



HIGH-LEVEL POLITICAL FORUM ON SUSTAINABLE DEVELOPMENT

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Overcoming middle-income countries' challenges in advancing the 2030 Agenda

Thursday, 13 July 2023, 3:00 PM -4:15 PM

Secretariat Background Note

The world's Middle-Income Countries (MICs) are a diverse group by size, population, and income level. MICs are home to 75 per cent of the world's population. MICs represent about one third of global GDP and are major engines of global growth. At the same time, MICs are home to 62 per cent of the world's poor. According to recent data, 82 percent (or 72 million people) of the total new global extreme poor (those pushed into extreme poverty by the pandemic) are in MICs.¹

In fact, the social and economic impacts of the coronavirus pandemic weigh heavily on middle-income countries. These impacts have significantly widened MICs' SDG financing gap. The COVID-19 crisis has not only set back progress toward the SDGs, but it has also deepened many of their pre-existing vulnerabilities. Poverty and hunger have worsened in many countries, as income-earning opportunities at the national, household and individual levels, have been lost. Inequalities have widened both between the advanced economies and the middle-income countries, and within middle-income countries. The economic disruptions caused by the pandemic have significantly tightened the already constrained fiscal situation in

¹ World Bank (2022): The World Bank in Middle Income Countries. Overview, available at: <https://www.worldbank.org/en/country/mic/overview>



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most developing countries, including the middle-income ones, and have led to a worsening of their debt situation.



The COVID-19 pandemic has interrupted the progress of MICs towards their development aspirations, including the SDGs, and has exacerbated the challenges they face along all three dimensions of sustainable development. The pandemic made it necessary to assess vulnerabilities in health care systems and made apparent the differences in access to social protection and key public services. It has also forced MICs to confront the multiple vulnerabilities caused by rising inequalities. Furthermore, the pandemic has highlighted the structural gaps persisting in many middle-income countries, including a narrow output and export base, inadequate health care systems, reliance on low-productivity sectors, high vulnerability to external economic and environmental shocks, and the prospect of a potential “middle-income trap”. Thus, as the Secretary-General noted during the High-Level Meeting on Middle-Income Countries held in 2021, MICs are now faced with the challenge to rebuild better after the pandemic which includes restructuring supply chains and addressing debt.



The vulnerabilities and the multidimensional and complex nature of poverty and development in MICs are often overlooked because of a singular focus on per capita income, at the expense of other criteria such as education and administrative capacities and exposure to shocks. There are ongoing efforts of the UN development system to use indicators such as the Human Development Index or the Multidimensional Poverty Index in its strategic programming. Such indices can display the actual vulnerabilities of a country – from food insecurity, to inequality, to climate impacts – beyond what the income level would suggest and thus allow for more accurate assessments of the eligibility for concessionary finance.



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The SDGs and their targets cannot be achieved without addressing the needs and specific challenges of MICs, as these countries are key actors in the implementation of the 2030 Agenda. In this context, General Assembly Resolution 76/215 of 17 December 2021 entitled “Development cooperation with middle-income countries” recalled that the 2030 Agenda for Sustainable Development recognizes that middle-income countries (MICs) still face significant challenges to achieve sustainable development and that, in order to ensure that achievements made to date are sustained, efforts to address ongoing challenges should be strengthened through the exchange of experiences, improved coordination and better and focused support of the United Nations development system, international financial institutions, regional organizations and other stakeholders.

Despite differences between countries, several common challenges are evident. In addition to similar structural challenges and the lingering social and economic impacts of the COVID-19 pandemic, some middle-income countries have been ravaged by natural-hazard related disasters that have erased years of sustainable development progress and left them saddled with high public debt burdens to pay for recovery and reconstruction. Another challenge is digitalization, which has been accelerated as a result of the pandemic, particularly in the sectors of health and education. The lack of digital infrastructure has become a defining element for the digital divide. A further challenge relates to social protection systems, whose importance has been underscored by the pandemic.

These challenges highlight the need for national policies to target sustainable development priorities, strengthen resilience and facilitate structural change (including through investments in physical capital, human capital, and in the natural capital base), to generate continued improvements in their productivity and adequate



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employment growth. At the same time, national development efforts must be supported by an enabling international economic, finance and trade environment, as recognized in the 2030 Agenda for Sustainable Development. Support from the international community that addresses the specific challenges and vulnerabilities of middle-income countries will be key for MICs to succeed in building back better and achieving sustainable development in the years to come.

This session is expected to better position the concerns and realities of MICs in the discussions on ways to get back on track for achieving the SDGs.

Proposed questions for discussion

- What are the most pressing issues that are of particular importance to MICs in their pursuit of SDG implementation? What are current, specific gaps and challenges that MICs are facing?
- What are the actionable entry points for MICs to convert the current crises into opportunities for a more inclusive, resilient and sustainable recovery and effective SDG implementation?
- How can the international community best support MICs' recovery and transformation for accelerated SDG implementation?
- What are the strategies to address debt vulnerabilities and ensure better financing for MICs, and align development co-operation with MICs sustainable development priorities?



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- How can MICs address the challenge of the digital divide, which has become the new face of the development divide, and has been exacerbated by the pandemic?