Chapter I

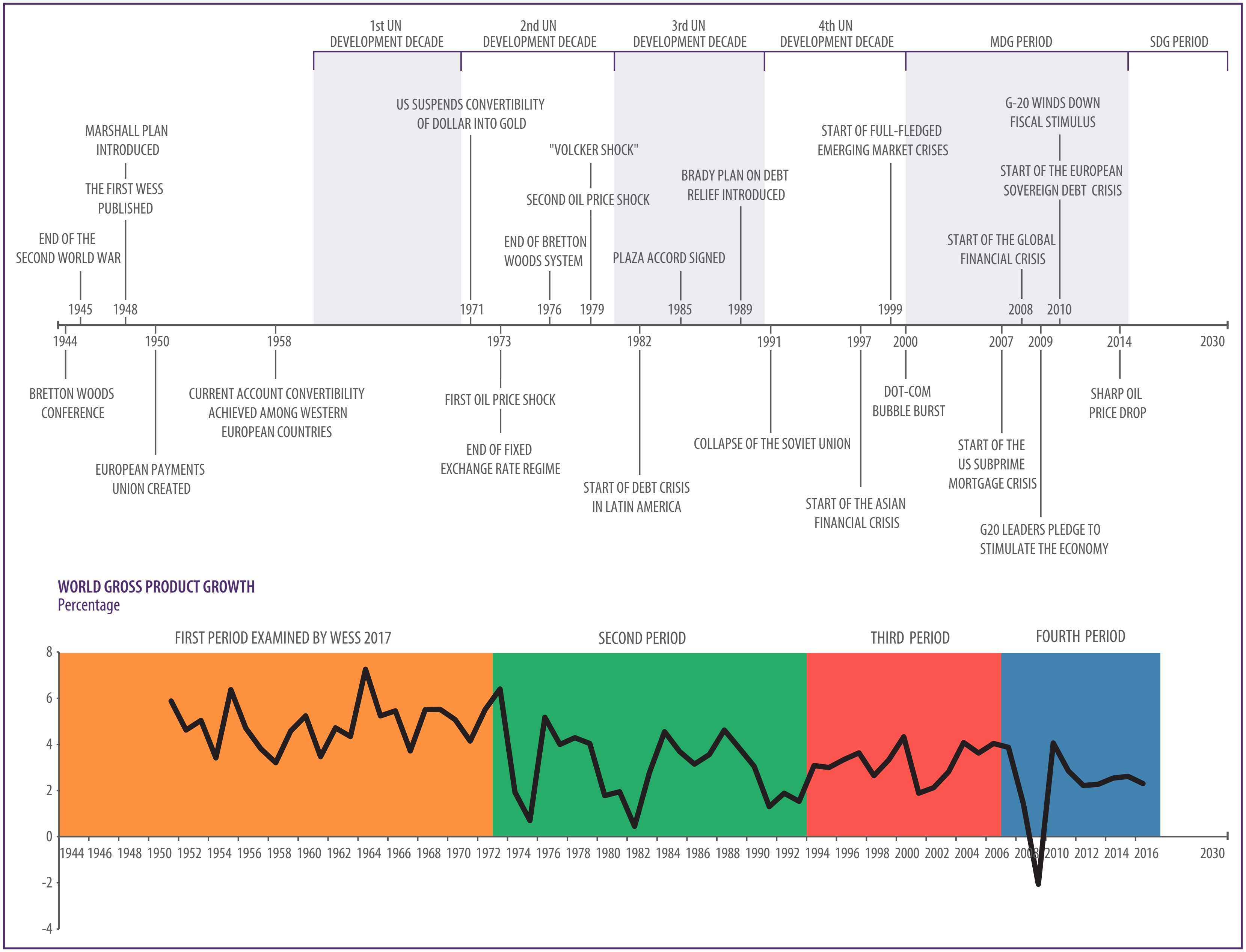
What have we learned in seventy years of development policy analysis?

Key messages

World Economic and Social Survey 2017 reviews the seventy-year history of a flagship publication, the oldest continuing report of its kind. A clear message from the development policy analysis carried out over seventy years is that periods of sluggish growth in the global economy pose a significant challenge to development. Anaemic growth in the current context may compromise the implementation of a transformative agenda for sustainable development. The experience of previous economic downturns attests to the urgency of expediting global policy coordination in order to accelerate economic growth, trade and financial flows for development. The objective of the present review is to draw those lessons from the past that are relevant to the implementation of the 2030 Agenda for Sustainable Development. Six messages are of particular importance.

- The *Survey* has long recognized that facilitation of global economic integration requires coordinated global actions. However, the intensification of such integration has clearly outpaced the development of effective mechanisms for global economic governance. The outbreak of the global financial crisis in 2008 was only one of the many events that illustrated the grave consequences of ineffective international policy coordination.
- Stability in the international monetary and trade systems underpins development. In that respect, the *Survey* has consistently highlighted risks associated with volatile commodity prices and warned against protectionism. Regarding the international monetary system, the *Survey* has advocated for a shift away from a single-currency system and called for effective financial regulation and supervision.
- Development, as defined by the *Survey* at its inception, is both multidimensional and context-specific and driven by the structural transformation of countries towards economic diversification, stable growth and improved living standards. The *Survey* was also an early proponent of balanced growth across the agriculture and industrial sectors as well as engagement in sustainable management of natural resources.
- Development planning and State capacity are crucial to achieving sustainable development, which requires proper coordination across various policy areas and diverse actors in bringing about structural and institutional changes.
- To accelerate development, countries need adequate policy space. During times of crisis and major adjustment, flexibility that gives countries space for adopting nationally appropriate policies is of great importance in facilitating economic recovery and development. The *Survey* has argued for a fair sharing of the adjustment burden among deficit and surplus countries during periods of economic turbulence.
- International solidarity has played an important role in supporting national development efforts. Implementation of the Marshall Plan and application of flexibility in enforcing international commitments during the post-Second World War period constitute best examples. Moving forward, it is critical to build the political will and to strengthen the governance mechanism for mobilizing international support for implementation of the 2030 Agenda for Sustainable Development.

Key events: seventy years of development policy analysis in the *Survey*



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 this ambitious agenda for "transforming our world" so as to achieve sustainable development.

For seventy years, the *World Economic and Social Survey* has consistently reported on the global economy and 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 emerged 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" (see box I.1 and table A.1.1 in appendix A.1 for the history and evolution of the *Survey*).

Box I.1

Mandate of the *World Economic and Social Survey*[a]

The *World Economic and Social Survey* is the oldest post-Second World War continuing publication dedicated to recording and analysing the performance of the global economy and global development while offering relevant policy recommendations. 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 General 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 both inform the international debates on development and support the efforts to meet the implementation-related challenges presented by the United Nations development agenda. Although the authors of the earlier issues of the Survey remain anonymous, some of the world's leading economists contributed to them (see appendix A.2 for a selected list of authors and contributors to the *Survey*).

a See appendix A.1 for an overview of the *Survey*'s historical evolution.

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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 publication, the term *Survey* may refer to any one of these reports.

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

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. It has 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. The *Survey* has also 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 resource transfer from developing to developed countries and has argued against over-financialization of economies. Indeed, it was ahead of the curve in predicting the possibility of what came to be known as the global financial crisis of 2008-2009. The *Survey* has put forward elaborate proposals regarding how globally coordinated policies can help accelerate growth and reverse the slow growth trajectory afflicting the global economy in the aftermath of the financial crisis. In recent years, the *Survey* has provided insightful analyses focused on how to effectively integrate the economic, social and environmental dimensions of sustainable development.

In 2015, the world community, through the General Assembly, adopted the 2030 Agenda for Sustainable Development 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 (SDGs), the need to achieve a balance among the various dimensions of development has been placed at the core of the agenda. However, 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 *Survey* and were reflected in the formulation of the International Development Strategies for the United Nations Development Decades.

Seventy years of policy analysis in the *Survey* offers relevant guidance for the implementation of sustainable development policies

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. Its 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

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.

continue to pose challenges. Improved international policy coordination is, in particular, an area that requires greater attention, in order 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.

Overall, the historical review of the analysis in the *Survey* provides food for reflection on the rich development experiences witnessed over the last seventy 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 useful insights into the policy options available to the international community for implementation of the 2030 Agenda for Sustainable Development.

Maximizing the benefits from globalization requires institutions adequately equipped …

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 to 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 2009 *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" (p. xviii). Based on the successful experience of the New Deal policies implemented in the United States of America 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. 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.

…to ensure an open, transparent, participatory and responsible system of global governance

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 threats and a tendency to 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 global development over the last seven decades. 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, justifies rescuing forgotten lessons, engaging in new kinds of thinking and taking bold action to break the cycle of imbalances and turbulence.

Four periods of development experience and policy analysis

In order to bring into focus the lessons derived from the past development discussion more clearly, *World Economic and Social Survey 2017* divides the seventy-year span of development experience and policy analysis into four broad periods.

The Golden Age of Capitalism

The first period is that identified in the literature as the Golden Age of Capitalism, beginning in the post-Second World War period and ending in the 1970s, when the currency system based on the gold standard collapsed. This period witnessed unprecedented international cooperation in post-war reconstruction, establishment of an international currency system based on the gold standard, establishment of international institutions to facilitate international balance of payments (International Monetary System (IMF)) and to promote lending to developing countries (World Bank). It was also the period in which the process of decolonization entered its final phase, with a large number of countries in Africa and Asia becoming independent, and "development" emerging as a major item in the international agenda. It was also the period when several East European and Asian countries joined the (former) Union of Soviet Socialist Republics in adopting central planning as the means for allocating economic resources.

During this period, there was growing recognition of the need for the global economic system to focus also on long-term development issues. Many theories of development were formulated in response to the challenge. The United Nations responded to the development challenge by launching the First United Nations Development Decade in 1961 and the Second Development Decade in 1971. While the First Decade culminated in success, the Second faced difficult challenges. The experience and analysis of this tumultuous period can therefore provide useful insights for implementation of the 2030 Agenda, which also faces challenges arising from the current conditions in the global economy. Chapter II of this volume reviews the *Survey*'s discussion of this period.

From the collapse of the gold standard to the debt crisis

The second period analysed by the present *Survey* broadly comprises the 1970s and 1980s, when development in many countries experienced a setback. Beginning with the collapse of the gold standard, this period witnessed the economic upheaval caused by the oil shocks of the 1970s; the emergence of stagflation (low economic growth and high inflation); the build-up of large external debts by many developing countries, particularly those in Latin America; and the adoption of contractionary monetary policies in major developed countries leading to sharp spikes in interest rates and the resulting "debt crisis".

The response to the debt crisis by the international monetary institutions was grounded in the Washington Consensus, which was underpinned by greater faith in the market and scepticism regarding the role of the State in development. The structural adjustment policies recommended by those institutions focused on liberalization, privatization and cutting public expenditure in order to repay loans and balance the budget. This, however, meant a reduction of expenditure on health, education and the environment and neglect of issues related to income inequality. Unfortunately, the contractionary policies of structural adjustment failed by and large to produce the promised high rates of economic growth and led instead to serious deterioration as measured by important social indicators. The world witnessed a "lost decade of development", particularly in Latin America and Africa. As a result, the goals of the Second United Nations Development Decade (1971-1980) and the Third (1981-1990) were largely unmet.

At the same time, a group of East Asian economies witnessed fast economic growth, based to a large extent on rapid expansion of exports. This economic success enabled them to reduce poverty dramatically. The contrasts between experiences of the East Asian economies and those of countries acting in accordance with policies under the Washington Consensus yield significant lessons which are relevant today. Chapter III reviews the *Survey* discussion of this period.

The new consensus towards human development and the Millennium Development Goals

The third period analysed by *World Economic and Social Survey 2017* begins in the 1990s, with the reaction to the development setback experienced during the previous period. Greater optimism regarding global development was generated by the ending of the cold war; and the advent of the new millennium encouraged bold long-term thinking. A recognition of the adverse social and human consequences of structural adjustment policies served to encourage a broadening of the concept of development, inspired in part by the approach of Amartya Sen to development as "freedom" and by his emphasis on "capability" and "functionings". A series of international conferences and world summits helped to build a new consensus directed towards people-centred development (for an overview of those conferences and summits, see appendix A.4).

This process led to the emergence of the concept of "human development"; the launching of the *Human Development Report* in 1990 by the United Nations Development Programme (UNDP); and, ultimately, the adoption of the United Nations Millennium Declaration[6], including the formulation of the Millennium Development Goals (MDGs) and the commitment to strengthen the global partnership for development as part of the Monterrey Consensus. On the economic front, the period witnessed a surge in commodity prices which improved the export and growth performance of many developing countries. While the recovery of world growth in the early years of the new millennium provided a favourable setting for achievement of the MDGs, large underlying global imbalances eventually led to the global financial crisis in 2008. Chapter IV of this volume reviews the *Survey* discussion of this period.

The development setback arising from the global financial crisis

The fourth period delineated by the present *Survey* begins with the development setback that resulted from the global financial crisis in 2008. The growth revival in the early years of the new millennium was accompanied by serious imbalances, which entailed large deficits and debts accumulated by many developed countries, involving a heavy reliance on debt-fuelled domestic consumption. Conditions of financial liberalization and large income gains by upper-income groups seeking investment outlets paved the way to over-financialization and greater financial integration of economies throughout the world. As a result, when the debt-fuelled bubbles burst, it resulted in the global financial crisis which led in turn to the Great Recession.

In the absence of an adequate coordinated international response, the world economy as a whole has yet to fully overcome the challenges associated with the aftermath of the crisis and the global recession. The pace of recovery and growth across the world remains slow, with low levels of investment, limited employment expansion and slow productivity growth. Many observers wonder whether developed economies have entered a long period of secular stagnation which could act as a major constraint on growth in developing countries.

6 General Assembly resolution 55/2 of 8 September 2000.

At the same time, global environmental problems became acute. In particular, both atmospheric carbon concentrations and annual volumes of greenhouse gas emissions crossed crucial thresholds, creating an urgent need to reverse the process. At the same time, the experience of the decade of the 2000s led to the realization that progress in social development would not be sustainable in developing countries without economic growth, industrialization and infrastructure building. This realization exerted an impact on the elaboration of the global development agenda leading to the adoption of the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals, in 2015. Implementation of the SDGs faces considerable challenges in the protracted aftermath of the global financial crisis and the great recession. Chapter V reviews the *Survey*'s discussion of this most recent period.

Review of past experience offer important lessons for the implementation of the SDGs

Experiences within the four periods characterized above attest to the oscillatory, cyclical nature of the development process, with considerable success having been achieved in the first period, followed by drastic setbacks in the second, and the broad revival that arose in the third, which was succeeded in turn by new setbacks in the fourth, more recent period. Although the lessons and insights to be extracted from the experiences of these periods are context-specific, they also possess features of a broader application relevant for addressing current challenges.

The following section briefly reviews the trends towards integration of the world economy and the evolution of the United Nations development agenda. This is followed by an examination of the current situation in the global economy and identification of four areas of concern—economic growth, labour markets, investment and trade, and financing for development—which need to be addressed so as to ensure support for sustainable development. The final section presents the key messages crystallized from seventy years of *Survey* policy analysis which are of the utmost relevance for the implementation of the 2030 Agenda for Sustainable Development.

The increasingly integrated global economy and the evolution of the United Nations development agenda

In fulfilling its mandate "to promote the solution of international economic problems, higher standards of living, full employment and conditions of economic and social progress and development", the *Survey* through its policy analysis has maintained a dedicated focus on the evolution of the global economy and development trends. The present section undertakes a brief examination of the trend towards increasing integration of the world economy and the evolution of the United Nations development agenda—two processes that have provided the context for *Survey* policy analysis.

Enhanced international policy coordination in an interdependent world

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

While economic integration has contributed to growth in developing countries…

After the Second World War, the world experienced increased economic integration, driven largely by growing cross-border trade and financial flows. Increasing interdependence resulted, in most countries, in an increase of the share of external trade in national income, and an improvement in the access to international capital markets through financial liberalization, which contributed to economic growth in many developing countries.

…it has also exposed them to greater uncertainty

However, increasing interdependence 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, documented by the *Survey* beginning 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.

The evolution of global governance has not kept pace with economic integration

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 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 regarding exchange rates, and the accumulation of precautionary foreign reserves. This long-standing disequilibrium in the flow of savings has been a factor constraining investments in infrastructure and human development, especially in low income 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.

Reconstruction after the Second World War attests to the impressive results that can be achieved through global solidarity and adequate policy coordination

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 a lost decade of development in many countries in Latin America and Africa.

Evolution of the United Nations development agenda

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. A brief overview of the evolution of the United Nations development agenda provides a fuller understanding of the institutional context within which the *Survey* conducts its development policy analysis (appendix A.3 contains a synthesis of the vision and goals set in the UN development agenda).

Four United Nations Development Decades

The First, Second, Third and Fourth United Nations Development Decades covered the periods 1961-1970, 1971-1980, 1981-1990 and 1991-2000, respectively. Those four Decades were followed by the adoption of the United Nations Millennium Declaration by the General Assembly in its resolution 55/2 of 8 September 2000, which 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 General Assembly resolution 70/1, with specific goals to be met by 2030. Appendix A.3 offers a synthesis of the visions and objectives set out in those international commitments.

The concept of development adopted by the *Survey* has been associated with structural change…

The concept of development as adopted by the *Survey* early on envisages a broad process of "growth plus change". The scope of that concept extends much beyond simple economic growth to encompass "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.

….as reflected in the UN development agenda, including issues related to environmental sustainability…

This expanded concept of development has been well reflected in the United Nations development agenda over time. 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 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 was 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 issues such as pollution, deforestation, desertification and soil degradation.

…economic diversification for stable and balanced growth…

Clearly, the United Nations development agenda has adopted a comprehensive concept of development that extends beyond economic growth alone. But there has also 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.

… and the reduction of inequality between and within countries

Inequality was also a recurrent theme throughout the United Nations Development Decades. Under the First United Nations Development Decade, as adopted by the General Assembly in its resolution 1710 (XVI) of 19 December 1961, concern was already 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 is 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.).

Policy coordination centred on integrated national development plans is key to development

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) equivalent to 0.7 per cent of their gross national income (GNI) 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 "[c]onvinced 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 and consecutive International Development Strategies pushing for effective international cooperation in a multiplicity of areas, including trade, financing for development, environmental protection, and research and technology. The need for special assistance to least developed countries, landlocked developing countries and small island developing States in many of those areas was duly recognized, as was the need for greater international support to developing countries in accessing technology, expanding infrastructure and improving statistics.

The Millennium Development Goals

Unlike the focus of previous United Nations development strategies, that of the MDGs was on human development…

While the International Development Strategies for the four United Nations Development Decades were similar in terms of their comprehensive coverage including the various dimensions of development, the adoption of the Millennium Development Goals represented an effort 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 from the 1980s to the early 1990s, when the overemphasis on policies designed to stimulate economic growth failed to translate into poverty reduction and broader human development. Formulation of the Millennium Development Goals reflected the concerns expressed at the above-mentioned series of summits and international conferences organized by the United Nations in the 1980s and 1990s, which focused on human development outcomes (see appendix A.4).

….with less emphasis on economic growth and the environment

While the Millennium Development Goals, with their particular focus on poverty, provided, collectively, an integrated perspective for the implementation of policies aimed at advancing the social agenda, they 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 MDG goals and poverty reduction was linked with addressing inequality, economic inequalities and in many other dimensions were not explicitly incorporated within the MDG framework. The Millennium Development Goals continued the tradition of the United Nations development agenda in calling for international cooperation, with Goal 8 dedicated to strengthening the global partnership for development, including issues related to 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, by 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 of the entry 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 2015-2020, 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 comprehensive development framework provided by the 2030 Agenda revives the tradition of previous development strategies…

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 its economic, social and environmental dimensions. For example, the goal of economic growth encompasses various social and environmental dimensions, such as environmental sustainability and inclusiveness, with full and productive employment and decent work for all. A similar emphasis is observed in the articulation of all the other Goals, highlighting the interconnectivity across the various dimensions of sustainable development. This feature of the 2030 Agenda calls for policy coherence so as to ensure that the various dimensions of development are taken into account in the design of policy interventions.

…with a heightened level of ambition to reap sustainable development gains…

In terms of the level of ambition, the 2030 Agenda 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 captures the spirit of the Copenhagen Declaration on Social Development (United Nations, 1996).

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 ecosystems. 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 no longer limited 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 all of the Sustainable Development Goals according to its own national context.

…and recognition of the importance of national ownership when defining development priorities

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. In that regard, national ownership is critical to success. Countries are committed to adapting the goals and targets so that they reflect their own national reality and to defining the strategies and policies best suited to their advance along sustainable development pathways. The policy analysis conducted in the *Survey* sheds light on development experiences of the past that are still relevant to the process of forging such pathways.

The current global situation and the challenges for sustainable development

Progress in development requires an enabling international environment for stable growth and global cooperation

Global conditions played an important role in facilitating (or constraining) progress towards 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 First United Nations Development Decade and contributed to the achievement of the targets in advance of the deadline. However, the aspirations embodied in the International Development Strategies for the subsequent Development Decades remained largely unfulfilled owing, to a great extent, to adverse global conditions and the lack of appropriate international policy coordination and development cooperation.

MDG implementation was supported by favourable global economic conditions early in the new millennium

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 was achieved by 2010. However, in 2008-2009, the world suffered the most severe financial crisis since the Great Depression in 1929. Since 2009, 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 and inclusive economic growth, full and productive employment, and macroeconomic and financial stability are key elements 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 with regard to stimulating investment and reviving global growth.

Current slow growth in the global economy constrains investments needed to achieve the SDGs

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, with significant ramifications for the global economy. Long-term stagnation in the global economy 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 2008-2009, 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* project a modest recovery in global growth for 2017 and 2018, but growth is still expected to remain below its average rate witnessed in the period 1998-2007.

Underlying the sluggishness of the global economy are the feeble pace of global investment, dwindling world trade growth and flagging productivity growth. 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 since mid-2014, and by 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 dynamism 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 dynamism 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. 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

High levels of unemployment, vulnerable employment and stagnant wages may compromise poverty reduction and other SDG targets

The protracted period of weak global growth has impacted employment. According to estimates provided by *World Employment and Social Outlook: Trends 2016* (International Labour Organization, 2016a), there were over 27 million more unemployed people in 2016 than before the global financial crisis. *World Employment and Social Outlook: Trends 2017* (International Labour Organization, 2017) 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, a factor that 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 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* (International Labour Organization, 2016b), after a number of years of improvement, the global youth unemployment rate was estimated to have increased 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 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

One factor explaining the slowdown in global economic growth is weak investment…

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 technological change and efficiency gains generating 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.

…which has restrained global trade

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 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. Since the 1990s, the ratio of world trade growth to world gross product growth has fallen steadily, from a factor of 2.5 to 1.

As international trade has the potential to speed the rate of technological diffusion between countries and improve the efficiency of resource allocation, the slowdown in world trade growth may result in weak productivity growth. Experience from the past shows clearly that international trade has generated substantial economic gains for many countries through improved efficiency in the 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 arising from deeper global economic integration have been distributed. A universal, rules-based, open, non-discriminatory and equitable 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.

Unless these trends are reversed, progress towards achieving sustainable development may be compromised

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, the progress towards these goals may be compromised, particularly with respect to the goals of eradicating extreme poverty and creating decent work for all.

Financing for sustainable development

Sustainable development requires the mobilization of significant financial resources

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. In this regard, international finance is a critical complement to domestic revenue mobilization. However, for a long time, developing countries as a whole have been experiencing large outflows of financial resources.

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 spill-over effects. Recent empirical studies indicate that the quantitative easing measures have amplified the procyclicality 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 reached a new peak of US$ 142.6 billion in 2016, an increase of 8.9 per cent from 2015. As a share of GNI, it increased to 0.32 per cent, up from 0.30 per cent in 2015. However, only six countries met the target of keeping ODA at or above the level of 0.7 per cent of GNI.[7]

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.

The global economy and financial systems need to be put on a dynamic path in order to facilitate progress towards the SDGs

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.

Key messages

The current global economic situation, including its implications for sustainable development, poses a serious challenge. Within this context, the following six key messages, distilled from a careful review of analyses conducted by the *World Economic and Social Survey* over

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

the seventy years of its publication, are of the utmost relevance for the implementation of the 2030 Agenda:

(a) Development is multidimensional, context-specific, and about transformation;
(b) Development planning and State capacity are important for achieving results;
(c) Global integration requires global policy coordination;
(d) Stability in the international monetary and trade system underpins development;
(e) Countries need adequate policy space for accelerating development;
(f) International solidarity plays an important role in supporting national development efforts.

Development is multidimensional, context-specific, and 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" (*World Economic Survey 1959*, p. 7) .

Economic development was recognized as the process leading, through the structural transformation of countries, towards economic diversification, stable growth which 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" (*World Economic Survey 1969-1970*, pp. 15-16). In addition, there was 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 [was] too immense to be tackled merely by redistributing and improving existing quantities" (*World Economic Survey, 1971*, p. 12). 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.

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 on these dimensions 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).

Development planning and State capacity are important for achieving results

Strengthening States' capacity for strategic planning is one issue of particular relevance with respect to the challenges associated with the effort to achieve sustainable development. Strengthening the positive interrelations along 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" (*World Economic Survey 1964*, Part I, p. 2). Improved capacity of public administration for domestic resource mobilization and the quality of social services remain 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 and 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. According to 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 recognize the importance of development planning and the need to raise countries' capacity to 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 the formulation of other Sustainable Development Goals.

Global integration requires global policy coordination

From the very first edition of the *Survey*, entitled *Economic Report: Salient Features of the World Economic Situation 1945-47*, 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. An expanding and integrated world economy (p. 29) is central to the promotion of "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, macroeconomic instability, 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, observing that "a greater measure of economic cooperation among countries is a shared requirement for sustained revival of the world economy" (*World Economic Survey 1983*, p. 18).

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: to "broaden and strengthen the participation of developing countries in the institutions of global governance".

Stability in the international monetary and trade system underpins development

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 throughout the 1980s. For example, in *World Economic Survey 1981-1982*, 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.

Countries need adequate policy space for accelerating development

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 ensure current account convertibility, an obligation under the Articles of Agreement of the International Monetary Fund. 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 balance 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 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 that they can 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 plays an important role in supporting national development efforts

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 commonly as the Golden Age of Capitalism.

ODA has played an important role in supporting the development efforts of developing countries; it also yields 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 on in September 2000 and continued to grow following the explicit recognition in the Monterrey Consensus of the International Conference on Financing for Development (United Nations, 2002) of the need for a "substantial" increase in ODA (para. 41). However, the long-standing target of provision by developed countries of ODA equivalent to 0.7 per cent of their 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* 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.