THE TURN OF THE CONCEPTUAL BASE OF SUSTAINABLE DEVELOPMENT

New Dimensions in Efficiency

Part I

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INTRODUCTION

Sustainable development encompasses three dimensions of welfare—economic, environmental, and social issues—that involve complex synergies and trade-offs. The social dimension emphasizes the importance of well-functioning labour markets and high employment, of adaptation to major demographic changes such as ageing population, equity considerations, and a willingness to participate in more effective decision-making. As such, the environmental dimension focuses on the stability of biological and physical systems, and on preserving access to a healthy environment. These requirements are recognized to be as important as economic growth and efficiency.

The three initial dimensions appear to be an indispensable basis for sustainable development; however, they cannot be sufficient in light of the growing complexity of recent sustainable development issues and new, related challenges. Therefore, it is necessary to increase the number of the dimensions, the supporting pillars in the *Future House of Sustainability*. Suggestions for such dimensions include finance, culture, and territory.

1. THE FINANCIAL DIMENSION

We know how important a well-functioning financial system is for everyday life and for the economy. As such, an additional dimension—the fourth one—must be the *financial pillar*. It is especially important to include it in any process of sustainable development because recent experience has vividly shown that the economy often causes disruption in society if the financial system is not working properly. A good example of this could be the global economic crisis between 2008 and 2009. It began as a financial crisis and spiralled into a broader economic and social downturn. The experience of such economic events suggests that at the micro level households and companies—and at the macro level entire national economies—may come close to or even cross the threshold of bankruptcy,

potentially reversing the work of many years or even a decade. Furthermore, experience indicates that the financial sector is strongly pro-cyclical, meaning that it strengthens economic recovery with ample funding, but also deepens recessions by tightening lending processes.[1]

Another challenge in terms of public finances is that the situation today is very tense. Public budget deficits have risen far above the acceptable level. At the same time, public debt has also reached a very high level. Their correction is now extremely important, and is a major challenge for society as a whole. Also, new waves of inflation and the monetary policy changes of central banks are having an unexpected impact on the global economy.

There is also another so-called technical, technological development and challenge on the financial front: digitalization. In fact, digitalization assumes and requires a major innovation programme for the financial sector and financial activities in the future. Hence, that is another major reason to emphasize the role of finance.

Taking into account all the above-mentioned changes and challenges, the financial sustainability pillar of the Hungarian National Bank assesses the area in eight sub-pillars as described briefly below.[2] It should be taken as a *best practice* for building these pillars.

1.1. The Banking System

In both developed and developing economies, the banking sector is the main intermediary for financial resources and assets, and its sustainable functioning is key to the balanced development of the economy. The loan-to-deposit ratio shows the extent to which lending demand in a country can be financed by bank deposits. A persistent and high ratio above 100 per cent reflects either special financing features (mortgage bond financing, a high share of central bank refinancing) or a high level of interbank and external liabilities.

Adequate capitalization of the banking sector contributes to its lending capacity and also increases its shock-absorbing capacity. However, the assessment of capital adequacy also depends on the portfolio quality, as a high share of nonperforming loans increases the risk of future capital erosion. The sustainable growth of the banking sector also depends on the efficiency of its operations.

1.2. Finances of Households

There is a relationship between higher economic development and financial intermediation: higher economic development deepens financial intermediation, but without lending, higher development cannot be achieved in the long run.

The method of calculating the interest on loans is also important for households' financial sustainability, as the disbursement of variable-rate loans increase households' interest-rate risks, which can lead to a rise in the debt-to-income ratio when interest rates increase. However, in addition to debts, it is also important to consider net financial wealth when assessing the financial sustainability of households, as it is an indicator of the extent to which households' financial assets exceed loans, as a high value of net financial wealth indicates the sound and sustainable financial position of households.

1.3. Corporate Finances

Showcasing Hungary as an example, credit institutions' outstanding lending to corporations reached 17 per cent of GDP at the end of 2019, which cannot be deemed high by international standards. The credit penetration rate largely followed a steady downward trend, due to the deleveraging of the corporate and banking sector after the 2008 financial crisis. In Hungary, the leverage ratio of companies (the proportion of debt to shareholders' equity) steadily declined from the 80 per cent registered during the global crisis of 2008–2009 to close to 40 per cent by 2019. The return on equity (ROE) of corporations shows companies' income-generating capacity, and it can be a measure of the ability of a corporation to raise capital, as well as of its potential undervaluation or overvaluation.

Small- and medium-sized enterprises play a significant role in the economy, especially in the labour market. Within the corporate segment, sustainable financing for small- and medium-sized enterprises is therefore of key importance.

1.4. Public Finances

The sustainability of fiscal policy should be assessed in the short, medium, and long term, and is most often characterized by public debt-to-GDP ratio and by indicators describing its change and structure. The public debt ratio incorporates the impact of, among other things, the primary balance, government interest expenditure, inflation, the exchange rate, and real economic growth, and is therefore an important measure of the effectiveness of economic policy measures.

Besides the level of public debt, its structure also affects macro-financial vulnerability or stability. One important indicator of the structure of public debt, and thus also of the sustainability of debt, is average residual maturity, which reflects the rollover risk of public debt. The ownership structure of public debt is also a key indicator of debt sustainability, and one that is closely monitored by the market. Moreover, the long-term sustainability of public finances will be challenged by an ageing population, which will also have an impact on social security systems.

1.5. Stability of Macrofinances

The financial sustainability of the national economy can be assessed by examining the macroeconomic and financial market balance, for which the availability and stability of the resources that finance economic growth (resource availability), creditworthiness, and resilience to external shocks are all important aspects. The current account balance shows the extent to which the economy's external current expenditure is covered by foreign income. External vulnerability, i.e. the sufficiency of foreign exchange reserves, is also a key factor for credit rating agencies when it comes to assessing the debt servicing ability and solvency of the economy.

1.6. Digital Financial Services

Rapid technological development entails the major penetration of digital innovations. The sustainability of financial services therefore also requires support for the penetration of online product and service delivery, as well as the development of institutional operations and supporting infrastructure, driven by the rise of innovative financial technology firms. In the context of the digital development of financial services, online opportunities should be examined in terms of the different types of services and access channels, on the one hand, and the penetration of digital transaction methods, on the other.

1.7. Electronic Payment Services

In many ways, electronic payment services that meet the needs of consumers in the twenty-first century are of a public-utility nature, and essential to everyday life. In addition, the modern payment infrastructure has a significant impact on the shaping of economic processes. It plays a positive role in the reduction of the shadow economy, associated tax evasion, and high social costs associated with cash use. Moreover, the development and usage rates of electronic payment services are clearly correlated with rates of economic growth, which is a key factor for sustainable convergence in the long term.

1.8. Green Finance

The green finance sub-pillar seeks to ensure that the central bank's financial position supports environmental sustainability. This entails ensuring that both fiscal policies and the financial markets are committed to financing and greening of the economy. Regarding the financial markets, one of the best-known and most widely used green financial instruments at the global level is the green bond. The proportion of such bonds issued compared to other bonds is, therefore, an important indicator. The commitment of the government and the central bank to sustainability projects that focus on the further growth in green bond issuance might be expected in the coming years.

2. THE CULTURAL DIMENSION

2.1. The Motivation of People and Institutions to Attain Culture of Higher Level

The second new dimension of sustainability is the *pillar of culture*. In this context however, culture should not be interpreted in a narrow sense, but in conjunction with *social and moral values*.[3] If we do not sufficiently meet cultural requirements when creating and researching sustainable development, then we cannot meet the growing challenges of the modern age.

At present, in this context, we can find only brief references to culture in the international literature. We read everywhere that there is a need to address issues such as the problem of cultural differences and gender equality, and that traditional societies must be able to meet the challenges of our age in order to survive, etc. In fact, however, culture is not sufficiently addressed even in the UN's 2030 Agenda for Sustainable Development. It appears in two respects only: primary school education and gender equality. Nevertheless, this agenda is extremely useful, and a great step forward, as it highlights the importance of sustainable development in terms of political and international life. However, culture must be understood in such a way that it can also be embedded in our day-to-day activities. Conversely, we should promote the rise of cultured, highly qualified, creative individuals rather than 'members of the herd' to a greater extent than has been the case so far.

To attain such requirements, there is a need to briefly define the concept of 'culture' as the following: the image of the human person, a way of life and thinking, a comprehensive worldview, identity, self-consciousness, psychological structure, mentality, attitudes, ethics, honesty, credibility, diligence, endurance, a social propensity to trust and cooperation, organizational management and culture, and secular or religious values and norms exposed to the challenges of mass societies and global communication.[4] In a broader sense, three shells around this cultural core (set of characteristics) can be considered as change-generators.

- Socio-economic factors – demographic trends; urbanization; social mobility; economic competitiveness and labour markets; an economy based on serving the public interest; a culture-based economy; integrity; competition for knowledge and information (Fast Data instead of Big Data); a substantially new financial system; the digitalization of money; management of human and social capital; education; health care; sports and time structures.
- Science and technology – changes in the natural and human world; the role of work as the basis of human life; changes in the nature of human

work (due to artificial intelligence and robotization, etc.); space research; the information revolution; and new measurement systems.

- Ecology and geopolitics – geofusion: a new multi-centred geopolitical world order; climate change; the availability of natural resources; communication and interconnectedness; the tendencies of the political community.[4]

Following this approach, the culture (and its characteristics) should be considered and researched as part of the process of sustainable development. On the one hand, indicators provide information on the cultural core changes triggered by the three change-generators, and on the other hand, the impact of the core changes on the achievement of sustainable development goals.

From a practical point of view, the complex system of cultural interaction might be illustrated by the cases of income and wealth inequalities, qualification, and the barriers to cultural sustainability. Inequality is closely linked to the issues of economic growth and sustainability. Indeed, one of the keys to sustainable growth is to ensure that the benefits of economic growth are shared by broad classes in the society. Inequality is a natural feature of a market economy, but excessive levels of inequality can undermine social cohesion, mobility, and productivity, and have a negative impact on technological development, thereby jeopardizing the sustainability and inclusiveness of economic growth and convergence. By contrast, relatively moderate inequalities are less likely to generate social conflicts and help to increase social mobility and labour productivity, which are fundamental bases for long-term economic and social development and successful convergence.

As for qualifications, the presence of a skilled workforce is a prerequisite for sustainable convergence and for achieving an innovation-driven growth model. International education surveys show that although in many countries students attain adequate proficiency within the required curriculum, they are unable to effectively apply that knowledge in real-life situations. This means that in addition to the necessary basic skills, the education system needs to place greater emphasis on developing modern (foreign language and digital) skills to enable students to meet the rapidly changing demands of the labour market later on.

Digital tools are forecast to become ever more important in the labour market and in everyday life in the future, so it is important that the population is encouraged to see it as a key issue within education systems. However, a large proportion of the population aged sixteen and above does not have basic digital skills, which is a significant competitive disadvantage.

In order to meet the challenges of the twenty-first century as effectively as possible, the number of graduates in higher education, and in particular in science,

technology, engineering and mathematics (STEM) subjects, should be increased in many countries. In addition, particular attention should be paid to increasing the number of graduates in IT, in order to accelerate the improving trend of recent years.

Among the frequently encountered barriers to cultural sustainability, the following may be listed:

- A focus on economic growth has led to improved societal wellbeing.
- Environmental protection and sustainable development are seen as equally important.
- For many people, there is no substitute for property ownership.
- Many people hold the view that the development of science and technology will suffice to solve all the problems in the world. However, these problems are actually rooted in breaches of ethical values.
- Fragmented views on education mean that knowledge cannot be taught in a consistent manner worldwide.
- Legal and economic regulations are incapable of ameliorating or solving large, complex sustainability problems.
- Public institutions often have overlapping responsibilities, coordination between them is unsatisfactory, and their integrity is therefore impaired.

2.2. Suggested Approaches to Achieve the Goals of the Cultural Pillar

It is not enough to imagine something, but to imagine it in such a way that it can be realized. Such a need and set of requirements can be met through the approach and methodology of *integrity*.[5] What is integrity? It is a human, personal, and institutional attitude—referring to public and business institutions—where the existing legislation as well as the ethical and moral norms are respected. Integrity has so far performed very well, proving its worth in fighting against corruption in many countries. In Hungary, the government programme of the anti-corruption effort, which has been in place since 2012, is based on the integrity approach.[6] We believe that it is worthwhile and promising to extend this methodology to a broader concept of sustainable development.

What are the main characteristics of the integrity approach?

- First, consistent and coherent principles and values are elaborated. Integrity comes from the Latin word *integer*, and the original meaning of this word is inviolable, whole, harmonious, and complete in terms of its content. Now, if we put such an approach at the centre, sustainable development can easily arise in our minds as a priority. In this chain of thought, one must be thinking of a truly comprehensive, holistic concept of systems. Everything must be included—not only a segment, but also

society, economy, environment, and we could also add finance, culture, and territory.

- Second, decision-makers must show professional integrity and responsibility. Indeed, integrity requires that decision-makers have a high level of knowledge in their field and take responsibility for it. Therefore, we might assume an increase in social trust among decision-makers. The other characteristic of this argument is that professionalism in this field is accompanied by a great commitment to the public good and interest.
- Third, integrity must be deepened morally. For this reason, it is particularly crucial that the connection between integrity and morality makes it possible to distinguish between good and bad. Integrity does not mean imposing any new moral and legal values or rules. It aims to put the existing values and rules into action, into human activity, individually, as well as in organizational and institutional terms. Consequently, it imposes moral requirements on people, based on which they can choose to act accordingly.
- Fourth, organizational values and functions are being identified. It is very important here to strengthen the organizational culture at corporate, institutional, and national levels as well. How can they work more efficiently together? How can they incorporate different strategic goals? How integrated are the strategic goals in a public institution or in a private company? To what extent do tactical, concrete, short-term decisions serve the achievement of these strategic goals? In terms of organizational culture, it is also critical to explore whether there is proper communication within the given institution.
- Fifth, integrity policies and programmes must be implemented. What characterizes the social policy agendas of today? The general complaint is that the programmes adopted by governments and international organizations are not being implemented. Is that because the goals are inadequate? It is possible. The other possibility is that the goals are adequate, but the implementation is not. This is a substantial international debate today. To sum up the international experience, it could be said that there are four main reasons why the goals of governments and international organizations are not being achieved. The first is that expectations were overly optimistic when the programmes were compiled. The second argument is that implementation is fragmented, or managed in an unorganized way, and that organizational cohesion is lacking. The third is that there was, in fact, no effective cooperation between the parties during the decision-making process that preceded the settlement. The fourth reason why these programmes show such poor performance is that policy cycles are split. Often a programme has begun but, in the meantime, for example,

in two or three cases the composition of the government has changed, and then the programme has to be adjusted according to the new governmental agenda, which might not consider its implementation as important or interesting as the former authorities did.

These are extremely important arguments which show that integrity is closely related to sustainable development. After all, the sustainable development programme is the most notable programme in the world today. Whether it stays for a few more years, or until the end of time. The question is whether the integrity approach is going to be able to enhance the effectiveness of sustainability policies. Experience tells us that it will. Firstly, because the establishment of consistency and coherence has proved to be efficient in terms of integrity. Organizational management and culture are extremely important, due to the involvement of all the stakeholders in sustainable development programmes. Accordingly, the widest possible social change-generators and social groups must be involved. If these are included, then the organizational (institutional) culture should be considered as a vital, indispensable factor.

2.3. Special Recommendations

In order to support the function of the cultural dimension, three additional tasks need to be solved. As a starting point, the development of a new, long-term economic theory is necessary for sustainable development. Therefore, economics is in need of wholesale renewal.[7]

As our second task, we need an intellectual revolution. György Matolcsy has repeatedly stressed this in recent years, highlighting the need for two basic principles in the context of the intellectual revolution: to expand sustainability and to build on the principle of life.

Thirdly, it is important to discover cultural, ethical values and standards widely and respectfully, since without raising the quality of our culture, we cannot resolve issues to meet the needs of today's society without jeopardizing future generations. Here again, we need culture. Simply put, we cannot be so selfish that our children and grandchildren must pay for our potential lack of consideration. For this reason, the cultural perspective is indispensable, as it offers a real foundation for the creation process of future generations and their wellbeing.

The other area where raising the quality of our culture appears essential is the reduction of unjustified income and wealth inequalities in society. This is the case worldwide, in both developing and developed countries, and cannot be resolved by state decisions alone.

These two problem areas are aimed at protecting the interests of future generations in terms of sustainability and the reduction of income and wealth disparities. Although they cannot be absolutely eliminated, their significant mitigation is a fundamental task.

These recommendations indicate possible directions for future development: they support the achievement of long-term sustainability, focusing—inter alia—on culture, integrity, and the creation of a substantially new financial system.[8]

Note: The proposed 'territory dimension' will be published in the next issue.

To be continued ...

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[1] György Matolcsy, 'Competitiveness as a Decisive Criterion for Sustainability', *Public Finance Quarterly*, *Special Edition* 2 (2020).

[2] 'Sustainability Report of the Hungarian National Bank' (MNB, 2020), www.mnb.hu/letoltes/fenntarthatosagi-jelentes-2021-eng-0806.pdf.

[3] György Kocziszky interprets culture in a similar way. See 'Értékrend és kultúra a fenntartható gazdasági növekedés mögött' (Scale of Values and Culture behind Sustainable Economic Growth) (MNB, 2022), www.mnb.hu/web/sw/static/file/hatteranyag-23.pdf.

[4] See also János Csák, 'Social Futuring – A Normative Framework in Society and Economy in Central and Eastern Europe', *Journal of the Corvinus University of Budapest* (Budapest: Akadémia Kiadó, 2018).

[5] Gusztáv Bágер, 'Az integritás szemléleti alapjai. Általános elméleti jellemzők' (The Conceptual Foundations of Integrity. General Theoretical Features), *Belügyi Szemle* (2021), https://belugyiszemle.hu/hu/node/2494.

[6] Gusztáv Bágер, *Korrupció* (Corruption), (Akadémiai Kiadó, 2012), www.antikvarium.hu/konyv/bager-gusztav-korrupcio-608575-0.

[7] György Matolcsy, 'Új iránytűre van szükség a közgazdaságtanban' (A New Compass Is Needed in Economics), *növekedés.hu* (2022), https://novekedes.hu/hirek/matolcsy-gyorgy-uj-iranyture-van-szukseg-a-kozgazdasagtanban.

[8] See the background research programme in more detail at: BC4LS – Budapest Centre for Long-term Sustainability, *95 Theses for Long-term Sustainability – Global Debates* (2021), https://bc4ls.com/95-theses-for-long-term-sustainability/. The BC4LS was established by the John von Neumann University and Pallas Athéné Domus Meriti Foundation.

THE TURN OF THE CONCEPTUAL BASE OF SUSTAINABLE DEVELOPMENT

New Dimensions in Efficiency

Part II

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3. TERRITORIAL DIMENSION

3.1. The UN Sustainable Development Goals and the Local and Regional Goals

Until now, the territorial approach was not considered as a dimension (or a pillar) in the concept of sustainability. This is well illustrated by a comprehensive analytical framework published by the OECD which has a critical role to play in achieving the sustainable development goals (SDGs).[1] The 2030 Agenda was designed according to the traditional macroeconomic and top-down methodology, excluding cities and regions, or local and regional governments. However, the role of SDGs is important for this sphere, as its share is about 60 per cent of total public investment and almost 40 per cent of public expenditure in the OECD area.

The OECD report seeks to document local and regional performance and disparities through a common set of indicators that allow cities and regions to see where they stand with the SDGs compared to their national averages and their peers. Data from the 135 indicators of the OECD localized indicator framework for the SDGs (covering at least one aspect of each of the 17 SDGs for both cities and regions) show that regions and cities in OECD countries are far from achieving the SDGs, and their average distance to the suggested end values varies widely across the 17 SDGs. In particular:

- 'At least 80 per cent of regions from OECD countries have not achieved the suggested end values for 2030 in any of the 17 goals.
  - Not a single region in the OECD has achieved the suggested end values for SDG 13 on "Climate action" and SDG 5 on "Gender equality";
  - Only 20 per cent of OECD regions have achieved the end values for SDG 10 on "Reduced inequalities" and SDG 12 on "Responsible consumption";
  - Goals 14 (Life below water), 9 (Industry and innovation), and 7 (Clean energy) display the largest distances to the end values for

the lagging regions, with an average distance of around 50 per cent of the total way.

- At least 70 per cent of cities from OECD countries have not yet achieved the end values suggested for 2030 in 15 out of the 17 SDGs.
  - The SDGs where most cities lag behind relate to the environment (SDGs 13 about "Climate action" and 15 about "Life on land") and gender equality (SDG 5), where at least 95 per cent of cities have not met the suggested end values.
  - Goal 7 on "Clean energy" displays high disparities in distances to the objectives across cities. While 30 per cent of the cities have reached the end values for this goal (i.e., more than 81 per cent of their electricity production are coming from renewable sources with no use of coal or fossil fuels), the remaining 70 per cent are halfway from achieving the recommended outcomes.'[2]

Accordingly, the report has showcased recommendations on the way cities and regions could benefit from using SDGs as a basis on which to carry out development activities in the fields of planning, policies, and strategies; multi-governance; financing and budgeting; data and information; and engagement.

3.2. Need for New Territorial Approaches

The starting points aim to meet three general requirements:

- The territorial approaches must be integrated into the concept of sustainability in order to improve sectorial efficiency and localize sustainable development.
- It is useful to benefit from territorial experiences acquired since the global coronavirus pandemic. For example, by now it has been recognized that there is a need to build a resilient, sustainable society, as opposed to the old-fashioned type of problem solving.
- Territorial approaches must suggest a conceptual framework, and a range of multi-sectoral, participatory, and place-based models of sustainable development.

These general requirements and the related stocktaking methodology have been greatly supported by the international exchange of views. Following the Living Territories 2018 Conference in Montpellier, France, eight contributors partnered to produce a White Paper entitled 'Fostering Territorial Perspective for Development (TP4D): Towards a Wider Alliance'.[3] This initiative assembled 14 case studies and one country study of existing territorial-level project for the analysis.

The White Paper summarizes the need for a more knowledge-based territorial development, followed by increased coordination as well as wider and deeper participation. As a new focus, it suggested attaining a dense flow of people, goods, services, and information between rural and urban areas in order to link them more closely, unlike the former (historical) growth model which resulted in huge challenges (e.g.: rapid population growth, lack of basic services) in towns. Such a rethinking of rural-urban linkages allows a deeper understanding in the entire set of spatial dynamics as well as in the diverse socio-economic and political contexts.

The new territorial perspective also pays great attention to multiple-level organizational structures, whether local or regional, national or international, including the effects of globalization. It provides a bridge between the current disconnected rural and urban management and the *multi-stakeholder governance structure*. Another important aspect of this paradigm shift is to allow a proper identification of synergies that are capable of enriching sectoral policies or value-chain interventions, instead of the current, simple coordination of public policies that are mostly both top-down and expert-driven.

There is also a need to define *functional territories* which assume coherence-based decision-making and make real sense to local actors, as opposed to the former, decentralized administrative approach. Additionally, it is also expected that the new territorial approaches will assist in attaining the objectives defined in the UN 2030 Agenda by providing policy-makers with broader and more accurate datasets as well as by covering both socio-ecological areas (species and ecosystems) and socio-economic dimensions (the usage of natural resources).

In a broader sense, *self-governance* also highlights the importance of territorial sustainability. According to the European Charter of Local Self-Government, 'Local Self-Government denotes the right and the ability of local authorities, within the limits of the law, to regulate and manage a substantial share of public affairs under their own responsibility and in the interests of the local population'.[4] Self-governance is a right, but it also presupposes an appropriate ability.

3.3. Conceptual Framework

The spheres of the conceptual framework can be understood according to *three new dynamics,* according to their classification levels and linkages.[5] These are the following:

- *Rural areas, small towns, and intermediary cities*. Here, the rapid and often spontaneous transitions are a result of demographic changes and the reciprocal flow of people, goods, services, information, and capital.

- *Structural changes to economies, and food systems in particular*. The changes reflect the land use, with fragmentation related to biodiversity loss and the loss of ecosystem functions.
- Changes and flows, with a large number of spatial impacts to the rural–urban continuum, which unfold over varying periods of time.

From the above-identified viewpoints, *five key principles* from the White Paper are considered to be the main elements of the conceptual framework of territorial dimension of sustainability.[6]

Table 2. Key Principles of the Conceptual Framework

1	*Place-based.* The social construct of people living in a certain area and the relationships built among the people there.
2	*People-centred*. The territorial approach that analyses spatial interrelations between the different places in order to identify synergies and unlock new opportunities for growth by overcoming these spatial inequalities.
3	*Multi-actor*. The territorial approach, which recognizes the multiple roles of its actors in the public and private sectors and civil societies, in both the rural landscapes and urban areas—as well as the transformative power of these actors.
4	*Multi-level*. Territorial approaches that are built to connect the micro, meso, and macro levels in order to re-localize (national and even global) development strategies.
5	*Cross-sectoral*. The focus is on agricultural production as the foremost development option, since there is no doubt in that in the near future this sector will remain one of the main economic engines in the rural areas of the developing world.

Source: Author's own editing (2022) and Cirad.fr. (2019).

From among the key principles of the conceptual framework, the focuses of the territorial development efforts are directed towards the first two principles: the people, and the places where they are living.

- All are reflected in the scope and the orientation, which should be appropriate for the given people and places, and engage the different levels and types in governance, including institutional adaptation and financing; and
- incorporate all the actions that are related to the implementation of

the 2030 Agenda and other global agendas, as well as the specific local priorities.[7]

The second part of the conceptual framework is the set of entry points for the territorial approaches. These are not singular issues, but clusters of interrelated challenges that are based on the 14 case studies of countries, which were mentioned before. Of course, in practice, the roles of singular issues are very important in the implementation process of the strategies. These issues can lead the strategies from sectoral issues through national levels to multiple (holistic) issues of territorial development. Therefore, such a conceptual framework for the territorial dimension of sustainability makes it possible to measure the impacts of territorial planning, polices, and sustainable development.

Table 3. Entry Clusters of Interrelated Challenges

1	*Local economic development to reduce poverty* with a focus on local enterprise development, local added value, and employment opportunities;
2	*Integrated natural resource management*, especially coordinated planning of agricultural, conservation, and other land and water resources at the territorial level;[8]
3	*Improved food systems*, food security and nutrition benchmarks linking producers and consumers in a territorial context;
4	*Inclusive access to public and private human services*, including social protection, health, and education across the rural–urban continuum;
5	*Community-led strategies for strengthening rights*, especially for smallholder, indigenous, women's and traditional populations' rights;
6	Response to disruptive site-specific shocks through new peace building, reconstruction, or national development efforts;[9] and
7	*Strategies and programmes to address protracted crises* with specific long-term challenges and problems.[10]

Source: GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH. (2021).

As a *third part* of the conceptual framework, questions might be formulated for the analysis and the future of territorial approaches. As an example, five questions were derived from the case country studies, which offer useful insights for the strategies of sustainable development and territorial decision-making.

Table 4. Five Future-oriented Questions

1	What are the common features, challenges, and entry points for territorial approaches and where do they differ?
2	In what ways do the institutional environments, in relation to the local context, enable territorial approaches?
3	How do the policies and practices of territorial approaches integrate with formal subnational, national, and sectoral governance structures?
4	Which methods or instruments for coordination have proven effective and how relevant are the capacities of partners, public institutions, and other stakeholders?
5	How does knowledge gathering and data management relate to understanding and consolidating territorial planning and development?

Source: GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH. (2021).

3.4. Methodology for Territorial Dimension Practices

According to the majority of the international literature, the most efficient methodology of sustainability should be applied in three stages:

- The first stage is the establishment of the conceptual framework (identical with Tables 2, 3, and 4).
- The second stage is the construction of the database and analysis of the identification of the rural territorial units.
- The third stage comprises the definition of the typology model.

Regarding the second stage, *the construction of the database* can rely on detailed statistical information (indicators) and other international, professional information with five levels of analysis: municipalities, micro-regions, territories, national and international (global) levels. It is also critical to undertake the *analyses of how context determines the rural-urban linkages* including country and, to possibly some extent, multi-country studies. Also, there is a need to test the significance, the determinant, the dynamics, and the distribution of the costs and benefits of rural-urban linkages.

The third stage of the territorial dimension is the *formulation and application of the typology model*. This task is based on territorial identity, which is the result of the activities performed in the second stage. The typology model allows public managers to create policies and define local investments that provide the basis for

formulating and operating territorially differentiated public policies. For many countries, the application of this model has been a valuable and practical help in constructing public policies in an objectively determined space, based on the converging interests of the population and government representatives.

3.5. EU Territorial Agenda 2030

After the summary of the international territorial approaches, as a best practice, it is essential to refer briefly to the EU's 'Territorial Agenda 2030 – A Future for All Places' programme which is another similar territorial development project.[11]

The ministers responsible for spatial planning, territorial development, and/or territorial cohesion, in cooperation with the European Commission, the European Parliament, the European Committee of the Regions, the European Economic and Social Committee, the European Investment Bank Group, and relevant European and national associations, have reviewed the Territorial Agenda launched in 2007 and updated in 2011,[12] and agreed on the new Territorial Agenda 2030.

The ministers encouraged their 'colleagues in neighbouring countries to take note of the Territorial Agenda and join them in putting it into practice at European, transnational, macro-regional and cross-border levels. Everyone is welcome to use the Territorial Agenda within their countries at national, regional, and local levels, and in cooperation with other countries.'[13]

They also encouraged 'everyone involved in spatial planning and territorial development policies at all administrative and governance levels in the EU and neighbouring countries to put the Territorial Agenda into practice. The Territorial Agenda applies everywhere, focusing on mutual relations and people's well-being.'[14]

Beside the similarities of the overall territorial perspective ('philosophy'), the EU general requirements for territorial development appear to be very close to the global ones, which were presented briefly before.

> Europe has many different types of places, such as capital regions, metropolitan areas, small and medium-sized towns, peri-urban areas, rural areas, inner peripheries, peripheral areas, northernmost areas, sparsely populated areas, islands, coastal areas, mountainous areas, outermost regions, cross-border regions, macro-regions, areas of demographic decline, and areas in economic transformation and industrial transition. At all levels, from sub-local to pan-European, there are increasing economic and social disparities between places and between people along with environmental risks and pressures. These are driven by economies of scale,

imbalanced access to markets and qualified labour, as well as disparities in quality of governance and public services. Furthermore, links and flows between places, especially along corridors, affect the possibilities to realize potential or respond to challenges.[15]

By meeting these general requirements, the EU and its member countries should reach the following development goals:

- The quality of government and governance processes as a cross-cutting principle for local, regional, national, and European development;
- The reintegration of people and places that are drifting apart (by increasing the quality of life; services of general interest; digitalization; employment; and global embeddedness);
- Greater attention towards sustainable development and climate change (through loss of biodiversity and land consumption; air, soil, and water quality; secure, affordable, and sustainable energy; a climate-neutral economy; circular value chains; and natural and cultural heritage).

All of these goals require efficient political and professional responses with a strong new territorial dimension and coordinated approaches acknowledging the great variety and specificity of people and places.

CONCLUSION

The study concludes with a summary of the objectives which must be met in order to attain the primary results. The new *financial dimension* can support sustainable development with a stable and properly working financial system as well as with a real turn towards green financing by applying a comprehensive range of green financial instruments.

The new *cultural dimension* can contribute to greatly enhance the effectiveness of the sustainability policies and practices through the development of human qualifications and consistent, coherent cooperation, along with strengthening the integrity in the field of deepened morality and of organizational culture, in particular. In addition to the correct human attitude towards reality and one another, openness to global thinking is likewise an important goal. Moreover, it is also important that all of these should be reflected in management activity.

The suggested territorial dimension can be tailored to fit sustainably into socio-economic and ecological conditions, as well as encouraging progress in three main ways:

- The enabling of environmental matters (e.g., multi-sector engagement; cross-sector coordination);
- Territorial assessment (e.g., transversal exchanges of landscape and territorial knowledge and data; improved national resource management);
- Inclusive and lasting multi-stakeholder participation (requiring governance being inclusive; engagement with territorial actors).

RECOMMENDATION

Although the three new dimensions of sustainability have been introduced at a conceptual level, they can be taken as a starting point for further, more detailed research activity not only on a national level, but also on the level of international organizations and institutions, especially in the cases of the UN and the OECD. The global application of these more versatile, and more supported dimensions, or even one or two of them—which are also based on national experiences—would be the next phase towards a more complete methodology of sustainability. On the one hand, this development could facilitate greatly the achievement of the goals in the 2030 Agenda for Sustainable Development for the upcoming years, while on the other hand, the results of research could contribute to the development of a new UN sustainable project for the period after 2030.

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[1] OECD, 'A Territorial Approach to the Sustainable Development Goals: Synthesis Report', *OECD Urban Policy Reviews* (Paris: OECD Publishing, 2020), https://doi.org/10.1787/e86fa715-en.

[2] OECD, 'A Territorial Approach to the Sustainable Development Goals: Synthesis Report'.

[3] Cirad.fr., TP4D, 'Fostering Territorial Perspective for Development (TP4D): Towards a Wider Alliance' – White Paper (2019), www.cirad.fr/en/cirad-news/news/2019/ca-vient-de-sortir/territorial-approach-to-development: OECD.

[4] Wolters Kluwer, 'European Charter of Local Self-Government' (2022), https://net.jogtar.hu/jogszabaly?docid=99700015.

[5] 'GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH. Territorial Approaches for Sustainable Development: Stocking on Territorial Approaches – Experiences and Lessons' (2021), www.google.com/url?sa=t&rct=j&q=&esrc=s&source=web&cd=&cad=rja&uact=8&ved=2ahUKEwi1oMfJqsH3AhUUi8MKHfN-DcoQFnoECAYQAQ&url=https per cent3A per cent2F per cent2Fwww.giz.de per cent2Fde per cent2Fdownloads per cent2Fgiz2021-en-territorial-approaches-for-sustainable-development.pdf&usg=AOvVaw3CC69orK8bj25EA2vVhnWO: OECD.

[6] Cirad.fr., TP4D, 'Fostering Territorial Perspective for Development (TP4D): Towards a Wider Alliance' – White Paper (2019).

[7] 'GIZ Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH. Territorial Approaches for Sustainable Development: Stocking on Territorial Approaches – Experiences and Lessons'.

[8] Examples comprise interventions to avert or recover from environmental crisis including integrated watershed management, agrosilvopastoral systems, forest and landscape restoration, sustainable land management, source to sea and coastal area management, etc.

[9] Examples include natural disasters, civil or armed conflict, political disruption, etc.
[10] Examples include ecosystem approaches, circular economy interventions, climate smart agriculture, migration, land tenure reform, etc.
[11] European Union, 'Territorial Agenda 2030 – A Future for All Places. Informal Meeting of Ministers Responsible for Spatial Planning and Territorial Development and/or Territorial Cohesion (2021),' https://ec.europa.eu/regional_policy/en/information/publications/brochures/2021/territorial-agenda-2030-a-future-for-all-places: European Commission, (1 December 2020, Germany).
[12] European Union, 'Territorial Agenda of the European Union 2020 – Towards an Inclusive, Smart and Sustainable Europe of Diverse Regions' (agreed at the Informal Ministerial Meeting of Ministers responsible for Spatial Planning and Territorial Development on 19 May 2011, Gödöllő, Hungary), https://ec.europa.eu/regional_policy/en/information/publications/communications/2011/territorial-agenda-of-the-european-union-2020: European Commission.
[13] EU, 'Territorial Agenda 2030 – A Future for All Places. Informal meeting of Ministers Responsible for Spatial Planning and Territorial Development and/or Territorial Cohesion (2021)', https://ec.europa.eu/regional_policy/en/information/publications/brochures/2021/territorial-agenda-2030-a-future-for-all-places: European Commission, (1 December 2020, Germany).
[14] EU, 'Territorial Agenda 2030 – A Future for All Places'.
[15] EU, 'Territorial Agenda 2030 – A Future for All Places'.