Editor's Desk

SANEM is happy to present the New Year’s issue (January 1, 2017) of Thinking Aloud on Sustainable Development Goals (SDGs). The first article on “SDGs: A paradigm shift?” highlights on three major changes that characterize the paradigm shift under the SDGs, which are related to the wide coverage of SDGs, universal application of the goals and the emphasis on domestic resource mobilization in achieving the goals. The article concludes that there is a need for generating political capital for SDGs, both at the country and global levels, to negotiate with a number of critical challenges in implementing SDGs over the next one and half decades. The second article on “What factors can help achieve SDGs? What do we learn from countries’ performance during the MDG period?” sheds light on the fact that, the successful implementation of SDGs depends on how countries performed during the MDG period. A cross country regression suggests that, economic growth, together with reduction in population growth, enhanced trade-orientation, public expenditure on both education and health and better institutional quality helped countries do well during the MDG period. These lessons can be very instrumental for a large number of countries in registering good performance with respect to achieving SDGs over the next 15 years. The third page consists of an interview with Dr. Nagesh Kumar, Director of Social Development Division of the UNESCAP, Bangkok on the challenges of implementing SDGs. Dr. Kumar identifies finance, technology, market access, capacity building, and systemic vulnerabilities as the key constraints for developing countries in implementing SDGs. The final page draws attention to the events that took place in the month of December.

Inside this issue

**SDGs: A paradigm shift?**

Selim Raihan

The Sustainable Development Goals (SDGs) are a set of Global Goals with three major aspects: Economic, Social and Environmental. SDGs emphasize that eradicating poverty in all its forms and dimensions, including extreme poverty and hunger, inclusive and equitable quality education, gender equality, inclusive and sustainable industrialization are pre-requisites for sustainable development in the coming decades. Other global goals such as ensuring sustainable consumption and production patterns, taking actions to combat climate change, ensuring healthy lives and promoting well-being for everyone at all ages are also important components of SDGs.

SDGs build on the legacy of the Millennium Development Goals (MDGs). Though countries in Europe, North America and few developing countries have been able to eradicate absolute levels of poverty and achieve certain levels of standard of living for their mass population, the reality is that, there remains uneven developments and serious disparities between and within the countries. This is also reflected by the fact that in a large number of countries in Asia, Africa and Latin America, majority of the people are still far from securing any decent standard of living. The aspiration for MDGs and SDGs emanates from the understanding that such serious uneven developments and disparities both at the country and global levels are unsustainable, and these uneven developments and disparities lead to periodic and long lasting economic, social and environmental crisis. Therefore, specific actions are needed to combat such crisis.

Though, both MDGs and SDGs seek to address the aforementioned crisis, what is the paradigm shift under the SDGs? Three major changes characterize the paradigm shift under the SDGs. The first key change brought by the SDGs is that, while MDGs emphasized primarily on the aspects of social development, the SDGs, in contrast, represent a much wider agenda which, in addition to social development, also address the other two pillars of sustainable development: the economic and the environmental. The second major change is the shift in the focus from an agenda which was applicable to a group of countries (under the MDGs) to one that is applicable to all countries irrespective of the differences in their levels of development. The third major change is that while MDGs were characterized by a ‘North-South’ model dependent on typical ‘donor-recipient’ relationships, SDGs emphasize on domestic resource mobilization as the key to achieving the goals. It is evident that global ‘dissatisfaction’ with the MDGs’ processes, deliveries and progresses also led countries to go for such goals under the SDGs.

The ‘discontent’ with the performance of MDGs is reflected by the fact that a large number of countries lagged behind in implementing the MDGs by some considerable margins. According to the MDG Track Global Index (published by TAC Economics, www.mdgtrack.org), out of the 140 countries, only 6 countries could implement MDGs between 70% and 77%, only 18 countries could implement MDGs between 60% and 69%, 30 countries could implement MDGs between 50% and 59% and the rest 86 countries could implement less than 50% of the MDGs.

It is important to note here that, while the MDGs had eight goals with 18 targets, SDGs have 17 goals with 169 targets. Therefore, given the weak performances of the MDGs and the very wide coverage of SDGs, questions will remain whether achieving such wide and ‘ambitious’ goals and targets within next 15 years by majority of the countries is feasible and realistic.

One of the major challenges of the SDGs is that among the proposed indicators, related to the targets, many of them are non-quantifiable. This will be problematic while monitoring the progress in achieving SDGs. Also, there are indicators that do not specify any targets for the year 2030. Besides, there are unavailability of data as relevant data for some of the indicators are not available or readily available, and a number of indicators appear to be overlapped or repeated.

One of the most critical issues related to the implementation of the SDGs is the resources needed for implementing SDGs. As mentioned before, domestic resource mobilization is the key to achieving SDGs, the question is how to mobilize required amount of resources domestically when a large number of countries suffer from weak institutions and infrastructure. It is also important to note that mere generation of resources would not ensure implementation of the SDGs if institutional and governance related aspects are not properly addressed.

The changing global scenario is a major challenge for the SDGs. The MDG period and whatever success it achieved was coined with growing globalization and trade integration among the countries. However, recently emerging strong skepticism in such globalization and trade integration process, as reflected by Britain’s BREXIT and the presidential election in the United States, has casted shadows on the future of the ‘global partnership’ for SDGs. There are risks of trade wars between the dominant countries in the coming years, which will certainly undermine the prospects of such ‘global partnership’.

Despite the aforementioned challenges, the SDGs have the promise of bringing some very changes in the lives of millions of people across the world. There is a need for a strong political commitment for negotiating with the challenges in the implementation of SDGs. Generating political capital for SDGs, both at the country and global levels, will remain to be the most critical task over the next one and half decades.

Dr. Selim Raihan. Email: selim.raihan@gmail.com

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**SDGs: A paradigm shift?**

**What factors can help achieve SDGs? What do we learn from countries’ performance during the MDG period?**

**An Interview with Dr. Nagesh Kumar**

**SANEM events**

**Editor:**
Selim Raihan

**Associate Editors:**
Md. Wahid Ferdous Ibon
Iffat Anjum
Fayea Ashraf

**Coordinator:**
Sk. Ashibur Rahman

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South Asian Network on Economic Modeling
What factors can help achieve SDGs? What do we learn from countries’ performance during the MDG period?

Select Raihan and Wahid Ferdous Ibon

Sustainable Development Goals (SDGs) are the set of seventeen Global Goals, initiated by the United Nations as the 2030 global agenda for sustainable development. Whilst the SDGs have come as the successor to the Millennium Development Goals (MDGs), the successful implementation of SDGs by the countries over the next 15 years will hinge on how countries performed during the MDG period. In this article, MDG Track Global Index of 140 countries, published by TAC Economics (www.mdgtrack.org), is used to assess the performance of countries in achieving MDGs between the period 1990 and 2015. The MDG Track Global Index is the result of the mean average of each goal’s percentage of completion, and the data are from World Bank MDGs dataset (http://data.worldbank.org/data-catalog/millennium-development-indicators). Since, there are more than one country with same index value, 52 ranking positions are found for 140 countries. Top and bottom 10 countries in terms of MDG Track Global Index are shown in Table 1 and Table 2 respectively. In Table 1, Lithuania scores the highest as the country implemented the highest percentage of MDGs (77%). The next other top performing countries include Egypt, Iran, Belarus, Maldives, Tunisia and China. In contrast, Table 2 depicts that, Somalia, Central African Republic and Kosovo Dem. Rep. are the worst performers with index values below 15%. Five out of the eight South Asian countries are among the top 20 positions (Table 3). However, Afghanistan is the worst performer, and both Pakistan and India turn out to be poorer performers than Maldives, Nepal, Bangladesh and Sri Lanka.

To understand the potential performances of the countries over the next 15 years to implement SDGs successfully, we need to know what factors affected countries’ performances of achieving MDGs during the MDG period (1990-2015). Taking into account the aforementioned MDI index of 140 countries as the dependent variable, we consider a set of explanatory variables for these countries which include initial per capita real GDP, population growth rate, real GDP growth rate, trade-GDP ratio, public expenditure on education as percentage of GDP, public expenditure on health as percentage of GDP and different institutional variables. Except the initial per capita real GDP (for the year 1990), all other variables are averaged over the period 1990 to 2015 using weights derived from the time series data of real per capita GDP for these 26 years. The source of the data for these explanatory variables is the World Development Indicators (WDI).

International Country Risk Guide (ICRG) variables have been used as the proxy of institutions for the countries. The OLS regression result suggests that, countries with higher average real GDP growth performed better in achieving MDGs. On average, one percentage point increase in the weighted average of real GDP growth is associated with 2.29 points increase in the MDG index. Similarly, on average, one percentage point increase in the weighted average of trade-GDP ratio is associated with 0.06 points increase in the index value. Furthermore, on average, one percentage point reduction in the average population growth rate is associated with 6.23 points increase in the index value. The initial per capita real GDP is found to have statistically significant positive association with the MDG index. On average, one hundred dollar increase in the initial per capita real GDP is associated with 0.1 points increase in the index value. Coefficients of both public expenditure on education as percentage of GDP and public expenditure on health as percentage of GDP are statistically significant with positive signs, which suggest that public expenditures on both education and health have critical positive association with MDG achievement. On average, one percentage point increase in weighted averages of public expenditure on education and health as percentages of GDP, increase the MDG index by 2.76 and 1.43 points respectively. Major ICRG variables (reflecting institutional quality) are found to be the crucial determinants of MDG performance index. For instance, on average, one point increase in the average bureaucracy quality is associated with 7.80 points increase in the MDG index. Moreover, on average, one point increase in the average law and order, investment profile, government stability and socioeconomic condition are associated with 5.46, 2.77, 5.30 and 5.38 points increase in the MDG index respectively. It is also found that countries with lower internal and external conflicts and less ethnic tensions are associated with higher MDG index. MDG2 (achieve universal primary education), and public expenditure on health has a positive association with increase in predicted probabilities of achieving both MDG5 (improve maternal health) and MDG4 (reduce child mortality rate). Institutional variables such as, bureaucracy quality, investment profile and socioeconomic condition played vital role in achieving MDGs over the past 26 years. One point increase in average bureaucracy quality accounts for an increase in predicted probabilities of achieving MDG1, MDG2, MDG3 (promote gender equality and empower women) and MDG6 (combat HIV/AIDS malaria and other diseases) by 0.64, 0.82, 0.66 and 0.47 respectively. Similarly, one point increase in average investment profile of a country accounts for an increase in predicted probabilities of achieving MDG1, MDG2, MDG3 and MDG8 (develop a global partnership for development) by 0.35, 0.44, 0.34 and 0.25 respectively. Finally, one point increase in average socioeconomic condition of a country leads to an increase in predicted probability of achieving MDG1, MDG2, MDG3 and MDG7 (ensure environmental sustainability) by 0.44, 0.43, 0.58 and 0.44 respectively. The aforementioned analysis suggests that economic growth, together with reduction in population growth, enhanced trade-orientation, public expenditure on both education and health and better institutional quality helped countries do well during the MDG period. These lessons can be very instrumental for a large number of countries in registering good performance with respect to achieving SDGs over the next 15 years.

Dr. Selim Raihan. Email: selim.raihan@gmail.com Wahid Ferdous Ibon, Research Associate, SANEM. Email: ibon0032@gmail.com
SANEM: Are the targets and goals of Sustainable Development Goals (SDGs) realistic?

NK: The SDGs are certainly ambitious and transformative in nature. They provide an opportunity to countries in South Asia in particular and Asia and the Pacific to eradicate extreme poverty and hunger and provide a life of dignity to all their people. However, success in achieving the MDG of poverty reduction, among other targets, gives confidence that SDGs are not beyond the realm of achievement. However, the governments of national and local levels and other stakeholders have to commit themselves to deliver. Therefore, I would say that the SDGs are ambitious but achievable.

SANEM: Which experiences and lessons of MDGs can be applied in case of SDGs?

NK: MDGs have been formulated keeping in mind the experiences with MDGs. For instance, MDGs proposed targets such as poverty reduction but did not cover the processes and drivers such as industrialization, employment creation and economic growth. SDGs cover these processes and drivers. SDGs also build on MDGs in terms of environmental sustainability which was covered perfunctorily earlier. Finally even though MDGs had a goal (MDG 8) about global partnership, it was spelt out in best endeavours terms and seek to spell out elements of global partnership and specific means of implementation that will lend themselves to monitoring like other Goals and targets.

The MDGs experience may also be helpful in implementation and coordination mechanisms. Firstly, in view of a very cross-cutting agenda that SDGs cover, a coordinating agency is very important. Secondly, effective SDGs implementation requires outcome-based approaches rather than input or expenditure based approaches. Decentralization of administration to empower local administrations right down to districts and village councils would be important to give stake to people in SDGs achievement. It is also important to undertake institutional reforms to incentivize changes in regulations, institutional culture, markets and mindsets. The importance of strong institutions at all levels along with peace and justice has been emphasized under SDG-16. Finally, one lesson of MDGs’ experience has been that what is not measured is not achieved. Data, monitoring and review at national and subnational levels is critical. For this, governments need to invest in development of statistical capacity that leaves no one behind. The governments in developing countries and LDCs need to be supported in building statistical capacity.

SANEM: What are the major challenges and constraints to achieve the SDGs for the Asia-Pacific countries?

NK: The key constraints on the ability of developing countries in Asia and the Pacific in achieving the SDGs include finance, technology, market access, capacity building and systemic vulnerabilities. An agenda, as comprehensive as SDGs, will require huge amount of resources. UNESCO has estimated that Asian countries will need to invest between 10-20 percent of their GDP for achieving just the social SDGs. Closing the infrastructure gaps would need US$ 1 trillion per year as per the estimates available. Finally, enhancing the environmental sustainability of development would require additional resources, supplementing what governments have indicated in their submissions on intended nationally determined contributions under the UNFCCC (United Nations Framework Convention on Climate Change). India has, for instance, estimated that it will need to spend US$ 2.5 billion to achieve its Nationally Determined Contributions under the Paris Agreement by 2022. Technology is going to be another key constraint, especially for switching over to the low carbon and low natural resource intensive pathways to development. The bulk of the emissions arise in energy production based on fossil fuels. The available clean coal technologies have the potential to bring down the emissions dramatically. These technologies need to be made available to countries that need to deploy them on easier terms. The problem arises because the new technologies are often proprietary in nature and are closely held mostly by corporations based in a handful of industrialized and newly industrialized countries that dominate the innovative activity and patent ownerships. Developing countries will also need to invest in their absorptive capacity to deploy and harness environmentally sensitive technologies and products. In this context South Asian countries could harness the potential of their so-called frugal engineering technologies for evolving low carbon affordable products and processes.

As observed earlier, statistical capacity will need to be enhanced. Developing countries and LDCs will need to be provided with market access to build their supply capacities. The Lehman Brothers crisis of 2008/09 also showed that developing countries are vulnerable to global financial and economic conditions even though they may not be responsible for these outcomes. International policy coordination needs to be pursued in a manner that takes care of the impacts on poorer countries.

SANEM: What are the potential sources of financing for the Asia-Pacific countries?

NK: Financial resources for implementing the SDGs in Asia and the Pacific countries have to be raised from both domestic and international resources. Firstly, the potential of domestic resource mobilization has to be exploited fully through expanding the tax base, enhancing the efficiency of tax administration. The tax-to-GDP ratios are low in many Asian countries especially in South Asia indicating the potential of raising more revenues. New and innovative sources of revenue have to be tapped. India is funding few of the SDGs such as universal education, sanitation, through specific cases (taxes on taxes). Potential of public private partnerships (PPPs) can be harnessed for closing the infrastructure gaps. A number of Asian countries are now developing their regulatory frameworks for harnessing the potential of PPPs. Corporate social responsibility (CSR) can also complement the public investment in meeting the social development in a useful manner as some countries are now observing.

SANEM: What should be the role of the developed countries in global partnership and cooperation for helping the developing countries in Asia and Pacific in achieving SDGs?

NK: The developed countries need to support the achievement of SDGs by developing countries and LDCs by providing development finance, technology, market access and capacity building. There have been a number of commitments made in this regard including the 0.7 percent target for ODA as a proportion of GNI, and US$ 100 billion in new and additional resources annually for the Green Climate Fund and provision of technology on fair and equitable terms, among others. These commitments, if delivered, will assist developing countries and LDCs implement the agenda in a very substantial manner. The global partnership should also extend to develop new innovative sources of international revenue for development. For instance, a global financial transaction tax can generate annual revenues of US$ 650 billion in conservative terms besides moderating the volatility of short terms capital flows.

Asia has demonstrated leadership by establishing two new multilateral development banks namely AIIB and NDB. These initiatives are certainly very important ones in enhancing the supply of development finance. But, there may be room for more such institutions given the scale of foreign exchange reserves accumulated by Asian countries. Finally, South-South and triangular development cooperation can fruitfully complement the traditional development cooperation as has been demonstrated by the emerging countries of Asia and the Pacific with the emergence of China and India among the sources of development partnership.

SANEM: What should be the role of UNESCO in helping the Asia and Pacific developing countries in achieving SDGs?

NK: As the regional commission of the United Nations for Asia and the Pacific with universal membership of the countries of the region and with its convening authority, UNESCO can assist the member countries achieve the SDGs in a number of respects. Firstly, in capacity building for statistics and data and in creating a regional follow up and review (FUR) feeding into the High-Level Political Forum of EcSoc. Secondly, it can help foster regional cooperation in support of SDGs. These include strengthening regional transport and ICT connectivity and development of regional markets to facilitate regional value chains in support of SDG 8 and 9. Similarly, strengthening energy connectivity can support achievement of SDG 7 on sustainable energy to all. UNESCO’s regional institutes could support the capacity building activities of developing countries and LDCs in different areas including technology transfer and sustainable agriculture. Finally, UNESCO can facilitate sharing of good practices and development experiences in achieving SDGs across the region.

SANEM: Thank you so much for your time.

NK: You are most welcome.
SANEM is turning 10 on the 1st of January 2017. Since its inception in 2007, the journey has been challenging yet eventful and successful. SANEM’s major areas of research include International Trade and Policies, Economic, Policy and Development, Political Economy and Growth, Labour Market and Analysis of Poverty and Inequality. Along with different research projects, SANEM has arranged various capacity building trainings and workshops, lecture series, press briefings etc. In February 2016, SANEM successfully organized its ‘First Annual Economists’ Conference’ where 20 papers were presented from Bangladesh, India, Sri Lanka and UK in 5 sessions including a session for budding researchers. The ‘Second Annual Economists’ Conference’ is scheduled to be held in February 2017. Besides, the journey of SANEM’s monthly publication “Thinking Aloud” has been over 2 years focusing on contemporary issues and ongoing research of SANEM and its activities. SANEM is going to celebrate its grand 10th anniversary on 14 January, 2017. All the well-wishers, affiliates, policy makers and researchers from different organizations of Bangladesh and other South Asian countries are cordially invited to the daylong event on that day.

SANEM is a non-profit research organization registered with the Registrar of Joint Stock Companies and Firms in Bangladesh. Launched in January 2007 in Dhaka, it is a network of economists and policy makers in South Asia with a special emphasis on economic modeling. The organization seeks to produce objective, high quality country- and South Asian region-specific policy and thematic research. SANEM contributes in governments’ policy-making by providing research supports both at individual and organizational capacities. SANEM has maintained strong research collaboration with global, regional and local think-tanks, research and development organizations, universities and individual researchers.

SANEM Events:

- **SANEM Turns 10!**: SANEM is turning 10 on the 1st of January 2017. Since its inception in 2007, the journey has been challenging yet eventful and successful. SANEM’s major areas of research include International Trade and Policies, Economic, Policy and Development, Political Economy and Growth, Labour Market and Analysis of Poverty and Inequality. Along with different research projects, SANEM has arranged various capacity building trainings and workshops, lecture series, press briefings etc. In February 2016, SANEM successfully organized its ‘First Annual Economists’ Conference’ where 20 papers were presented from Bangladesh, India, Sri Lanka and UK in 5 sessions including a session for budding researchers. The ‘Second Annual Economists’ Conference’ is scheduled to be held in February 2017. Besides, the journey of SANEM’s monthly publication “Thinking Aloud” has been over 2 years focusing on contemporary issues and ongoing research of SANEM and its activities. SANEM is going to celebrate its grand 10th anniversary on 14 January, 2017. All the well-wishers, affiliates, policy makers and researchers from different organizations of Bangladesh and other South Asian countries are cordially invited to the daylong event on that day.

- **SANEM holds press briefing on “What needs to be done to make SEZs successful and to attract large FDI in Bangladesh”**: SANEM organized a press briefing on “What needs to be done to make Special Economic Zones (SEZs) successful and to attract large Foreign Direct Investment (FDI) in Bangladesh” on 10 December, 2016 at SANEM conference room, Gulshan 2, Dhaka. Dr. Selim Raihan, Executive Director, SANEM and Professor, Department of Economics, University of Dhaka, shared his views with the media on the obstacles to attracting large FDI in Bangladesh and the prospects and challenges of the SEZs initiative. Dr. Raihan emphasized that sectors with high potentials of economic and export diversification should get priority in the SEZs and highway as well as sea port infrastructure should be improved substantially and linked to the SEZs to make them a success. Dr. Raihan also stressed the need to improve contract enforcement efficiency and the overall business climate of the economy to attract larger FDI. Representatives from electronic media, print media and online news portal covered the press briefing.

- **32nd SAARC Charter Day observed by SARSO in Dhaka**: The national workshop on “Bangladesh Non-Tariff Barriers: Action Plan”, held on 7-8 December, 2016. In the two-day-long workshop, Dr. Selim Raihan, Executive Director, SANEM and Professor, Department of Economics, University of Dhaka, made the keynote presentation on the priorities and solutions of Non-Tariff Barriers (NTBs) for Bangladesh in case of its trade with the South Asian neighboring countries. Dr. Raihan emphasized on building capacity, developing infrastructure and improving trade negotiations as suggested solutions to overcome NTBs. Dr. Farazi Binti Ferdous, Research Fellow, SANEM, Fayeza Ashraf, Research Associate, SANEM and Md. Wahid Ferdous Ibon, Research Associate, SANEM, attended the workshop.

- **SANEM Lecture Series on “Rethinking Macroeconomic Policy: A Development Perspective”**: SANEM holds another session of its ‘Lecture Series’ on “Rethinking Macroeconomic Policy: A Development Perspective” at SANEM conference room on 20 December 2016. The speaker of the lecture, Dr. Iyanatul Islam, Adjunct Professor, Griffith Asia Institute, Griffith University, Brisbane, Australia and former branch chief, ILO, Geneva and Senior Visiting Research Fellow, SANEM, argues that ‘rethinking macroeconomic policy’ discussions have geared and centered around the advanced economies and core development issues targeting the emerging or developing economies have not been addressed. However, Dr. Islam emphasized that the macroeconomic policy for the developing countries should be in accordance with the country’s perspective. Among others, Dr. Rizwanul Islam, a former Director of ILO, Dr. Sayema Haque Bidisha, Associate Professor, Department of Economics, University of Dhaka and Research Director, SANEM, and representatives from other different research organizations were also present in the event. The lecture was chaired by Dr. Selim Raihan, Professor, Department of Economics, University of Dhaka and Executive Director, SANEM.

- **Policy Dialogue organized by GED in Dhaka**: Professor Dr. Bazlul Haque Khondker, Chairman, SANEM, presented the keynote paper in the business session of a Policy Dialogue on “Effective use of Human Resource in Bangladesh for Inclusive Economic Growth and Income Distribution - An Application of National Transfer Accounts”. The session was organized by General Economics Division (GED), Planning Commission, Government of Bangladesh on 11 December, 2016 at NEC Auditorium, Dhaka. Muhammad Moshir Rahman, Senior Research Associate of SANEM, assisted the presentation. The inaugural session was chaired by Mr. Naquib Bin Mahbub, Chief, GED, Planning Commission. Dr. Shamsul Alam, Member (Senior Secretary), GED, Planning Commission, was the chief guest and Md. Ziaul Islam, Member-in charge, SEI Division, Planning Commission, was present as the special guest.

**SANEM Publications**: Flat K-5, House 1/B, Road 35, Gulshan-2, Dhaka-1212, Bangladesh, Phone: +88-02-58813075, E-mail: sanemnet@yahoo.com, Web: www.sanemnet.org

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