**TST Issues Brief: Needs of Countries in Special Situations – African Countries, Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, as well as the specific challenges facing Middle-Income Countries**

Countries in special situations, namely African countries, Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), Small Island Developing States (SIDS) and Middle-Income Countries (MICs), have made significant strides in pursuit of development and achievement of the Millennium Development Goals (MDGs). These countries also face significant challenges that must be overcome in order to achieve inclusive, equitable and sustainable development for all. There is certainly overlap in these categories of countries. For example, Africa is home to LDCs, LLDCs, SIDS and MICs. Most LLDCs are also LDCs and over half of the LDCs and LLDCs are found in Africa. That said, while these countries face similar challenges, each category also faces unique circumstances and concerns that the SDGs should address.

## 1. African Countries

### I. Introduction

Africa has experienced unprecedented growth over the past decade. Between 2000 and 2009, eleven African countries grew at an annual rate of 7 per cent or more and Africa's collective GDP at US$2 trillion today is close to Brazil's or Russia's. The business climate on the continent has also improved, with a nascent and growing middle class. While Africa's economic performance has made it an increasingly important player in the global economy, economic, social and environmental indicators show that the continent is still lagging behind on several development fronts, which makes the framing of the SDGs particularly important for the continent.

### II. Stocktaking

**Progress towards the MDGs and lessons learned**

With less than 800 days remaining until the 2015 target date for achieving the MDGs, Africa's progress remains uneven, varying across and within countries as the continent's aggregate performance masks wide income, gender and spatial inequalities. Strong advances have been made on some indicators such as net primary school enrolment, gender parity in primary education, representation of women in decision making, immunization coverage and stemming the spread of HIV/AIDS. In some countries, extreme poverty is not declining fast enough, millions of youth are unemployed, health systems are underdeveloped, and preventable maternal mortality is high. Many countries also face diverse environmental challenges related to climate change, water scarcity, biodiversity and ecosystem loss, deforestation, land degradation, desertification, drought, coastal erosion and low resilience to natural disasters.

Although Africa is the world's second fastest growing region economically, poverty reduction on the continent has lagged behind other regions. While extreme poverty has declined at a faster rate since 2005 than it did during the period 1990-2005, the continent's current rate of poverty reduction is not rapid enough to reach the MDG 1 poverty target by 2015. This situation is exacerbated in Sub-Saharan Africa by persistent food insecurity, evidenced by a high prevalence of hunger and malnutrition, particularly amongst children, that puts the MDG 1 hunger target out of reach. With more than 220 million undernourished in Sub-Saharan Africa, one in four people still experience chronic hunger. The continent as a whole also faces drastic demographic shifts, with a fast growing population that is the youngest in the world. Underlying opportunities in this demographic window are accompanied by significant risks, mainly represented by rising rates of youth unemployment and resulting social instability.

Although maternal deaths in the region have fallen by more than 40% since the 1990s, and the under five mortality rate has fallen by 33%, the region faces significant challenges in meeting MDGs 4 and 5 on child mortality and maternal health, respectively, and continues to bear the greatest burden of child and maternal deaths in the world. 440 women die each day in Sub-Saharan Africa due to child birth related complications and nearly two-thirds of women do not have access to family planning services and maternal health care. With regard to MDG 6 on combating HIV/AIDS, tuberculosis, malaria and other diseases, Africa has managed to halt and reverse the spread of HIV/AIDS, as well as the spread of malaria and tuberculosis. However, both diseases remain serious health threats, with gender inequality rendering women and adolescent girls particularly vulnerable to, and impacted by, HIV/AIDS. The continent has had mixed progress towards meeting MDG 7 on environmental sustainability. While there has been some progress in limiting $CO_2$ emissions and ozone-depleting substances, the continent has experienced continued loss of forest cover and biodiversity, as well as ongoing difficulties in meeting targets on water and sanitation. Efforts to achieve these goals are hindered by difficulties in meeting Goal 8 on the global partnership for development, as official development assistance to Africa fell to US$ 28.9 billion in 2012, a decline of 9.9 percent, in real terms, from 2011 levels.

In addition to targets at risk of not being met, some targets en route to being met are still a cause for concern. Africa is expected to meet MDG 2, for example, with most African countries having achieved universal primary enrolment with rates above 90 percent. However, quality of education, including focus on a safe and healthy learning environments, learning outcomes and skills for jobs, life and citizenship, remains a challenge as the continent contends with low completion rates, high rates of grade-repetition, and disparities in access to education between rich and poor, and urban and rural children. In addition, while the continent is making great strides towards MDG 3 on gender equality and women's empowerment, early marriage, household power dynamics and low economic opportunities for women are slowing progress.

The MDGs mainly focused on social issues without addressing the interrelated problems of population dynamics, inequality, unemployment, low economic development and lack of access to social safety nets. In addition, Africa's infrastructure deficit remains one of the most significant barriers to sustaining the continent's growth, cutting national economic growth by approximately two percentage points every year and reducing productivity by as much as 40 per cent.

**New and Emerging Challenges**

New and emerging challenges that straddle the peace and development divide pose challenges to good economic and political governance and sustainable development in Africa. The institutional tendency to address these issues in silos fails to account for the cross-sectoral and integrated nature of these matters. For example, climate change, deforestation, desertification, land degradation, drought, and low resilience to natural hazards and the impact of disasters affect many communities' social and economic well being. In addition, the continent's development efforts are hampered by energy poverty, difficulties in technology transfer, dependency on extractive industries, unsustainable production and consumption patterns, low penetration of ICT services, inadequate infrastructure, and weak institutional capacity. Non-inclusive economic growth and rapid population growth accelerated by lack of access to reproductive health services have fuelled high levels of migration, urbanization, youth unemployment, and ongoing food and health insecurity.

Political instability and recurrent conflicts have also hampered the continent's development efforts. While the majority of African countries have been experiencing a period of stability, there have been significant setbacks in several countries in North and Sub-Saharan Africa. In addition, lack of adequate income and economic prospects has been closely linked to an explosion in urban crime, including gang activity and organized crime. Indeed, human and drug trafficking, piracy and terrorism have emerged as key challenges on the continent. These challenges reflect the complex nexus between peace, security and development as well as the need for a holistic and comprehensive approach to addressing them.

## III. Overview of Proposals

During the July 2012 African Union Summit, leaders mandated the African Union Commission, along with the African Development Bank, the United Nations Economic Commission for Africa and the United Nations Development Programme to support efforts to develop an African common position on the post-2015 development agenda through extensive consultations with all stakeholders in the region. A key outcome of the consultations was a decision by the African Union Heads of State in May 2013 to establish a High-Level Committee to deepen consensus and advocacy for an African Common Position on the Post-2015 Development Agenda.

Overall, African stakeholders have called for an agenda that reflects the priorities of the African Union's New Partnership for Africa's Development (NEPAD) under four broad development outcomes:

***(i)*** ***Structural economic transformation and inclusive growth***: Stakeholders stressed the importance of sustainable and inclusive growth, highlighting the need to accelerate the pace and diversify the sources of the continent's economic growth as well as the need to reduce inequality, promote decent jobs and prioritize people-centred growth for the poor as well as for marginalized and vulnerable groups.

***(ii)*** ***Innovation and technology transfer***: Stakeholders recognised the importance of technology and called for technology transfer, funding for innovation systems, research and development, enhanced utilization of ICT and strengthening of science in school curricula.

***(iii)*** ***Human development***: The consultations highlighted the importance of human development as a foundation for the post-2015 development agenda. Stakeholders called for the eradication of poverty in all its forms and the empowerment of women and girls and vulnerable groups to be a primary focus of the agenda.

***(iv)*** ***Financing and partnerships***: The consultations highlighted the importance of partnerships and emphasised the need to ensure ownership, coherence and alignment of international support with national and regional priorities, as well as the need to promote public-private partnerships and South-South cooperation.

- In addition to the priority areas highlighted above, participants in the consultations identified key development enablers as pre-requisites for the post-2015 development agenda: Peace and security
- Good governance, transparency and fighting corruption
- Strengthened institutional capacity
- Promoting equality and access to justice and information
- Human rights for all
- Gender equality
- Domestic resource mobilisation
- Regional integration
- A credible participatory process with cultural sensitivity
- Enhanced statistical capacity to measure progress and ensure accountability
- Prudent macro-economic policy that emphasises fair growth
- Democratic and developmental state

**IV. Possible Suggestions on the Way Forward**

Africa needs to transform its economies to create wealth, strengthen its productive capacities, and minimize inequalities by promoting social safety nets as well as inclusive growth that creates employment and livelihood opportunities (especially for the continent's women and youth), eradicates hunger and malnutrition and promotes overall human development. Africa needs sustainable, inclusive and equitable economic development driven by industrialization and manufacturing through value-addition to products (including agriculture and minerals), innovative partnerships, infrastructure development (including improved access to energy), and strengthened international cooperation.

Special attention should be given to means of implementation such as innovative financing, trade, aid and development effectiveness, investment, technology transfer, capacity development, regional integration, globalization and trade, and increasing Africa's voice and participation in global governance. In addition, more focus should be given to Africa and the implementation of previously agreed commitments related to its development needs, including the Millennium Declaration, the MDGs, the Monterrey Consensus, the Johannesburg Plan of Implementation and the 2005 World Summit Outcome, the 2008 Doha Declaration on Financing for Development, the 2008 Political Declaration on Africa's development needs, as well as the Rio+20 Outcome Document.

## 2. Least Developed Countries (LDCs)

### I. Introduction

Established in 1971 by the General Assembly, the Least Developed Countries (LDCs) are recognized by the international community as "the poorest, most vulnerable and weakest countries".[1] It is the only group of countries which is subject to a technical review by the Committee for Development Policy, a subsidiary body of the United Nations Economic and Social Council, for inclusion in and graduation from the list of LDCs.[2] The Fourth UN Conference on LDCs declared that "we collectively commit to finding lasting solutions to the complex and mutually exacerbating challenges and problems of the least developed countries."[3] The Conference adopted the Istanbul Programme of Action (IPoA) for LDCs for the Decade 2011-20.

Other UN Conferences and Summits in the areas of socio-economic and environmental spheres also accord special priority to LDCs. For example, the Rio Principle 6 clearly articulates that the situation and needs of the LDCs shall be given special priority. Paragraph 181 of the Rio+20 Outcome states, "we agree to effectively implement the Istanbul Programme of Action and to fully integrate its priority areas into the present framework for action, the broader implementation of which will contribute to the overarching goal of the Istanbul Programme of Action of enabling half the least developed countries to meet the criteria for graduation by 2020." In paragraph 34 of the Rio+20 outcome, the international community commits to assist LDCs with the implementation of the IPoA as well as in their efforts to achieve sustainable development.

### II. Emerging challenges and lessons learned

Over the years, despite improved socio-economic performance by LDCs, the gap between these countries and the rest of the world has widened. For example none of the LDCs have been able to meet all the MDGs, indicating that LDCs as a group have been left behind in the implementation of the MDGs. Their marginalization is also reflected in their minuscule shares in world trade and global FDI flows. Going forward, the development challenges of the LDCs, therefore, should be at the front and centre of the attention of the international community. This can be done only when poverty eradication, economic transformation and sustainability are holistically addressed.

[1] Istanbul Programme of Action for the Least Developed Countries for the Decade 2011-20, para 8. Also the Brussels Programme of Action for the Least Developed for the Decade 2001-10, para 1

[2] The criteria for designation of LDCs are gross national income per capita; a human assets index; and an economic vulnerability index.

[3] Istanbul Declaration, OP-1 (A/CONF.219/L.1)

Average GDP of LDCs expanded by only 4% in 2011[4] and an estimated 3.3% in 2012, compared with the annual average growth rate of 7.3% achieved from 2001 to 2010[5]. This sluggish growth was primarily caused by the global economic and financial crises and was compounded by dwindling external support, which put the hard earned gains of the LDCs at high risk. Though LDCs projected growth recovery for 2013 and 2014 is inspiring, it is still far from the IPoA target of 7%.

The lack of access to energy remains a major impediment to the sustainable development of LDCs, as it exacerbates the vulnerability of the chronically poor and constrains their productive capacity. In LDCs, 79% of the population lacked access to electricity while 91% had no access to modern fuels. Furthermore, the state of science, technology and innovation in LDCs remains poor. Only 0.5% of the world's researchers live in LDCs and 0.4% of the world's scientific publications originate in the LDCs.[6]

Though the poverty reduction target of the MDGs has been achieved globally, in LDCs, more than 47 % of the population is still living in extreme poverty. The population of LDCs is expected to nearly double to 1.67 billion between now and 2050. Although the LDCs contain only 12% of the world population, they will account for almost 40% of the global population growth during the next forty years. An ILO study suggests that LDCs need a rate of employment growth of 7% to achieve MDG 1, against the growth of 2.9% per annum over the years 2000–09. It is important to note that adjusted for population and environmental effects, the real growth rate of LDCs in 2000-2008 was almost merely 2.5 percent, almost half the rate as in other developing countries[7].

While primary school enrolment rates across the LDCs have increased from 57 to 79 per cent during the period 1999-2008, LDCs are not on track to achieve universal primary education by 2015. More than 40 per cent of adults in LDCs lack literacy skills. 69 per cent of LDCs have yet to reach gender parity in primary education.

$CO_2$ emissions per capita of LDCs remained constant at 0.2 per cent, yet they are disproportionally exposed to the impacts of environmental degradation, climate change and disasters and remain the least equipped to deal with them. Soil erosion, land degradation, deforestation, bio-diversity loss, waste management and ecosystem, drought, tropical cyclones and floods are major challenges, which could be further compounded by the potentially negative effects of climate change, including sea-level rise, melting of glaciers and coastal erosion. With their low-carbon profile, rich natural assets and early stage of structural transformation, LDCs, with appropriate support from their development partners, are well positioned to jump start the transition to a green economy growth path.

Average gross domestic savings in the LDCs increased from 18.3% in 2010 to 19.7% in 2011. However, ODA as a percentage of the gross national income (GNI) of donors fell to 0.10% in 2011 from 0.11% in 2010 and is estimated to have declined further in 2012. However, a number of donors have already met the ODA targets of MDG8 and the IPoA. FDI inflows to LDCs, following a decline during the global economic crises, increased to $26 billion in 2012 against $21 billion in 2011.[8] LDC exports also witnessed a strong 23.9% growth in 2011 reaching a level of US$230 billion.[9] LDCs' exports to developing economies expanded more than seven-fold to represent 52% of their total exports in 2011 - up from 40% in 2000, primarily driven by the exports of primary commodities.

As the United Nations expand its global development agenda with integrated and holistic sustainable development agenda, the financing gap coupled with capacity and institutional constraints are major barriers to the development of LDCs.

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[4] State of the LDC economies 2013, OHRLLS
[5] Report of the Secretary-General on the Implementation of the Programme of Action for the Least Developed Countries for the Decade 2011-2020 (A/68/88–E/2013/81)
[6] UNESCO Science Report, UNESCO, 2010.
[7] Population Dynamics in the Least Developed Countries: Challenges and Opportunities for Development and Poverty Reduction. UNFPA
[8] World Investment Report, 2013, UNCTAD
[9] Note by the WTO Secretariat on market access for products and services of export interest to LDCs, 1 October 2012.

## III. Recommendations for a possible way forward

SDGs should continue to have extreme poverty eradication as a core and overarching objective. For sustainable development to be successful in LDCs, it should firmly integrate inclusive and sustained economic growth that is based on structural transformation and creation of productive jobs. LDCs should pursue a sustainable development agenda that ensures the protection and regeneration of their natural assets, on which they are directly dependent. Furthermore, a sustainable development agenda must be based on the Rio Principle 6 and the prioritisation of support to LDCs to diversify their economies and gradually transit to green technologies. Therefore, SDGs should accelerate the progress made in MDGs, integrate IPoA priorities and Rio+20 objectives in a seamless and inclusive manner. The SDGs should integrate the priority areas of the IPoA and provide for clear means of implementation, especially in the areas of mobilizing financial resources, including domestic resources, ODA and investment; international trade; and access to and transfer of technology. Thus, the SDGs need to integrate the following issues:

**Structural transformation through productive capacity building**: Special priority should be accorded to building a critical mass of viable and competitive productive capacity in agriculture, manufacturing and services; diversification and structural transformation; infrastructure development especially sustainable energy and enhanced investment. Technological innovation and technology transfer to LDCs should be an important area of focus. The IPoA initiative on establishing a Technology Bank dedicated to LDCs is critical in implementing this goal and should be operationalized expeditiously.[10]

**Agriculture, food security and rural development**: Revitalization and diversification of agricultural production in LDCs are vitally important. The IPoA accords special emphasis on increasing agricultural productivity, food and nutritional security and rural development. LDCs and their development partners should explore the feasibility, effectiveness and administrative modalities of a system of stockholding in dealing with humanitarian food emergencies and fragile recovery situations. Further attention should be provided to the benefits of natural ecosystems, including forests, as a basis for ensuring food security and rural development.

**Trade**: LDCs and their development partners have set an ambitious goal of doubling the share of LDCs' exports in global exports by 2020. The development partners have agreed to realize timely implementation of duty-free quota-free market access, on a lasting basis, for all LDCs, with simple, transparent and predictable rules of origin; and the reduction or elimination of arbitrary or unjustified non-tariff barriers and other trade-distorting measures. Development partners also agreed to enhance the share for LDCs of the Aid for Trade resources and increase support for the Enhanced Integrated Framework. LDCs also need assistance to better integrate themselves into global value chains by ensuring an open and transparent trade regime.

**Commodities**: The IPoA calls for reducing commodity dependence in LDCs including through the diversification of their export base through ensuring value addition and increasing value retention. Development partners' commitment to assist LDCs to better mitigate and manage the risks associated with commodity price volatility and to pursue policy options to reduce such volatility should be fully implemented. There should be corporate transparency and accountability of companies, including through the Extractive Industries Transparency Initiatives (EITI).

**Human and social development**: The IPoA makes strong commitments towards attaining the MDGs by 2015 and making further significant progress beyond 2015 in the areas of education and training, population and primary health care, youth development, shelter, water and sanitation, gender equality and empowerment of women, and social protection. In the IPoA, development partners have agreed to resist the imposition of

[10] See the Report of the Secretary-General on "A Technology Bank and Science, Technology and Innovation Supporting Mechanism dedicated to the Least Developed Countries" (A/68/217)

unreasonable restrictions on labour migration and developing short-term migration. Effective implementation of this commitment will have a salutary effect on human resource development in LDCs, as well as their external earnings.

**Multiple crises and other emerging challenges**: The continued vulnerability of LDCs to economic shocks and natural and man-made disasters require a renewed focus on building resilience at local, national and regional levels. LDCs should be fully supported in their efforts to strengthen and build their institutions and national facilities for crisis mitigation and resilience.

**Environmental degradation and climate change:** Despite ever-growing urbanisation, over two thirds of the population in LDCs still live in rural areas, where land is usually the sole asset of the poor. It is important to ensure that the challenges mentioned before are fully acknowledged and strong support mechanisms are put in place to address them. Development partners have agreed to promote and facilitate clean development mechanism projects in LDCs and to respond to the needs of people affected and displaced as a result of extreme weather events, which should also be realized in an adequate and timely manner. Increased efforts are therefore needed to reduce their vulnerabilities, disaster risk and losses as well as to implement the Hyogo Framework for Action 2005-2015 and its successor.

**Mobilizing financial resources for development and capacity-building**: LDCs are committed to creating a conducive domestic environment, including domestic resource mobilisation while donors reconfirmed their commitments to ensure the fulfilment of all ODA commitments to LDCs. Implementation of this commitment warrants swift reversal of the recent declines in ODA, further enhancement of ODA flows, quality and development effectiveness, direct ODA to key priorities of the IPoA, especially in the area of productive capacity building. It is therefore important that besides meeting the targets of ODA, the partners should also clearly point out the direction of enhancing the share of ODA going to LDCs in the next decade. This would be in line with the IPoA and the Rio+20 as well.

Furthermore, there is a need to urgently act on the agreement in the IPoA to provide specific debt relief measures for LDCs which are not HIPC as well as temporary debt standstills between debtors and all creditors. Development partners have also agreed to adopt investment promotion regimes, which needs to be materialized. LDCs also need support to mobilize additional private financial flows. Lowering the costs of migration and remittances can further accelerate the flow of resources to LDCs.

**Good governance at all levels**: The LDCs committed to continue reforming institutional, legal and regulatory frameworks as well as the public sector to increase the efficiency and transparency of service delivery, including the fight against corruption. Development partners, on the other hand, have committed to support these efforts especially by providing LDCs with timely information on annual ODA commitments and disbursements, promoting policy coherence and coordination of international financial, trade and development institutions, and harmonizing and aligning assistance with national priorities of LDCs.

The IPoA also reflects the new realities that emerged in international economic relations. Developing countries have made a commitment to support the development of LDCs within the framework of South-South cooperation as a complement to North-South cooperation. As the challenges and opportunities are multiplying in the next decade and the development agenda is being holistic, a multistakeholder approach to sustainable development will be critical. Therefore, giving due priority to LDCs in accessing innovative financing as well as resources from foundations, private investments, and support from the civil society would be crucial as a complement to ODA.

**National leadership and ownership:** Sustainable development demands strong national ownership, the right policy framework and a visionary approach from all but particularly from the national leadership. This will need capacity enhancement of the national policy making bodies as well as implementing agencies and institutions.

**Monitoring and data:** Strong support for developing a robust monitoring mechanism with strengthening of national statistical capacity will be vitally important for LDCs. Full support to further develop their capabilities should be prioritized.

## 3. Landlocked Developing Countries

### I. Introduction

The Landlocked Developing Countries (LLDCs) face special challenges that are linked to their geography, including remoteness from major international markets, inadequate transport infrastructure and high transport and transaction costs. As a consequence, many LLDCs find themselves marginalized from the world economy, cut-off from the global flows of knowledge, technology, capital and innovations, and unable to benefit substantially from external trade. This affects their development prospects, including sustained economic growth, poverty reduction and the achievement of the Millennium Development Goals.

The United Nations Millennium Declaration recognised the special needs of LLDCs in its paragraph 18: "We recognize the special needs and problems of the landlocked developing countries, and urge both bilateral and multilateral donors to increase financial and technical assistance to this group of countries to meet their special development needs and to help them overcome the impediments of geography by improving their transit transport systems." The Almaty Programme of Action — the first international partnership framework aimed at supporting the LLDCs to address their special needs— was subsequently adopted at the First United Nations Conference held in 2003 in Almaty, Kazakhstan. The UN General Assembly has also consistently recognized the need to address the special challenges of the LLDCs in the outcome of the 2005 and 2010 World Summits on the MDGs where they called for the full, timely and effective implementation of the Almaty Programme of Action.

### II. Assessment of recent developments

Although the LLDCs have made some progress in their development performance since the Millennium Declaration in 2000 and the adoption of the Almaty programme of action in 2003, it is clear that much remains to be done to assist them to achieve sustainable and inclusive economic growth that delivers decent jobs, accelerates poverty reduction and leads to the achievement of higher levels of wellbeing of their people on a sustained and sustainable basis. The group achieved higher annual rates of economic growth, which averaged 6.6% between 2003 and 2007 but slowed down to 3.6% in 2009 because of the global financial and economic crisis. While their average growth rate in 2011 was 6.0%, half of the LLDCs recorded a growth rate of less than 5%. In addition, 19 out of the world's 31 LLDCs have a low per capita GDP of less than US$1,000 in real terms.

On the social development front, although LLDCs have experienced a positive trend in the Human Development Index between 2003 and 2011 and have made advances on some MDGs in particular primary education and reducing HIV and AIDS prevalence rates, much more needs to be done. Poverty levels are still high and progress is also slow on reducing hunger, child and maternal mortality, and improving access to sanitation. In addition, wide and growing income inequalities in LLDCs are undermining efforts to reduce poverty and to achieve the MDGs.

The share of LLDCs in world trade has improved since 2003 and the value of their merchandise exports in nominal terms increased from US $33 billion in 2003 to US $224 billion in 2011. However, when compared to the world's total merchandise and services exports, LLDCs account for a very low proportion of only 1.17% showing the marginalization of the LLDCs from global markets. Furthermore LLDCs heavily rely on natural resource-based commodities thereby making them highly vulnerable to commodity price fluctuations. Whilst the export concentration ratios for other developing countries have remained relatively stable below 0.15, since 2000, they have dramatically increased for the LLDCs from 0.17 in 2000 to 0.38 in 2011.

Transport costs are still very high and have on average increased in LLDCs. According to the World Bank's Doing Business 2013 Report, the average costs of exporting a container for LLDCs increased from US$ 2200 in 2006 to US$ 3000 in 2013, while transit developing countries are only paying 50 percent of this cost. These high transport costs and trade transaction costs continue to constitute the greatest impediment to LLDCs' trade competitiveness, equitable access to global markets and the overall welfare of the people.

Other challenges faced by LLDCs include limited productive capacities, non-tariff barriers, high vulnerability to external and internal shocks and limited market access for some of their products. Total value addition from agriculture for LLDCs declined from 22.8 per cent in 2001 to 18.2 per cent in 2011. Value addition from manufacturing has also been on the decline. The manufacturing value added —a basic indicator of the level of industrialization— has declined from a peak of 18.1 per cent in 1992 to 11.5 per cent in 2011.

## III. Priority Areas for LLDCs for integration into the Sustainable Development Goals and Post 2015 Development Agenda

In view of the structural and economic challenges manifested by the LLDCs, the following are priority areas that need to be integrated in the SDGs and Post 2015 Development either as goals or targets.

**Social development:** It is important to retain all the current MDGs on social development, as they are still relevant to the LLDCs. A development agenda that supports LLDCs' efforts in job creation and attaining employment-intensive growth is critical. Reducing all major forms of inequalities should be an integral part of the goals. The targets should include improving access to affordable and nutritious food and, to basic social protection for all poor and vulnerable people. Gender equality is important for poverty reduction and for addressing inequalities, and should be maintained.

**Transport and transit infrastructure:** Accelerated reduction of the high transport and trade transaction costs for LLDCs is vital. The development agenda should ensure that the LLDCs are supported to establish efficient transit transport systems through increased investments into transit transport, energy and information and communications technology infrastructure and border crossing projects. This is important to improve efficiency and lower time and cost of transport for LLDCs and will help them to reap the full benefits from international trade.

**Enhancing trade, trade competitiveness and trade facilitation:** Greater integration of LLDCs in world trade and into global value chains is vital for their economic development. Increased market access is important for significantly increasing the share of LLDCs' in world trade. Increased support to assist LLDCs to diversify their production and export base is essential. Enhanced trade facilitation is vital if LLDCs are to reap the full benefits of international trade. The successful conclusion of the Doha Round with favourable outcomes is necessary. In particular, the outcome should fulfil the objective of lowering transaction costs by, inter alia, reducing transport time and enhancing certainty in trans-border trade. Provision of technical assistance and support for capacity building remains vital in enabling LLDCs and transit countries to fully participate in and benefit from multilateral trade negotiations and effectively implement policies and regulations aimed at facilitating transport and trade.

**Structural transformation enhanced productive capacities and building resilience to shocks:** LLDCs need to achieve structural transformation, which is at the heart of a dynamic and sustainable economic growth process. While international support and cooperation can help shore up internal shortcomings and weaknesses, it is simply not sustainable in the long run. Structural transformation with an emphasis on industrialization, value-addition, value chains and institutional and human capacity development is very important. Enhanced development of human skills and education in particular post-primary education are critical for improving the services and industrial sectors as well as spurring technological innovation in LLDCs – these need to be reflected in the new goals. Capacity building on the mechanisms to foster population resilience is a core element of this deep transformation that allows people to overcome shocks.

**Regional integration:** Regional cooperation, including trade integration, and transit cooperation, can facilitate LLDCs integration into the global trading system by, inter alia, increasing the size of markets, improving their competitiveness, and enhancing regional connectivity and intra-regional trade. It is important that the post 2015 development agenda promotes more harmonized and effective regional and sub-regional integration.

**Private sector development:** A vibrant and competitive private sector capable of boosting diversification, stimulating job creation, driving innovation, and fostering integration into global markets is essential to support LLDCs. A sustainable development agenda that supports a development framework that underpins an operating environment conducive to responsible private sector growth and development, namely: peace and stability, the rule of law, good governance, accountability and transparency, absence of corruption, adequate infrastructure, an educated workforce, clear property rights and enforceable contracts. It should also strengthen the capacity of the private sector, including SMEs to address their financial, technical and technology gaps, promote innovation and management skills, access to production infrastructure and utilities, as well as knowledge of and access to markets.

**Climate change, desertification and land degradation:** Since LLDCs face particular vulnerabilities to climate change and desertification, it is important that the new development framework includes a goal which addresses climate change, desertification, land degradation and droughts. LLDCs require support in the form of financial and technical assistance for climate change adaptation and disaster risk reduction, and support to address deforestation, desertification and land degradation.

**Means of implementation:** The partnership goal should provide LLDCs with resources for implementation and with increased market access. It should include targets on: increased ODA; increased aid for trade; increased market access; technical assistance and capacity building support; increased FDI; strengthened South-South cooperation; and increased technology transfer.

## 4. Small Island Developing States (SIDS)

### I. Introduction

Small Island Developing States (SIDS) are a ‘special case’ in terms of their environment and development. They are ecologically fragile and vulnerable. Their small size, limited resources, geographic dispersion and isolation from markets; place them at an economic disadvantage, including challenges to develop economies of scale. For SIDS the ocean and coastal environment is of strategic importance and constitutes a valuable development resource. Their geographic isolation has resulted in their habitation of a comparatively large number of unique species of flora and fauna, giving them a very high share of global biodiversity. They also have rich and diverse cultures with special adaptations to island ecosystems and knowledge of the sound management of island natural resources. SIDS face all the environmental problems and challenges of coastal zones, concentrated in a limited land area. They are located among the most vulnerable regions in the world in relation to the intensity and frequency of natural hazards. SIDS are on the frontlines in terms of experiencing the impacts of climate change. These challenges are causing major set-backs to their socio-economic development. SIDS lack the capacity to address these challenges themselves and rely on the support of and partnership with the international community to realize their sustainable development objectives. SIDS’ small and open economies leave them especially exposed and highly vulnerable to external shocks. The increased indebtedness and constrained fiscal space can have long-term developmental consequences. Many SIDS are dependent on their narrow resource bases with little space for diversification.

## II. Emerging challenges and lessons learned

Many SIDS are heavily dependent on fossil fuel for their energy needs. As much as 15 per cent of gross domestic product (GDP) can be expended on energy imports with electricity costing USD 2.50 per unit, among the highest costs per unit in the world. The increasing cost of imported fossil fuels represent a major impediment to the achievement of sustainable development and poverty eradication in SIDS as scarce financial resources are diverted from efforts to promote social and economic development and ensure environmental sustainability. In recognition of this SIDS have themselves pledged to increase their renewable energy components in the energy mix with a couple committing to 100% renewable energy generation by 2020.

The growing interest in sea-bed mining in a number of SIDS further provides opportunities for their economic growth but at the same time poses a number of challenges to protecting SIDS marine environment from potential degradation. The vital tourism industry in SIDS, which in many SIDS is the largest employer, is very much dependent on healthy coastal marine environments. It is therefore fundamental to continue to promote sustainable practices in the tourism industry. Adequate policy and legal measures that strike a balance between utilization of natural resources for economic benefit, including marine resources, and environmental protection in SIDS need to be strengthened.

Several SIDS are classified as middle-income countries thus limiting their access to concessional financial resources. A number of SIDS have in the recent past registered debt to GDP ratios in excess of 100 percent. For some SIDS, high public debt levels have been a persistent and unresolved problem with some recently experiencing rapid debt accumulation.

With regard to MDGs, over the past decade, SIDS have made some progress towards achieving the MDGs, though less than other developing countries. In addition, much of this growth was jobless and their economic diversification has been mostly stagnant over the last three decades. Thus their production and export structure is still highly concentrated, they are highly dependent on aid and their marginalization in the global economy is exacerbated by their geographical handicaps, including small size, remoteness and their isolation from major international markets and prohibitive trade transaction costs. SIDS have made good progress in the areas of gender, health and certain educational and environmental goals. However, they have made less progress than most other groupings, or even regressed in economic terms, especially in terms of poverty reduction and debt sustainability, a result of low growth.

Gains made by SIDS toward attaining sustainable development could all come to nought if the climate change challenge is not comprehensively addressed. The 2012 World Bank Report Turn Down the Heat, warns that if current commitments and pledges are not fully realised, a warming of 4°C could occur as early as the 2060s and associated sea-level rise of 0.5 to 1 meter or more by 2100 will threaten the very existence of entire countries and many SIDS. A similarly dire warning is found in UNEP's 2012 Third Emissions Gap Report indicating that without action, emissions are likely to reach 58 Gigatonnes (Gt) by 2020.The report also warns that to stay within the 2°C limit which has been called for by SIDS, global emissions will need to peak before 2020 and then drop sharply thereafter.

The report of the Working Group 1 contributing to the Fifth Assessment Report, stated that global mean sea level will continue to rise during the 21st century . Under all 'Representative Concentration Pathway' scenarios the rate of sea level rise will *very likely* exceed that observed during 1971–2010 due to increased ocean warming and increased loss of mass from glaciers and ice sheets[11]. The report further stated that sea level rise

[11] Working Group I Contribution to the IPCC Fifth Assessment Report, *Climate Change 2013: The Physical Science Basis*, Summary for Policymakers, SPM-18

will not be uniform. By the end of the 21st century, it is *very likely* that sea level will rise in more than about 95% of the ocean area. About 70% of the coastlines worldwide are projected to experience sea level change within 20% of the global mean sea level change.[12] With these projections it can be assumed that many SIDS, particularly low-lying atolls, will be severely affected.

Ocean acidity has increased by 26% since the beginning of the industrial revolution and the rate of acidification is expected to accelerate in coming decades in any 'business as usual' scenario for CO2 emissions.[13] Further monitoring and research is needed to make better projections of the acidification and its impact. Capacity-building activities directed towards SIDS to mitigate the impacts of ocean acidification will be crucial to ensuring, inter alia, food and nutrition security and securing sustainable alternatives to fishing to supply both income and adequate nutrition.

## III. Recommendations for a possible way forward

The implementation of the BPOA and MSI over the last two decades has seen important lessons learnt in the value of SIDS-SIDS cooperation and partnerships with development partners. Partnerships no matter how big or small should continue to provide an important platform through which SIDS proceed towards achieving their sustainable development objectives. There remains the need however, for an effective mechanism to support SIDS-SIDS cooperation.

The following areas need high attention in designing the SDGs:
**Sustainable energy:** The Barbados Declaration on Achieving Sustainable Energy for All in SIDS emphasized that there are commercially feasible options for providing energy such as wind, solar, geothermal, and ocean energy, and that many SIDS are particularly suited to these options because of their geographical location. Access to these technologies however remains a major challenge for SIDS and the international community particularly developed countries must ensure the provision of financial resources, technology transfer and capacity building in SIDS to ensure the realization of utilizing renewable energy resources. Given the interdependence of various sectors such as water, food and agriculture, eradicating poverty and improving livelihoods with access to sustainable energy, the issue of developing viable renewable energy resources remains a high priority for SIDS and the promotion of renewable energy technology should be pursued in the SDGs and post-2015 development agenda.

**Oceans:** For many SIDS the oceans and its vast resources is the firm basis upon which jobs and economic growth depend. The potential that sectors based on the ocean and its resources holds for economic growth through sectors such as tourism, fisheries and appropriate aquaculture will need to be unlocked– with right policy frameworks. In the Pacific SIDS region license fees collected from Distant Water Fishing Nations provide some 3 to 40% of government revenue. Fish provides 50 to 90% of animal protein of many SIDS where consumption is typically three to four times the global average. SIDS food security depends on the health of the oceans. In terms of livelihood, 47% of households in Pacific SIDS derive their first or second income from catching and selling fish. The need to enhance marine scientific research and technology capacities for SIDS to support policy making is key. Coastal areas and marine resources are of substantial cultural and historic significance to the communities that inhabit and use them. Promoting connectivity through enhancing marine transportation and ICTs along with appropriate regional integration measures are other important avenues that can better enhance sustainable development in SIDS. As such the health of the oceans is vital to SIDS, and not only to SIDS but to the global community as well. Ocean and seas should be integrated into the SDGS, whether in the form of a dedicated SDG on oceans or cross-cutting targets.

**Non-communicable diseases**: They constitute a major obstacle for the achievement of sustainable development in SIDS and thus assistance is needed from the international community for SIDS to develop and

[12] Ibid, SPM-19
[13] A Blueprint for Ocean and Coastal Sustainability, UNESCO, FAO, UNDP, IMO, 2012.

implement comprehensive strategies to address this issue. Increased capacity and institutional strengthening will be a major requirement in preventing epidemics resulting from NCDs in SIDS.

**Climate change and sea level rise**: This will continue to be the most serious threat to SIDS in their pursuit of sustainable development with impacts in some cases – especially low-lying islands - affecting the very survival of SIDS. The international community must undertake greater political commitment to the UNFCCC processes in addressing the adaptation needs of SIDS including the provision of new, additional and predictable financial resources. Likewise, the Secretary-General's Climate Change Summit in 2014 will provide an important avenue to increase mitigation measures that would ensure minimal impacts on SIDS. Also of importance to SIDS will be the full operationalisation and capitalization of the Green Climate Fund by early 2014 with the need to scale-up financing to reach USD 100 billion by 2020. Strengthened research and knowledge exchange for policy and decision-making is needed.

**Building resilience:** In the Caribbean and Pacific islands, more than 50% of the population lives within 1.5 kilometres from the coast.[14] On average, almost 30% of SIDS population reside in areas between the sea level and five meters above sea level[15]. Given their small size, the expected annual average losses from earthquakes and tropical cyclone wind damage in SIDS represent respectively only 2 per cent and 1.4 per cent of the global total. However, precisely because they are small, 8 of the 10 countries that would lose the largest proportion of the value of their produced capital stock in a one-in-250 year earthquake are SIDS. In the case of a one-in-250 year cyclone, SIDS comprise 6 of the 10 countries most at risk.[16] SIDS, with low levels of investment and high average annual losses, are less likely to be able to absorb losses, even from more frequent, less severe events. Jamaica observed annual average losses between 1991 and 2011 equivalent to 2.6 per cent of its average annual investment. This contributed to its sluggish growth over this period.[17] Similarly, Vanuatu and Tonga are estimated to sustain average annualised losses at 6.6 and 4.4 per cent, respectively.[18] Special consideration should be given to financing for early warning systems along with improved human and institutional capacity for implementing regional and national disaster risk reduction strategies, including research and data collection and analysis. Supporting traditional systems of environmental protection and resource management, is crucial for stronger disaster management strategies and enhanced climate change adaptation and can, in general, also enhance the ecological and social resilience of SIDS and SIDS peoples.

Forests can play a key role in developing the resilience of SIDS against vulnerabilities of different kinds, including climate change. Coastal forests and mangroves have proven to be among the most effective ways of protecting coastlines against sea-level rise while providing local populations with a valuable source of fish. Further inland, forests and fruiting trees (through agro forestry) help maintain the soil in place, protecting mountainous landscapes against erosion and mudslides, especially in the face of extreme weather, while ensuring a domestic source of fruit and reducing dependency on food imports. Finally, forests of all types prevent siltation, thus protecting coastal marine ecosystems, including coral reefs, which constitute the basis for millions of livelihoods across SIDS, whether for fishing or for tourism.

**Means of Implementation:** For many SIDS, ODA still remains as an important source to support development. SIDS also look forward to the operationalisation of the Green Climate Fund. FDI in recent years has been concentrated on only a handful of SIDS and enabling measures that would contribute to building confidence in SIDS in general that enhance their potential as investment friendly destinations would need to be promoted. Further, debt sustainability is an issue of great concern to SIDS, many of whom have some of the highest debt to GDP ratio in the world. These debts and the burden they place on SIDS have been compounded, in many

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[14] A Blueprint for Ocean and Coastal Sustainability, UNESCO, FAO, UNDP, IMO, 2012.
[15] The 30% figure used in the sentence is calculated using the World Bank's *The Little Data Book on Climate Change 2011* is a product of the Development Data Group of the Development Economics Vice Presidency, the Environment Department, and the Global Facility for Disaster Reduction and Recovery Group of the World Bank
[16] UNISDR (2013) From Shared Risk to Shared Value – The Business Case for Disaster Risk Reduction.
[17] UNISDR (2013) From Shared Risk to Shared Value – The Business Case for Disaster Risk Reduction.
[18] Jha, Abhas K.; Stanton-Geddes, Zuzana. 2013. Strong, safe, and resilient: s strategic policy guide for disaster risk management in East Asia and the Pacific. Directions in development; environment and sustainable development. Washington D.C., the World Bank.

instances, by the frequent onset and impact of natural hazards and their costly 'clean-up' and recovery costs as well as the high transaction costs inherent in many SIDS. As such a holistic approach to the means of implementation that is as ambitious as the sustainable development agenda itself should also be promoted and seriously considered. Sustainable maritime transport should also be considered in this context.

## 5. Middle-Income Countries

### I. <u>Introduction</u>

Middle income countries (MICs) are a diverse group by size, population and income level, and are home to 5 of the world's 7 billion people and 74% of the world's population. According to the World Bank's classification, MICs are defined as having a per capita gross national income of US$1,036 to $12,615. Using this metric, more than half of the world's countries are considered middle-income. MICs thus constitute a large and diverse grouping of countries, with significant distinctions to be found amongst them. They are found in all developing regions of the world, with Latin America and the Caribbean having the highest proportion of MICs worldwide. MICs are also major engines of growth, constituting about 45 per cent of world gross product measured in purchasing power parity terms.

### II. <u>Stocktaking</u>

**Progress towards the MDGs and lessons learned**

While MICs have made uneven progress towards the MDGs, their progress has been remarkable in many respects. As a group, MICs are on track to achieve the MDG 1 target for poverty reduction. But this figure belies a stark change in world poverty – most of the world's poor live not in the poorest countries, but in MICs. According to the Secretary-General's most recent report on "Development cooperation with middle income countries", progress towards the MDG 1 target on hunger has also been mixed, with MICs accounting for 69.6 per cent of global undernourishment. Numerous MICs are close to achieving MDG 2, with the World Bank reporting higher primary enrollment since 2000 and completion has reached highs of more than 90% in Latin America and developing Europe and Central Asia. Despite this progress, a number of countries still face challenges in ensuring primary education on a universal basis.

Although a host of countries have graduated to 'middle income' status in recent years, poor people within these countries have been left behind, with further stark differences between rural and urban sectors. In 1990, 90 per cent of the world's poor lived in poor countries. Today, estimates show that three-quarters of the world's 1.3 billion poor people now live in MICs, with income distribution in MICs tending to be more unequal than in low- and high-income countries. Moreover, MICs continue to face a number of challenges, including widespread poverty; lack of access to basic needs and services; growing environmental pollution and degradation, with significant effects on public health, especially in urban areas with great population density; social constraints such as limitations for women and girls to gain fully equal access to education, training and jobs; malnutrition; high child and maternal mortality; limited or no access to sanitation; lack of capacity to upgrade their manufacturing sectors; and a lack of adequate healthcare systems in numerous countries.

**New and Emerging Challenges**

At the national level, many middle-income countries face a unique development challenge. Lower-middle-income countries (defined as having per capita gross national income of US$1,036 to US$4,085) often lack economic diversification and, as a result, are particularly vulnerable to external shocks. Furthermore, as countries reach middle-income status, they often encounter 'second generation' challenges that reflect the more advanced stage of their development, including lifestyle diseases, aging populations, pension reform, tertiary education, social inequality, competitiveness, trade and tax policy, financial literacy, green growth, and urbanization. For many MICs, their place in the world economy entails production costs that exceed those of the low-income countries, while their lack of technological competitiveness hinders their capacity to produce higher-value products and therefore keeps them below the ranks of high-income economies. This phenomenon of exhibiting higher costs compared to some countries, while lacking competitiveness in relation to others, effectively traps countries at their current development stage. In addition, MICs comprise 10 of the 20 countries with the highest levels of inequality in the world, a situation that hinders their long-term development.

Aid effectiveness in MICs is also a challenge. In 2012, bilateral Official Development Assistance (ODA) to these countries fell by 13 percent, to about US$ 26 billion, creating need for enhanced domestic resource mobilization. Although MICs receive a total of 43% of the total net bilateral ODA, their capacities for redistribution or for coordinating aid efforts may differ. There is no consensus amongst bilateral donors on the appropriate terms and volume of assistance to MICs, or about how best to target and coordinate ODA to reduce poverty and tackle inequality. Some upper middle-income countries (which are defined as having per capita gross national income of US$4,086 to US$12,615), such as China, Brazil and India have recently distinguished themselves as 'emerging partners', providing development aid to other developing countries.

## III. <u>Overview of Proposals</u>

In June 2013, a High-Level Conference of Middle Income Countries was held in San José, Costa Rica, hosted by the Government of Costa Rica and co-organized by the UN Industrial Development Organization (UNIDO). During the conference, a High-Level panel met to address key concerns of MICs and their integration into Post-2015 Development Agenda, culminating in the adoption of the San José Declaration in which the Ministers and Heads of Delegations, *inter alia*:

- Agreed to promote measures and cooperation to advance inclusive and equitable economic growth and prosperity, industrial advancement in the framework of sustainable development, and finance and investment in MICs;
- Emphasized MICs' progress in education, health and social programmes, which requires support from the international community;
- Called on all countries to prevent, mitigate and adapt to the adverse effects of climate change under the principles of common but differentiated responsibilities;
- Emphasized the role of public-private partnerships and knowledge networking as instruments to meet sustainability challenges, which should be taken into account in the elaboration of the Post-2015 Development Agenda;
- Requested the UN development system, in particular funds and programmes, to consider the San José Declaration in future programme decisions, including in the context of the Post-2015 Development Agenda;

## IV. <u>Possible Suggestions on the Way Forward</u>

A significant number of MICs are in economic transition and therefore require unique support to reduce inequalities, as well as to address social imbalances. Relevant MDGs that remain as part of the development agenda should be crafted in a manner that is relevant for MICs and provide coherent support for growth, security and poverty reduction. A more effective development agenda would help countries to deliver both the policies and the institutions necessary to support equitable growth and poverty reduction. It is particularly important that the agenda recognize the vulnerability of many MICs to returning to low-income country status or being stuck in the so-called 'middle-income trap'. More needs to be done to set up e-Governments, support infrastructure development, and foster multi-sectoral approaches to development. Moreover, to increase effectiveness and positive results on monitoring and evaluation, MICs will need support in bridging the technology gap.

MICs are critical drivers of the world economy, with knowledge and resources to share. Given their strengthening economic base, MICs (particularly large emerging economies and upper-middle-income countries) have the potential to make powerful contributions to production of global public goods, including those related to security and climate change. They can and should be powerful forces for stimulating sustainable development, including by supporting other developing countries in achieving SDGs through South-South cooperation, trade and finance, and other means.

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