The role and challenges of governments in promoting sustainable development

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Abstract: This paper provides a review of the existing research on governments’ role towards sustainable development. The paper applies a literature review method and focuses first on general issues of sustainable development, followed by a more in-depth review on governments’ role in promoting sustainability. Finally, the study addresses the assessment of governments’ challenges and proposes actions towards sustainable goals. The paper also highlights the connection between sustainability and sustainable development. This study finds that governments are the main actors that can create and successfully promote a sustainable society. Governments, however, face many challenges in attempting to achieve this goal. One of the main challenges is the coordination between different actors that are part of the implementation of SDGs. These obstacles are of environmental, social, economic, and institutional in nature. Yet, governments are one of the main driving forces that organize and motivate all other responsible factors in promoting a sustainable society. Regardless of the enormous attention in academia towards sustainability and sustainable development, studies on governments’ role and challenges towards SDGs are still limited. In this context, this paper provides an overview of the role of governments in sustainable development, and it also describes the challenges to be overcome in achieving sustainable goals. Finally, suggestions on future research areas are presented.

Keywords: sustainability; sustainable development; sustainable development goals; governments; challenges; government’s role

1. Introduction

The concepts of sustainability and sustainable development have been receiving enormous attention from the academic literature and have been the key priority in global development strategies for over a decade now (Ozili, 2022). In this past decade, significant attention has also been given to the notion of Corporate Social and Environment Responsibility used by both academics and firms (Wong et al., 2014). Even if the notion of CSER was intensively discussed in the last decades, SMEs’ application of CSER is still scattered. Sheel and Vohra (2016) argue that this happens because companies still see CSER as an act of charity rather than a policy to enhance a firm’s competitive advantage, or companies lack encouragement or capability of addressing challenges that they may encounter when implementing these practices. However, considering the benefits of CSER practices, many researchers believe that CSER activities should not happen on a voluntary basis; rather CSER practices should be an obligated policy (Matten & Moon, 2008). Establishing a scheme of government regulations has become necessary due to the challenges that arise from climate change and sustainable development. These regulations are supposed to provide solutions to critical issues that impact the entire society not only at the economic level but also in the social and environmental dimensions (Salvador & Sancho, 2021).

Government engagement in corporate CSER activities has contributed to successful employer-business linkages, improved social standards in the workplace, reduced discrimination, promoted equality, and also reduced waste and pollution levels (Giving Force, 2021). However, governments are not the only ones responsible for ensuring that we have an
environmentally friendly future. Society, beliefs, and culture have as much influence as governments in shaping a sustainable future. Yet, governments are one of the main driving forces of organizing and motivating all other responsible factors when working towards a sustainable system. A good government can create and manage policies and strategies for a better and sustainable society (Gittell et al., 2012).

Until today several studies have been produced that examine diverse issues in the field of sustainability development: these issues include the competences for sustainable development and sustainability (Mochizuki & Fadeeva, 2010), models of sustainability (Todorov & Marinova, 2009; Schaltegger et al., 2016), strategies for sustainable development (Bass et al., 1995); sustainability promotion mechanisms (Xing et al., 2021; Selby et al., 2009), relationship between sustainable development and financial performance (Peeters, 2005) and the social and environmental dimensions of sustainable development (Dempsey et al., 2011; Strezov et al., 2017). Even if these topics have critical importance and impact on the existing literature, only very few studies have been made on governments’ role in sustainable development and the challenges they face in implementing SDGs.

The aim of this paper is to analyze the existing research on governments’ role in sustainable development and to examine the challenges encountered in implementing sustainable development goals. The present paper’s objective is accomplished by assessing the existing research, which reveals governments’ critical impact and issues towards sustainable development. Moreover, this study contributes to the currently limited literature on governments’ role and impact on sustainable development. In addition, it also contributes to the promotion of this very important matter, which that has not gained the critical attention it deserves. The study is also useful for researchers because it contributes to the preparation of future studies on governments’ challenges and impacts on sustainable development. Thus, the main research question of this study is: What are the roles and challenges facing governments concerning sustainable development?

The structure of the paper is the following: the second part of the paper presents the literature framework (conceptual section, discussion and review of several studies on sustainability, sustainable development, CSER and governments’ role, challenges and actions on SDGs); the third part of the paper presents suggestions for future research; and the fourth part of the article offers a conclusion.

2. Literature review

2.1. Sustainability and sustainable development

Sustainability is basically defined as a long-term objective, while sustainable development represents a way or process from which this objective can be accomplished (Hector et al., 2014). Sustainable Development was, for the first time, defined as a concept in a report entitled “Our Common Future” prepared by United Nations in 1987 (Ozili, 2022). In this report, Sustainable Development was explained as a process that fulfils the actual needs of the society without endangering future generations’ capacity to accomplish their own needs (United Nations, 1987). However, it is not simple to determine sustainability as a concept. Existing research indicates that sustainability is a principle, approach or philosophy that directs and manages the use of the present resources in that way that will ensure that those resources will be able to cater not only for the present generation’s needs but also future generations’ needs (Grant, 2010). Basically, sustainability comprises the approach or the leading regulations to harmonize all the development areas in order to accomplish a level of sustainable development (Hodge, 1997); while sustainable development is an objective/target that can be accomplished by implementing these sustainability regulations and principles (Diesendorf, 2000). Accordingly, sustainability refers to a capacity to sustain or preserve a system, product or activity over the years (Basiago, 1998). In this regard, sustainable urban governance is related to relational capital, social capital, and partnerships in the urban context (Beck & Storopoli, 2021; Beck & Ferasso, 2023a). Sustainable development, on the other hand, is a concept and development model that aims to enhance the quality of life without endangering the environment that would cause climate issues (Mensah, 2019). In accordance with this theory, the difference between sustainability and SD is that the first one refers to a state, while sustainable developments represent the means to accomplish this state (Gray,
Thus, the conclusive aim of the concept of sustainability is literally to guarantee proper harmonization and alignment between the environment, society and economic pillars (Mensah, 2019).

2.2. Corporate social and environmental responsibility

In this last decade, significant attention has been given to the corporate social and environment responsibility (CSER) notion used by both academics and firms (Wong et al., 2014). Thus, many definitions of CSER can be found in the literature. According to Mueller et al. (2012), CSER addresses the total impact that companies have on society and the environment, and it is described as a concept whereby businesses incorporate environmental and social matters in their policy and communication on a voluntary basis with their shareholders (European Committee, 2001; Vitiea & Lim, 2019). According to Persons (2012), the above argument surfaces due to the increased demand of society seeking social and environmental responsibility from companies, which has contributed to make CSER a worldwide priority. In this context, it has become common for employees to raise their voices regarding working conditions and equality, customers seek healthy products, the society is concerned with the safety of production, and demand for more governmental rules for social and environmental wellness (Crişan-Mitra & Borza, 2015). Corporate environment responsibility (CER), on the other hand, has also been given close attention, in particular by costumers, whose demands have increased in respect of environment protection concerning different types of pollution (Michael et al., 2010). Lozano (2012) states that corporates need to implement business models that are ecologically friendly and focus on green management that would lead to a company’s competitive advantage. Nevertheless, even if CSR and CER notions have been given closer attention in the past decades, SME’s application of CSR and CER is yet scattered. Sheel and Vohra (2016) argue that this happens because companies still see CSER as an act of charity rather than a policy to enhance a firm’s competitive context, or they lack the courage or capability to address challenges that may be encountered when implementing CSER practices. Also, some researchers argue that CSR misconduct cannot be mitigated solely through financial means (Carroll, 1991). Hence, many researchers believe that CSER should not happen on a voluntary basis, rather it should be part in the form of a regulation or obligatory policy (Matten & Moon, 2008).

2.3. Sustainable Development Goals

Following the World Summit for Social Development in 2005, the United Nations adopted the 2030 Agenda for Sustainable Development in December 2015 to achieve greater prosperity worldwide. This universal plan consists of a set of goals aimed at ending poverty, protecting the planet and ensuring prosperity for all. The agenda consists of 17 sustainable development goals and 169 related targets to be achieved by 2030. The structure of the UN Agenda is balanced and integrated and is based on the three dimensions of sustainable development: the economic, social and environmental dimensions (United Nations, 2015).
According to Palomares et al. (2021) the objectives of these three dimensions are as follows: The main objective of the economic factor is sustainable development in the economic field, in addition to the recognition of the well-being and prosperity of people. This factor includes two main aspects: (i) life in terms of reducing poverty levels and supporting nutrition and health; (ii) technological and economic development in the context of sustainable revolution and economic expansion. The social factor focuses primarily on sustainable development in terms of prosperity, equality and well-being of the society. This factor includes two main aspects: (i) social growth in the context of sustainable society, integrity, equality, global partnerships and peace; (ii) equality in terms of employment, education, gender and other areas. The environmental factor focuses on the protection of the earth/environment and the coordination of sustainable resources. This factor includes two main aspects: (i) resources, sustainable production and consumption, water and sustainable energy; (ii) natural habitat focusing on ecological water, land and climate.

However, the implementation of the 2030 Agenda faces numerous obstacles among the various stakeholders. Fowler and Biekart (2017) argue that the implementation of SDGs requires a specific type of facilitator called an interlocutor. The scholars emphasize the growing need for skilled hosting of multi-stakeholder initiatives (MSIs) inspired by the SDGs, which is expected to be more complex than previous initiatives related to climate change and the Millennium Development Goals. Eweje et al. (2021) critically examines the concept of multi-stakeholder partnerships in relation to the United Nations’ sustainable development goals (SDGs) and proposes a new framework for implementing the SDGs through multi-stakeholder partnerships. The research by Beck and Ferasso (2023b) highlights that Stakeholder Capitalism can promote global partnerships and consensus, while supporting decent work, economic growth, innovation, infrastructure development, and sustainable industrial practices. The study discusses how key constructs of Stakeholder Theory – such as stakeholder identification, stakeholder salience (power, urgency, legitimacy, and proximity), corporate social responsibility, and value creation – contribute to achieving the SDGs.

The complexity and interconnectedness of the 17 SDGs requires a comprehensive, and rational policy-making process that involves both private and public actors in decision-making, goal implementation, and in the monitoring process (Boas et al., 2016; Glass & Newig, 2019). Therefore, the governance of the Sustainable Government Goals must foster an inclusive and integrated environment for all actors and should ensure that these actors take responsibility and address the emerging trade-offs among SDGs (Bowen et al., 2017; Glass & Newig, 2019).

In this sense, governance is considered the fourth element of sustainable development. Therefore, to achieve successful sustainability management/governance, it is necessary to harmonize actions at all levels of government and related policies. In particular, integrity policies in relation to complex sustainability goals can help to derive trade-offs between the policies of different sectors and in this way will lead to more successful implementation of such goals (Glass & Newig, 2019). However, policies used in different sectors should be continuously assessed for effectiveness to determine if policies need to be changed when the environment in question has also changed.

Nonetheless, considering that not all countries have the same level of development, the phase of sustainable development of each country will be different as well. According to Golusin and Ivanović (2009), Southeastern European countries are in the starting phase regarding the path towards sustainable development and on the early and slow phase of establishing strategies to drive their economies in the process of sustainable development. This late and slow phase of Southeastern European countries towards sustainable development is due to poor legal and institutional systems, unwillingness of the political sector to integrate the change from traditional development to SD and is also due to an inflexible political scheme (Láng, 2003). On the other hand, while Southeastern Europe countries are in their late and slow phase of progress towards SD, countries of Western Europe like Norway, Germany, Finland and Denmark are at a very advanced level towards sustainable development (Golusin & Ivanović, 2009), and are referred as the “top winners” and leaders of Europe’s sustainable development. Thus, this takes us to the conclusion that due to weak current political and institutional systems in many countries the development of a united SD in Europe can be slower than expected, particularly in Southeastern Europe countries (Ozili, 2022).
3. Methodology

It can be globally accepted that a literature review is defined as some systematic approach of gathering and combining existing and prior research (Baumeister & Leary, 1997). A literature review can be the best approach or method to provide answers to research questions of a particular study (Snyder, 2019). According to Tranfield et al. (2003), literature reviews are conducted when the author wants to analyse or assess concepts, hypothesis, theories, or proof in a particular field or wishes to evaluate the credibility or validity of a particular theory or perception. Thus, considering the aim of this study, a systematic literature approach has been conducted to combine the prior and actual research conducted in this field to find the answers to the research questions of this paper. Thus, an examination of existing literature of articles was adopted.

4. Results

4.1. Sustainable Development Goals

In recent years, companies have improved their CSER practices through various sustainability strategies (VSS). Voluntary Sustainability Standards (VSS) contain strategies that manufacturers, retailers, and service providers must implement in relation to sustainability measures, such as health and safety standards, equality, non-discrimination and human rights measures, environmental impacts of production, land use standards, and so on. These metrics can be applied by companies, governments and non-governmental organizations as well (Lambin & Thorlakson, 2018; Graafland & de Bakker, 2021). The study of Lynes and Andrackiuk (2008) recognizes the importance of understanding the motivations of corporations in choosing to engage in CSER initiatives. By uncovering these motivations, appropriate mechanisms can be developed to ensure that CSER becomes an integral part of a company’s decision-making process. The findings emphasize that motivations cannot be examined in isolation but need to be understood within sectoral and cultural contexts. Considering the non-managerial stakeholders’ perceptions of the barriers to CSER practices in a developing country context, Hossain et al. (2016) found that corruption and politics, lack of coordination, lack of government initiatives and unsatisfactory implementation of laws are perceived as the major barriers that hinder CSER practices.

Globally, there are many understandings of the responsibilities and roles of governments. However, Public Finance Theory describes each role at 6 levels: distributive role (e.g., resources, productivity, and distribution of services); allocative role (e.g., integrity, social security); regulatory role (e.g., legislation, policy and rulemaking, conservation, social justice); stabilizing role (e.g., monetary, pecuniary, and economic strategies to pursue goals to control unemployment, inflation, etc.) (van der Waldt, 2016; Zhang & Pearse, 2011). In this context, according to Gittell et al. (2012), a good national government generally plays an important role in creating sustainability, regardless of whether the country concerned is a developed or developing country. In general, it is believed that governments must serve as an engine for development and change. Governments should support and shape the pace of change, create favorable structures for environmental conservation, and ensure access to resources (van der Waldt, 2016; Bovaird & Loefller, 2009). The study of Baughn et al. (2007) reveals significant variations in CSR practices across countries and regions indicating that firms are influenced by their respective economic, political, and social conditions. The findings highlight the importance of a country’s institutional capacity in promoting and supporting CSR practices. The study underscores the role of underlying institutional factors in shaping CSR behaviour and emphasizes the need for countries to develop strong institutional capacities to foster CSR initiatives. In particular, governments are responsible for setting policy and legal requirements that all companies in a country must follow, and they play an important role in influencing a company’s operations both in terms of revenues and business costs. However, the demand for available infrastructure and natural resources is increasing in parallel with the increase in population and economic growth. Therefore, governments are constantly trying to develop innovative strategies to successfully manage these growing demands (Fiorino, 2012). In this way, good government should not only enable and grant the right of current and future
generations to access natural resources but should also create a system to conserve and manage these resources.

In addition, sustainability regulations are highly influenced by the availability of expertise on environmental issues, governments’ knowledge and understanding of sustainability, its consistency, and governments’ understanding of the factors that positively and negatively affect the environment (Yencken, 2002). Nevertheless, the influence of governments in linking green production and green consumption is not fully recognized. Green production can be indirectly promoted by governments through encouraging consumers to consume sustainably. For example, consumer attitudes and purchases can determine greener practices by encouraging companies to implement mechanisms to remove social and environmental barriers. However, governments can also directly influence sustainable production by imposing taxes and measures on companies that do not comply with CSERs.

The main responsibility of governments lies in the economic development, prosperity and welfare of society and, more generally, in socio-economic development. However, the main problem with governments’ responsibility as stimulators of economic and environmental-social progress is to establish a stable balance between economic development and environmental protection (Jabareen, 2009). The needs of society cannot be met without a developed economy, just as citizens will not have a healthy standard of living (clean air, water, and soil) without protecting the environment (Payne & Phillips, 2010; van der Waldt, 2016). In this regard, it is a government’s responsibility to balance this contradiction and make efforts to reconcile economic and sustainable development goals. In this way, they can address environmental challenges without compromising current economic development (van der Waldt, 2016; Baeten, 2000).

4.2. Governments’ challenges towards Sustainability Goals

Governments are not the only ones responsible for ensuring that we have an environmentally friendly future. Society, beliefs, and culture have as much influence as governments in shaping a sustainable future. A strategic approach is needed to link and organize a series of transformation processes to move to greener systems. However, governments are one of the main driving forces in organizing and motivating all other responsible factors to establish a sustainable system. A good government can create and manage policies and strategies for a better and sustainable society (Gittell et al., 2012).

Apart from the fact that sustainability is considered an essential approach and responsibility of governments, consumers also play a role as a driving force as they are willing to pay more for goods that are labeled as sustainable products and benefit the environment (Nielsen, 2014). Considering the tendency of consumers to pay more for environmentally friendly goods, manufacturers have begun to focus more on producing sustainable goods (Nielsen, 2014). However, regardless of green business activities or government support, companies still face challenges (costs) in adopting such practices. Therefore, producers and sellers collaborate by sharing these costs among themselves through RJVs when developing sustainable goods and activities (Chen et al., 2019).

Addressing the challenges of SD requires not only socio-technical innovations, but also the ability to manage these innovations and continuously adapt to new situations (Kallis & Norgaard, 2010; Smith et al., 2005). According to Gittell et al. (2012), governments that adopt sustainable policy initiatives need to constantly invest and promote democratic rules. A strategic approach is needed to link and organize a series of transformation processes to move to greener systems. In this way, governments progressively develop innovative strategies to transition to more sustainable production (Bulkeley, 2010; Smedby & Quitzau, 2016). Addressing current green challenges requires a comprehensive transformation and integration of a society’s actions (Smedby & Quitzau, 2016). One of the biggest hurdles for a government is to discover the corporate and political responsibility when creating and continuously managing responsible programs and policies. Another challenging step of sustainable transformation is integrating alternative processes into current sociotechnical structures (Smedby & Quitzau, 2016; Spåth & Rohracher, 2012). The shift to clean energy is one aspect of these challenges.

In addition, one of the biggest obstacles a country faces in implementing the SDGs is ensuring proper governance and arrangement and coordination of key stakeholders within a government agency (OECD, 2017). Implementing the SDGs requires difficult coordination.
between different levels and departments of governments such as ministries, government centres and agencies (OECD, 2017). In 2016, a study was conducted by the OECD showing that coordination between different ministries in setting the SDGs is the biggest challenge for the main bodies of governments.

For these reasons, progress towards sustainability is difficult and slow due to the challenges in promoting CSER. Recent economic crises are the result of government and corporate governance failures that have highlighted the lack of CSER in the private sector worldwide. However, in the last decade, we entered a phase where policy makers have begun to seriously address economic, social, and environmental issues. Governments around the world are increasingly concerned with the barriers to sustainability and how to address them. In recent years, the concept of sustainability has become one of the most discussed and important terms in the public debate. However, for government policies to succeed in addressing sustainability challenges, global drivers must first work in the same direction as governments. If global reward systems work in the opposite direction, governments will not be able to create CSER value (Bell, 2002).

4.3. Governments’ actions towards a more sustainable future

Governments must adapt and create regulations that serve to protect the environment while promoting and facilitating economic growth. Governments must also develop and comply with international treaties, agreements, and conventions (van der Waldt, 2016). Another important point suggested by many scholars is that trust should be built between the community and governments. In particular, governments should develop a habit of transparency and simplicity. This culture of transparency requires regular communication about development activities to promote economic growth and address political crises (Beder, 2002). Another responsibility of governments is to ensure that their leaders and civilian staff are sufficiently qualified and competent to address sustainable development issues (De Wet & van der Waldt, 2013). It is critical that public leaders are experts in their field in order to properly manage the application of regulations and policies enacted by governments (van der Waldt, 2016). Meadows et al. (1993) suggest that governments should pay more attention to the following social developments: equity, socioeconomic and environmental integrity, equitable financial distribution, emancipation and freedom, and people’s aspiration and commitment. In addition, it is strongly recommended that governments design and implement core sustainable development programs that link and consider environmental, social, and economic aspects in the formulation and implementation of sustainability policies (van der Waldt, 2016). Furthermore, the author argues that governments can create the following incentives that encourage companies to effectively manage pollution while promoting their own interests:

- **Direct Regulation:** This incentive/regulation is a regulation that can be enacted by the government as a legal restriction on polluting activity (i.e., a legal restriction on pollution). These regulations may include researching and maintaining environmental health and, in particular, may promote lower energy consumption, reduce greenhouse gas emissions, and conversion to bioenergy.

- **Effluent fees:** Effluent fees can be a second method for governments to use in order to limit and control pollution. Effluent fees are charges that polluters pay to their government for discharging wastewater. The concept behind this control method, when applied by governments, is that they can adjust the marginal cost of pollution to businesses to reflect the actual marginal cost of waste disposal.

- **Transferable Emission Permits:** Transferable emission permits are licenses that allow a company to emit a certain amount of pollutants. The total amount of these permits can be controlled to keep total pollution below the allowable target.

In conclusion, considering that governments’ main challenge towards SD is coordinating and managing a balanced collaboration between different actors that have a role in SD, van der Waldt (2016) suggests the establishment of forums. For successful implementation of the SDGs, the author suggests regular coordination and meetings with all ministries: the establishment of forums as a platform to connect the different government agencies in the implementation of the sustainable goals. This forum will allow these agencies to share their experiences and practices, concerns and suggestions.
5. Conclusions

This paper analysed and reviewed existing studies on governments’ role and challenges towards sustainable development and the following findings has been identified. Firstly, there is not much research made on governments’ challenges and their role towards SD, compared to the importance of the topic. Second, governments are considered as one of the main factors to encourage businesses and the society in general toward sustainable development. For government policies to succeed in addressing sustainability challenges, global actors must first work in the same direction as governments. A strategic approach is needed to connect and organize a series of transformation processes to move to greener systems. However, governments are merely one of the main driving forces that organize and motivate all other responsible factors on the way towards a sustainable system. A good government can develop and manage policies and strategies for a better and sustainable society. However, governments do encounter many challenges in achieving this goal, in particular when coordinating different actors of different sectors when enabling working together towards a sustainable future. And, third, this review identifies other areas for future research like the need for research on different levels of sustainable development concerning countries with different development levels, and also offers research suggestions on challenges in coordinating and harmonizing the three dimensions of sustainable development.

6. Areas of future research

Areas of future research include different levels of sustainable development for countries with different development levels.

The 2030 Agenda for Sustainable Development is recommended to all countries no matter their development levels. Thus, it is expected that global sustainable development can be achieved by encouraging each country – whether they be developed or developing countries – towards the same sustainable development goals. However, it can be impossible to achieve this idea considering that, in the case of developing countries, the path towards SD would be more challenging and could be achieved at a slower phase compared to developed countries. Thus, future studies should examine the challenges and different paths that countries with different levels of development would undergo for reaching SD.

Also, challenges in coordinating and balancing the social, economic, and environmental dimension are worth examining.

Although the findings of this paper reveal that local governments can have a critical role in developing regulations to address issues of climate change and promote SD, there are many challenges they encounter when implementing the SDGs. The most critical challenge to address for local governments is finding a solution to the ways of establishing, implementing and managing frameworks that would coordinate or harmonies the three dimensions of sustainable development, namely the economic, social, and environmental dimensions. Thus, another research area worthy of attention would be to examine, in particular, the challenges in coordinating and balancing the social, economic and environmental dimensions.

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