



# HIGH-LEVEL POLITICAL FORUM ON SUSTAINABLE DEVELOPMENT

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## 2018 HLPF Thematic Review - Transformation towards sustainable and resilient societies: Perspectives of LDCs, LLDCs and MICs

### Introduction

This thematic review session will evaluate progress in achieving a transformation towards sustainable and resilient societies in the least developed countries (LDCs), landlocked developing countries (LLDCs), and middle-income countries (MICs)—countries in special situations that face specific challenges that must be prioritized and overcome if poverty is to be eradicated, and no one is to be left behind in reaching the SDGs.

These three groups of countries represent a diversity of challenges to achieving the SDGs, several of which are being discussed in other sessions. However, two common trends that run across these countries, and that impact their transformations towards sustainable and resilient societies are urbanization and ecological degradation.

In specific cases, these are exacerbated by other structural issues such as less diversified economies, low levels of public finance, rising indebtedness and emergence from conflict.

### Situation and Trends

#### 1. Overall Situation

With a relatively higher proportion of people living in extreme poverty, accounting for around one third of their population, LDCs are particularly vulnerable to environmental and economic shocks. Many LDCs have been exposed to extreme shocks in recent years, and are more vulnerable than other countries due to their weak, undiversified economies and low resilience, as indicated by high scores on the Economic Vulnerability Index (EVI). Commodity price volatility has adversely affected exporting LDCs; the Ebola epidemic has affected three West African LDCs—Guinea, Liberia and Sierra Leone; and numerous environmental shocks—including earthquakes in Haiti and Nepal, droughts in sub-Saharan Africa, and floods in many LDCs throughout the world, have further weakened their status and their ability to make progress toward achieving the SDGs.





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LLDCs continue to grapple with trade and transport issues, prioritizing capacity and infrastructure development through regional and South-South cooperation. Increasing demand for scarce water resources—across LDCs, LLDCs and MICs—is likely to accelerate environmental degradation, increase the vulnerability of populations most at risk, and lead to social and political conflict. Access to energy is also a challenge, especially in rural areas. While MICs are growing economically, they are often struggling to provide basic services amid increasing urbanization, widening inequality, and dwindling forest cover. At the same time, even in rapidly growing economies, there continue to be distinct regions marked by a persistence of poverty and deprivations.

Among other cross-border flows, remittances represent an important source of income for many families in LDCs, LLDCs and MICs. Of the \$538 billion in total remittances recorded in 2016, \$407 billion went to low- and middle-income countries. Remittances sent by international migrants to their home countries in the form of personal transfers and compensation of employees have declined to \$538 billion (0.72 per cent of global GDP) in 2016 from \$555 billion in 2015. While the global average cost of sending money has gradually decreased in recent years, it was estimated to be 7.2 per cent in 2017, more than double the target transaction cost of 3 per cent. Recent trends of stricter immigration policies in many migrant-destination countries continue to constrain the flow of remittances.

## 2. Ecosystems and Urbanization

Sustainable societies require healthy and resilient ecosystems to thrive, yet countries in special situations often suffer disproportionately from deforestation and loss of biodiversity, declining water availability and degraded water quality, land and soil degradation, desertification, and the adverse impacts of climate change including extreme weather events, floods, droughts and cyclones. At the same time, healthy terrestrial ecosystems can themselves build resilience through mitigating impacts of natural disasters and climate change.

Unplanned and rapid urbanization and poor land management, together with non-risk informed policies and investments are major underlying drivers of disaster mortality. From 1990 to 2013, almost 90 per cent of mortality attributed to internationally reported disasters occurred in low and middle-income countries, many of which have seen rapid urban expansion in recent years. In Africa, the population is expected to double to 2.5 billion by 2050, and half will live in urban areas by 2035, which, combined with rising per capita consumption, will escalate requirements for employment, food, water, energy and





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shelter, consequently increasing pressures on water, land, forests and biodiversity in business-as-usual scenarios.

## Successes and Challenges

### 1. Overall Situation

The stagnation in global trade since 2011 has been followed and accompanied by a break in the expansion of the world market shares of developing regions and the least developed countries. The developing regions' share in world merchandise exports declined for two consecutive years: from 45.4 per cent in 2014 to 44.2 per cent in 2016, in sharp contrast to an average annual 1.2 percentage point increase from 2001 to 2012. For the least developed countries, the share of world merchandise exports decreased from 1.1 per cent to 0.9 per cent from 2013 to 2016, compared with the rise from 0.6 per cent to 1.1 per cent from 2000 to 2013. In 2016, over 64.4 per cent of products exported by the least developed countries to the world faced zero tariffs, an increase of 20 per cent since 2010. For developing countries, duty-free market access existed for about 50 per cent of all products exported in 2016.

Debt service as a proportion of exports of goods and services has been on the rise for five consecutive years in the least developed countries: from a low of 3.5 per cent in 2011 to 8.6 per cent in 2016. The recent upward trend followed a decade-long decline in debt service from its height of 13.4 per cent in 2001. The ability to sustainably service debts out of export earnings is crucial for countries most in need of resources for development. Innovative mechanisms such as State-contingent debt instruments (SCDIs) can help to manage public debt in times of macroeconomic uncertainty by connecting a country's debt service payments to its capacity to pay, where the latter is linked to objectively measured real world variables or events.

Taxation is an important instrument in financing domestic development activities. However, the regions most in need of resources still face challenges in collecting taxes. The rate of taxation (ratio of tax revenue to GDP) in the least developed countries declined from a peak of 11.1 per cent in 2012 to 8.8 per cent in 2016. Countries in sub-Saharan Africa faced a similar trend: a decline from 14.9 per cent in 2006 to 10.7 per cent in 2016.





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In 2016, total receipts by developing countries from donor countries of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD), multilateral agencies and other key providers were \$315 billion, of which \$158 billion were ODA. In 2016, total ODA to the least developed countries from all donors equaled \$43.1 billion. At the 2017 Global Infrastructure Forum, the multilateral development banks agreed to deepen their collaboration to encourage private sector investment in infrastructure development by joining forces to co-finance projects, helping to generate interest among private sector investors in public-private partnerships and the development of infrastructure as an asset class for institutional investors.<sup>1</sup>

## 2. Disasters and the Link with Urbanization and Ecosystems

Many countries in special situations have adopted or are implementing strategies in line with the Sendai Framework for Disaster Risk Reduction, and making important contributions to the global 10-Year Framework of Programmes on Sustainable Consumption and Production Patterns through the implementation of the 10-Year Framework of Programmes on Sustainable Consumption and Productions Patterns. The New Urban Agenda adopted at the United Nations Conference on Housing and Sustainable Urban Development (Habitat III), along with fulfillment of regional urban commitments (specifically under aspiration 4 of Agenda 2063 in the Africa region), are critical to ensuring that urbanization becomes a driver of transformation, prosperity and improved wellbeing.<sup>2</sup>

At the household level, cash transfers have been most widely used in emergencies, and have been found to be effective. They can provide a common tool for transitioning smoothly between providing assistance for chronically poor in normal times and assistance for households affected by disaster. Where markets are functioning, cash transfers allow people choice and flexibility in how to best meet their needs, which are often changing at various stages of an emergency. They allow people to invest in rebuilding their livelihoods and repay debt, thus enhancing their resilience to future shocks. Beneficiaries of cash transfer programmes are more likely to save, and there is evidence that cash transfers have a multiplier effect on the local economy. Some LDCs

<sup>1</sup> Report of the Secretary-General on *Implementation of the Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014-2024 (A/72/272)*.

<sup>2</sup> Summary and key messages of the fourth session of the Africa Regional Forum on Sustainable Development

(E/HLPF/2018/2/Add.4). <https://www.uneca.org/arfsd2018>.





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have expanded cash transfers vertically after a shock, providing higher amounts of assistance.

Other mechanisms for managing exposure to risk include various forms of insurance. Well-designed parametric insurance can improve the efficiency of the resources that are available because of their speed and incentive for early recognition of the severity of disasters. The contracts can be designed to align incentives for prevention of emergencies by requiring policy makers to undertake disaster risk management, such as creating early warning systems, retrofitting, enforcing building codes and preparing contingency plans in advance. For example, payouts from risk pools can be used to scale-up support from existing social protection schemes.

Another example is index-based agricultural insurance, where payments are made when an easily observed variable, like amount of rainfall or wind speed, exceeds a predetermined threshold that is strongly related to adverse impacts. A number of index based insurance schemes for farmers exist in LDCs, including the R4 Initiative in Ethiopia, Senegal, Malawi and Zambia; the Agriculture and Climate Risk Enterprise (ACRE Africa) in Rwanda and Tanzania, and the Index-based livestock insurance (IBLI) in Ethiopia. The advantages of index-based insurance include low transaction costs (as losses do not need to be assessed) and the rapid availability of payouts. In addition, farmers still have an incentive to take preventive measures because the payout does not depend on losses. There is evidence that index-based insurance increases the savings of farmers, and combined with other services like access to credit, agricultural extension services and weather data, can also increase their benefits.

### 3. Challenges of Middle Income Countries<sup>3</sup>

Middle-income countries remain crucial in the global efforts to implement the 2030 Agenda for Sustainable Development. However, middle-income countries still face significant challenges to achieve the Sustainable Development Goals along their economic, social and environmental dimensions. Many middle-income countries have witnessed substantial economic deceleration, or in some cases even a recession, in recent years, with a widespread stagnation or decline in productivity growth. High inequality, or even a rise in inequality, remains pervasive in middle-income countries. They are also faced with daunting challenges for sustainably managing the environment and natural resources, reducing pollution and combating climate change. Many middle-income

<sup>3</sup> Report of the Secretary-General on *Development cooperation with middle-income countries* (A/72/329).





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countries have adopted various policy measures to address these and other challenges. The national efforts can be further enhanced through better and more focused cooperation with the United Nations development system, the international financial institutions, regional organizations and other development partners

## Recommendations for Action

A resilient economy is a prerequisite for long-term sustainability. Countries with resilient economies can adapt to shocks relatively swiftly and recover from negative impacts without adversely affecting development. All countries, in partnership with other actors, should “work together to further strengthen and implement concrete measures at the national, regional and international levels to build and strengthen the resilience of the LDCs against various shocks, reduce risks and enhance sustainable growth in line with the 2030 Agenda for Sustainable Development and the Istanbul Programme of Action.”<sup>4</sup>

Successful efforts to halt biodiversity loss, increase sustainable land use and ensure integrated ecosystem management, particularly around the periphery of rapidly growing urban areas, are critical for achieving the SDGs, and can serve to drive sustainable and inclusive urban growth by providing opportunities for improving rural livelihoods, which can also impact urban lives and put less pressure on cities. Achieving land degradation neutrality and the sustainable management and use of forests and biodiversity should be prioritized in national development planning and budgeting across all regions.

While there are approaches and solutions that can work across countries, a differentiated yet integrated approach is often required, since specific issues stand out for each group. In this context, it is important to examine and assess progress in areas such as infrastructure, energy, transport, water, technology, sustainable consumption and production, urban-rural linkages, food security, inequality, unplanned urbanization and informal settlements, urban forestry, the role of forestry in alleviating migration to urban spaces, and the need for a territorial systems approach for both urban and rural spaces.

## Guiding Questions

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<sup>4</sup> Report of the Secretary-General on *Crisis mitigation and resilience-building for the least developed countries* (A/72/270).





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1. What national actions and policies have proven successful for increasing sustainability and resilience, while addressing the impacts of climate change, natural disasters, conflict, and displacement on countries in special situations?
2. What technologies, innovations, and data collection tools have been effective so far for countries in special situations in monitoring and follow-up of the SDGs?
3. Where has progress occurred in strengthening national and local governance, fostering inclusion among local and indigenous communities, and mobilizing resources for implementation?
4. What are the prospects for LDCs, LLDCs and MICs to reach the SDGs and make societies resilient and sustainable?
5. What actions are being taken to ensure that no one is left behind?

