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World Economic and Social Survey 2017:

Reflecting on seventy years of development policy analysis

Overview*

Summary

World Economic and Social Survey 2017 reviews the seventy-year history of a flagship publication, the oldest continuing report of its kind. The objective of this review is to draw lessons from the past that are relevant to the implementation of the 2030 Agenda for Sustainable Development.

Over the course of seven decades, *Survey* analyses have been underpinned by an understanding of development as structural transformation driven by national policy decisions and influenced by the global economic environment.

The present edition of the *Survey* highlights the importance for achieving sustainable development of a stable global economy supported by coordinated global actions, well-functioning international trade and monetary systems, respect for national policy space, international solidarity and strengthened national capacity for development planning.

In today's world of subdued growth, the urgent task is to strengthen the capacity for globally coordinated policy actions to enable the resumption of healthy growth in the world economy, with employment creation and social development as goals under the global agenda for sustainable development.

* The present overview summarizes the key findings presented in *World Economic and Social Survey 2017*.

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I. Introduction

World Economic and Social Survey 2017 reviews the discussions on development presented in the *World Economic and Social Survey*,[1] hereinafter referred to as the *Survey* over the past seventy years. The intention is to derive insights and lessons that can be useful for the implementation of the 2030 Agenda for Sustainable Development.[2] Such a review is particularly relevant today as countries embark, globally, upon the implementation of the ambitious agenda for "transforming our world" so as to achieve sustainable development.

Since its inception in 1947, the *Survey* had for a long time been the only publication dedicated to analysing and reporting, on an annual basis, on the evolution of the world economy and world development. It was not until 1978 that there was a similar effort, namely, when the World Bank published the first *World Development Report*. In accordance with its mandate of 1947, the *Survey* has provided a review of world economic conditions, as consistent with Article 55 of the Charter of the United Nations and the responsibility "to promote the solution of international economic problems, higher standards of living, full employment and conditions of economic and social progress and development".

In 2015, the world community, through the General Assembly, adopted the above-mentioned 2030 Agenda for Sustainable Agenda with the aim of eradicating poverty and improving social conditions while achieving environmental sustainability. Together with the Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda),[3] the Sendai Framework for Disaster Risk Reduction 2015-2030[4] and the Paris Agreement,[5] the 2030 Agenda for Sustainable Development captures the commitment of the international community to poverty eradication, human development and environmental sustainability.

Through the adoption of the Sustainable Development Goals, the need to achieve a balance among the various dimensions of development has been brought back from the United Nations development agenda in the past, in particular from the International Development Strategies for the United Nations Development Decades, and placed at the core of the agenda. The transition towards sustainability will require deep structural changes to strengthen the links between economic growth and human development as well as the links between economic growth and the environment. Within the economic dimension itself, deep structural transformations will have to occur to facilitate economic diversification and strengthen productivity growth in the agriculture and industrial sectors in such a way as to support employment creation and improved living standards, as called for under Sustainable Development Goals 8 and 9. Accelerating the transition towards greater sustained economic growth is particularly important to least developed Countries. All of these themes figured prominently in the discussions incorporated in past editions of the

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[1] Over the 70 years under review, the Survey has taken on different names. In 1947, it was called the Economic Report; and from 1948 to 1954, the *World Economic Report*. In 1955, the publication was renamed the *World Economic Survey*. Since 1994, it has been called the *World Economic and Social Survey*. The year 1999 marked the launching of a companion publication entitled *World Economic Situation and Prospects*, which would report on macroeconomic trends. As used in the present overview, the term *Survey* may refer to any one of these reports.

[2] General Assembly resolution 70/1 of 25 September 2015.

[3] Adopted by the General Assembly in its resolution 69/313 of 27 July 2015, as contained in the annex thereto.

[4] Adopted by the General Assembly in its resolution 69/283 of 3 June 2015, as contained in annex II thereto.

[5] See FCCC/CP/2015/10/Add.1, decision 1/CP.21, annex.

Survey and were reflected in the formulation of the International Development Strategies for the United Nations Development Decades.

The insights provided by the *Survey* over seventy years of systematic analysis of the global economy and development policy offer useful guidance for the implementation of strategies for sustainable development. That analysis sheds light on the strategies and policies that contributed to the advancement of development in the past, as well as on those areas that continue to pose challenges. Improved international policy coordination is, in particular, an area that requires greater attention to enable the creation of an environment conducive to stable growth of the world economy, a dynamic multilateral trade system and increased flows of financial resources for development. Creating an international enabling environment for development is critical for ensuring that countries have the appropriate policy space within which to "implement policies for poverty eradication and sustainable development", as called for in target 17.15 under Sustainable Development Goal 17. The review of the discussion on development available in past editions of the *Survey* will contribute to reflections on these issues.

Throughout its seventy years, the *Survey* has promoted a broader understanding of development, emphasizing the importance of advancing the structural transformation of the economy, progress in social development and environmental sustainability. Not only has the *Survey* consistently documented the increasing interdependence among countries and advocated for the creation of the appropriate global institutions needed to resolve the economic and financial imbalances that often jeopardize growth and development, but it has argued tirelessly for expediting the transfer of financial and technological resources from developed to developing countries so as to promote development. The *Survey* played a unique role in focusing on the issue of negative resource transfer from developing to developed countries and has argued against overfinancialization of economies. Indeed, it was ahead of the curve in predicting the possibility of what came to be known as the global financial crisis. The *Survey* has put forward elaborate proposals regarding how globally coordinated policies can help accelerate the slow growth which has been afflicting the global economy in the aftermath of that financial crisis. In recent years, the *Survey* has provided insightful analyses on how to effectively integrate the economic, social and environmental dimensions for sustainable development.

Section II below reviews the long-standing trend towards increasing integration and interdependence of the global economy and the key messages to be derived from the *Survey*'s policy analysis over the last seventy years. Section III briefly reviews the evolution of the United Nations development agenda and the key messages of the *Survey* regarding the concept of development and the role of the State and strategic planning for sustainable development. Section IV examines the current situation in the global economy and identifies four areas of concern which need to be addressed so as to ensure support for sustainable development, namely, economic growth, labour markets, investment and trade, and financing for development. Section V offers a few final reflections on the contributions of the *Survey*.

II. Enhanced International policy coordination in an interdependent world

One of the major issues analysed by the *Survey* over the span of its existence has been the growing interdependence of the world economy and hence the increasing importance of international policy coordination for ensuring sustained growth and development.

After the Second World War, the world experienced increased economic integration, driven largely by growing cross-border trade and financial flows. Increasing interdependence among countries had major effects on production and finance across the world. The share of external trade in national income increased in most countries, and financial liberalization improved access to international capital markets, thereby contributing to economic growth in many developing countries.

However, increasing exposure to the workings of the global economy has also brought greater uncertainty. In the area of trade, while markets that are more open have contributed to the acceleration of economic growth and employment creation, they have also exposed countries to volatile cross-border flows of goods and services and led to the displacement of workers in less competitive sectors. Commodity price volatility has been a recurrent problem, one that has been documented by the *Survey* beginning with editions issued in the 1950s. More recently, rapid shifts of production and labour across borders have had visible economic, social and political effects around the world, including in developed countries.

Trade and financial globalization have been generally accompanied by the emergence and evolution of global institutions, international agreements and the creation of an extensive multilateral system for global cooperation. However, as documented in the *Survey*, global economic integration has outpaced the development of appropriate institutions for global governance. The current institutional framework has failed, at times, to foresee and stave off underlying global imbalances in cross-border flows.

Over time, the *Survey* has documented a troubling flow of savings from developing to developed countries. Several factors have contributed to this trend, including risk-adjusted return differentials across countries, changes in expectations on exchange rates, and the accumulation of precautionary foreign reserves. The long-standing disequilibrium in the flow of savings has been a factor constraining investments in infrastructure and human development, especially in poor developing countries. At several points in time, this reverse flow of resources has also contributed to the emergence of global and regional financial crises with large economic and social costs for developing countries.

During periods when it was possible to mobilize well-coordinated global responses to crisis situations, there were highly positive results in the form of faster growth and recovery. Following the Second World War, in a remarkable effort, international support was mobilized for reconstruction in countries of Western Europe. During this period, the international community also built global institutions designed to govern the international currency and payments system. In the 1980s, by contrast, lack of adequate international mechanisms for resolving global imbalances and debt problems and the painful imposition of programmes of liberalization, privatization and fiscal retrenchment led to at least one “lost decade” of development in many countries in Latin America and Africa.

Key messages from the *Survey*

Global integration requires global policy coordination

From the very first edition of the *Survey*, issued in January 1948,[6] there was explicit recognition of the need for coordinated global action to accelerate the growth of world production, to facilitate the flow of goods and services across countries and to support effective utilization of resources within each country in the context of an expanding and integrated world economy and in the interest of promoting “higher standards of living, full employment, and conditions of economic and social progress and development”, in line with Article 55 of the Charter of the United Nations.

In the 1970s and 1980s, the lack of effective international cooperation led to high inflation and macroeconomic instability with consequences in terms of high unemployment in developed countries and, at least, as mentioned above, one decade of lost development in major regions of the world. Throughout the 1970s and 1980s, the *Survey* argued for international economic coordination, and in 1983, it observed that “a greater measure of economic cooperation among countries is a shared requirement for sustained revival of the world economy”.[7]

Intensification of global economic integration since the 1990s has clearly outpaced the development of global institutions and arrangements for proper governance of the global economic system. In the early years of the 2000s, the lack of effective international mechanisms for macroeconomic policy coordination and deeper flaws in the international financial architecture facilitated the growth of the major imbalances that contributed to the 2008 global financial crisis.

The *Survey* has repeatedly emphasized the need to create proper international mechanisms for policy coordination, as defined in target 17.13, under Sustainable Development Goal 17, with adequate representation from developing countries — a central requirement that is clearly recognized in target 16.8, which is to “broaden and strengthen the participation of developing countries in the institutions of global governance”.

Ensure stability in the international monetary and trade system

A recurrent concern of the *Survey* has been the large fluctuations in commodity prices. The absence of mechanisms for managing these price swings and corresponding fluctuations in foreign exchange earnings has characterized the world economy since the early post-war years and continues to be a problem today. Excessive price fluctuations in commodity markets disrupt development, especially in view of their disproportionate impact on the income, health and nutritional status of poor consumers and small-scale farmers. The *Survey* has put forward several recommendations including a proposal to set up international commodity price stabilization funds for the purpose of helping low-income countries cope with large price fluctuations. Such ideas are quite relevant today in conditions where, for example, commodity prices have experienced a downward slide following the commodity boom in the early years of the present century.

With regard to trade, the *Survey* has consistently argued for multilateralism and warned of the dangers of protectionism in response to rising trade deficits. Its strong concerns with respect to the risks of protectionism were expressed in almost

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[6] United Nations, Department of Economic Affairs, *Economic Report: Salient Features of the World Economic Situation 1945-47* (Lake Success, New York, January 1948).

[7] *World Economic Survey 1983: Current Trends and Policies in the World Economy* (United Nations publication, Sales No. E.83.II.C.1), p. 18.

every edition of the 1980s. For example, in *World Economic Survey, 1981-1982*,[8] it was noted that while the world economy had avoided “trade wars of the type experienced in the 1920s and 1930s” and liberalization efforts had continued on some fronts, the slowdown in economic growth in the industrial countries since the mid-1970s had been accompanied by “growing protectionist pressures and increasing resort to special trading arrangements as a way to ease domestic tensions” (p. 80). More recently, the *Survey* has warned of the risks of protectionisms in regard to the impact it may have in slowing down productivity, economic growth and technology diffusion.

The international monetary framework which emerged after the collapse of the Bretton Woods system in the 1970s has proved volatile and prone to crises. The international monetary system continues to be centred on the United States dollar, with no mechanism in place for addressing, in an orderly manner, global imbalances which arise when crises erupt. At different times, the *Survey* has advanced proposals for two major reforms in the global financial system: one concerning the need to render the global financial system less dependent on a single currency and more reliant on common reserve pools and improved international liquidity; and the other centred on the need to ensure effective financial regulation and supervision so as to prevent speculation and financial bubbles. In addressing these issues over time, the *Survey* has come to recognize that improving global economic and financial governance requires political leadership and a shared vision of development, together with a commitment to balancing the responsibilities of adjustment among countries according to their level of development.

Respect countries’ national policy space

In times of crisis and major adjustment, flexibility has been of great importance in facilitating economic recovery and development. In the early 1950s, European countries were given additional time to gradually eliminate foreign exchange restrictions and current account convertibility, an obligation under the Articles of Agreement of the International Monetary Fund (IMF). The flexibility shown by IMF, in granting countries the time needed to comply, was a determinant of their success; and by 1958, most countries of Western Europe had indeed eliminated foreign exchange restrictions and established current account convertibility.

In the 1950s, flexibility in debt relief (for Europe and Latin America) was important in facilitating recovery and rapid growth. In sharp contrast, the international response to the debt crises in the 1980s undermined — and even reversed — economic and social progress (in countries of Latin America and Africa). Fiscal austerity, an element of the strict conditionality of debt restructuring, as embodied in the Washington Consensus, reduced countries’ policy space for carrying out a gradual resolution of their external debt and re-establishing a rebalance in their economies in accordance with their own national contexts and priorities. Moreover, whereas the exercise of greater flexibility by creditors could have made for a more equal distribution of the costs incurred in resolving the debt crises, the absence of a debt workout mechanism led to the imposition of the full adjustment cost on debtor countries. The result in the 1980s and early 1990s was a lost decade for development for many countries.

Similar concerns regarding the need to provide countries with the policy space required to mitigate their economic imbalances have been raised in relation to more recent problems, in Greece and other highly indebted countries. While arguing for adjustment on the part of both deficit and surplus countries, the *Survey* has also

[8] United Nations publication, Sales No. E.82.II.C.1.

called for due attention to be paid to the social costs of polices aimed at sharp deficit reduction.

The implementation of an ambitious agenda for sustainable development thus requires both greater policy space for countries so as to enable them to determine the policies that best reflect their own national context and sufficient flexibility in order to ensure an orderly recovery from situations of economic stress, as aimed for in target 17.15 under Sustainable Development Goal 17.

International solidarity can play an important role

International solidarity has played an important role in development and reconstruction. In the aftermath of the Second World War, countries of Western Europe received resources equivalent to 1 per cent of the gross national product (GNP) of the United States of America in each year of the period from 1948 to 1952 through the European Recovery Program, better known as the Marshall Plan. Generous financial support and flexibility in the enforcement of international commitments helped countries recover financial stability, achieve a more efficient allocation of resources and expedite trade liberalization. The combination of these factors buttressed the long period of economic prosperity known familiarly as the Golden Age of Capitalism.

Official development assistance (ODA) has played an important role in supporting the development efforts of developing countries; it also has high pay-offs in terms of facilitating the dynamic incorporation of countries into the world economy. The political momentum for accelerating delivery of ODA grew soon after the Millennium Development Goals were agreed in September 2000 and continued to grow following the explicit recognition in the 2002 Monterrey Consensus of the need for a "substantial" increase in ODA.[9] However, the long-standing target of provision by developed countries of ODA equivalent to 0.7 per cent of their gross national income (GNI) for developing countries has yet to be achieved. That target has been included in target 17.2 under Sustainable Development Goal 17 as part of the commitments set out in the 2030 Agenda for Sustainable Development.

On the specific issue of financing for climate change mitigation and adaptation, the *Survey* has expressed concern about the lack of additionality of financial flows, with contributions for climate change resulting in a diversion of resources away from traditional development projects. The 2012 *Survey*[10] analysed several proposals for raising the hundreds of billions of dollars needed for climate change mitigation and adaptation and in that regard, advanced the argument that there is indeed room for mobilizing substantially larger resources from private and public sources. However, as expressed by the Secretary-General in the preface to the volume, for those resources to become viable "strong international agreement is needed, along with adequate governance mechanisms, to manage the allocation of additional resources for development and global public goods" (p. iii).

Building the political will and governance mechanisms required to mobilize the resources needed for effective implementation of the 2030 Agenda will be critical to realizing the vision of sustainable development.

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[9] See *Report of the International Conference on Financing for Development, Monterrey, Mexico, 18-22 March 2002* (United Nations publication, Sales No. E.02.II.A.7), chap. I, resolution 1, annex, para. 41.

[10] United Nations publication, Sales No. E.12.II.C.1

III. Evolution of the United Nations development agenda

The *Survey* is the oldest continuing post-Second World War publication dedicated to recording and analysing the performance of the global economy and global development while offering relevant policy recommendations as well. Publication of the *Survey* responds to General Assembly resolution 118 (II) of 31 October 1947, in which the Assembly recommended to the Economic and Social Council:

"(a) That it consider a survey of current world economic conditions and trends annually, and at such other intervals as it considers necessary, in the light of its responsibility under Article 55 of the Charter [of the United Nations] to promote the solution of international economic problems, higher standards of living, full employment and conditions of economic and social progress and development,

"(b) That such consideration include an analysis of the major dislocations of needs and supplies in the world economy,

"(c) That it make recommendations as to the appropriate measures to be taken by the Assembly, the Members of the United Nations and the specialized agencies concerned."

The *Survey*, consistent with its mandate, has provided analysis and policy advice to inform the international debates on development and to meet the implementation-related challenges of the United Nations development agenda. The present section offers a brief overview of the evolution of the United Nations development agenda through focusing on the United Nations Development Decades and both the Millennium Development Goals and the Sustainable Development Goals which were adopted subsequently. Its aim is to present the historical context for the policy analyses conducted in the *Survey*.

The First, Second, Third and Fourth United Nations Development Decades covered the periods 1961-1970, 1971-1980, 1981-1990 and 1991-2000, respectively. The adoption of the United Nations Millennium Declaration by the General Assembly in its resolution 55/2 of 8 September 2000 led to the formulation of the Millennium Development Goals for the period 2000-2015. The Sustainable Development Goals were adopted in 2015 as part of the universal commitment to sustainable development, as embodied in Assembly resolution 70/1, with specific goals to be met by 2030.

Four United Nations Development Decades

The term "development", as adopted by the *Survey* early on, signified a broad concept of "growth plus change". This is a concept that goes much beyond simple economic growth to encompass the process of "structural change" or "structural transformation", which is needed to translate simple economic growth into higher standards of living, full employment and social progress and development, as called for in Article 55 of the Charter of the United Nations.

This expanded concept of development has been well reflected in the United Nations development agenda over time along with a strong focus on social policy and human development as the final purpose of development policy. Objectives for social development were recognized in the development agenda, as every United Nations Development Decade incorporated an increasingly comprehensive set of social goals for accelerating efforts directed towards addressing poverty, hunger, malnutrition, illiteracy, safe and affordable housing and disease, among other issues.

Promotion of education in general and vocational and technical training were also a consistent focus during all four Development Decades.

Environmental components entered into the development agenda starting with the International Development Strategy for the Second United Nations Development Decade (1971-1980), as adopted by the General Assembly in its resolution 2626 (XXV) of 24 October 1970. Under that Strategy, Governments pledged to "intensify national and international efforts to arrest the deterioration of the human environment" and "to take measures towards its improvement" (para. 72). The International Development Strategies for the subsequent Development Decades continued to underscore the need to ensure environmental sustainability by expanding their focus to include issues such as pollution, deforestation, desertification and soil degradation.

Over time, the incorporation in the United Nations development agenda of a clear-cut and comprehensive concept of development that extended beyond economic growth alone was achieved. On the other hand, there has been a recognition of the role of economic growth in facilitating the expansion of the resources available to countries for satisfying human needs. The importance of the economy has been formally acknowledged in the International Development Strategies for the United Nations Development Decades through the inclusion of quantitative goals regarding, for example, economic growth, increased saving and investment, expansion of exporting capacity and greater integration of international trade. Industrialization, economic diversification and productive agriculture have also been highlighted as crucial for achieving economic development and poverty reduction.

Inequality was also a recurrent theme throughout the United Nations Development Decades. Under the strategy for the First United Nations Development Decade, as adopted by the General Assembly in its resolution 1710 (XVI) of 19 December 1961, concern was already being expressed regarding the increasing income gap between developed and developing countries (see, for example, the fourth preambular para. of that resolution). Further, distributional imbalances *within* countries were highlighted as early as 1970, in the International Development Strategy for the Second Development Decade, where it was stated that "the "ultimate purpose of development [was] to provide increasing opportunities to all people for a better life" (para. 18) and that it was "essential to bring about a more equitable distribution of income and wealth". Specifically, the Strategy called for a substantial reduction in "regional, sectoral and social" disparities (ibid.).

The emphasis on development as a long-term process which requires coordinated policy efforts, underpinned by strong domestic resource mobilization and supported by international commitments, prevailed in all four United Nations Development Decades. An overarching theme that was emphasized during the Development Decades, whose strategies recognized the interlinkages among different dimensions of development, was the establishment of integrated national development plans in accordance with countries' specific socioeconomic structure and stage of development. In terms of financing for development, while the Strategies for the Decades had affirmed that developing countries should bear the main responsibility in that regard, they also stressed the importance of external financial resources — both public and private — for development. Particularly, the Strategies for all of the Decades except the first included the target for developed countries of providing official development assistance (ODA) that equalled or surpassed 0.7 per cent of their gross national product (GNP) to developing countries.

As for broader international cooperation, the Strategies for the United Nations Development Decades had called consistently for strengthening international collaboration and policy coordination to support national development efforts. In its resolution 1710 (XVI), the General Assembly affirmed that it was “convinced of the need for concerted action to demonstrate the determination of Member States to give added impetus to international economic cooperation” (sixth preambular para.). This set the tone for the following Development Decades, whose International Development Strategies pushed for effective international cooperation in a multiplicity of areas, including trade, financing for development, basic social services, environmental protection, and research and technological activities. The need for special assistance to least developed countries and landlocked developing countries in many of those areas was duly recognized, as was the need for greater international support to developing countries in accessing technology, expanding infrastructure, strengthening planning mechanisms for implementation of national development plans, and improving statistics.

The Millennium Development Goals

While the International Development Strategies for the four United Nations Development Decades were similar in terms of their own comprehensiveness, the adoption of the Millennium Development Goals represented an attempt to focus on human development issues, considered the most pressing problems at the time. To a great extent, such a shift in emphasis under the development agenda was driven by the experience of many developing countries, particularly in Africa and Latin America, during the lost decade of development spanning the period from the 1980s to the early 1990s, when the economic growth overemphasized by policies failed to translate into poverty reduction and broader human development. Formulation of the Millennium Development Goals reflected the concerns expressed at a series of summits and international conferences organized by the United Nations in the 1980s and 1990s, which focused on human development outcomes. This led to the placement of poverty and hunger at the forefront of the United Nations development agenda, alongside education, gender equality and health.

While the Millennium Development Goals, with their particular focus on the poor, provided, collectively, an integrated perspective on implementing the social agenda, they also placed less emphasis on growth-induced structural transformation and the environment. As a result, issues such as employment, productivity, investment and changes in production patterns received less attention compared with the focus during the United Nations Development Decades. Moreover, while gender equality was featured as one of the Goals and poverty reduction was linked with addressing inequality, economic inequalities and inequalities in many other dimensions were not explicitly incorporated within the Goals. The Millennium Development Goals continued the tradition of the United Nations development agenda in calling for international cooperation, with Goal 8 being to develop a global partnership for development, including on issues such as trade and finance; addressing the special needs of the least developed countries, landlocked developing countries and small island developing States; external debt sustainability; affordability of essential drugs; and new technologies.

2030 Agenda for Sustainable Development

On 25 September 2015, the General Assembly, in its resolution 70/1, adopted the 2030 Agenda for Sustainable Development, including the 17 Sustainable Development Goals and 169 targets. A total of 193 international Heads of State and

Government and High Representatives committed themselves to sustainable development through full implementation of the Agenda by 2030. This was complemented by the welcoming into force of the Paris Agreement by the Assembly in its resolution 71/228 of 21 December 2016 and the endorsement by the Assembly of both the Addis Ababa Action Agenda of the Third International Conference on Financing for Development, on 27 July 2015, and the Sendai Framework for Disaster Risk Reduction 20150-2020, on 3 June 2015. These international agreements were the outcome of a long process of negotiations among States Members of the United Nations and consultations with civil society organizations, the private sector, academics and the larger development community. The new international consensus for sustainable development therefore reflects the aspirations of broad groups of peoples across the globe.

The 2030 Agenda for Sustainable Development revives the tradition of previous development strategies by providing a comprehensive framework for global development. The Sustainable Development Goals, as formulated, fully capture the various dimensions of development, but, most importantly, the Goals stress the interdependence across the economic, social and environmental dimensions of development. For example, the goal of economic growth encompasses various social dimensions, such as environmental sustainability and inclusiveness, with full and productive employment and decent work for all. A similar emphasis, highlighting the interconnectivity across the various dimensions of sustainable development, can be observed within the formulation of all of the other Goals. This feature of the Goals calls for policy coherence so as to ensure that the various dimensions of development are taken into account in the design of policy interventions.

In terms of the level of its ambition, the 2030 Agenda, including the Sustainable Development Goals, surpasses previous development agendas. It calls for complete eradication of poverty, hunger, illiteracy, gender-related discrimination and other forms of social disparity. Goal 10 is to reduce inequality, both within and among countries. Further, calls, inter alia, for inclusion, elimination of discriminatory laws, social protection, and greater voice and representation of developing countries in global institutions are well reflected in the Goals. This emphasis on reduction of inequality builds upon previous commitments, as embodied in the International Development Strategies for the United Nations Development Decades, and accords with the spirit of the Copenhagen Declaration on Social Development.[11]

The Sustainable Development Goals place special emphasis on environmental sustainability and its interlinkages with other dimensions of development. Several goals focus explicitly on the environment, such as combating climate change; protection of oceans, seas and the marine environment; and protection of terrestrial eco-systems. Issues related to the environment have also been included in the targets under Goals related to economic growth and social development.

While emphasizing social and environmental goals, the 2030 Agenda also redirects attention towards the importance of economic growth, economic diversification and industrialization, and infrastructure building, particularly within the context of the least developed countries — issues that figured prominently in the Strategies for the four United Nations Development Decades.

The 2030 Agenda has been defined as universal, applying as it does to both developed and developing countries. The role of developed countries is not limited,

[11] *Report of the World Summit for Social Development, Copenhagen, 6-12 March 1995* (United Nations publication, Sales No. E.96.IV.8), chap. I, resolution 1, annex I.

however, to the provision of financial and technical assistance to developing countries, since it is recognized that each country has to undertake policy actions to achieve the Sustainable Development Goals according to its own national context.

Finally, the Sustainable Development Goals convey the importance of recognizing that countries need to define their own priorities and policies for effective progress within the various dimensions of sustainable development. And in that regard, national ownership is critical to success. This gives countries both a responsibility and an opportunity, namely, to adapt the goals and targets so that they reflect their own national reality and to define the strategies and policies best suited to their advance along the pathways to sustainable development. The policy analysis conducted in the *Survey* sheds light on development experiences of the past that are still relevant to the mapping out of such sustainable development pathways.

Key messages from the *Survey*

The policy analysis conducted in the *Survey* has sustained a dialectical relationship with the evolution of the United Nations development agenda and other international commitments. That is to say, the choice of topics in the *Survey* over time has been influenced by the evolution of the United Nations development agenda; and *Survey* analyses in turn influenced the evolution of that agenda. In this regard, two areas, among others, in which the *Survey* has made a contribution encompass the concept of development itself, and the importance of planning and the role of the State in development, as illustrated below.

Development, which is multidimensional and context-specific, is about transformation

The concept of development, which has evolved over time, has been duly reflected in the analysis of the *Survey*. In the late 1950s, the *Survey* began to recognize that "[t]he problem of economic development is not merely one of inducing marginal shifts in the allocation of resources among existing branches of economic activity; it is rather one of introducing large-scale fundamental changes into the economic structure".[12]

Economic development was recognized as the process leading, through the structural transformation of countries, towards economic diversification, stable growth that reflects a balance between the agricultural and industrial sectors, and improved living standards. The *Survey* advanced an argument of great relevance to many developing countries today, namely, that a "rapid breaking up of the traditional sector is neither likely to happen nor wise to recommend" and that "[o]n the contrary, optimal growth of the economy requires a balance between the release of factors from the subsistence sector and the opening up of employment opportunities in the market sector".[13] In addition, there was also a clear recognition of the need to stimulate high and stable growth, and in that regard, that "[t]oday's problem of scarcity and want is too immense to be tackled merely by redistributing and improving existing quantities".[14] Accelerating economic growth, especially in the context of the least developed countries, is essential, and duly recognized under Sustainable Development Goal 8, particularly in target 8.1, which calls for annual GDP growth of at least 7 per cent per year in the least developed countries.

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[12] *World Economy Survey 1959* (United Nations publication. Sales No. 60.II.C.1), p. 7.

[13] *World Economic Survey, 1969-1970* (United Nations publication, Sales No. E.71.II.C.1), pp. 15-16.

[14] *World Economic Survey, 1971* (United Nations publication, Sales No. E.72.II.C.2), p. 12.

Early on, social and economic objectives were interlinked within the concept of development. Issues related to the management of natural resources, environmental degradation and climate change and their links with other dimensions of development were incorporated in the analysis of the *Survey* over time, with an even greater focus in the early 2000s.

With respect to an issue of such great significance for current discussions, *World Economic Survey 1969-1970* gave due recognition to the importance of context by affirming that "[d]evelopment is no predestined path along which all countries must go: it is a diverse and uncertain process reflecting the culture and preferences of people as well as the resources at their disposal and an ever-changing technology" (p. 1).

Importance of development planning and State capacity

Strengthening States' capacity for strategic planning is one issue of particular relevance with respect to the challenges presented by sustainable development. Strengthening the positive interrelations across the economic, social and environmental dimensions of development requires proper coordination both across various policy areas and among diverse actors, including the private sector, Governments and civil society. Effecting the transition towards sustainable development requires improved institutional capacity within Governments to make short-term policy decisions consistent with long-term development objectives.

In 1964, the *Survey* incorporated a discussion on planned development which is still relevant today. The *Survey* observed that "the acceleration of economic and social development requires a more long-sighted approach to policy formulation" and that "it has come to be understood that current policy decisions can no longer be made simply in response to the circumstances of the moment but have to contribute actively to bringing about the structural and institutional changes which underlie economic development".[15] Improved capacity of public administration for domestic resource mobilization and the quality of social services remains key to sustainable development.

The importance of strategic planning is accompanied by the recognition of the critical role of the State for development. The contrast between the experience of countries in Latin America and Africa versus countries in Asia in the 1980s and 1990s provided insights into the important role of the State in the management of the economy. Countries following the market-centred policy direction of the Washington Consensus endured large development setbacks, while countries with a more active developmental State exhibited stronger growth, economic diversification and large-scale poverty reduction. In the analysis of the *Survey*, strengthening the capacity of national States to manage the economy is critical to long-term development.

With the adoption of the 2030 Agenda, the international consensus has come back full circle to recognition of the importance of development planning and the need to raise countries' capacity to understand and manage the interlinkages across the various dimensions of sustainable development, over longer periods of time and with full account taken of the role of multiple actors. Sustainable Development Goal target 17.9 explicitly calls for strengthening capacity-building "to support national plans to implement all the Sustainable Development Goals", an issue that is well reflected in other Sustainable Development Goals and targets.

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[15] *World Economic Survey 1964 — Part I* (United Nations publication, Sales No. 65.II.C.1), p. 2.

IV. Current global situation and the challenges for sustainable development

Global conditions, as noted above, played an important role in the achievement of the international development agenda. The impressive global cooperation that existed following the Second World War and the institutions that were built through that cooperation provided favourable conditions for the implementation of the strategy for the First United Nations Development Decade adopted in December 1961 and contributed to the achievement of the targets under that strategy in advance of the deadline. However, the aspirations embodied in the International Development Strategies for the subsequent Development Decades remained largely unmet owing, to a great extent, to adverse global conditions and the lack of appropriate international policy coordination and development cooperation.

More recently, progress towards achieving the Millennium Development Goals was supported by the favourable global economic conditions of the early years of the new millennium. The goal of halving extreme poverty by 2015 at the global level had been achieved by 2010. However, in 2008-2009, the world suffered the most severe financial crisis since the Great Depression, which had begun in 1929. Since then, the average annual rate of global growth has dropped by nearly one full percentage point compared with the decade before the global financial crisis, and actual growth rates have consistently disappointed forecasters' expectations. As a result, progress in achieving some of the Millennium Development Goals slowed down in the final years before 2015.

The aforementioned experiences during the final — and post-crisis — years of the Millennium Development Goals period strongly suggest that sustained, inclusive and sustainable economic growth, full and productive employment, and macroeconomic and financial stability are key elements of support for the achievement of the Sustainable Development Goals. Revitalizing global economic growth is therefore of the utmost importance. However, the world continues to struggle against a prolonged economic slowdown, with weak labour markets, low levels of investment and poor productivity growth. More than eight years after the global financial crisis, policymakers around the world still face enormous challenges in regard to stimulating investment and reviving global growth.

With interest rates near zero in key developed economies, traditional monetary policy instruments have had a limited effect in bringing those economies back to full strength, which entails significant ramifications for the global economy. Long-term stagnation in the global economy could act as a major constraint on growth, create instability in trade and financial markets, and reduce the levels of investment and concessional finance available to developing countries.

In this context, the economic performance of the global economy is a key determinant for the achievement of the 2030 Agenda for Sustainable Development. The present section examines current global economic trends and the challenges that they pose for the implementation of the Sustainable Development Goals.

Economic growth

As the rate of global economic growth slowed, in 2016, to its lowest level since the great recession of 2009, the current international economic environment continues to be a challenging one, and a return to robust and balanced growth remains elusive. Forecasts reported in *World Economic Situation and Prospects*

2017[16] project a modest recovery in global growth for 2017 and 2018, but growth is still expected to remain below its average rate in the period 1998-2007.

Underlying the sluggishness of the global economy are the feeble pace of global investment, dwindling world trade growth, flagging productivity growth and high levels of debt. To a large extent, these factors have been self-reinforcing, reflecting the close linkages among aggregate demand, investment, productivity and trade. They have been exacerbated by low commodity prices in many commodity-exporting countries since mid-2014, with policy tightening in response to mounting fiscal and current account deficits further dampening growth prospects. In addition, conflict and geopolitical tensions continue to take a heavy toll on economic prospects in several regions.

The lack of buoyancy in economic growth is likely to affect the efforts to achieve the Sustainable Development Goals in several ways. It can limit the capacity of the economy to create jobs and raise incomes and thereby reduce poverty through economic growth. Such lack of buoyancy can also limit the financial resources available for essential investment needed in areas such as infrastructure, health care, education, social protection and climate change adaptation, which is crucial to achieving the Goals. Ultimately, the lack of sufficient resources could undermine the political will to vigorously pursue the development objectives and commitments underpinning the 2030 Agenda for Sustainable Development.

Labour market

The protracted period of weak global growth has impacted employment. According to estimates provided by the International Labour Organization (ILO) *World Employment and Social Outlook — Trends 2016*,[17] there are over 27 million more unemployed people today than before the global financial crisis. *World Employment and Social Outlook — Trends 2017*[18] expects global unemployment to increase further, by 3.4 million, in 2017, driven by rising unemployment in emerging economies. At the same time, vulnerable employment remains pervasive. Globally, 1.4 billion people (constituting 42 per cent of total employment) face vulnerable employment conditions in 2017.

The unemployment rates in some large developed countries, including Germany, Japan, the United Kingdom of Great Britain and Northern Ireland and the United States of America, have receded towards or below pre-crisis levels. However, unlike Germany and the United Kingdom, most other members of the European Union continue to struggle with high unemployment rates. At the same time, real wages have been stagnant or declining in recent years, which has contributed to rising income inequality in many developed countries.

Also, in most developing regions, labour-market conditions have worsened in recent years. Most regions face the challenge of high unemployment and/or high vulnerable employment. In East and South Asia, unemployment rates are generally low, but vulnerable employment, informal employment and working poverty remain significant challenges for most countries. In Latin America and the Caribbean, labour-market conditions have deteriorated in recent years in the wake of severe economic crises in several countries. In sub-Saharan Africa, poor-quality employment remains the most significant labour-market challenge, which has been

[16] United Nations publication, Sales No. E.17.II.C.2.
[17] Geneva, International Labour Office, 2016.
[18] Geneva, International Labour Office, 2017.

compounded by rapid growth of the working-age population. Northern Africa and Western Asia have elevated unemployment rates as well.

In many regions, both developed and developing, youth unemployment is a huge concern. As reported in *World Employment and Social Outlook — Trends for Youth 2016*,[19] after a number of years of improvement, the global youth unemployment rate was expected to increase to 13.1 per cent in 2016. High youth unemployment can have severe implications for progress towards achieving the Sustainable Development Goals, as it can an exert both immediate and long-term impacts on inequality and working poverty, labour-force withdrawal, outward migration, disincentives to pursue education and social unrest.

Investment and trade

In recent years, weak investment has been the fundamental reason for the slowdown in global economic growth, through its linkages with demand, productivity and international trade. Sluggish demand conditions, compounded by high economic and policy uncertainty in the global environment, have made firms reluctant to invest in productive capital. In spite of easy global monetary conditions, capital investment growth failed to rebound after the global financial crisis and has slowed markedly since 2014.

The protracted period of weak investment explains the slowdown in productivity growth that has been observed in developed and many developing economies. Reduced investment can adversely impact the rate of innovation and the quality of infrastructure, which in turn drive the technological change and efficiency gains underpinning productivity growth in the medium term. Insufficient investments in infrastructure, such as public utilities, transportation and renewable energy projects, can undermine growth and sustainable development prospects.

The declining demand for capital goods associated with weak investment has also restrained global trade. In fact, capital goods account for about 39 per cent of world merchandise trade. Consequently, in many countries, the visible decline in investments has imposed a significant constraint on trade growth. Against this backdrop, world trade volumes expanded by just 1.2 per cent in 2016, the third-lowest rate in the past 30 years. The weakness in trade flows is widespread and can be witnessed across developed, developing and transition economies. Furthermore, trade growth is weak not only from a historical perspective, but also in relation to overall economic growth. The ratio of world trade growth to world gross product growth has fallen steadily since the 1990s, from a factor of 2.5 to 1.

The slowdown in world trade growth may result in weak productivity growth, as international trade has the potential to speed the rate of technological diffusion between countries and improve the efficiency of resource allocation. Experience from the past shows clearly that international trade has generated substantial economic gains for many countries through improved efficiency in allocation of resources worldwide. International trade, however, has also led to major dislocations when certain economic sectors become less competitive in a larger global environment; such dislocations have been associated with widening income inequality, job losses and declining wages for workers in those sectors.

More recently, the apparent rise in the appeal of protectionism and inward-looking policies in many countries reflects growing discontent with the way in which the costs and benefits from deeper global economic integration have been distributed. A universal, rules-based, open, non-discriminatory and equitable

[19] Geneva, International Labour Office, 2016.

multilateral trading system — as called for under Sustainable Development Goal target 17.10 — can make an important contribution to the acceleration of development efforts in many countries, provided that there are proper mechanisms in place, both nationally and internationally, to manage global imbalances and prevent negative social impacts.

Subdued trade and investment are together affecting productivity growth, which can have long-term implications for progress towards achieving the Sustainable Development Goals. Unless these trends are reversed, that progress may be compromised, particularly with respect to the goals of eradicating extreme poverty and creating decent work for all.

Financing for sustainable development

Closing the financing gap so as to achieve the Sustainable Development Goals by 2030 requires the mobilization of significant financial resources, both domestic and international. However, the prolonged slowdown in global economic growth makes generating long-term investment particularly challenging.

The period of weak economic growth has negatively affected government revenues in many countries, resulting in a worsening of fiscal positions. For the commodity-dependent developing economies, the growing strains on public finances have been particularly marked since the sharp decline in commodity prices in 2014. Foreign currency-denominated debt has been gaining in importance in developing countries, which is explained partly by historically low interest rates in developed countries, leaving borrowers exposed to exchange rate risk.

With efforts to ensure fiscal and debt sustainability, there is a growing risk that countries will resort to cutting social protection expenditures, for the provision of, for example, income support, health care and education. Also, cutbacks in productive investment, such as in crucial infrastructure projects, will worsen existing structural bottlenecks and constrain productivity growth in the medium to long run, further impeding the realization of the Sustainable Development Goals. International finance is a critical complement to domestic revenue mobilization. However, for a long time, developing countries as a whole have been experiencing negative net resource transfers.

The monetary policies adopted in developed economies in the aftermath of the global financial crisis have had a significant effect on capital flows to and from developing countries, especially emerging markets with a high degree of financial market openness. In particular, the use by developed country central banks of unconventional monetary policy instruments — such as large-scale asset purchases under a policy known as quantitative easing — has had sizeable cross-border spillover effects. Recent empirical studies indicate that the quantitative easing measures have amplified the pro-cyclicality and volatility of capital flows to developing countries.

These large swings in cross-country capital flows have led to increased financial vulnerability in many countries. For central banks and Governments, managing volatile capital flows has presented a significant policy challenge in recent years. Going forward, the divergence of monetary policy stances between the United States Federal Reserve and central banks of other major countries could further intensify capital flow volatility.

ODA and other forms of international public financing are critical channels for the financing of sustainable development, especially in the least developed countries. Concessional and non-concessional international public financial flows to developing countries have risen modestly over the past few years. According to the Organization for Economic Cooperation and Development (OECD) Development Assistance Committee (DAC), development aid had reached a new peak of US$ 142.6 billion in 2016, an increase of 8.9 per cent from 2015. As a share of gross national income, it had increased to 0.32 per cent, up from 0.30 percent in 2015. However, only six countries met the target of keeping ODA at or above the level of 0.7 per cent of GNI.[20]

Lending by multilateral development banks and through South-South cooperation has risen notably in the past few years. Nonetheless, available domestic and international financial resources remain insufficient to fill investment financing gaps for sustainable development, particularly in the poorest countries.

Putting the global economy and the global financial system back on a dynamic path requires faster progress on the systemic issues related to policy and institutional coherence for enhanced "global macroeconomic stability", as captured in Sustainable Development Goal target 17.13.

V. Final reflections

A review of the analysis in the *Survey* provides food for reflection on the rich development experiences witnessed over the last 70 years. Clearly, each particular period has its own characteristics which cannot be replicated. However, looking back over the history of the *Survey*'s development policy analysis offers the opportunity to derive the kind of insights that will prove useful when the policy options available to the international community for delivering on the promise of sustainable development are being discussed and assessed.

A clear message that emerges from the *Survey* concerns the urgency of strengthening national and global institutions so as to maximize the benefits from globalization by reducing the risks posed by an interdependent world. Appropriate institutions are needed to prevent the emergence of the large imbalances that almost invariably lead to global crises. In the event that imbalances — and crises — do occur, those institutions would be required to facilitate an orderly recovery that is consistent with national and global development objectives. The presence and proper functioning of such institutions can ensure that the process of globalization fulfils its promise of development of all countries, particularly the low-income countries with less resilience in the face of the dislocations associated with the operation of global markets. In addition managing risks and responses to crises, national and global institutions must also take a proactive role in moving human development forward. Years before the adoption of the 2030 Agenda for Sustainable Development, the *Survey* proposed a global sustainable new deal to facilitate the mobilization of the "massive investments (from the public and private sectors) in new infrastructure, new capacities and new institutions … needed to meet mitigation and adaptation challenges".[21] Based on the successful experience of the New Deal policies implemented in the United States to generate a recovery from the Great Depression during the 1930s, the proposed new deal would contribute to expediting stable growth of the global economy through an investment-led growth strategy.

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[20] See http://www.oecd.org/dac/development-aid-rises-again-in-2016-but-flows-to-poorest-countries-dip.htm.

[21] *World Economic and Social Survey 2009* (United Nations publication, Sales No. E.09.II.C.1), p. xviii.

Implementation of the main components of that proposal would help turn the universal consensus reached through the adoption of the 2030 Agenda into globally coordinated policy actions to expedite investments in resilient infrastructure, employment creation and social development as a facet of the global agenda for moving towards a low-emissions, high-growth sustainable development path.

A recurrent recommendation emerging from *Survey* analyses over time has centred on the need to pay greater attention to the task of building the political will for enhanced international cooperation in designing a system of global governance that is open, transparent, participatory and responsible. Strengthening the global consensus for global collective action is of the greatest importance at the present time, when the world is facing a multiplicity of the kinds of threats that can foster a retreat behind national boundaries.

The suggestions presented above are neither new nor revolutionary. Instead, they are derived from a review of the shared experience of many economies over the last seven decades. Many of the proposed solutions were in fact applied in several developed economies in the 1960s and 1970s, but lost their importance as the global system evolved. The destructive potential of crises and instability that are exported across borders, particularly to small open economies and those that are more exposed to global commodity markets, therefore justifies rescuing forgotten lessons, engaging in new kinds of thinking and taking bold action to break the cycle of imbalances and turbulence.