How the Sustainable Development Goals can be delivered

The European Bank for Reconstruction and Development (EBRD) was founded in 1991 as a multilateral development bank with the aim of developing open and sustainable market economies. It is currently active in more than 30 countries from central Europe to central Asia and the southern and eastern Mediterranean. Sir Suma Chakrabarti, the President of the EBRD, writes on how the Sustainable Development Goals (SDGs) adopted at the UN Sustainable Development Summit in September can be implemented. He argues that a key factor in delivering the SDGs will be to establish a model of partnership between state and private sectors.

The EBRD celebrates its 25th birthday next year. Over a quarter of a century we have registered many achievements in our work with the private sector and promoting sustainable growth. But our 25th anniversary will be played out against the backdrop of a much grander spectacle. We find ourselves at a genuine turning point in the history of development, one in which the private sector will play a vital role.

From Millennium Development Goals to Sustainable Development Goals

The Sustainable Development Goals (SDGs), adopted only last month, set the global agenda for the next 15 years, going well beyond what world leaders thought was possible – or even necessary – in the past.

The Millennium Development Goals (MDGs), precursors to the SDGs, introduced real coherence and proper, measurable targets to a development agenda that had previously been short on both. They focused attention on crucial development challenges, such as eradicating poverty, access to education and basic services, and reducing child mortality. They galvanised action and secured impressive results in these and many other areas.

We should all applaud their successful delivery, even if we now recognise that they represented only a sub-set of the challenges we currently face. The MDGs concentrated on social outcomes. Such key priorities for today’s development agenda as infrastructure and energy were largely absent from the list. They cast the state as the main actor in development with, perhaps, a supporting role assigned to civil society.

But the last 15 years have taught us a lot. Those lessons are enshrined in the new, expanded SDGs which will guide our efforts for the next 15 years. They do a significantly better job of reflecting the challenges we face in development – in all their complexity. They also involve middle income countries in the development agenda in a way that was simply not the case before.

Unlike the MDGs, the SDGs emphasise the underlying drivers of sustainable development, not just measurable outcomes. They concentrate on inclusive growth, addressing inequality, building strong institutions of economic governance, sustainable infrastructure and addressing climate change. Buy-in is based on far more consultation with countries themselves and brings new bodies into the mix, including us at the EBRD.

Crucially, the SDGs also acknowledge the vital role the private sector and well-functioning markets will play in the sustainable development of the future. Quite simply, governments and development agencies alone cannot solve long-term development challenges. They need extra muscle, firepower that can only be provided by the private sector.

Take infrastructure, something that the EBRD knows a lot about and a development goal (number 9) conspicuous by its absence in the MDGs. Annual global infrastructure needs are estimated to be somewhere in the order of $3.7 trillion. Only $2.7 trillion is currently being met. The public sector, on its own, cannot raise those sorts of funds. Only one tenth of the shortfall can be covered directly by international financial institutions. It is the private sector that is...
best placed to fill this ‘infrastructure gap’.

The EBRD model

The EBRD is already applying the model of partnership between state and private sector in countries as far apart as Morocco and Mongolia. Last year we used it to invest almost 9 billion euros on three continents, more than a third of that sum in sustainable resources.

This new dimension of the development agenda is precisely the one in which we have core expertise and an unrivalled track record. It includes leveraging the private sector to achieve development outcomes, devising financial instruments to build sustainable infrastructure, programmes to help small and medium-sized businesses, sustainable energy and energy security.

We are a powerful catalyst for foreign direct investment and the channelling of equity and private financial flows into emerging market countries. It is no surprise then that several multilateral development banks and other international organisations are beating a path to our door for ideas on how to involve the private sector. They want to tap into our expertise in combating climate change, broadening access to public utilities and funding SME development – and doing so with private finance.

For our part, we will do everything we can to help the countries we invest in meet their obligations under the SDGs. And building strong resilient economies, as we do, also helps deal with other pressing regional problems. We create the conditions whereby people no longer feel they have to flee their homes and search for dignified and secure lives for themselves and their children elsewhere, whereby they believe in their own country’s economy and its prospects and have faith in the functioning of the state.

Note that what we are proposing is a partnership between the state and private sector. Neither can succeed in isolation from the other. It is no secret that in many countries around the world we are witnessing a backlash against the private sector and markets as a whole and banks in particular. There were excesses aplenty in the years running up to the financial crisis. The fruits of growth should have been shared far more equitably.

But the backlash can go too far. The answer to too much financial deregulation and inequality is, in our view, neither more state nor less market. The answer is stronger state institutions – and better functioning and well-regulated markets. Key is the balance between state regulation and the invisible hand. States need a dynamic and productive private sector to generate jobs and growth. The private sector needs an effective, enabling state.

By effective and enabling, I mean a state that regulates markets fairly and transparently, implements policies consistently, maintains a level playing field for all, encourages competition, enforces contracts and the rule of law and deepens local capital markets to ease access to finance.

Developing countries will need strong leaders to deliver the right policies and the desired results. Governments and development agencies such as the EBRD should adopt a long-term perspective, while still looking for quick wins that rally support and generate momentum.

The SDGs are the right goals for our world. They represent a finely judged expansion of the development agenda to encompass vital areas of all our lives. By enlisting the help of the private sector, they attract a powerful new recruit to serve the cause of sustainable development. And the playbook for getting the state and the private sector to work together in that common cause already exists. The EBRD helped write it.

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Note: This article is based on a lecture delivered by Sir Suma Chakrabarti at LSE on 27 October. The article gives the views of the author, and not the position of EUROPP – European Politics and Policy, nor of the London School of Economics.
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