same criticism can be made of *dependency theories* that emerged in developing countries. These theories look to external and historical influences as a central determinant of economic development, but do not address the importance of the institutional framework.²⁵ The theories advocate important substitution industrialisation policies with high levels of tariff protection to restrict the flow of imports and foster the development of local industries.²⁶

Cultural Theories of Development

Cultural theories of development assert that societies perceive the notion of development differently. For example, radical relativists argue that Western standards or benchmarks should not be used to measure development, as such benchmarks may be incompatible with the underlying culture of some societies.²⁷

22 Michael Todaro and Stephen Smith, *Economic Development* (Boston, San Francisco, New York: Addison Wesley, 2012, 11th ed.), 110–111.

23 Ibid., 115.

24 Trebilcock and Mota Prado, *What Makes Poor Countries Poor?*, 9.

25 Dennis Conway and Nikolas Heynen, 'Classical Dependency Theories: From ECLA to Andre Gunder Frank', in V. Desai and R. Potter (eds), *The Companion to Development Studies* (London: Oxford University Press, 2002), 97.

26 John Coatsworth, 'Structures, Endowments and Institutions in the Economic History of Latin America', *Latin America Research Review*, 40, no. 3 (2005): 126.

27 A. Escobar, 'Introduction: Development and the Anthropology of Modernity' in *Encountering Development: The Making and Unmaking of the Third World* (Princeton, NJ: Princeton University Press, 1995), 3–20.

Another variant of this view is that substantive cultural change is crucial for the promotion of Western conceptions of development in some developing countries as such countries may have a progress-resistant cultural outlook that prevents development.²⁸ A third strand argues that development policies need to be formulated in light of divergent cultural contexts.²⁹ The implication is that it is impossible to develop overarching, universal policies; policies need to be tailored to particular contexts and must be country-specific.

Culture and 'informal institutions', therefore, are viewed as an important factor in developing strategies. Thus, the new institutional economics expressly recognises the role of culture in development. As Douglass North points out:

Institutions are the rules of the game of a society, or more formally, are the humanly devised constraints that structure human interactions. They are composed for formal rules (statute law, common law, and regulation), informal constraints (conventions, norms of behavior and self-imposed codes of conduct) and the enforcement characteristics of both.³⁰

However, one criticism which can be made in this context is that the theories do not go beyond a mere recognition of culture as an important factor in the development discourse. Culture is, hence, often treated as a black box in the institutional analysis.³¹ For example, it is unclear to what extent culture influences the operation of formal institutions, and *vice versa*. To what extent does culture influence the rule of law and democratic accountability, for example? Moreover, can formal institutions change culture?

Geographic Theories of Development

According to a third group of theories, the geographic location and condition of a country geography matters and has an impact on development. For instance, tropical countries are more likely to be underdeveloped for several reasons: their tropical climate might impact on productive economic activity, especially in sectors such as agriculture due to lower fertility of tropical soils, the high prevalence of crop pests and parasites, and the high evaporation of water.³² Similarly, land-locked countries face barriers to engaging in

28 L. Harrison and S. Huntington, *Culture Matters* (New York, NY: Basic Books, 2000) 158–76.

29 Amartya Sen, 'How Does Culture Matter?' in Vijayendra Rao and Michael Walton (eds), *Culture and Public Action* (Stanford University Press: 2004), 39.

30 Douglass North, 'The New Institutional Economics and Third World Development', in J. Harris et al. (eds), *Economics and Third World Development* (London: Routledge, 1995).

31 D. Cemoglu and S. Johnson, 'Unbundling Institutions', *Journal of Political Economy* 113 (2005): 5.

32 Trebilcock and Mota Prado, *What Makes Poor Countries Poor?*, 19.

international trade and are often ‘hostages to their [coastal] neighbors’ depending on them for access to the coast and trading routes.³³ While geography is not seen as the sole cause of lack of development, it is considered a barrier to development. Geographic theories of development suggest that barriers to development arise because of: (i) transportation costs (especially high in the case of landlocked countries); (ii) the presence of diseases (especially prevalent in tropical countries); and (iii) poor soil fertility.³⁴ Thus, Jeffrey Sachs takes the view that material factors – such as resource endowments, disease burdens, climate, and geographical location – are determinants of economic growth.³⁵

The criticism which has been raised in this context, however, is that natural resource endowments are only important for providing favourable conditions for the emergence of certain types of institutions. The ‘institutions themselves remain the proximate causes of growth, and in many cases can be shown to be exogenous to the material conditions under which a given society develops.’³⁶

Institutional Theories of Development

A fourth school of thought – new institutional economics – is based on the view that institutions have a direct impact on growth and development. Thus, per the institutional perspective, countries should not consider themselves captive to factors such as history, culture, climate, and geography and natural resource endowments.³⁷ Rather, it is the institutions and their quality that matters. They are the proximate causes of growth. As North notes:

The institutional framework dictates the kinds of skills and knowledge perceived to have the maximum pay off. . . . If the institutional matrix rewards piracy (or more generally redistributive activities) more than productive activity, then learning will take the form of learning to be better pirates.³⁸

33 Paul Collier, *The Bottom Billion* (Oxford: Oxford University Press, 2007), 55.

34 Jeffrey Sachs, ‘Institutions Matter, But Not for Everything: The Role of Geography and Resource Endowments in Development Shouldn’t Be Underestimated’, *Finance and Development* 40, no. 2 (2003).

35 Ibid.

36 Francis Fukuyama, ‘Development and the Limits of Institutional Design’ in Global Development Network, http://depot.gdn.net.org/gdnshare/pdf2/gdn_library/annual_conferences/seventh_annual_conference/Fukuyama_plenary1.pdf (last accessed 28 February 2019).

37 Trebilcock and Mota Prado, *What Makes Poor Countries Poor?*, 26.

38 Douglass North, ‘The New Institutional Economics and Third World Development’ in J. Harris et al. (eds), *Economics and Third World Development* (London: Routledge, 1995), 17.

Similarly, Holden et al. state:

There is growing evidence that the most plausible explanation for the disappointing failure of most developing countries to grow and prosper is the inadequate institutions that underpin private sector development.³⁹

Institutional quality can be measured along six dimensions: (1) voice and accountability (the extent to which citizens are able to participate in political processes); (2) political stability (the likelihood that the government in power will be destabilised); (3) government effectiveness (as measured by the quality of public service provision, the quality of bureaucracy, independence of civil service sector from political pressures); (4) regulatory quality (this includes the incidence of market-unfriendly policies such as price controls, inadequate bank supervision, and perceptions of the burden imposed by excessive regulation in areas such as foreign trade and business development); (5) the rule of law (including the effectiveness and predictability of the judiciary, the enforceability of contracts); and (6) the control of corruption (measures the frequency of additional payments to get things done, the effects of corruption on the business environment).⁴⁰

These measures, for example, are used in the World Bank Governance Project. The project uses these measures in addition to a composite 'governance' index that measures the overall quality of governance in a given country. According to the World Bank Governance group, improvements in overall governance and institutional quality correspond to increases in per capita income. Thus, Kaufmann notes:

Indeed, the effects of improved governance on income in the long run are found to be very large, with an estimated 400 percent improvement in per capita income associated with an improvement in governance by one standard deviation, and similar improvements in reducing child mortality and illiteracy. To illustrate, an improvement in the rule of law by one standard deviation from the current levels in Ukraine to those 'middling' levels prevailing in South Africa would lead to a fourfold increase in per capita income in the long run . . . Similar results emerge from other governance dimensions: a mere one standard deviation improvement in voice and accountability from the low level of Indonesia to the middling level of Mexico, or from the level of Mexico to that of Costa Rica, would be associated with an estimated fourfold increase in per capita incomes, as well as similar improvements in reducing child mortality by 75 percent and major gains in literacy.⁴¹

39 Paul Holden et al., *Swimming against the Tide* (ADB Report, 2004), 99.

40 World Bank, 'Governance Matters' (World Bank Policy Research), Working Paper No. 2196 (1999).

41 Daniel Kaufmann, 'Governance Redux: the Empirical Challenge'. Available at: https://papers.ssrn.com/sol3/papers.cfm?abstract_id=541322.279, if acceptable? (last accessed 20 February 2019).

Moreover, Kaufmann and Kraay find there is a direct causal effect from better governance to improved development. The implication of these findings is that it is of fundamental importance for countries to engage in sustained interventions to improve governance and the quality of their institutions. The empirical evidence supports the conclusion that strong institutions bring about improvements in development indicators.⁴²

A New Theory of Sustainable Development

Central to the notion of sustainable development is the idea that development should promote the human development of people without compromising the integral human development of people tomorrow. A theory of sustainable development would therefore necessarily insist, for example, that nonrenewable resources be used modestly and eventually be entirely replaced by renewable resources, since the exploitation of certain resources would have long-term implications for the survivability of humanity, especially in light of ecological conditions of climate change.

Measuring Progress Towards the SDGs

A study by the Bertelsmann Foundation examines how high-income countries are currently performing against the SDGs.⁴³ The study presents the first ‘stress test’ of rich countries for the SDGs and presents a new SDG Index to assess country performance on the goals. The SDG Index illustrates the overall performance of each OECD country based on the 17 goals and 34 indicators examined in the study. It offers detailed profiles of the strengths and weaknesses of each country and highlights best practices for achieving the SDGs.⁴⁴

Looking at the performance of the countries against the 17 SDGs, the study concludes that OECD countries currently vary greatly in their capacity to meet the SDGs. In fact, no country performs outstandingly on all goals, and not all countries are ready for the SDGs. Each country faces its own challenges in implementing the SDGs and countries will need to implement domestic reforms in order to meet the SDGs. As a group, the OECD countries face some

42 Daniel Kaufmann and Aart Kraay, ‘Governance and Growth: Causality Which Way? Evidence for the World in Brief’ (Washington: WBI, 2003). Available at <http://citeseerx.ist.psu.edu/viewdoc/summary?doi=10.1.1.201.2315>.

43 Christian Kroll, ‘Sustainable Development Goals: Are the Rich Countries Ready?’ (2015), <https://www.bertelsmann-stiftung.de/de/publikationen/publikation/did/sustainable-development-goals-are-the-rich-countries-ready/>.

44 The overall SDG Index was calculated as an unweighted arithmetic mean of the 34 individual indicators. For each indicator, a score of 10 is the best and a score of 1 the worst result possible.

common challenges, such as fostering inclusive economic growth (meeting SDGs 8 and 10) and promoting sustainable consumption and production patterns (SDG 12). Another challenge for OECD countries is drawing energy from renewable sources, as half of all OECD nations currently obtain less than 11% of their energy from renewable sources.⁴⁵ The top five performers on the SDG Index include Sweden, Norway, Denmark, Finland, and Switzerland.⁴⁶ These countries are considered fit for implementing the SDGs and in a good position to further drive improvements in terms of sustainable development. Sweden, for example, has cut its already low greenhouse gas emissions relative to GDP by more than 35% since 2006.⁴⁷

Conclusions

The SDGs are ambitious in both scope and vision. They represent a universal set of inspirational goals for all countries. The success of the SDGs, however, will depend on the implementation of the goals across both developed and developing countries. Since the SDGs are not part of a binding treaty, countries are not legally obliged to implement the goals. Therefore, it is essential for countries to have the right governance and policy structures in place that will facilitate the implementation of the sustainable development agenda and contribute to the achievement of the SDGs.

⁴⁵ Ibid., 5.

⁴⁶ Ibid.

⁴⁷ Ibid.

