

World Development Challenges Report

Development from a broader lens



Shared Prosperity Dignified Life



E/ESCWA/CL6.GCP/2022/1/Policy brief



1 Introduction Key findings

The global development landscape has changed considerably over the past three decades. Some challenges, such as inequality and governance, have lingered or deepened. Others, such as sustainability and global pandemics, have emerged or resurfaced. Many developing countries have made quantitative achievements on various development goals, but traditional measures have largely overlooked the quality of those achievements. The capability approach¹ offers a comprehensive conceptual framework to analyse these challenges; however, a change in conventional measurement approaches is necessary. The World Development Challenges Report proposes a new global Development Challenges Index (DCI) to measure shortfalls in achievements in three key and interdependent areas: quality-adjusted human development, environmental sustainability, and good governance.

¹ The capability approach proposes that individual wellbeing and social arrangements should be primarily evaluated according to the extent of freedoms people have to promote or achieve functionings they value, and that these freedoms must be understood in terms of people's capabilities. By focusing on capabilities (what people are able to do and be), this approach goes beyond what people simply have.

The World Development Challenges Report sets out the following five key findings from applying DCI:

01

Nearly half of the world's population still experiences a high or very high level of development challenges.

02

Governance is the world's most pressing development challenge and the only challenge on the rise globally.

03

No region has reached a minimal level of quality-adjusted human development challenges, not even the world's two most developed regions: Europe and North America.

04

Environmental sustainability remains a major global challenge in both developed and developing regions.

05

The Fourth Industrial Revolution poses major challenges and opportunities to countries worldwide. It is a cross-cutting issue that has major implications for all aspects of development, including the quality of human development, environmental sustainability and governance. However, the vast majority of highly and very highly challenged countries are ill-equipped to reap its benefits and are the most vulnerable to its negative impact. Moreover, there is a significant knowledge deficit that is preventing the most challenged countries from bridging the digital divide.

These development challenges are interdependent and cannot be resolved by any single development actor, be it a national Government or an international organization. Consequently, the World Development Challenges Report proposes a four-pronged action plan that cuts across the three components of DCI. The plan includes strengthening environmental and health systems to improve healthy life outcomes, building knowledge-based economies with integrated education and labour market systems, establishing strong links between government effectiveness and democratic governance, and prioritizing the most challenged countries.





2

Impact Assessment

A significant share of the world population still lives in difficult, and in some cases deteriorating, conditions:

01

Of the 163 countries assessed under DCI, 49 face high and 25 face very high development challenges. They are home to nearly 3.5 billion people, or 45 per cent of the world's population. Only 15 countries with around 5 per cent of the world's population have very low development challenges. Consistent with the findings of other indices, the most challenged countries under DCI are mainly in sub-Saharan Africa. The least challenged are mainly in Europe.

02

From 2000 to 2020, the following 11 countries witnessed an increase in their DCI scores: Barbados, Brazil, the Central African Republic, Egypt, Haiti, Libya, Madagascar, Nicaragua, the Syrian Arab Republic, Venezuela and Yemen. Venezuela moved from the "high challenge" to the "very high challenge" category.

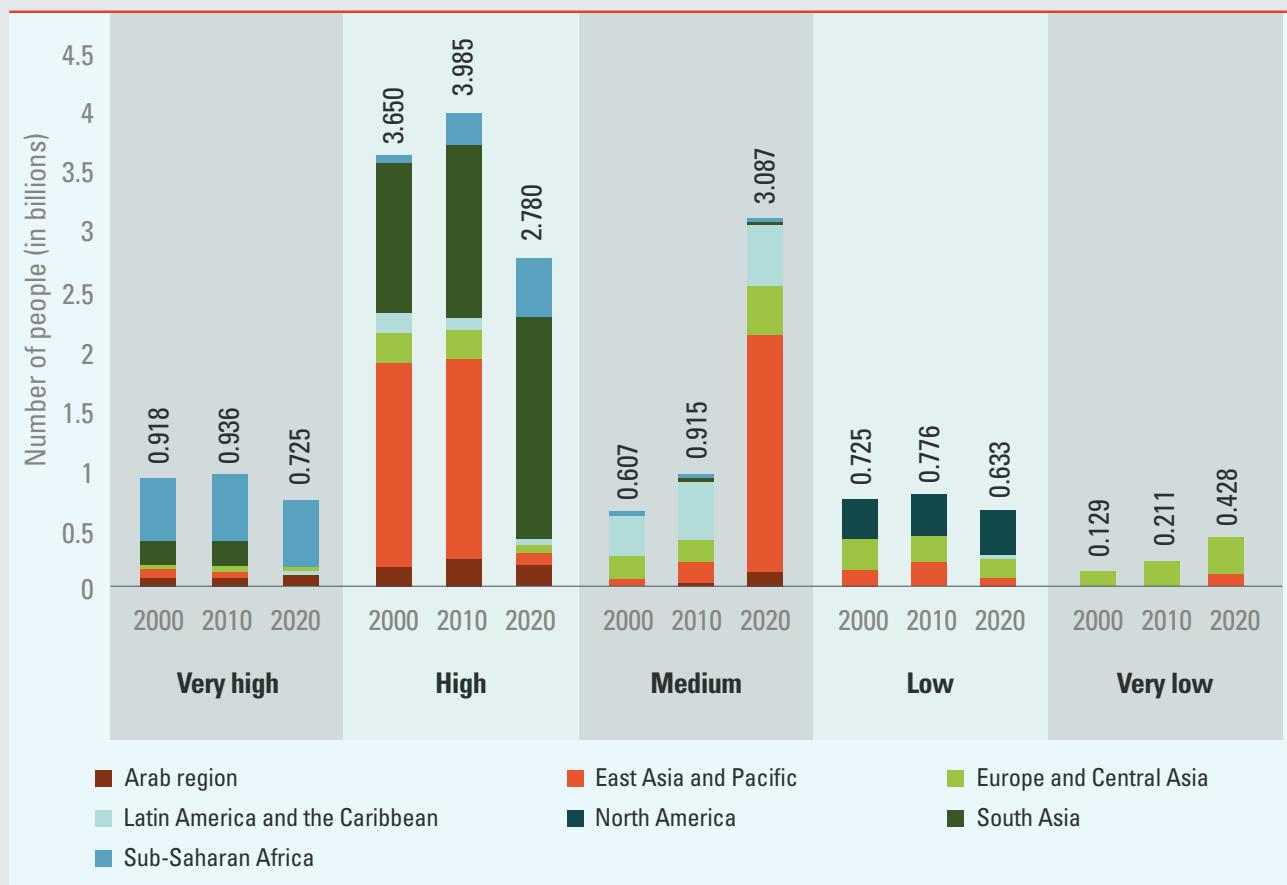
03

Among the high-challenge countries in 2000, 31 had graduated to the medium-challenge group by 2020. The following nine countries moved from the "medium challenge" to the "low challenge" category over the same period: Chile, Costa Rica, Czechia, Estonia, Greece, Latvia, Lithuania, the Republic of Korea and Slovenia. Eight countries shifted from the "low challenge" to the "very low challenge" category: Austria, Belgium, France, Ireland, Japan, Luxembourg, New Zealand and the United Kingdom of Great Britain and Northern Ireland.

04

The graduation of East Asia and the Pacific from the "high challenge" to the "medium challenge" group resulted in a significant drop in the share of the world's population in the former category, from 60 per cent in 2000 to 36 per cent in 2020 (figure 1). Without gains made by this region, specifically by China, the world's DCI picture in 2020 would look nearly identical to that of 2000, given little movement in the very high to high challenge group. The very high challenge countries in 2020 are essentially the same as in 2000.

Figure 1. Population in each DCI category by region, 2000, 2010 and 2020



Source: ESCWA calculations.



05

The share of the world's population in very low-challenge countries increased marginally from 2 to 5 per cent between 2000 and 2020; most people in this category live in East Asia and the Pacific and Europe. Canada and the United States of America contain the majority of people in the low challenge group.

06

At the country level, Haiti scored highest in DCI worldwide at 0.658, while Switzerland ranked lowest at 0.124. This shows that even the least challenged country still has room for improvement.

07

Countries with the largest deteriorations in DCI between 2000 and 2020 are mainly in the Arab region and in Latin America and the Caribbean. Several of these countries have confronted domestic or regional conflict, as in Lebanon. Countries with the greatest improvements on DCI, such as Rwanda, had recovered from severe deprivations since 2000. Post-Soviet countries, including Azerbaijan, Georgia and Uzbekistan, have also made substantial improvements over the past two decades.

08

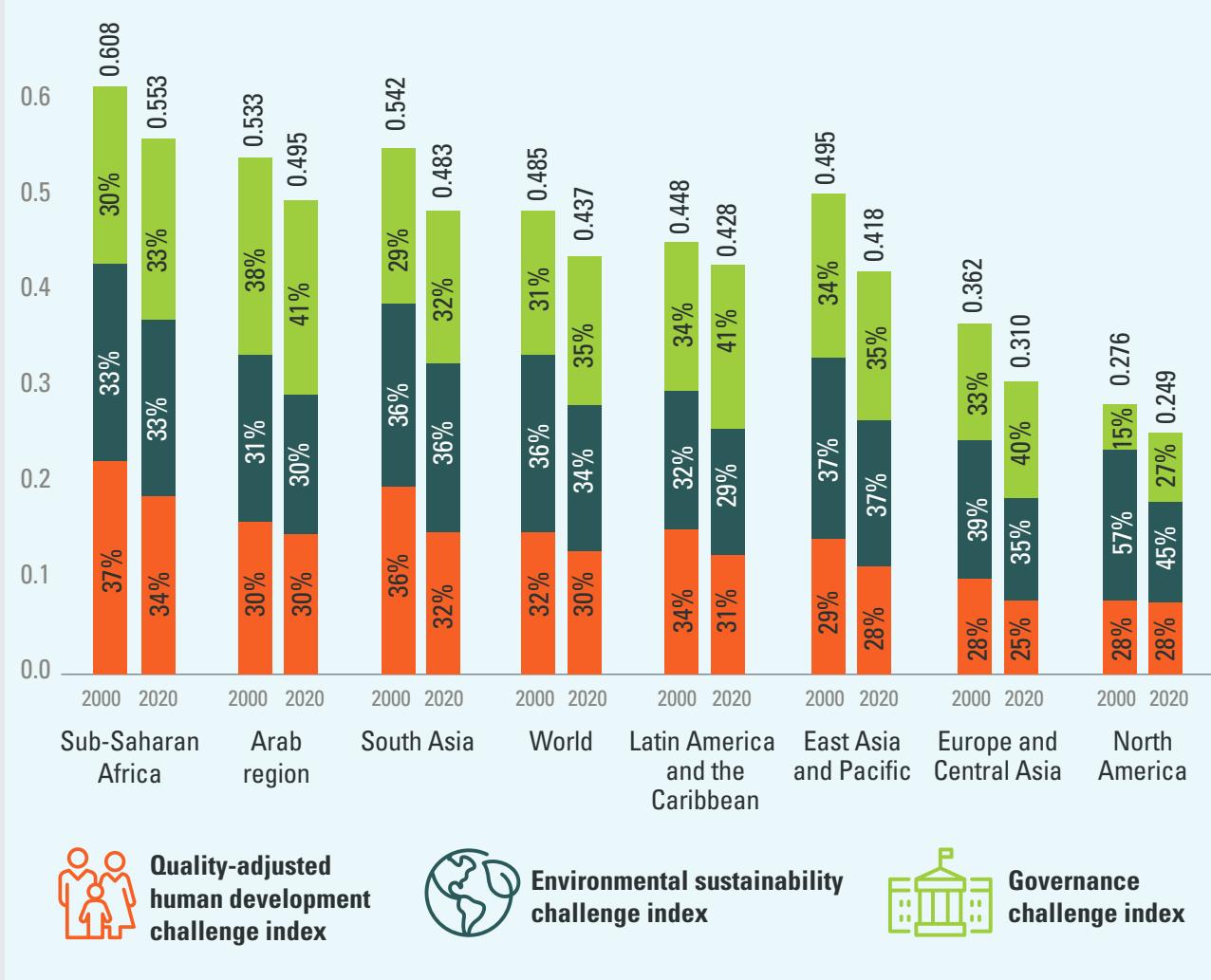
DCI reductions have occurred globally, from an average of 0.485 to 0.437, and across most regions. East Asia and the Pacific achieved the greatest reduction (figure 2). Sub-Saharan Africa is the most challenged region, with an average DCI score of 0.553 in 2020. North America, with a score of 0.249, is the least challenged region. The Arab region and South Asia are highly challenged, lying well above the world's average. They show conspicuous gaps in DCI levels compared with Latin America and the Caribbean and East Asia and the Pacific.

09

When considering the share of each of the three challenges in the DCI scores, a distinct regional pattern emerges. Environmental sustainability or governance challenges make up the highest shares in most regions except sub-Saharan Africa, where quality-adjusted human development challenges are greater. Globally, given a significant rise in governance challenges over the past two decades, by 2020, the governance dimension comprised 35 per cent of the global DCI score.



Figure 2. DCI regional scores and shares of the three challenges, 2000 and 2020



Source: ESCWA calculations.



A.

There are serious deprivations in the quality of human development globally



No region has a very low quality-adjusted human development challenge index, which means there is still much to be achieved, even in the two most developed regions of the world: Europe and North America. Regarding the number of people in each category of quality-adjusted human development challenges, in 2020, the highest share of the world population lived in the medium-challenge category. This is an important improvement since the highest share was in the very high-challenge category in 2000.



However, many countries witnessed an increase in their quality-adjusted human development challenge index scores over this period. Conflict was one of the main reasons for major deteriorations. A total of 3 of the 10 countries with the highest losses in rank on the index are conflict-affected Arab countries.

B.

Environmental sustainability is a major concern for both developed and developing countries



Most regions have higher levels of environmental health challenges than of climate change and energy efficiency challenges. Environmental health challenges account for 80 per cent of the environmental sustainability challenge in South Asia. The only two regions that score higher on the climate change and energy efficiency component are Europe and Central Asia and North America. In the latter, three quarters of its score comes from this dimension.



Only 7.5 per cent of the world's population lives in low challenge and very low challenge countries, mostly in Europe; while 62 per cent lives in very high challenge and high challenge countries. Nevertheless, some improvements in the distribution of the population between these two categories is evident, with several countries in South Asia and East Asia and the Pacific moving from the very high challenge to the high challenge group. Globally, countries have become more aware of the importance of preserving the environment, yet some countries seem to be left behind and have increased their rank on the environmental sustainability challenge index.

C.

Governance is the world's most pressing development challenge



Global and regional average governance challenges increased over the period 2000–2020, except in East Asia and the Pacific and the Arab region, which saw slight improvements. The overall increase is largely due to greater democratic governance challenges in most regions. While the Arab region faces the highest governance challenge and has the highest score on the democratic governance challenge dimension, sub-Saharan Africa confronts the highest challenges in government effectiveness. This is due to poor infrastructure and public service conditions, and weak public expenditure. The majority of people live in countries that are highly challenged on governance. Notable deterioration between 2010 and 2020 occurred because of higher governance challenge scores in some sub-Saharan countries and in European and Central Asian countries. Between 2000 and 2020, the number of people living in countries with very high governance challenges rose.



Good governance and human rights go hand in hand, demonstrated by a strong correlation between the governance challenge index, particularly the democratic governance component, and human rights and freedoms indicators. In contrast, poor governance and unaccountable and ineffective public institutions can exacerbate political and socioeconomic exclusion, worsen systemic inequality, and provoke human rights violations. Across the globe and especially in the Arab region, citizens' thwarted aspirations for governance systems that respect human dignity fuel popular discontent that could eventually lead to further social unrest, political instability and conflict.





3 Policy response

A.

Strengthen environmental and health systems to improve healthy life outcomes

01

Although the COVID-19 pandemic caused new institutional challenges, it has pressured countries to act swiftly amid increased uncertainty. It exacerbated public and private health-care system deficiencies worldwide, with disproportionate effects on the most vulnerable, namely, children, women and older persons. Several countries have experienced significant demographic changes through its impact on life expectancies. Furthermore, rapid changes in lifestyle and increases in non-communicable diseases have widened the gap between life expectancy and healthy life expectancy. In developing countries, populations are ageing and chronic diseases are rising, propelling new demand for health care. These patterns and the resulting development challenges increasingly require improved service quality and other interventions.

02

However, simply expanding health-system capacities, without addressing environmental drivers of morbidity and mortality, may result in missed opportunities to increase healthy life expectancy. Improving healthy life outcomes depends on protecting the health of environmental systems, which can only happen by adopting new technologies and by changing prevailing consumption patterns. The pandemic revealed an unforgiving trade-off between infinite human needs and the planet's finite environmental capacity. Countries must therefore shift to more sustainable economic growth models that work for both people and the planet.

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B.

Build knowledge-based economies with integrated education and labour market systems to harness opportunities and minimize the negative effects of the Fourth Industrial Revolution



Quality education plays a crucial role in strengthening inclusive growth and overall economic development. It also reduces social disparities, especially gender disparities. Governments should focus on developing well-rounded and integrated educational systems that reach males and females in all regions of a country, including the most vulnerable people in rural areas. Subsidies and scholarship programmes allow more students to complete their education and enter the labour market with required skills. A lack of decent jobs, however, breaks the relationship between high-quality education, decent employment, and the reduction of poverty and inequality. Macroeconomic policies should aim to encourage decent job creation that promotes inclusive growth and productivity. This not only entails designing effective fiscal and monetary policies and tools, but also formulating pro-employment sectoral and industrial policies to improve diversification and re-emphasizing the role of monetary policy in supporting private sector development, especially through small and medium enterprises.



Future generations must be adequately prepared for more knowledge-intensive economies. Young people require better creative and critical thinking skills, particularly enhanced competency in science, technology, engineering and mathematics (STEM). This will help ensure that they benefit from digital transformations during the Third Industrial Revolution, and can thrive amid labour-displacing technologies such as automation and robotics associated with the Fourth Industrial Revolution.

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C.

Forge strong links between government effectiveness and democratic governance

When rethinking human development measurement, it is imperative to recognize that without effective institutions, wellbeing cannot be ensured or sustained. At the same time, wellbeing is not a substitute for agency. Both agency and wellbeing are essential aspects of human development. Strong institutions should ensure that government effectiveness and democratic principles operate in a virtuous nexus. By the same token, democratic governance without quality public services is also not a solution. Some countries have focused more on democracy than effectiveness, such as Albania, which has one of the largest infrastructure gaps in the Western Balkans. There is no inherent reason why wellbeing and agency should not play complementary roles. Governments must therefore aim to advance both democracy and effectiveness.

01

Human development and conflict are highly interlinked and directly connected to wellbeing and agency. Lower risks of conflict are more likely where policies create institutional and governance reform plans, close gaps between formal and actual rights, strengthen civil society's capacity to hold dialogues with the authorities, develop strong political checks to protect accountability, and raise awareness of the importance of accountability in building public trust and confidence. The most challenged countries in terms of agency are also the most highly affected by long-standing domestic and cross-border conflicts. Since conflict is strongly linked to governance systems and human rights, countries with weaknesses in these areas are at heightened risk of conflict. Good governance and respect for human rights and basic freedoms are vital to ending conflict.

02

D.

Prioritize the most challenged countries and ensure human security in conflict-stricken countries



Resolving the world's development challenges requires focusing first on the highly challenged countries. They face multifaceted challenges, and lag in all dimensions of quality-adjusted human development, environmental sustainability and governance. Their vulnerability is reflected in stubbornly high extreme headcount poverty rates, which can exceed 45 per cent.



To provide support to highly challenged countries, the global community should implement measures similar to those provided to the least developed countries, including international tax cooperation to reduce tax evasion from multinational companies and to set standard wages to avoid inequalities. Such measures should also consist of integrating capacity-development assistance for domestic tax revenue mobilization, introducing global tax incentives to promote domestic processing, providing policymaking support, establishing a sustainable infrastructure fund, and developing cash transfer programmes.



In today's world of protracted conflict and violence, human security has assumed greater importance. Millions of people globally, especially in countries in the very high challenge and high challenge categories of DCI, have to cope with climate change, natural disasters, economic and health crises, and intolerance and violence. To ensure that no one is left behind, the emphasis should be on a deep understanding of threats, risks and crises, and of the interlinkages between human development and human security. To that end, countering the shock-driven response to global threats and promoting a culture of prevention are of utmost importance.



4

Links to the background papers of the World Development Challenges Report



Rethinking Human Development: Concepts and Measurements



Development challenges index: statistical measurement and validity



Domestic conflict: a proposed index and its implications for Arab States



Environmental sustainability and human development: perspectives from the Arab region



Healthy life expectancy index reveals a regional paradox



Institutions and human development: a panel Granger causality analysis



Quality of education: measurement and implications for Arab States



Towards an Arab governance index



What drives quality-adjusted human development achievements?



VISION: ESCWA, an innovative catalyst for a stable, just and flourishing Arab region.

MISSION: Committed to the 2030 Agenda, ESCWA's passionate team produces innovative knowledge, fosters regional consensus and delivers transformational policy advice. Together, we work for a sustainable future for all.

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