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SUSTAINABLE DEVELOPMENT GOALS: ASSESSING COMMITMENTS TOWARDS FINANCING AND INEQUALITY

A note for facilitating the efforts of civil society organisations in India towards engaging with the discourse on the Sustainable Development Goals focusing on inequality

Introduction and Background

In September 2015, heads of States and representatives of 193 countries assembled at the United Nations General Assembly to give shape to the Post-2015 Development Agenda: 'Transforming Our World: The 2030 Agenda for Sustainable Development' or the Sustainable Development Goals (SDGs). A set of 17 goals and 169 associated targets, the SDGs are expected to be used as a framework by governments across the world for shaping national agenda and policies over the next fifteen years. SDGs succeed the Millennium Development Goals (MDGs) – the first global, time-bound and quantified targets to address abject poverty and inequity – which were agreed upon by 189 United Nations member states in 2000 for the purpose of shaping the global development agenda between 2000 and 2015.

The beginnings of the SDGs can be traced back to the United Nations Conference on Environment and Development (commonly known as the 'Rio Conference' or the 'Earth Summit') in 1992, which was the first successful attempt at raising awareness around the need to integrate development and the environment. At the Earth Summit 2002, sustainable development was recognized as an overarching goal for national, regional as well as international institutions; and was mandated at the UN Conference on Sustainable Development (popularly known as the 'Rio+20 Summit') held in 2012.

Transitioning from the MDGs to the SDGs: The need for a new set of goals

The consensus among many countries is that though the MDGs provided various governments with a framework to shape their national policies and overseas aid programmes intended to alleviate lives of their citizens living in poverty, the goals envisioned by the MDGs were too narrow. They failed to consider the fundamental causes of poverty and inequality, for instance, or give adequate weight to gender inequality or the need for holistic development.[1] While some of MDGs such as reducing the number of people living in abject poverty by half

[1] The Guardian. *Sustainable Development Goals: All You Need to Know.* January 19, 2015

were realised, this can be attributed more to the economic rise of China than the MDG itself. Other MDGs such as reducing child and maternal mortality rates and achieving universal education have not been met, but have seen progress in many countries.[2] The diffusion of the MDGs among the international development community and the general public helped raise awareness regarding these issues. Official Development Assistance (ODA) increased by 66% between 2000 and 2014[3] and nearly quadrupled for health between 2000 and 2009.[4]

However, the progress made across countries between 2000 and 2015 was uneven.[5] The MDGs also put the onus of development on developing countries alone. These factors led the UN member states to task an Open Working Group of the General Assembly with preparing a proposal on SDGs at the Rio+20 Summit.

Aspirations set by the Sustainable Development Goals

The Sustainable Development Goals are a set of 17 goals and 169 associated targets agreed upon by the international community through the largest consultative process undertaken by the UN. The SDGs are:[6]

1. End poverty in all its forms everywhere
2. End hunger, achieve food security and improved nutrition, and promote sustainable agriculture
3. Ensure healthy lives and promote wellbeing for all at all ages
4. Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all
5. Achieve gender equality and empower all women and girls
6. Ensure availability and sustainable management of water and sanitation for all
7. Ensure access to affordable, reliable, sustainable and modern energy for all
8. Promote sustained, inclusive and sustainable economic growth, full and productive employment, and decent work for all
9. Build resilient infrastructure, promote inclusive and sustainable industrialisation, and foster innovation

[2] Maja Pleic. *The MDGs to SDGs Trade Off: What Has Been Lost and Gained for Global Equity?* Translational Global Health. October 5, 2015
[3] *United Nations. MDG Report 2015: Final Assessment of Progress Toward Achieving the MDGs. July 6, 2015*
[4] *United Nations Development Programme. Towards Human Resilience: Sustaining MDG Progress in an Age of Economic Uncertainty. October 13, 2011*
[5] *United Nations. The Millennium Development Goals Report 2015*
[6] *United Nations. Transforming Our World: The 2030 Agenda for Sustainable Development. October 21, 2015*

10. Reduce inequality within and among countries
11. Make cities and human settlements inclusive, safe, resilient and sustainable
12. Ensure sustainable consumption and production patterns
13. Take urgent action to combat climate change and its impacts [acknowledging that the United Nations Framework Convention on Climate Change (UNFCCC) is the primary international forum for negotiating the global response to climate change]
14. Conserve and sustainably use the oceans, seas and marine resources for sustainable development
15. Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification and halt and reverse land degradation, and halt biodiversity loss
16. Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels
17. Strengthen the means of implementation and revitalise the Global Partnership for Sustainable Development

While the SDGs and its associated targets are being considered crucial for helping countries develop implementation strategies and accordingly allocate resources, the indicators for SDGs would serve as the backbone for monitoring progress towards achieving SDGs at local, national, regional and global levels. They would also help measure progress made towards sustainable development and ensure accountability of all stakeholders for achieving the Sustainable Development Goals.[7] The UN Statistical Commission has emphasised that countries and national statistical offices would be assuming a leadership position to determine the national indicators.[8] Since the adoption of the SDGs in October 2015, many countries have started the process of finalising indicators nationally. Even though civil society organisations (CSOs) and networks find institutionalised channels to provide their inputs at an international level,[9] various civil society representatives have stressed the importance of governments collaborating with civil society actors as indicators are decided at a national level.[10] Some CSOs in India have raised concerns about the limited engagement between the government and

[7] Sustainable Development Solutions Network. *Indicators and a Monitoring Framework for the Sustainable Development Goals: Launching a Data Revolution for the SDGs.* May 15, 2015

[8] United Nations Economic and Social Council. Statistical Commission: Report on the Forty-Sixth Session. March 27, 2015

[9] United Nations Non-Governmental Liaison Service and the Division of Sustainable Development of UN-DESA. *Civil Society Consultation on Indicators for the Sustainable Development Goals and Targets as Input to the Inter-Agency and Expert Group on Sustainable Development Goal Indicators.* February – May 2015

[10] UN Major Group of Children and Youth. *Position Paper on Indicators for the Sustainable Development Goals.* March 2015

the civil society on this issue, which they feel might lead to the indicators for SDGs not being representative and inclusive, and a lack of implementation and monitoring of SDGs at the grassroots' level.[11]

Financing the SDGs

Financing the targets set forth in the SDGs remains a significant concern. Though the estimates of financing needs vary greatly, the UN Intergovernmental Committee of Experts on Sustainable Development Financing has indicated that eradicating extreme poverty (from the current $1.25-a-day standard) in countries across the globe would cost $66 billion annually; and the estimates of annual investment in infrastructure to sustainably alleviate poverty through growth and job creation stand at between $5 to $7 trillion globally.[12] UNCTAD has estimated that developing countries would need an investment of $3.3 to $4.5 trillion annually, with the current investments standing at $1.4 trillion – which implies an investment gap of $1.9 - 3.1 trillion a year.[13]

The Third International Conference on Financing for Development (FfD3) held in Addis Ababa in July 2015 – a broad framework agreed upon by the international community to finance the SDGs – saw an emphasis on domestic revenue mobilisation, enhancing tax collection, investment, private finance and a re-affirmation of developed economies committing 0.7 per cent of their GNI towards Official Development Assistance (ODA).[14] Many aid officials welcomed the Addis Tax Initiative,[15] signed by 30 countries and regional and international organisations, in which several donors promised to double ODA towards strengthening tax initiatives in developing countries.[16]

While the UN and the EU described FfD3 as "historic" and "ground-breaking", the credibility of the commitments made at the FfD Conference were questioned over the unmet promises of the 0.7 per cent commitment made in 1970, and the $100 billion a year pledged for climate adaptation and mitigation by developing countries from the Climate Summit at Copenhagen in 2009.[17] Civil society organisations also expressed their disappointment over the FfD process neither yielding new resources to fund investments needed to address poverty nor taking meaningful steps to address the disparities in the global financial system.[18] Particularly criticised was the failure of the international community to agree on upgrading the UN Committee of Experts on International Cooperation in Tax

[11] Voice of the Voluntary Sector. *e-vani.* Volume 14: June – July 2015
[12] United Nations. *Report of the Intergovernmental Committee of Experts on Sustainable Development Financing*. August 15, 2014
[13] United Nations Department of Economic and Social Affairs. *Final Push for Milestone Event to Finance Development*. July 1, 2015
[14] United Nations. *Addis Ababa Action Agenda of the Third International Conference on Financing for Development*. July 13-16, 2015
[15] Thomson Reuters Foundation. *Did the UN Financing for Development Conference Deliver*? July 17, 2015
[16] United Nations Press Release. *Addis Ababa Conference Opens Path for Robust Implementation of New Sustainable Development Agenda*
[17] Friedrich Ebert Stiftung. *Goals for the Rich: Indispensable for a Universal Post-2015 Agenda*. March 2015
[18] The Guardian. *Addis Ababa Outcome: Milestone or Millstone for the World's Poor?* July 16, 2015

Matters to an inclusive, intergovernmental tax body under the auspices of the UN.[19] CSOs emphasised that an intergovernmental tax body – where countries have a voice in setting global tax rules – would help address systemic issues in the global financial system and would contribute towards raising resources to finance sustainable development.[20]

A robust tax body under the auspices of the UN would also be better placed to address issues such as illicit financial flows (IFFs),[21] tax evasion and avoidance, and transfer mispricing by large corporations that most severely affect developing countries. Addressing the corrosive effects of IFFs and offshore assets in tax havens or secrecy jurisdictions is critical. It is estimated that developing countries lost over $1 trillion to IFFs in 2013 alone.[22] A recent estimate pegs $7.6 trillion, or 8 per cent of global wealth is held offshore[23] – half of which belongs to developing countries.[24] Other studies conservatively estimate that as of 2010, at least $21 - 32 trillion have been invested 'virtually tax-free' through secrecy jurisdictions.[25]

These are crucial resources that developing countries require, especially as they strive to finance development and invest in infrastructure.

Assessing the SDGs' commitment towards income inequality

The Sustainable Development Goals are universal in nature, and have an agenda of "unprecedented scope and significance... accepted by all countries and is applicable to all."[26] The Declaration on SDGs pledges to combat inequalities within and among countries (Goal 10 of the SDGs), promote gender inequality, create conditions for inclusive and sustained economic growth, and that no one will be left behind.

However, even as the SDGs ambitiously strive to address inequality of various kinds, perhaps income inequality is the most urgent one that seeks solutions. The issue of increasing inequality between and within countries has assumed alarming proportions. According to Thomas Piketty, for instance, between 1980 and 2007, there has been significant increase in inequality, especially in the rich countries, with about (70 per cent) of the addition to gross domestic product going to the top 10 per cent of the population. Even in developing countries,

[19] The Guardian. *Rich Countries Accused of Foiling Effort to Give Poorer Nations a Voice on Tax*. July 14, 2015
[20] CSOs for the Third Financing for Development Conference. *Outcome Document Adopted Without Intergovernmental Tax Body or New Financial Commitments*. July 15, 2015
[21] Illicit financial flows are illegal movements of money or capital from one country to another that are illegally earned, transferred, and/or utilized. These illicit flows can come from corporate tax evasion or avoidance, criminal activity like drugs or human trafficking, or corrupt public officials siphoning off government funds for personal use.
[22] Global Financial Integrity. *Illicit Financial Flows from Developing Countries: 2004-2013*. December 2015
[23] Zucman, Gabriel. 2014. *Taxing Across Borders: Tracking Personal Wealth and Corporate Profits*. Journal of Economic Perspectives, 28 (4): 121-148
[24] Gabriel Zucman. *How to Reform the Economy of the 1 Percent*. Time. January 18, 2016
[25] James S. Henry. *The Price of Offshore Revisited*. Tax Justice Network. 2012
[26] United Nations. *Transforming Our World: The 2030 Agenda for Sustainable Development*: pg 3. October 21, 2015

such as India, the extent of inequality is very high compared to international and historical standards. He opines that the income of the top 10 per cent of the population in India is the same as the income of the bottom 50 - 60 per cent of the population – a figure that is closer to Brazil and South Africa.[27]

The SDGs reveal the international consensus on inequality: "Sustained, inclusive and sustainable economic growth is essential for prosperity. This will only be possible if wealth is shared and income inequality is addressed."[28]

However, the target agreed upon in the Agenda for Sustainable Development regarding income inequality[29] ignores the top of the distribution – the rich. Measuring the income of the poorest 40 per cent of the population against national growth implies that the SDG target lacks the Palma ratio's[30] comparison with the income of the rich – and that the wealth of those at the top of the pyramid is unimportant as long as the people at the bottom rungs of income distribution see improvement. By having an inequality target that does not take the rich into account, the SDGs allow for greater concentration of income at the top. The SDG target on income inequality does not comment on or clarify the role of top incomes, whereas there has been substantial research to demonstrate that top incomes drive inequality.[31]

Furthermore, the fact that the target does not specify the targeted level of growth in the incomes of the poor (rather, simply any growth above the national average) makes it extremely weak. Having a target for the growth in the income of the poor becomes necessary when the absolute rise in income of the bottom 40 per cent is compared with that in the income of the top 10 per cent of the population, instead of a comparison in percentage figures. In other words, the same rise in percentage figures in the income of the poor as well as the rich would yield vastly different increases in absolute numbers, thus widening income inequality. It is therefore crucial that at the national level, countries measure the growth in the income of the bottom 40 per cent of their population against the richest 10 per cent. The weak inequality target set by the SDGs could be addressed and strengthened by individual countries at the national level. Working towards bridging this gap in the incomes of the rich and the poor alone would help countries bolster economic growth,[32] make progress on children's

[27] The Hindu. *Tax Elite to Reduce Inequality: Thomas Piketty*. January 22, 2016
[28] United Nations. *Transforming Our World: The 2030 Agenda for Sustainable Development*: pg 8. October 21, 2015
[29] Goal 10.1: By 2030, progressively achieve and sustain income growth of the bottom 40 per cent of the population at a rate higher than the national average.
[30] The Palma ratio, developed by Gabriel Palma, was proposed by Alex Cobham and Andy Sumner as a measurement of inequality. It is the ratio of the top 10 per cent of the population's share of GNI divided by the poorest 40 per cent of the population's share of GNI.
[31] The Guardian. *Top Incomes Drive Inequality – So Why Does the Inequality Target Ignore Them?*. September 21, 2015
[32] International Monetary Fund. *Equality and Efficiency*. September 2011

development,[33] ensure fair and inclusive political representation[34] and promote innovation.[35]

Conclusion

The Sustainable Development Goals are the culmination of an extremely ambitious consultative process. With increasing recognition of the centrality of equality, inclusivity, and the sustainability of development, it is now up to nation states and the international community to mobilise the means to achieve meaningful progress on the goals agreed upon. The indicators which are going to be internationally finalised in March 2016, must be assessed for their feasibility, suitability and relevance. National statistical offices in turn must take cognizance of the Third Meeting of the Inter-Agency and Expert Group on Sustainable Goal Indicators, and finalise indicators at national, sub-national and local levels. The civil society and the media have a crucial role marked out for them in the process of indicator setting and implementation. The SDGs are an opportunity to significantly address systemic issues that face many of our countries and societies at large, and a decisive juncture to harmonise the sustainability of the planet with the developmental needs of the populations subjected to exclusion and injustice.

[33] Save The Children. *Born Equal: How Reducing Inequality Could Give Our Children a Better Future*. 2012
[34] Oxfam. *Working for the Few: Political Capture and Economic Inequality*. January 20, 2014
[35] Corak, Miles. 2013. *Income Inequality, Equality of Opportunity, and Intergenerational Mobility*. Journal of Economic Perspectives, 27 (3): 79-102

Author: Neeti Biyani

Editorial Inputs: Malini Chakravarty and Happy Pant

FOR FURTHER INFORMATION, PLEASE WRITE TO: neeti@cbgaindia.org

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CENTRE FOR BUDGET AND GOVERNANCE ACCOUNTABILITY (CBGA)

B-7 Extn./110 A (Ground Floor), Harsukh Marg, Safdarjung Enclave, New Delhi – 110029

Ph: +91-11- 49 200 400 / 401 / 402 Email: info@cbgaindia.org Website: www.cbgaindia.org

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