HIGH-LEVEL POLITICAL FORUM
ON SUSTAINABLE DEVELOPMENT

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Middle-income countries: Overcoming barriers in achieving the SDGs

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Secretariat Background Note

Middle-income countries (MICs), as defined by the World Bank, currently comprise 108 countries with a gross national income per capita of between $1,136 and $13,845.1 Together, they account for about 30 per cent of global gross domestic product (GDP) and make up 75 per cent of the world's population, including 60 per cent of the world's poor. They form a large and heterogeneous group of countries that differ not only in terms of income per capita but also in the productive structures of their economies and other dimensions of development, such as poverty, inequality, and vulnerability to natural hazards and other external shocks.

MICs contributed little to climate change in the past. Yet, they currently account for 65.5 per cent of global greenhouse gas emissions, which are mostly attributable to about 10 rapidly growing economies. MICs are also the most carbon-intensive, as they emit more carbon dioxide per unit of GDP than any other income group. However, MICs emit fewer greenhouse gases per capita than high-income countries, which are also responsible for the bulk of historical emissions.

[1] World Bank (2023): The World Bank in Middle Income Countries. Overview, available at: https://www.worldbank.org/en/country/mic/overview

The Sustainable Development Goals and targets cannot be achieved without addressing the needs and specific challenges of MICs, who have been hit hard by the recent confluence of crises. Many of them still struggle to recover from the setbacks to SDG achievements that they suffered during the COVID-19 pandemic, while being weighed down by growing sovereign debt burdens and a high global interest-rate environment, a persistent cost-of-living crisis and threats to food security, and exposure to climate-related disasters. Although many MICs scaled up social protection during the pandemic, tightening fiscal space has caused them to retract before economic growth and employment have recovered.

Even before the recent crises, MICs have long faced the underlying challenge of transitioning to growth and development models that would allow them to achieve higher levels of living standards and overcome the so-called "middle-income trap". Such a transition requires increased productivity growth, based on innovation and the adaptation of new technologies to each country's specific economic, social and environmental circumstances.

The growing threats from climate change and other environmental crises, together with rising demand for reliable and affordable energy, have increased the urgency of a green and inclusive energy transition. Many MICs have large renewable energy resources that could be harnessed for low carbon development. New, low-cost renewable power technologies can provide an unprecedented opportunity to skip over the use of older carbon-intensive technologies and deliver climate mitigation as well as economic and social development goals.

The transition to more innovation-driven, sustainable and inclusive growth models will require large-scale investments from both public and private sources. However, just as MICs are constrained by tight

fiscal space and high cost of accessing international financial markets, their access to concessional international finance is limited by their middle-income status.

To overcome this financing gap, there is a need for more long-term, affordable financing for SDG achievement, in line with MICs' specific development needs and priorities. The international community must take urgent measures to address current debt vulnerabilities and make additional efforts to ensure long-term comprehensive and structural solutions to sovereign debt challenges. As the President of the General Assembly noted during the High-Level Meeting on Middle-Income Countries held in 2023, it is time for the international community to go beyond GDP as a primary measure of development and develop a measurement that captures human, social, natural, and built capital at the same time. Such a measure could help better inform national policies and international cooperation.

Revitalized multilateral cooperation for the provision of global public goods (such as climate change mitigation) can help to reduce risks and vulnerabilities for all countries. International support for MICs' just and inclusive green transitions – including financing, technology transfer and capacity-building – should in large part be on highly concessional terms, to account for positive global externalities.

Proposed questions for discussion

- What are the greatest challenges to SDG implementation in MICs as they navigate the current confluence of crises?

- What are key barriers in switching to more sustained, sustainable and inclusive growth models that can help MICs achieve the SDGs?

- What development strategies are most promising to address these barriers and what is needed for their implementation?

- How can the international community support MICs in addressing debt vulnerabilities and ensuring better access to financing that is aligned with MICs sustainable development priorities, and what role is there for measures that go beyond GDP?

- Given their rapidly growing economic weight, how can MICs enhance their role as global drivers of sustainable development, including through South-South cooperation and peer-learning?

- How can the UN development system further strengthen its support to MICs, including through its reinvigorated resident coordinator system and the UN Sustainable Development Cooperation Frameworks, and as a convener to promote the provision of global public goods that can reduce risks and vulnerabilities?