

## ***Sustainable Development Outlook 2019*** **Gathering Storms and a Silver Lining<sup>1</sup>**

### **Introduction**

The world has experienced considerable shifts – “crosswinds” – in economic, geo-political and technological landscapes since September 2015, when the UN member states adopted the 2030 Agenda for sustainable development. The economic headwinds – trade disputes, exchange rate volatility, growing debt burdens – have delivered a more challenging environment for achieving the Sustainable Development Goals (SDGs). The whirlwinds of lingering conflicts, disasters and displacement are also making the achievement of SDGs more challenging than it was anticipated in 2015. Violent conflicts have intensified, unregulated migration has become a new source of tension, the Paris Agreement on climate change has come under stress, while frequency and scope of extreme weather events and disasters have continued to increase around the world. On the other hand, rapid technological change – as a potential tailwind – are presenting greater hopes for the SDGs. Rapid developments in renewable energy technologies, for example, will help reduce carbon emissions, while creating jobs and improving environmental sustainability. But unmanaged technological change can also impede sustainable development, destroying jobs and exacerbating wealth and income inequality.

The report will present a forward-looking analysis of how these factors are likely to impact the pace and trajectory of SDG implementation during the next twelve years. It will contain three main chapters, focusing on a. economic headwinds; b. conflicts, climate change, disasters and displacement, and c. new technologies, affecting economic, social and environmental outcomes. These crosswinds and their impacts – both short and long-term – are inter-connected and mutually reinforcing. An Overview chapter will provide a brief assessment of the SDG implementation against the backdrop of these crosswinds, and a concluding section will present a synthesis of the outlook for SDGs and offer policy recommendations.

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<sup>1</sup> A working title, subject to change

## Methodology

Taking advantage of existing research and extrapolating and analyzing current trends, the Sustainable Development Outlook – henceforth, Outlook – will provide a general assessment of the broad trends and factors that will shape the realization of the 2030 Agenda. It will utilize all pertinent and available research to present baseline and alternative scenarios for key economic, social and environmental outcomes relevant for the SDGs. The analysis will, generally assess impacts on various country (e.g. LDC, LLDCs, SIDS, MICs and also developed countries), regional (e.g. West Africa, South Asia etc) and population (e.g. youth, elderly, migrant etc) groups. It will focus on broader sustainable development – and its central objective to *leave no one behind* – while assessing how these key drivers impact overall progress. The Outlook will identify policy measures to mitigate the possible adverse impacts of these drivers, while maximizing the potential tailwind effects of rapid technological changes.

The Outlook will draw upon the data and evidence presented in the *SDG Progress Report*, prepared by the Statistics Division in DESA and the data and analysis presented in the *World Economic Situation and Prospects*, the *World Economic and Social Survey 2018*, and on the publications, data and inputs provided by the various UN Departments, Divisions, Regional Commissions and other UN agencies, funds, and programs, BWIs, WEF, WTO, IOM, UNHCR, UNISDR and IISD. In presenting its assessment, the Outlook will provide thought-provoking and alternative perspectives on key challenges and policy options, with a view to encouraging substantive dialogues among the Member States.

## Organizational arrangement

The 100-page report, including an Overview, will use graphs and charts to support its narrative. The Development Research Branch (DRB) in the Economic Analysis and Policy Division (EAPD) will lead the preparation of the report. For Chapter I, the report will draw extensively on inputs from the Global Economic Monitoring Branch (GEMB) and the Financing for Sustainable Development Office. For part II of the report, EAPD will draw on the expertise of colleagues in the Population Division, DSDG, DISD, Statistics and OISC. The drafting team will also solicit inputs, as deemed necessary, from the Department of Political Affairs (DPA), Office of the Coordination of Humanitarian Affairs (OCHA), UN Regional Economic Commissions, UNHCR, UNDP, the World Bank and other related bodies. A core drafting team will be formed with staff from EAPD, DSDG, FfSDO, DISD, SD and PD. EAPD will also convene an Expert Group Meeting to prepare the report.

## Tentative Timeline

30 November 2018:	An annotated outline of the report will be presented to the OUSG for approval.
xx February 2019:	Expert Group Meeting on the sustainable development impacts of conflicts, climate change, disasters and displacement
29 March 2019:	First draft of the full report for comments.
Early April	Key messages of the report
26 April 2019:	Summary of the report (ECOSOC document) will be submitted for typesetting.

xx July 2019:	Launch of the Summary at the ECOSOC High-level Political Forum (HLPF).
xx July 2019:	Submission of the full report for typesetting.
xx Sept. 2019:	Full report to be made available for the HLPF under the auspices of the GA.

## Annotated Outline

### A. Overview (8,500 words)

This Overview will provide a brief assessment of the changing landscape and the progress so far in achieving the SDGs, drawing on the SDG Progress Report, prepared by the Statistics Division and supplemented by inputs from other UN agencies. This will set the stage for the Outlook, identifying potential stumbling and building blocks for SDG implementation. The Overview will draw attention to the fact that current economic, social and environmental trends – if they continue – will unlikely deliver the SDGs by 2030.

### B. Economic headwinds (12,000 words)

SDGs face considerable economic headwinds, many of which were not anticipated in 2015. The rise of economic nationalism, leading to retreat from multilateralism that support a rule-based international trading system, is threatening to undermine global trade. A global slowdown in trade will have second order effects on consumption, investment, and GDP growth, leading to a downward spiral. In particular, trade frictions are likely to disrupt global value chains, adversely affecting investment flows to participating countries. A slowdown in export revenues, on the other hand, will undermine the abilities of many developing countries to service their external debt. Higher debt servicing burdens will inhibit the growth in social sector expenditures that are critical for sustainable development. Should debt distresses metamorphose into a full-blown global debt crisis, many developing countries, particularly the least developed countries, will find it increasingly difficult to sustain their efforts toward achieving the SDGs. Both a slowdown in global trade and a potential debt crisis will adversely affect income inequality within and between countries. This chapter will consider the impact of these unexpected shifts in global macroeconomic environments on achieving SDGs and identify measures to mitigate their impact. It will organize the discussion in the following sections.

#### i. Overview of global economic trends and prospects

The section will present trends in GDP, decoupling of growth and emissions, trade flows, employment, productivity, poverty and inequality and examine their potential social and environmental implications for various geographic and population groups, considering long-term demographic trends. It will include baseline and alternative scenarios and show, for example, how fast will the sub-Saharan Africa need to grow to eliminate its absolute poverty by 2030. The section will analyze the inter-linkages between economic growth, wage and income inequality and how the current trends in both may leave many millions behind, particularly in Sub-Saharan Africa.

#### ii. Escalating trade disputes

The escalating trade disputes between large trading partners are likely to slow down global trade, investment, and GDP. The slowdown will also have knock-on effects on the exports of countries – many

of them LDCs – that rely on the exports to large trading partners. The Outlook will present several possible scenarios to investigate how the trade disputes would affect employment and output in general and the ability of both developed and developing countries to make progress towards sustainable development. Different scenarios of global trade will assess social and environmental impacts.

### iii. Growing debt servicing costs and debt distress

The global economy is experiencing the highest debt-to-income ratio in its history and debt servicing costs are increasing, especially for many commodity-exporting low-income countries. High consumer debt makes consumption vulnerable to interest rate increases, reducing consumption, including consumptions of basic services. High levels of debt constrain firms in making investments and also force governments to cut social and investment spending that are vital for achieving the SDGs. The section will present a few estimates and scenarios of the social impacts of a potential debt crisis and particularly on wealth inequality, drawing on the experiences of the Asian Financial Crisis in 1997, the debt crisis in Mexico and Russian Federation in 1998 and the global financial crisis in 2008.

## C. Conflicts, climate change, natural disasters and displacement (12,000 words)

The world is witnessing crosswinds of considerable disruptions arising from conflicts, political violence, and natural disasters. While the number of conflicts declined in the early 2000s, it has increased considerably in recent years. Many domestic and cross-border conflicts have increased the pressure for people to move out to neighboring developing countries and also to developed countries. Climate change and natural disasters have also induced displacement within and across countries. The increased pressure of immigration has generated political backlash, leading to a rise of xenophobic and nationalism in a number of developed countries. Rising nationalism – fed by growing inequality, immigration pressures and other factors – have contributed to weakening many multilateral commitments, including commitment to combating climate change. Yet, in many parts of the world, climate change effects have been a factor behind displacement of people. This chapter will consider the effects of these processes on achieving the SDGs. It will divide the discussion into the following sections.

### i. Violence and conflicts

In the post-WW II era, armed conflict was at its peak when the Soviet Union collapsed. From the 1990s till the early 2000s, the number of conflicts declined. However, there has been an upward trend in the number of inter-state and intra-state (often involving other states) armed conflicts in recent years. The UN currently deploys 15 peacekeeping operations in Africa, Americas, Asia, Europe and Middle East. Conflicts prove to be an overriding constraint on a country's ability to make progress toward development goals. This was established clearly by the earlier experience of the MDGs, as can be seen from the analysis presented in the WESS 2014/2015 on "Learning from National Policies Supporting MDG Implementation." Avoiding a similar outcome with respect to SDGs is a priority task. The Outlook will analyze the impact of conflicts on SDG implementation, drawing on the evidence from the MDG period and present scenarios if conflicts continue to persist or accelerate during the next 12 years. It will also assess the impact of conflicts on out-migration, and how they can undermine SDGs.

## ii. Climate change and natural disasters

The number and scope of natural disasters and damages caused by them have been increasing in recent years. This is not entirely unexpected, because one of the predictions of scientists has been that climate change – apart from causing slow-onset changes, such as temperature increase, sea level rise, coastal erosion, etc. -- will increase the frequency and intensity of extreme weather events. As percent of GDP, the damages from natural disasters, aggravated by slow-onset changes, are of much higher order in developing countries than in developed countries. As a result, developing countries are required to increase spending in disaster management and recovery, diverting their scarce resources away from health, education and other social sectors.

Natural disasters and the resulting losses are also an important cause of displacement of people. According to the IOM, natural disasters displaced 18.8 million people in 2017 in 135 countries, of which 8.6 million were displaced by floods and another 7.5 million by storms. As WESS 2016 showed, the consequences of natural disasters depend not only on their ferocity and the level of infrastructure, but also on social conditions, vulnerability, exposure, level of solidarity among affected people, institutions, preparedness, etc. In this analysis, the section will, drawing on the recent IPCC report and also on other key reports on climate change, present scenarios on how climate change and natural disasters impact output, employment and income distribution during the coming years.

## iii. Migration pressures and rising nationalism

Increases in conflicts and natural disasters have been an important driver of population displacement, within and across countries. The number of forcibly displaced people worldwide rose by the end of 2016 to a record 65.5 million people. Of them, 40.3 million were internally displaced due to conflicts and violence, 22.5 million were refugees and 2.8 million were asylum seekers (UNHCR). Natural disasters and climate change have produced economic and climate refugees in many regions of the world, adding to the millions displaced by violence and conflicts.

A large fraction of affected population typically moved to neighboring developing countries. Many also moved or tried to move to developed countries, which has intensified immigration pressure and generated anti-immigration and nationalistic backlashes. While the mounting immigration pressure is among one of the factors explaining the rise of protectionism and nationalism in a number of developed countries, it also spilled over to undermine international cooperation and multilateralism with potentially devastating consequences for global action to combat climate change. While trade disputes or immigration pressures are reversible, climate change is, or soon will be, irreversible. The section

The section will analyze the various factors, including globalization, offshoring of manufacturing jobs, proliferation of global value chains and growing immigration pressures, which are fueling populism and nationalism and weakening global commitment to combat climate change. Drawing upon various assessments and scenarios, it will offer insights how these processes are likely to impact the progress towards the SDGs in the coming years and how multilateralism can be saved and restored to combat climate change.

## D. Technological breakthroughs, diffusion and adoption (12,000 words)

An inter-related set of new technologies – renewable energy technologies, artificial intelligence, 3D printing, nanotechnology, genetic editing, new materials, platform-based provision of services, etc. – present immense hopes for accelerating SDG progress. These technologies can raise labor productivity to unprecedented levels. They deliver precision medicine and produce organs, improving quality of life and extending longevity. They can make high quality education and healthcare accessible via Internet to people in developing countries. They can allow breakthroughs in renewable technologies, leading to drastic reduction in the use of fossil fuels and carbon emissions. They can eliminate non-biodegradable plastic and significantly reduce pollution and environmental degradation.

Notwithstanding these promises, rapid technological change can also further accentuate the technological divide that already separates the advanced parts of the world from the technologically backward parts. They can shut off the labor-intensive manufacturing route to industrialization for many developing countries. They can lead to enormous concentration of market power in the hands of few companies, countries, and even individuals. They can lead to ubiquitous labor market disruptions, with widespread unemployment, under-employment, and precarious employment, increasing income and wealth inequality. Genetic editing can lead to differentiation within human species and pose serious ethical dilemma. The Outlook, drawing on WESS 2018 and other publications, will assess the potential impact of new technologies on economic, health, educational, social and environmental outcomes

### i. Potentials of new technologies for accelerating SDG progress

This section will provide an overview of the benefits and possible pitfalls of the new technologies. In particular, it will highlight the ways in which the new technologies can help to achieve the economic, social, and environmental outcomes, envisaged in the 2030 Agenda. It will also identify possible pitfalls and risks with new technologies and policies for managing these risks. Instead of limiting to general statements, the Section will offer actual evidence that has accumulated so far illustrating both the potentials and pitfalls of rapid technological advances.

### ii. Special challenges and opportunities for developing countries

The Outlook will highlight the special challenges and opportunities that rapid technological change present to developing countries. All the new technologies rest and build on digital technologies. Yet, large segments of population in developing countries are yet to take advantage of electricity and digital technologies. At the same time, new technologies are creating new opportunities for developing countries to leapfrog and catch up with developed countries. With Internet, they can access the most advanced information and knowledge. They can offer their services to the global market without having to migrate. The section will identify potential scenarios and set of policies and institutions that can enable developing countries take advantage of rapid technological change, close the technological divide and achieve productivity-led growth and sustainable development.

### iii. International cooperation for harnessing the benefits of new technologies

International cooperation will remain critical for realizing the full potentials and mitigating the possible adverse effects of new technologies, given their scope and impact transcend political boundaries. New technologies are emerging and taking hold in a globalized economy, requiring global collective action. Much of the production is now carried through Global Value Chains, spanning the entire world. Hence,

introduction of new technologies at one point of this chain cannot but affect the other points. International cooperation will also remain an imperative to guide the rapid pace of technological change to sustainable development outcomes in areas of health, education, environment. The United Nations has both the legitimacy as well as the obligation to take initiatives necessary to direct the new technologies toward sustainable development and ensure that they respect moral and ethical boundaries. The section will identify a set of policy measures that would help to optimize the potential impacts of new technologies on sustainable development.

### **E. Conclusions: Policy options and the way forward (5,000 words)**

In this concluding section, the Outlook will note a business-as-usual extrapolation of current economic, political, social, environmental and technological trends will fall short of delivering sustainable development by 2030. There is a narrow window of opportunity to turn the economic headwinds, minimize the adverse effects of the whirlwinds of conflicts, climate change, disasters and displacement and boost the tailwinds of rapid technological change to put the SDG implementation on track. This will require significant recalibration and realignment of policies at all levels. There needs to be concerted global efforts for minimizing the adverse effects of trade disputes, debt distress as well as of violence and armed conflicts on SDG implementation. Similarly, global efforts will remain crucial for breaking the vicious cycle of disasters, displacement and rising nationalism to accelerate SDG implementation. Last but not the least, global policy efforts will play an important role in optimizing the SDG potentials of rapid technological change and bridging the technology divides between developed and developing countries that undermine sustainable development in all three dimensions.