United Nations | Department of Economic and Social Affairs

World Social Report 2024

Social Development in Times of Converging Crises: A Call for Global Action

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United Nations

DEPARTMENT OF ECONOMIC AND SOCIAL AFFAIRS

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Foreword

The United Nations General Assembly has just laid out the organizational framework of the Second World Summit for Social Development, to be held in 2025 in Doha. That decision could not have come at a more timely moment.

The first Summit, held three decades ago in Copenhagen, firmly put people at the centre of development, inspiring successive global development agendas towards prioritizing poverty eradication, employment generation, social inclusion and leaving no one behind.

Since that time, there have been some notable successes – for example, the proportion of persons living in extreme poverty fell from one in three in 1995 to below one in ten in recent years – but also setbacks, reversals and, in some areas such as inequality, chronically insufficient progress.

As we look towards the Second World Summit, we must take stock of what has been learned and assess how such lessons can be best applied in a rapidly changing world.

The *World Social Report (WSR) 2024* presents such a stock take. It looks at the lessons learned from recent shocks and crises. Shocks and crises can have significant impacts on social development, within and across countries, particularly for those who are already vulnerable. Even after a crisis recedes from the headlines, many struggle to recover. Some never do.

Alarmingly, we face a future where shocks, such as those from climate change, are not only more frequent, but are also more likely to turn into full blown crises that spread rapidly across countries, with concurrent and compounding effects across environmental, economic, and social systems.

Since 2020, we have witnessed first-hand the far-reaching and long-lasting adverse impacts of convergent crises. Labour markets in developing countries are yet to recover. Gender disparities have been exacerbated, education losses have been worse for the already disadvantaged, and between and within country inequalities has grown. For most developing countries, the capacity to invest in their people has been sharply curtailed. By 2030, the crises of the past few years are expected to have caused some fifty trillion dollars in loss of aggregate global output – lost opportunities for advancing social development.

The 2024 edition of the *WSR* highlights how both national efforts and international action need to evolve to advance social development in these challenging circumstances. Importantly, these need to work together in a coordinated way. To be effective, national policies to eradicate poverty, ensure inclusive job-rich growth, promote equality of opportunity and advance social protection need the fiscal space that can be freed up through international support. Early warning systems must be able to elicit joined-up responses from a global emergency platform. And collective actions to mitigate drivers of shocks can deliver a double dividend for social development by placing people at the centre of their design and implementation.

Through this year and the next, outcomes from the Summit of the Future as well as the Fourth International Conference on Financing for Development, while important in themselves, can also help provide building blocks for the outcomes from the Second World Summit for Social Development. I hope that this report can help inform the discussions of governments and stakeholders to shape these processes in meaningful ways, as we seek to accelerate action on the 2030 Agenda for Sustainable Development in ways that leave no one behind.

Li Junhua
Under-Secretary-General
for Economic and Social Affairs
United Nations

Explanatory notes

Symbols

- A hyphen (-) between years, for example, 2023-2024, signifies the full period involved, including the beginning and end years.
- A full stop (.) is used to indicate decimals.
- A dollar sign ($) indicates United States dollars, unless otherwise stated.

Details and percentages in tables may not necessarily add to totals because of rounding.

Notes on regions, development groups, countries and areas

The designations employed in this publication and the material presented in it do not imply the expression of any opinions whatsoever on the part of the Secretariat of the United Nations concerning the legal status of any country, territory, city or area or of its authorities, or concerning the delimitation of its frontiers or boundaries. The term "country" as used in this report also refers, as appropriate, to territories or areas.

In this publication, data for countries and areas are often aggregated in six continental regions: Africa, Asia, Europe, Latin America and the Caribbean, Northern America, and Oceania. Further information on continental regions is available from UN DESA Statistics Division, Standard country or area codes for statistical use (M49). Countries and areas have also been grouped into geographic regions based on the classification being used to track progress towards the Sustainable Development Goals of the United Nations.

The designation of "developing" and "developed" is intended for statistical purposes and does not express a judgment about the stage in the development process reached by a particular country or area. Developed regions comprise all countries and areas of Europe and Northern America, plus Australia, New Zealand and Japan. Developing regions comprise all countries and areas of Africa, Asia (excluding Japan), Latin America and the Caribbean, and Oceania (excluding Australia and New Zealand). Further information is available from UN-OHRLLS.

The classification of countries and areas by income level is based on gross national income (GNI) per capita as reported by the World Bank. Income group data is not available for all countries and areas.

Abbreviations

CAT	catastrophe bonds
DAC	Development Assistance Committee
ECOSOC	United Nations Economic and Social Council
ESCAP	Economic and Social Commission for Asia and the Pacific
ESCWA	Economic and Social Commission for Western Asia
FAO	Food and Agriculture Organization of the United Nations
FDI	foreign direct investment
GDP	gross domestic product
GHG	greenhouse gas
IAIS	International Association of Insurance Supervisors
IATF	Inter-agency Task Force
IFAD	International Fund for Agricultural Development
ILO	International Labour Organization
IMF	International Monetary Fund
IOM	International Organization for Migration
IPCC	Intergovernmental Panel on Climate Change
IRENA	International Renewable Energy Agency
LDCs	least developed countries
LLDCs	landlocked developing countries
ODA	official development assistance
OECD	Organisation for Economic Co-operation and Development
PPP	purchasing power parity
SDGs	Sustainable Development Goals
SIDS	small island developing States
UN DESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNESCO	United Nations Educational Scientific and Cultural Organization
UNFCCC	United Nations Framework Convention on Climate Change
UNHCR	United Nations High Commissioner for Refugees
UNICEF	United Nations Children's Fund
WFP	World Food Programme
WHO	World Health Organization
WID	World Inequality Database
WIID	World Income Inequality Database
WMO	World Meteorological Organization
WTO	World Trade Organization

Glossary

Complexity: Complexity exists when the relationships between the many variables are numerous and nonlinear, including feedback loops and tipping points. Complex systems exhibit behaviour at the aggregate level that is qualitatively different from the behaviour of their individual elements. This "emergence" implies that merely analysing individual parts of a system will not suffice to predict and model – or create policies to address – potential outcomes and risks.

Coping capacity: The ability to withstand, adapt to and recover from the effects of a crisis (closely related to resilience (see below). Coping capacity emphasizes the agency of individuals or groups in choosing how, when and where to respond to systemic stress.

Crisis: A sudden event or a closely connected series of events that significantly harms many people within a relatively short period of time. Crises are the result of complex interactions between, shocks and the resilience and coping capacity of a system. These interactions occur through an increasingly dense network of interconnections between systems and between the constituent parts of each system. The nature of a given crisis and its effects depend on several characteristics of the system: complexity, coping capacity, networks, shocks, stresses and tipping points (each defined within this glossary).

Feedback loops: Feedback loops are mechanisms or processes in systems where the output or result of an action or behaviour is fed back into the system as input, potentially influencing subsequent actions or behaviours.

Fiscal space: Room in a Government's budget that allows it to provide resources for a desired purpose, as a result of the active exploration and utilization of all possible revenue sources by a government, while remaining consistent with maintaining the stability of the economy.

Network: A network refers to a structure representing a group of objects/people and relationships between them. A network is represented by nodes (things in the networks), edges (connections between the things in our network) and directions (in what direction the connections go). In multilayer networks, nodes are organized into layers, and edges can connect nodes in the same layer or nodes in different layers.

Resilience: The capacity of a social, economic, or environmental system to cope with a hazardous event while maintaining essential functions, and the capacity to recover and adapt.

Shocks: Fast-moving trigger events that, in the context of existing stresses, can push a system into crisis. Shocks are usually local or regional and often unpredictable, such as major corporate bankruptcies, the emergence of a new disease, and conflict or political uprisings. While shocks are most often local, the interconnection of systems means they can have global consequences.

Social protection: The set of policies and programmes aimed at preventing or protecting all people against poverty, vulnerability and social exclusion throughout their life cycles, with particular emphasis on vulnerable groups.

Stressors: Long-term features of a system that make crises more likely. Stresses can be environmental (e.g., climate change, natural disasters, biodiversity decline), economic (e.g., financial instability, unemployment, over-concentration of supply systems), social (e.g., high inequality, social unrest), or political (e.g., ongoing conflict, weak governance).

Systemic risk: Risk caused by interdependencies in complex interlinked systems. Systemic risk can cross spatial and sectoral boundaries, with cascading impacts that spread within and across systems and sectors (e.g., ecosystems, health, infrastructure and the food sector) via the movements of people, goods, capital and information.

Systemically important: Systemically important institutions and markets are critical players in a network, which are deemed crucial as their failure or disruption could potentially have significant adverse effects on the entire system

Tipping points: Thresholds where a small additional change in a system can trigger a significant and often irreversible shift in the system's behaviour. Tipping points are typically associated with detrimental transitions, and their existence in interconnected systems raise the stakes and magnifies the potential consequences of systemic crises.

SUSTAINABLE DEVELOPMENT GOALS

End poverty in all its forms everywhere

End hunger, achieve food security and improved nutrition and promote sustainable agriculture

Ensure healthy lives and promote well-being for all at all ages

Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all

Achieve gender equality and empower all women and girls

Ensure availability and sustainable management of water and sanitation for all

Ensure access to affordable, reliable, sustainable and modern energy for all

Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all

Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation

Reduce inequality within and among countries

Make cities and human settlements inclusive, safe, resilient and sustainable

Ensure sustainable consumption and production patterns

Take urgent action to combat climate change and its impacts

Conserve and sustainably use the oceans, seas and marine resources for sustainable development

Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss

Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels

Strengthen the means of implementation and revitalize the Global Partnership for Sustainable Development

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WMO/Muhammad Amdad Hossain

Executive summary

Social development progress is under threat

As countries look towards the Second World Summit for Social Development, the vision of placing people at the centre of development retains its primacy three decades after its articulation at the first Summit. That vision shaped successive global agreements including the Millennium Declaration and the 2030 Agenda for Sustainable Development. Key objectives of social development, such as poverty eradication, employment generation, inequality reduction and building inclusive societies, remain at the heart of the global development agenda.

Since 1995, much progress has been made towards realizing the vision. More recently, however, there have been reversals, and several objectives of social development appear increasingly at risk In the longer term, due to the enduring impacts of various shocks and crises, which have become more frequent, widespread and interconnected.

The COVID-19 pandemic initiated a sharp reversal in progress, with headline impacts such as the first increase of the global extreme poverty rate in 20 years. While these numbers are slowly returning to pre-pandemic levels, they remain stubbornly high in many low-income countries, increasing the likelihood of households trapped in poverty. Hunger and malnutrition have risen steadily, subjecting infants and children with the threat of lasting damage to health and normal cognitive growth, and consequently to social development. Even as the pandemic ebbed, spillovers from the war in Ukraine, and droughts and floods caused by climate change created additional threats to food security, as did unexpectedly high inflation in many countries. Divergent recoveries in employment – with developing countries lagging behind developed ones – are yet another indicator of lasting impacts on social development trends. Income inequalities have risen in many countries, including in developing countries with pre-existing high levels of inequality. Between-country inequality, yet another indicator of disparity, rose steadily (by about 1.6 per cent since the onset of the pandemic) and has remained elevated ever since.

A single statistic that expresses the potentially persistent impact of successive crises is the 2023 projection of where global output will be in 2030, compared to where it was expected to be at the end of 2019: a value that is lower by 7.3 per cent, representing a cumulative output loss of over $50 trillion, and an indication of lost opportunities for social development. Economic slowdowns have contributed to shrinking fiscal space and debt distress that further perpetuate impacts, even as unanticipated risk factors, such as inflation and "higher-for-longer" interest rates in developed economies, have worsened prospects around the world, especially for the poor and vulnerable.

Shocks too are becoming more likely, and the chance that they will precipitate crises is increasing. Taken together, the probability of repeated, converging crises that produce long-lasting impacts on social development has risen, even as our preparedness for them has not kept pace

There is greater knowledge about the structural drivers of shocks and crises, but most countries are underprepared

The recent confluence of crises has presented new evidence of how shocks impact social development, drawing from rich new data sources, and substantially adding to an extensive body of cross-disciplinary research from across the world. Across disciplines, assessments are also confirming that we live in a period where shocks are becoming more likely. For example, the probability of a pandemic occurring in any given year is estimated to be progressively increasing due to the rise in disease emergence rates as human activities further encroach on animal habitats. As global warming continues, forecasters are expressing high confidence that every region in the world will experience increasingly concurrent and multiple changes through numerous climate impact channels. Gradually worsening circumstances could

include prolonged drought, or more intense and frequent extreme weather events such as hurricanes. Such events could increase threats to agricultural production and food security, among others. Various scenarios highlight systemic risks to global financial stability.

Shocks that might have previously remained relatively contained can now be propagated rapidly through globally interconnected networks such as those in trade, finance and transport. The extent, density and other characteristics of these networks, such as the relative importance of each network participant, help determine how shocks are disseminated and amplified into crises. Extensive interconnections also offer pathways for shocks to exert influence across systems, further magnifying impacts as crises originating in one sector spill over into others.

Despite the increased understanding of both mechanisms and impacts, we remain underprepared. For instance, data shows that coverage under early warning systems remains patchy. Many remain entirely outside the reach of social protection, lacking access to an essential buffer against shocks. Progress towards the Sustainable Development Goals (SDGs), associated with greater coping capacities, remains markedly inadequate. Finally, translating the insights of network science into improving how networks are governed to boost resilience remains a work in progress.

National actions as well as international collaborations are essential, and mutually complementary, in advancing social development at a time of converging crises

International support is essential to ease national constraints to advancing social development

As shocks to social development can originate in different domains and then spread across geographic and system boundaries, both international and mutisectoral collaboration are important. Social development is addressed through many of the individual Goals and targets in the SDGs. To the extent that these are advanced holistically, multisectoral approaches can be built in. National development strategies that seek to eradicate poverty; ensure inclusive, job-rich growth; and promote equality of opportunity and universal access to quality services, among others, can all advance social development, especially if other policy objectives are also supportive of these efforts. Countries now need to re-examine the entire range of their policies and programmes, working through alternative scenarios, to ensure they can succeed in accelerating social development in the new crisis context.

In the aftermath of convergent crises, however, countries face additional constraints. Many face shrinking fiscal space and increased debt burdens, constraining their ability to invest in social development. Vulnerable people and societies tend to be the worst affected, especially those in developing countries and countries in special situations: in early 2024, half of the low-income countries were in, or at high risk of, debt distress. These compound investment shortfalls during crisis periods: over the COVID-19 pandemic, 65 per cent of governments in low- and lower-middle-income countries had to reduce their education budgets.

Constraints such as those identified above can only be addressed by re-invigorating international cooperation for social development. Collective-action solutions are needed to free up fiscal space in heavily indebted countries, while also providing an effective debt resolution framework for the future. Additional measures, such as supporting stable growth pathways that are consistent with social development, and facilitating institutional development are also needed in the medium term. For many countries, particularly those in special situations, official development assistance (ODA) in the form of grants and concessional finance would continue to be essential for advancing social development objectives. Such actions would, in the longer term, also enhance a country's ability to service its debt.

Mechanisms that support the resilience of individuals and households and guard against long-term losses must be available to all

Preparing for the unexpected requires creating robust systems and investments in resilience. The existing social protection systems and other risk protection mechanisms in many countries have significant gaps undermining social development during shocks and crises. While national-level efforts for achieving social goals remain vital, they are insufficient in the face of multiple crises that can affect households and individuals in different ways. Countries with robust social protection and insurance coverage have navigated the multiple crises more effectively, underscoring the importance of proactive measures in building resilience. However, only 47 per cent of the global population is estimated to have access to at least one social protection benefit, meaning that more than 4 billion people still lack any social protection. Furthermore, only 31 per cent of the working-age population are legally covered by a comprehensive social security system. In high-income countries, on average, 85 per cent of the population is covered by at least one social protection benefit, while in low-income countries, it is only 13 per cent.

The cost of achieving nationally appropriate social protection systems in developing countries by 2030 is estimated at $1.4 trillion, or 3.3 per cent on average of their gross domestic product. The pandemic-era expansion of social protection instruments can provide the building blocks for social protection floors in many countries. Experience with these initiatives can help reduce transaction costs and improve efficiency. However, with fiscal space remaining constrained, international support, including for improving domestic resource mobilization would be necessary. If ODA is used, it should be in the form of grants or highly concessional loans, as investments in social protection typically take longer to strengthen a country's debt-carrying capacity. Support in the form of debt swaps for social development or debt swaps for SDG investment can also help, allowing countries expand their fiscal space by reducing debt payment obligations in return for social spending commitments.

A human rights–based approach to social protection, prescribed by law, guarantees its continuity and predictability at times of crisis, helping reduce the need for ad hoc emergency actions. The grounding in law creates entitlements, ensures permanence, and gives rights holders the legal ability to invoke their rights, as in Brazil and South Africa. International efforts can then be devoted to complement national efforts of developing countries, including those in special situations, to provide social protection to their people.

Insurance, too, is an important element of a comprehensive risk management framework, especially through innovative mechanisms, such as parametric insurance, that expand their availability to the poor in developing countries. Appropriate regulation, supported by more granular and timely data, forward-looking models, and digital technology can help to foster a more inclusive, effective and efficient insurance market. With recurrent and converging shocks threatening the viability of the basic insurance model, national and international partnerships may be necessary to maintain effective risk pooling.

More broadly, decision-making on risks when the risks themselves are changing must engage with the totality of actors, rules, conventions, processes and mechanisms concerned, as well as evaluate how relevant risk information is collected, analysed, and communicated. Such a "risk governance" approach can help to structure and organize growing uncertainties through explorative scenarios for future developments.

Building resilience in a closely interconnected world requires global cooperation

There is a need to strengthen and build the resilience of networks and foster adaptive capacities

to navigate the complex, multilayered network of systems through which the impacts of crises on social development are transmitted, particularly in those countries that are disproportionately impacted.

Predominantly international actions include robust early warning and global emergency platforms

Global cooperation can help develop and maintain effective early warning systems to detect warning signals at the earliest possible point, allowing for prompt interventions to contain initial shocks and minimize contagion. Absent such action, shocks that cascade through the system can inflict profound damage to social development. International cooperation is also needed to avoid possible regulatory arbitrage – for example, in the case of systemically important firms that may be subject to more stringent or less stringent regulation in different jurisdictions. A successful example of such cooperation is the agreement on reforms of banking regulation and supervision by the Group of Twenty following the 2008 world financial and economic crisis. Multilateral processes and institutions are important protection mechanisms and need to be strengthened further.

International collective action is essential to address the drivers of shocks that spill over national boundaries

Experience with recent crises has underscored the importance of coordinated knowledge-sharing and timely action by the international system to guide effective crisis response during global shocks. For example, as the pandemic unfolded, collaborative platforms and international coalitions facilitated the exchange of knowledge and resources, enabling both a coordinated response that spanned continents and the rapid development of several effective vaccines. Building on past experiences, a standing capacity to undertake such coordinated action would ensure that no time is lost, as was recently seen with the Global Crisis Response Group. Such action becomes especially important, as shocks originating in one sector could unexpectedly trigger stresses in another, requiring a coordinated response at short notice.

Collective action that addresses the drivers of shocks that spill over and cross national boundaries can reduce systemic risk from the outset and prevent or limit future damage, which greatly reduces the impact on social development. Examples include climate change mitigation, global financial stability, pandemic prevention, preparedness and response, and preventing the spillovers of violent conflict. As each of these is best supplied through different provisioning mechanisms, global coordination and agreements are necessary to elicit the appropriate contributions from countries. Importantly, requiring these collaborative solutions to also advance social development can deliver a double dividend through enabling appropriate national contributions while guiding global coordination. In the absence of such collective action, purely national solutions may not succeed, and could even end up further increasing systemic risks.

The way forward to advancing social development during a period of converging crises

A unique opportunity for updating the global consensus on social development for our times

The United Nations system is well placed to take forward the recommendations of this report in partnership with other stakeholders. At the national level, it is a trusted presence on the ground through country teams, with unparalleled convening power. It is important to further strengthen United Nations joint programming for resilience-building across the entire cycle, from risk assessment to planning, implementation and monitoring. Joint programming is already under

way to advance the six key transitions identified as catalytic for accelerating progress towards the SDGs. The United Nations can also support capacity-building, responding to a variety of needs across countries.

At the global level, the United Nations provides a unique, fully inclusive and legitimate forum to build consensus on how to address global challenges. Major conferences and summits through the end of 2025 – the Summit of the Future in September 2024 in New York, the Fourth International Conference on Financing for Development in June–July 2025 in Spain, the Second World Summit for Social Development in the latter part of 2025 – all offer a unique opportunity to converge towards a consensus, through different workstreams, that would update the Copenhagen declaration for our times.

UN Photo/OCHA/Mark Garten

1 Recurrent, interconnected crises and the threat to social development

While considerable progress has been made towards the objectives identified at the World Summit for Social Development 1995, recurrent shocks and crises have reversed the gains made and drawn attention to how these may persist over the long term.

This chapter examines the complex interplay of shocks, stresses, networks, systems, and feedback loops. It identifies the characteristics of today's world that are making crises more likely and causing them to affect more people at greater distances with rising frequency. It explains how such closely interconnected systems are key to understanding fragility and building resilience. The chapter presents an initial set of measures for countries to cope with these shocks and crises. However, in most developing countries, the scale and likelihood of impacts goes beyond what existing capacities can address, requiring a reappraisal of both national and international actions that can support social development.

Key messages

- The world is ill-prepared to address the long-term impacts on social development arising from shocks that more readily turn into crises.
- Shocks are becoming more frequent and intense, and are amplified and spread through the networks that connect across countries and systems.
- Rapid progress in eradicating poverty, expanding inclusion, reducing inequality and securing employment within the framework of sustainable development serves to build resilience at the individual and community level.
- Given adequate capacity, effective governance that anticipates potential risks and uses network properties to develop and implement mitigation strategies – especially for the most vulnerable – remains essential for securing social development that can withstand shocks and crises.

Introduction

The nature of crises has been transformed significantly in recent years. Shocks have become more intense, widespread and interlinked: extreme weather events happen with increasing frequency and ferocity; economic, financial, social and health shocks quickly spread around the world; conflict and insecurity are a daily reality for millions. The combined effect of more numerous and more powerful shocks, denser interconnections, and existing shortfalls creates a daunting challenge to social development in countries, already struggling to make significant progress on the Sustainable Development Goals (SDGs).

Shocks are now more intense, widespread, and interconnected, posing a greater challenge

The lasting impact of crises on social development has been most recently evident during the COVID-19 pandemic. The pandemic led the global extreme poverty rate to increase for the first time in 20 years, caused a persistent rise in unemployment, especially in low-income countries, and exacerbated existing income and wealth inequalities. Educational setbacks have been unprecedented and will have a lasting effect on a generation of children.

It is also true that shocks that might have previously remained relatively contained to specific regions are now propagated rapidly through globally interconnected systems such as those in trade, finance and the environment. The extent and density of these global networks critically shape the pace at which crises disseminate and the magnitude of their impact on governments, communities and individuals. Extensive interconnections offer pathways for shocks to exert a broader influence, not only within a system (for instance, among trade partners) but also across systems (such as between trade and financial markets). Consequently, the impact of a single crisis can ripple across diverse sectors, intensifying the overall effect.

This chapter starts by discussing what social development is and how the confluence of crises leads to long-lasting impacts. This includes a discussion of how shocks and crises are becoming more dangerous as they are not only becoming more frequent and intense but are also affecting more people at longer distances, even as their probability of occurrence is rising. The chapter discusses how the impact of crises can spread to other countries across increasingly interconnected economies, societies and ecosystems – a contagion spreading through these interconnections that can, and often does, push other systems past their tipping points and expands the crisis. The chapter then explains the conditions under which shocks can become full-fledged crises, introducing the factors that influence vulnerability, exposure and the coping capacity of countries and communities.

Social development as a mainstay of the SDGs

Social development has a storied history at the United Nations, with the first World Summit for Social Development in 1995 being the largest gathering ever of world leaders up until that time. Through resolutions and declarations adopted at the intergovernmental level, States Members of the United Nations have regularly attempted to better define social development. The Copenhagen Declaration on Social Development and Programme of Action for the World Summit for Social Development (United Nations, 1995) identified poverty, unemployment and social exclusion as profound social problems that affected every country and sought to address both their structural causes and their consequences. Redressing these conditions was the primary objective of social development.

The Copenhagen Declaration also established a set of framework principles, chiefly to "place people at the centre of development and direct our economies to meet human needs more effectively" (ibid.). Among its commitments were those relating to eradicating absolute poverty, supporting full employment, achieving gender equality, and

attaining universal, equitable access to health care and primary education.

The Copenhagen Declaration recognized social development as a national responsibility, but one that also required the support of the international community for its achievement. It emphasized that sound and broad-based economic policies are required, and that economic, cultural and social policies need to be mutually supportive. Among its ten commitments were those on increasing the resources allocated to social development and ensuring that structural adjustment programmes included social development goals.

The Copenhagen Declaration identified poverty, unemployment and social exclusion as profound social problems and sought to address both their structural causes and their consequences

The adoption of the 2030 Agenda for Sustainable Development in 2015 marked a political milestone in terms of broadening the intergovernmental consensus on social development. The 2030 Agenda consists of 17 Sustainable Development Goals, 169 targets and 232 indicators. Out of these, 8 of the SDGs,[1] 74 of the targets and 124 of the indicators relate to social development (Filipowicz, 2023). The importance attached to social development in the 2030 Agenda reflects the evolution of the intergovernmental debate over the past few decades, particularly since the 1995 World Summit for Social Development. The recent decision of the General Assembly to convene a Second World Summit for Social Development in 2025 to commemorate the thirtieth anniversary of the 1995 summit also signifies the continuing political importance attached to the social dimension of sustainable development.

The centrality of social development to the SDGs, especially in the context of recurrent crises, is evident. The experience from past crises has shown that investments in the SDGs not only materially improved the lives of people in those countries, but also served as a cost-effective investment for building resilience against the effects of an unexpected crisis. The *World Economic and Social Survey 2016* (WESS) (United Nations, 2016) emphasizes that countries at the greatest risk of climate hazards are those with the least capacity to prevent or cope with adverse impacts – typically, low-income countries and those heavily reliant on climate-sensitive resources like agriculture. According to WESS 2016, low-income countries lost an estimated 5 per cent of their gross domestic product due to climate hazards between 1995 and 2015, illustrating the severe economic impact on these vulnerable nations. In contrast, high-income countries, while experiencing higher absolute economic losses, had better capacities to manage these risks due to their more advanced social and economic systems (ibid.).

The COVID-19 pandemic also confirmed the link between SDG progress and resilience. For example, a recent study showed that countries that had achieved greater access to clean water (SDG 6), reduced the number of people living in slums (SDG 11), and decreased pre-existing health conditions such as non-communicable diseases (SDG 3) were in a better position to mitigate the COVID-19 risk, particularly in the period prior to the availability of vaccines and treatments (UN DESA, 2020a). Similarly, past progress in introducing inclusive social protection systems (SDGs 1 and 8), robust universal health care (SDG 3) and effective public institutions (SDG 16), as well as smartphone and internet penetration (SDG 9), all contributed to more successful containment measures and coping capacities. Analyses of COVID-19 experiences demonstrate that countries with robust social protection systems were able to quickly scale up existing mechanisms to better cope with the pandemic. These investments prove essential in stabilizing household income and aggregate demand, and in contributing to economic recovery during crises (UN DESA, 2020a, 2020b).

However, advancing social development is becoming increasingly more challenging in the face of multiple crises as the nature of the influence of crises has transformed significantly in recent years. Shocks have become more intense, widespread

1 SDGs 1, 2, 3, 4, 5, 7, 11 and 16.

and interlinked, leaving lasting impacts on social development. From 1985–1994, the global average annual cost of climatic disasters was $64 billion, which rose substantially to $143 billion during the period from 2000–2019 (Newman and Noy, 2023; United Nations, 2016). Over the 2000–2019 period, extreme weather events, such as hurricanes, floods and heat waves, have cost the world an estimated $2.8 trillion in direct and indirect costs (Newman and Noy, 2023). This significant increase in economic losses underlines the importance of investing in resilience through the SDGs, as the costs of inaction are far greater and climbing.

From 1985–1994, the global average annual cost of climatic disasters was $64 billion, which rose substantially to $143 billion during the period from 2000–2019

The long-lasting impacts of shocks and crises on social development

Social development – characterized by poverty eradication, employment, inclusion and inequality reduction – can itself be affected in both the short and long term through adverse shocks originating in the economic and environmental dimensions of sustainable development. Such impacts are immediately apparent when increases in the poverty rate, unemployment or inequality are observed following events such as a reversal of a period of growth or a natural disaster affecting lives and livelihoods. Pre-existing levels of social development may also determine outcomes, as they can determine the degree of exposure as well as coping capacities.

At the household level, reversals in social development can be *transitory* – for example, if social protection provides income support until an economic recovery restores employment. However, social development may also be held back in the longer term – for instance, if a household finds itself in a poverty trap, defined as a "self-reinforcing mechanism, which causes poverty to persist" (Azariadis and Stachursky, 2005). One example of a poverty trap is that of a subsistence farmer living in an arid environment who has low levels of income and productivity. In this context, poverty can continue indefinitely unless productivity-boosting technologies or other income-generating assets become available. If such conditions develop, the farmer's property rights may suddenly become valuable – for example, due to the discovery of mineral wealth – or the newfound resources may provide an opportunity to migrate to better economic opportunities.

Following a shock, households may be thrust into chronic poverty because of self-reinforcing mechanisms and feedback loops

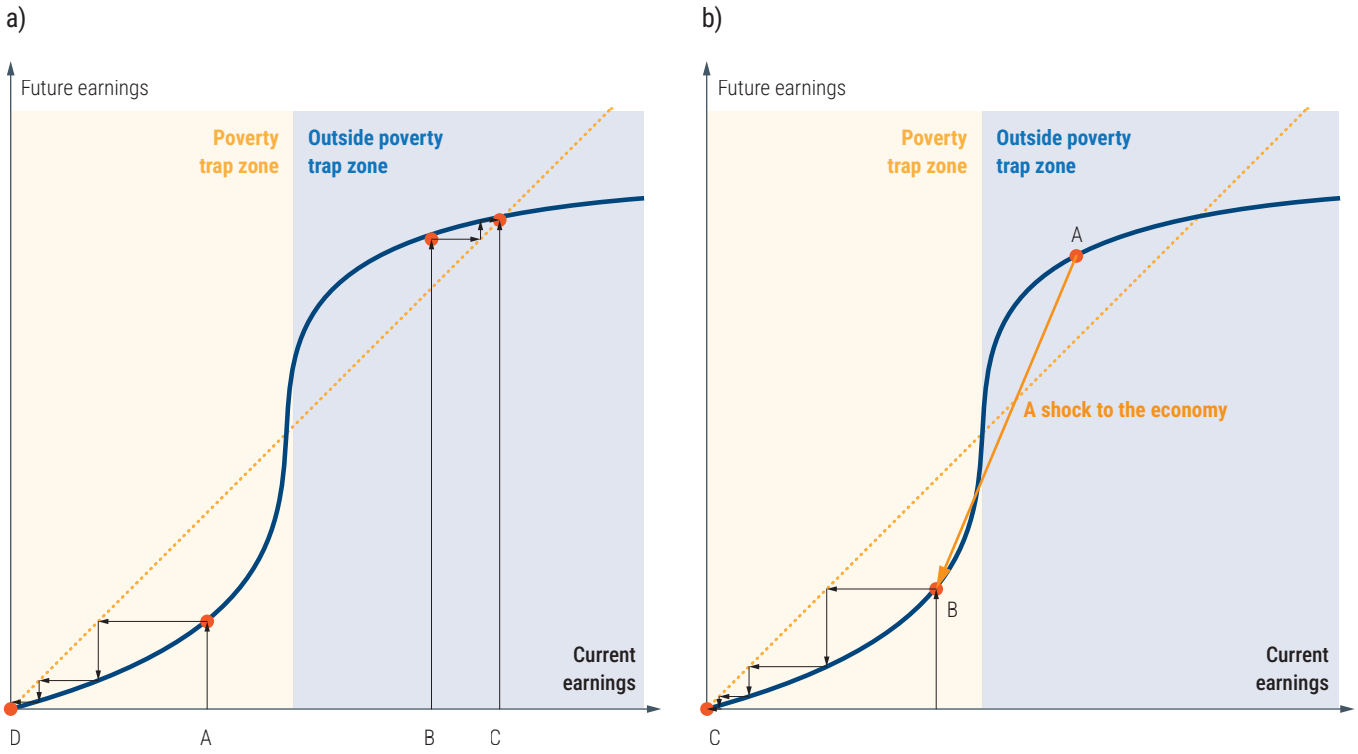
It is important to note that, following a shock, households that may not have previously been living in poverty can subsequently find themselves in a poverty trap, thrust into chronic poverty because of self-reinforcing mechanisms and feedback loops. Some of these mechanisms have been enumerated by Barrett, Carter and Chavas (2016):

- Loss of human capital – for example through ill health, poor nutrition or missed education – that lowers current and future productive capacity,
- Loss of physical, income-generating assets that cannot subsequently be recouped,
- Psychological feedback loops such as shock-induced depression, or lowered cognitive functioning, prosocial behaviour or aspirations, and
- Irreversible destruction or degradation of natural resource systems that are the primary source of livelihoods.

While each one of these mechanisms works through a different channel, a given household could simultaneously be affected by more than one of them, increasing their likelihood of being trapped in poverty. Figure 1.1 below depicts how poverty traps can arise, and how households not

Figure 1.1

Shocks and the threat of poverty traps



Source: UN DESA elaboration, adapted from Banerjee and Duflo (2011).
Note: In panel a), households starting at point A find themselves in a poverty trap as their future incomes are declining and will eventually reach point D. Households starting at point D can reach a future stable income at point C and avoid a poverty trap. In panel b), households starting at the stable point A suffer an external shock to their incomes and move to the poverty trap zone at point B. From there their future incomes decline until point C.

already living in poverty may find themselves in a poverty trap following a shock that could push them below a threshold level of income or wealth (Dasgupta, 1997). Additionally, when shocks are recurrent, there are greater chances for households to fall below such a threshold, as their coping capacity is unable to offset the cumulative impact of the shocks. Importantly, the existence of poverty traps means that the support that is provided through a crisis must maintain not just consumption levels, but also productive capacities, both current and potential.

While rigorous evidence on the existence of traps is difficult to come by – partly due to the lack of high-quality household-level longitudinal panel data over extended periods in developing countries – a survey of the existing literature (Kraay and McKenzie, 2014) documented several cases. At the country level, extended periods of low-income growth are also possible, including those precipitated by shocks and crises.

The other dimensions of social development can also suffer long-term impacts from unmitigated shocks. A prolonged period of unemployment can result in the loss of skills, making it even harder to return to work. Heterogeneous impacts on wealth at different points of the wealth distribution can increase inequality, which can become long-lasting when accompanied by reduced earnings for the poor. Inclusion may also be impacted if increasing wealth differentials translate into more exclusionary societies. The HIV/AIDS epidemic in Africa provides evidence of how impacts can persist for years (box 1.1).

Taken together, such mechanisms illustrate how crisis-induced reversals in social development can have impacts that persist even after the shock itself has abated, with recurrent shocks making such outcomes more likely. In 2019, the global poverty rate

Box 1.1

The lasting impact of the HIV/AIDS epidemic

In the 1980s and 1990s, the HIV/AIDS epidemic in Africa was a widespread crisis with far-reaching effects on health, economic, social and political systems. The epidemic impacted a continent already suffering from several pre-existing challenges. Health systems in African countries were suffering from inadequate infrastructure, insufficient funding and a shortage of trained health-care professionals. The weak health-care systems struggled to cope with the additional burden of the epidemic, resulting in inadequate care and further spread of not only HIV/AIDS, but also other endemic and latent health challenges.

Economic vulnerabilities, such as poverty, income inequality and unemployment, added to the conditions in which HIV/AIDS could spread more easily, as individuals with limited resources lacked access to information and to preventive measures or treatment. Gender inequality, limited access to education, and cultural norms that amounted to high-risk behaviours added to the pre-existing difficulties and contributed to the burden of the epidemic on countries. The combined effect was a drastic fall in life expectancy, with the most affected countries losing more than a decade of expected life from peak to trough. In the most extreme case, life expectancy in Eswatini declined by 21 years between 1990 and 2005 (United Nations, 2022a).

In addition, the epidemic itself acted as an additional stress on the already strained systems in affected countries, creating even more difficulties for countries struggling to accelerate economic growth and invest in development objectives. The loss of a substantial number of working-age adults to HIV/AIDS further weakened economies, reducing productivity and workforce participation, which in turn led to reduced economic growth and increased poverty. In Southern Africa, a significant portion of the labour force was lost to HIV/AIDS. In addition to the loss of workers, the cost of caring for AIDS patients resulted in the erosion of productivity and profitability in both the formal and informal sectors (Simtowe, Islam and Kinkingninhoun-Medagbe, 2018).

The burden of the disease remains significant as 26 million people are currently living with HIV in Africa and 35 million globally (WHO, 2024b). Thankfully, Africa has experienced lower COVID-19 infection rates, partly due to its experience in handling public health crises like AIDS. However, with 74 per cent of the global AIDS population, Africa is more vulnerable to COVID-19 complications. Estimates suggest HIV-positive individuals are 30 percent more likely to die from COVID-19 (Msomi and others, 2021; WHO, 2021). Additionally, lockdowns hindered access to testing, treatment and resources, with a significant share of countries having reported disruptions in HIV testing and the diagnosis and treatment of tuberculosis, hepatitis and other communicable diseases (WHO, 2024a).

Source: UN DESA.

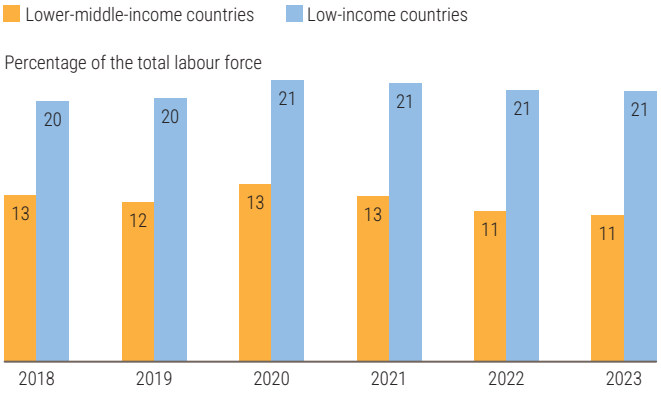
was estimated at 8.2 percent; in 2024, it is at 9 per cent. In 2022, 122 million more people faced hunger compared to 2019. It has been estimated that 600 million people could face hunger in 2030, about 119 million more than a scenario in which neither the COVID-19 pandemic nor the war in Ukraine had occurred (FAO, IFAD, UNICEF, WFP and WHO, 2023). The number of out-of-school children and youth has risen by 6 million since 2021, standing at 250 million in 2023, indicating lost potential for the future (UNESCO, n/d). Further, the combined effects of economic shocks, school closures and interruptions in reproductive health services led to an intensification of violence against women and girls, as well as more child marriages.

Ongoing and recurrent crises have disturbed the most fragile aspects of the labour market by adversely affecting the employment of young and female workers, workers in the informal economy, and youth not in education, employment or training (NEET) (United Nations, 2021a). The jobs gap rate (including all persons who would like to work but do not have a job) post-2020 remained persistently high in low-income and lower-middle-income countries (figure 1.2).

The persistent adverse impacts of the crises have exacerbated existing global income and wealth inequalities. During the COVID-19 pandemic, the world's 10 richest people doubled their income while 99 per cent of humanity became worse off, according to the *Global Sustainable Development Report 2023*. In 2022, the richest 10 per cent of the global population earned 52 per cent of the global income, whereas the poorest half earned 8.5 per cent (figure 1.3). Wealth concentration is even more pronounced, with the poorest half of the global population owning only 2 per cent of global wealth, while the richest 10 per cent own 76 per cent.

Figure 1.2

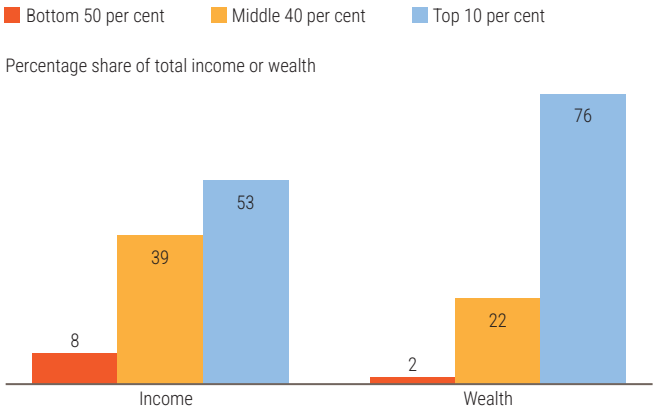
Persistent jobs gap rate in low-income and lower-middle-income countries, 2018–2023



Source: UN DESA, based on data from ILOSTAT, ILO modelled estimates, and ILO (2024c).
Note: The "jobs gap rate" extends the traditional measure of unemployed by representing the share of people who would like to work but do not have a job, divided by the total labour force (employed plus unemployed). It includes those searching and available at short notice (unemployed), those not searching or not available at short notice (potential labour force), and those willing to work but not searching or not available at short notice (willing non-job seekers).

Figure 1.3

Global income and wealth inequality, 2022



Source: UN DESA, based on data from World Inequality Database.
Note: The global bottom 50 per cent captures 8 per cent of total income measured at purchasing power parity (PPP). The global bottom 50 per cent owns 2 per cent of wealth at PPP. The global top 10 per cent owns 76 per cent of total household wealth and captures 53 per cent of income in 2022. Note that top wealth holders are not necessarily top income holders. Incomes are measured after the operation of pension and unemployment systems and before taxes and transfers.

Increasingly dangerous shocks and crises

Societies have been continually shaped by crises and their aftermath. Violent conflict – whether from local tribal competition, inter-ethnic rivalry or large-scale war – has left long-lasting marks on human development. Millions of people have been affected by countless crop failures, floods and droughts caused by extreme weather events and the changing climate. Infectious diseases have ravaged populations, including the Black Death of 1347–1352, the cholera waves between 1817 and 1923, and the Spanish Flu of 1918, to name just a few (Alfani, 2022). Economic crises – including currency debasement and credit crises – have also been a regular occurrence since the origins of modern organized economic systems, with remarkable similarities in their causes and effects (Reinhart and Rogoff, 2009).

However, the impact of shocks and crises has become more dangerous and widespread in recent years. Owing to changes in climate and the size and distribution of human settlements, as well as the ever-deepening interconnections of economies and societies, the landscape of crises has transformed significantly: The world is experiencing an increasing frequency and intensity of extreme weather events, the globalization of economic, financial, social and health crises, and the growing prevalence of violent conflict in people's lives. Global crises are becoming more frequent and intense, affecting more people at longer distances. The probability of future crises is also rising.

The world is experiencing more frequent and intense extreme weather events, a wider spread of economic, financial, social, and health crises, and a rising prevalence of violent conflicts in people's lives

Increasing frequency and intensity of global crises

There is evidence that certain types of crises happen more often and at greater intensity and that overlapping and recurrent shocks are now a defining characteristic of our time. In recent decades, economic and financial crises have followed periods of economic downturns and high interest rates. In the early 1980s, Latin America

experienced a debt and economic crisis caused by changing global financial conditions. In the 1990s the world was impacted by several crises of global import, including the Mexican peso crisis of 1994, the Asian financial crisis of 1997, and the Russian financial crisis of 1998. The 2000s saw a continuation of global crises sparked by national events, including the bursting of the dot-com bubble in 2000 and, most famously, the global financial crisis of 2008, which led to a worldwide recession and exposed the fragility and interconnectedness of the global economic system. The world eventually recovered, but several other crises have occurred since then, including the eurozone debt crisis of 2010–2012. In 2020, the world was once again shocked as the COVID-19 pandemic resulted in massive disruptions to supply chains and industries, leading to economic downturns across the world. The effects of the pandemic are still reverberating as the world suffers from widespread inflation and the threat of economic recession.

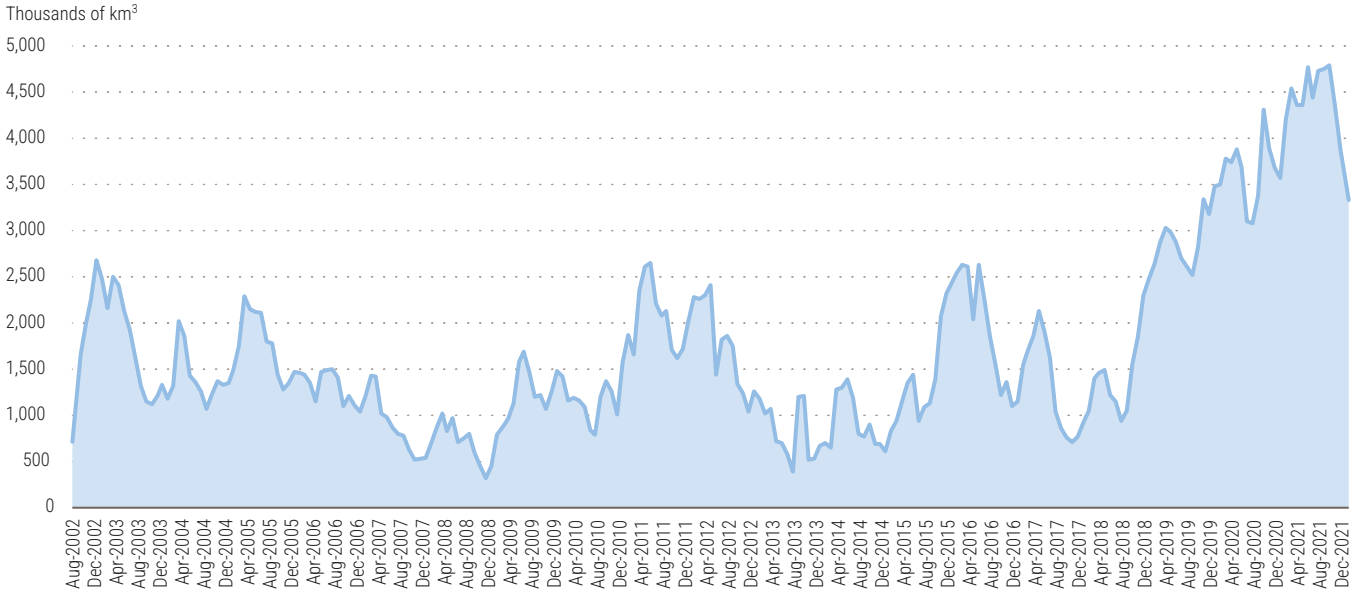
Environmental shocks such as floods and droughts are also becoming more frequent and severe because of the changing global climate. Evidence shows that even relatively small increases in global temperatures can lead to significant extremes in weather patterns, such as the intensification of heavy precipitation and tropical cyclones, and the worsening of droughts (Seneviratne and others, 2021). Data on the levels of global water reservoirs shows that the extent, frequency and duration of such variations have increased over time and are correlated with global temperatures (figure 1.4). As greenhouse gas emissions continue to rise, the frequency and intensity of weather and climate extremes will continue to increase. This has also increased the probability of severe droughts affecting multiple regions at the same time (figure 1.5).

Crises affecting more people and at longer distances

As crises become more frequent and intense, their impact is also likely to affect more people than before, due to the confluence of larger and denser populations, expansive economic and financial systems, and continued climate change. Today's extensive economic and financial systems result

Figure 1.4

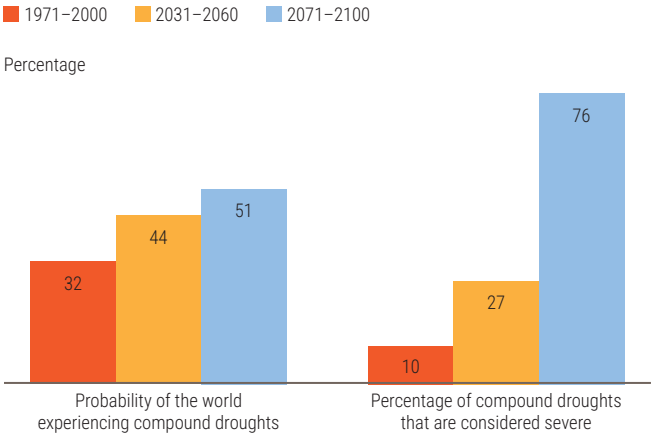
Global intensity of wet and dry extreme changes to water reservoirs, August 2002–December 2021



Source: Rodell and Li (2023).
Note: Intensity (10^3 km³ month) of the global top 30 most intense wet (positive values) and top 30 most intense dry (negative values) per month. The line indicates monthly total intensity (sum of the absolute value of monthly terrestrial water storage anomalies of all active events).

Figure 1.5

Concurrent droughts across global regions are projected to be more frequent and more severe



Source: UN DESA, adapted from Singh, and others (2022).
Note: A compound drought happens when at least three regions (out of ten) in the world are experiencing droughts at the same time. A severe compound drought is defined as a compound drought that has a drought intensity, computed as the average Standardised Precipitation-Evapotranspiration Index (SPEI) over drought-affected areas across affected regions, lower than the historical 10th percentile (with lower SPEI denoting higher severity of a drought).

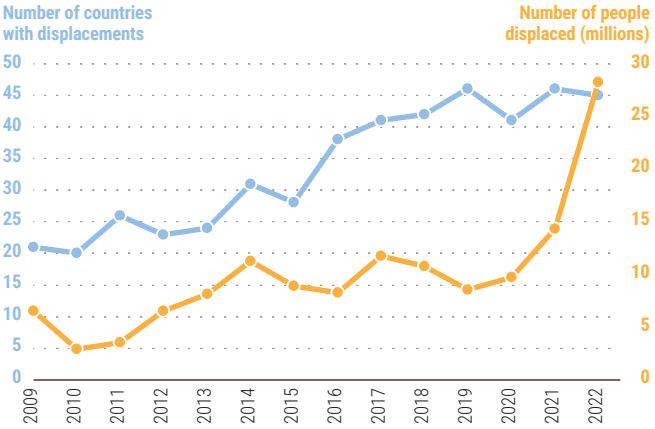
in larger bubbles, in more severe bursts, and affect more individuals. For instance, during the global financial crisis of 2008, global economic growth slowed to 3.6 and -2.5 per cent in 2008 and 2009, respectively, significantly less than the 5.8 per cent average over the preceding five-year period (*World Economic Situation and Prospects,* 2005, 2006, 2007, 2008). This was a much larger slowdown than during the global recession of the early 2000s: global growth registered 3.4 and 3.6 per cent in 2001 and 2002, up from an average of 3.2 per cent over the previous five years. The most recent economic crisis triggered by the COVID-19 pandemic caused an even greater slowdown, with growth in 2020 registering a negative 2.7 per cent for the year. This was nearly six percentage points slower than the positive 2.7 per cent average growth over the previous five years.

A similar pattern is evident in crises caused by conflicts. While many regions enjoy the benefits of peace, in places where violence remains a latent threat, its potential for destruction is now significantly greater. More populous cities and countries imply that a greater number of people are affected by unrest and conflict. According to the Internal Displacement Monitoring Centre (2024), a total of 28.3 million people were internally displaced in 2022 due to conflict and violence in 45 countries and territories. These numbers do not include recent displacements resulting from the conflicts in Sudan and Gaza, which caused the forced displacement of over 4.5 million and 1.75 million people (IOM, 2024), respectively. The number of countries with new displacements and the number of displaced people each year has increased steadily since 2008 (figure 1.6).

The fact of larger and denser populations also signifies that more people are vulnerable to the effects of extreme weather and other disasters. According to the World Meteorological Organization, the number of weather-related disasters increased by a factor of five between 1970 and 2019, while the global population grew by 110 per cent during the same period (WMO, 2021). Weather and climate extremes have increased significantly since the 1950s, and millions more are now directly exposed to 1-in-100-year floods (Rentschler, Salhab and Jafino, 2022). Hot extremes, including heatwaves, have become more frequent and intense, with marine heatwaves doubling in frequency since the 1980s. It is estimated that about half of the world's population experiences severe water scarcity during a given year (IPCC, 2023).

Figure 1.6

Internal displacement of people caused by conflict and generalized violence each year, 2009–2022



Source: UN DESA, based on data from Internal Displacement Monitoring Centre.

Not surprisingly, the number of people being displaced by disasters has been increasing. The Internal Displacement Monitoring Centre reports that 30.7 million new people were internally displaced in 2020 due to disasters, compared to an annual average of 24 million people per year since 2008. An additional 32 million people were displaced in 2022 in 147 countries (figure 1.7).

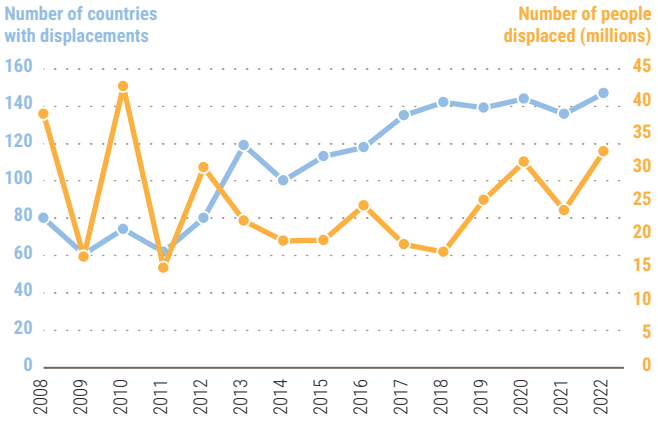
The spillover effects of policy action in responding to shocks

Corrective or anticipatory policy action by a large country can spillover and create more difficult economic and social conditions for others. Most recently, global systems that were initially impacted by the COVID-19 pandemic and the invasion of Ukraine were also affected by the reactions of Governments to these events. In the case of the COVID-19 pandemic, the large fiscal spending designed to support domestic economies also contributed to a surge in demand that crippled supply chains and drove up inflation. Subsequently, as central banks in major developed countries raised policy rates to counter inflation, other economies faced higher costs for servicing their debt, threatening their debt sustainability and shrinking their fiscal space. Tightening global financial conditions could also have lasting effects on the investment prospects in most developing countries.

Trade policies in reaction to crises have also created subsequent spillovers in developing and least developed countries. Most recently, the export controls placed on natural gas due to conflict in major producing countries disrupted the production and availability of fertilizer in global markets. This impacted the ability of smaller countries that depend on imported fertilizer to produce food (see box 1.3 for more details on the global market for fertilizer). In addition, as supply shocks following the onset of the war in Ukraine raised fears of food scarcity, several countries implemented controls on the export of grains, further escalating global food prices.

Figure 1.7

Internal displacement of people caused by sudden-onset natural hazard-related disasters each year, 2008–2022



Source: UN DESA, based on data from Internal Displacement Monitoring Centre.

Increasing likelihood of shocks

Even as countries are still struggling to recover from the pandemic, address the needs of displaced populations, adapt to climate change, and make progress on long-standing development needs, they are faced with a high likelihood of future crises on multiple fronts – individually or in combination. Several recent reports examine scenarios of challenges and potential crises looming ahead in health, climate and financial systems:

a) **Health crisis scenarios:** The scenario-based foresight report of the World Health Organization has warned that pandemics may become more frequent, spread more rapidly, cause greater global economic damage, and lead to higher morbidity and mortality rates in the future. They also emphasize that the risk of spillover from animals to humans will likely increase as human activities encroach further into animal habitats (WHO, 2022). Research findings based on historical data (Marani and others, 2021) reveals an approximate 2 per cent probability of a pandemic with a similar impact to COVID-19 occurring in any given year, with this probability progressively increasing due to the rise in disease emergence rates resulting from anthropogenic environmental changes;

b) **Climate crisis scenarios:** According to the Sixth Assessment Report by the Intergovernmental Panel on Climate Change (IPCC), with further global warming, every region is projected to experience increasingly concurrent and multiple changes in climatic impact drivers, encompassing numerous types of climate change effects such as temperature variations and coastal flooding. The IPCC underscores the high confidence in projections of increased heat and decreased cold climatic impact drivers across all regions (IPCC, 2023). Climate change poses an escalating threat to major food-exporting nations, amplifying the potential consequences of an imminent food crisis. Climate-induced impacts on agricultural productivity in these countries serve as a clear indication of the impending challenges;

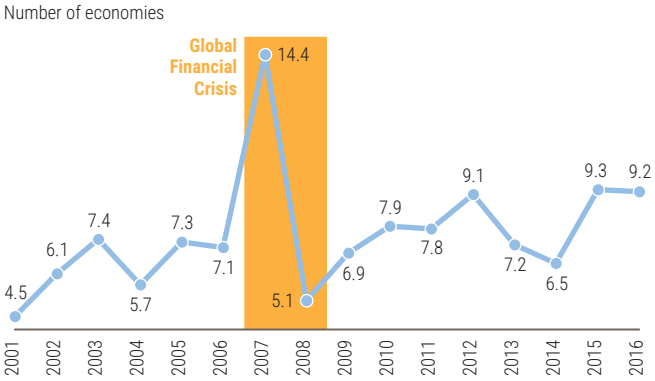
c) **Financial crisis scenarios:** Various sources highlight systemic risks contributing to financial instability, which may give rise to the possibility of future crises. The Financial Stability Board's 2023 Annual Report pinpoints factors leading to global financial vulnerability and further warns of the emerging challenges posed by the adoption of new technologies in the financial system (FSB, 2023). Additionally, the IMF 2023 Global Financial Stability Report discusses how global economic fragmentation, driven by geopolitics, may profoundly affect financial stability (IMF, 2023).

How interconnections transmit and amplify crises

Crises are also becoming more dangerous because they often interact through interconnected systems and networks. Systems are networks made up of interconnected elements, encompassing areas such as economics, finance, the environment and health. These systems are not isolated; they are linked with each other, creating a complex and interdependent structure that influences global dynamics. This interdependence means that an alteration in one part of a system can affect other parts within the same system and can even have implications for different, seemingly unrelated systems.

Figure 1.8

Average number of economies exposed to financial spillovers from an economic crisis originated elsewhere, 2001–2016



Source: UN DESA calculation, based on Harvard Business School's Behavioural Finance & Financial Stability: Global Crises Data by Country and IMF Coordinated Portfolio Investment Survey.
Note: The data cover 229 economies. For economic crises, the data cover those that have occurred in 69 major economies.

From the perspective of individual countries, increased interconnectedness means that a crisis originating in one country now affects more countries than ever. As an illustration, figure 1.8 shows that the average number of economies exposed to financial spillovers from an economic crisis originating elsewhere has been on an overall upward trajectory in the past two decades. Increased interconnectedness also means that even if a country weathers a direct, first-round effect from the epicentre of a crisis, it can still be hit by second, third, or even later-round effects from other countries that were affected by the epicentre in the first round.

Given the high clustering of their trade and financial network neighbours, lower-income countries are especially prone to the suffering of multi-round effects when a crisis originated elsewhere spills over to its trade or financial partner(s).[2] Compared to a higher-income country, a lower-income country is more likely to see a shock that hits one of its partners also affecting its other partners through

2 It should be noted that lower-income countries tend to have fewer external economic linkages, which means they are less likely to be linked directly with a country that suffers a crisis, assuming crisis occurrence is approximately random.

the established economic linkages among them. This leaves lower-income countries more at risk of being on the receiving end of an avalanche of crisis-induced spillover effects.

Understanding how crises emerge

A crisis is defined as a sudden event or a closely connected series of events that significantly harms many people within a relatively short period. Crises are the result of complex interactions between stresses, shocks, and the resilience and coping capacity of a system. These interactions occur through networks of interconnections between the constituent parts of each system, as well as across systems.

Crises in global systems occur when stresses and shocks surpass the coping capacity of a system. These triggering factors are usually interlinked in complicated and complex ways and are likely to propagate in systems characterized by dense networks such as trade and finance. Through these networks, a crisis originating in one system can have a domino effect, leading to additional shocks in other systems. This can result in a cascading series of crises across multiple systems, amplifying the overall impact. Extensive interconnections also offer pathways for shocks to exert a broader influence, not only within a system (for instance, among trade partners) but also across systems (such as between trade and financial markets). Consequently, the impact of a single crisis can ripple across diverse sectors, intensifying the overall effect.

Crises in global systems occur when stresses and shocks surpass the coping capacity of a system

At the same time, networks can facilitate the mitigation of risk and speed up recovery through the transfer of resources from unaffected regions to those that are impacted by shocks. The role of networks is therefore central to understanding how crises evolve and how they could spill over across systems.

The coping capacity of a system or network determines its ability to withstand, adapt to, and recover from the effects of a crisis. This is closely related to the concept of resilience, defined as the capacity of social, economic and environmental systems to cope with a hazardous event while maintaining essential functions and the capacity for adaptation (United Nations, 2016). Coping capacity extends this concept by emphasizing the agency of individuals or groups in choosing how, when and where to respond to systemic stress. A high coping capacity allows a system to manage stresses better, reducing the likelihood or impact of a crisis, while a low coping capacity makes a system more vulnerable to crises due to its inability to manage stresses effectively or to recover from their effects.

The coping capacity of a system determines its ability to withstand, adapt to, and recover from crises

Examining these few factors – shocks, stresses, network structures and complexity – gives a framework for studying the emergence and evolution of crises.

Shocks, stresses and coping capacity

It makes sense to start with the role of shocks in precipitating crises. Shocks are relatively fast-moving trigger events that, given existing stresses, can push a system into crisis. Shocks are local or regional and often unpredictable, such as major corporate bankruptcies, the emergence of a new disease, natural disasters, social upheavals, and conflict or political uprisings. While shocks are usually local or regional, the interconnection of systems means they can have widespread, even global consequences.

A shock is more likely to cause harm if the system is under stress. Stresses are the relatively slow-moving (or long-term) characteristics of a system that make crises more likely. Stresses can be environmental (e.g., climate change, land degradation, biodiversity decline), economic (e.g., financial system fragility, persistent unemployment, undiversified

economies), or social (e.g., high levels of inequality and deprivation, demographic change, social unrest, ongoing conflict, weak governance):

a) **Environmental factors** include climate change, environmental degradation and resource scarcity. Climate change exacerbates existing vulnerabilities and inequalities, impacting natural resources, food security and water availability. Environmental degradation, including deforestation, soil erosion, and pollution, can contribute to crises by affecting food security, water availability and human health. Resource scarcity, driven by factors like population growth, unsustainable use patterns and environmental degradation, can lead to tensions and conflicts between different groups and countries over limited resources like water, land and energy;

b) **Economic factors** include globalization, financial system vulnerabilities, technological advancements and economic inequality. Globalization increases the interconnectedness of countries and economies, making crises more likely to spread across borders. Financial system vulnerabilities, such as excessive risk-taking and inadequate regulation, can lead to financial crises with severe consequences. Rapid advancements in technology can introduce new risks and uncertainties, while also contributing to job displacement and income inequality. Growing income and wealth disparities within and between countries can lead to social unrest, political instability and conflict;

c) **Social factors** include growing inequalities and persistent levels of deprivation, including poverty, public health systems, demographic transitions and political factors. Public health crises can emerge from infectious diseases, pandemics and the growing threat of antimicrobial resistance, overwhelming health-care systems and disrupting essential services. Demographic transitions, including ageing populations, rapid urbanization, and migration, can significantly impact the likelihood and nature of crises, straining social welfare systems, increasing pressure on resources, and heightening vulnerability to natural disasters. Political factors, such as political instability, weak governance, and corruption, can make crises more likely.

How shocks turn into crises

When existing stresses are allowed to accumulate or intensify, a shock is more likely to push a network beyond its resilience limits or coping capacity, resulting in a crisis. Importantly, this process is not linear. Through increasingly dense networks, shocks interact with each other in complex ways, creating compounding effects that increase the likelihood or severity of a crisis. The growing complexity and interconnectedness among networks and across countries and communities give rise to feedback mechanisms and tipping points, which increase the potential for unforeseen consequences.

A crisis is thus triggered when an accumulation of shocks surpasses the capacity of a community, system or country to absorb and manage the combined stress (Stage 1 of figure 1.9). When economic, social and ecological systems are tightly coupled, stressors are rarely independent. The combined effects of multiple stressors can be either additive – where the overall impact equals the sum of their individual effects – or multiplicative – where their combined effect is greater than the sum of individual effects due to synergistic interactions or feedback loops. In addition, feedback mechanisms, especially positive feedback loops, amplify shocks or perturbations in ways that can be destabilizing and escalate into systemic crises. These mechanisms can operate through several channels, including finance, politics and social behaviour, and can be strengthened by technology. The multitude of possible mechanisms makes it challenging to foresee the consequences of such feedback loops (Sachs, 2023).

Systems with adequate resilience can counterbalance the combined effect of stressors by implementing support measures such as social protection, resilient infrastructure, and mitigation

systems (Stage 2). Resilience refers to the capacity of a system or country to withstand and recover from crises such as natural disasters, economic shocks, public health emergencies, and social and political instability. For example, social protection measures, such as cash transfers or job training programmes, can help individuals and communities cope with economic stressors. Resilient infrastructure, such as well-built roads and bridges, can protect communities from environmental stressors. A strong universal health system can also protect people and communities from health stressors such as endemic disease. Resilience depends on several factors, including governance, infrastructure, institutional capacity, social cohesion, and economic strength. The resilience capacity of a country also includes how quickly all those elements can be mobilized when faced with a crisis.

Resilience depends on several factors, including governance, infrastructure, institutional capacity, social cohesion, and economic strength

Because resilience depends in large part on institutional, social and economic capacities, the resilience of countries varies greatly. Many developing countries are highly vulnerable to a shock or a crisis because of factors such as weak institutions; lack of resources; limited infrastructure; weak emergency and disaster management capacity; undeveloped public health systems; more diverse social structures; high levels of poverty and unemployment; and limited fiscal capacity. The agility of state power also becomes a critical success factor when dealing with a crisis. In Rwanda, for example, long-term investments in technology, provided the Government with enhanced flexibility when responding to the COVID-19 pandemic, from deploying robots for supply deliveries to leveraging mobile phone usage for health updates and cash transfers (Brown, 2022). This equilibrium between stressors and coping capacity is jeopardized when stressors intensify – as witnessed during the pandemic's global impact – or if resilience is diminished, which can occur if social spending is reduced. Once the balance exceeds a tipping point, a swift and dramatically non-linear cascade of events may ensue (Stage 3).

The overload of individual systems can spill over into other systems, exacerbating existing stressors and pushing them beyond their own tipping points. This contagion can be accelerated via intersystemic connections, including global trade networks and financial markets. When crises impact multiple systems in this way, it creates a "polycrisis" or a multisystemic crisis (Stage 4). A polycrisis is characterized by the simultaneous or sequential emergence of multiple crises, which interact with and amplify each other's consequences across various interconnected networks. In a polycrisis, the vulnerability and exposure of one network can create a cascading effect on other networks, resulting in harms greater than what the sum of those crises would produce in isolation.

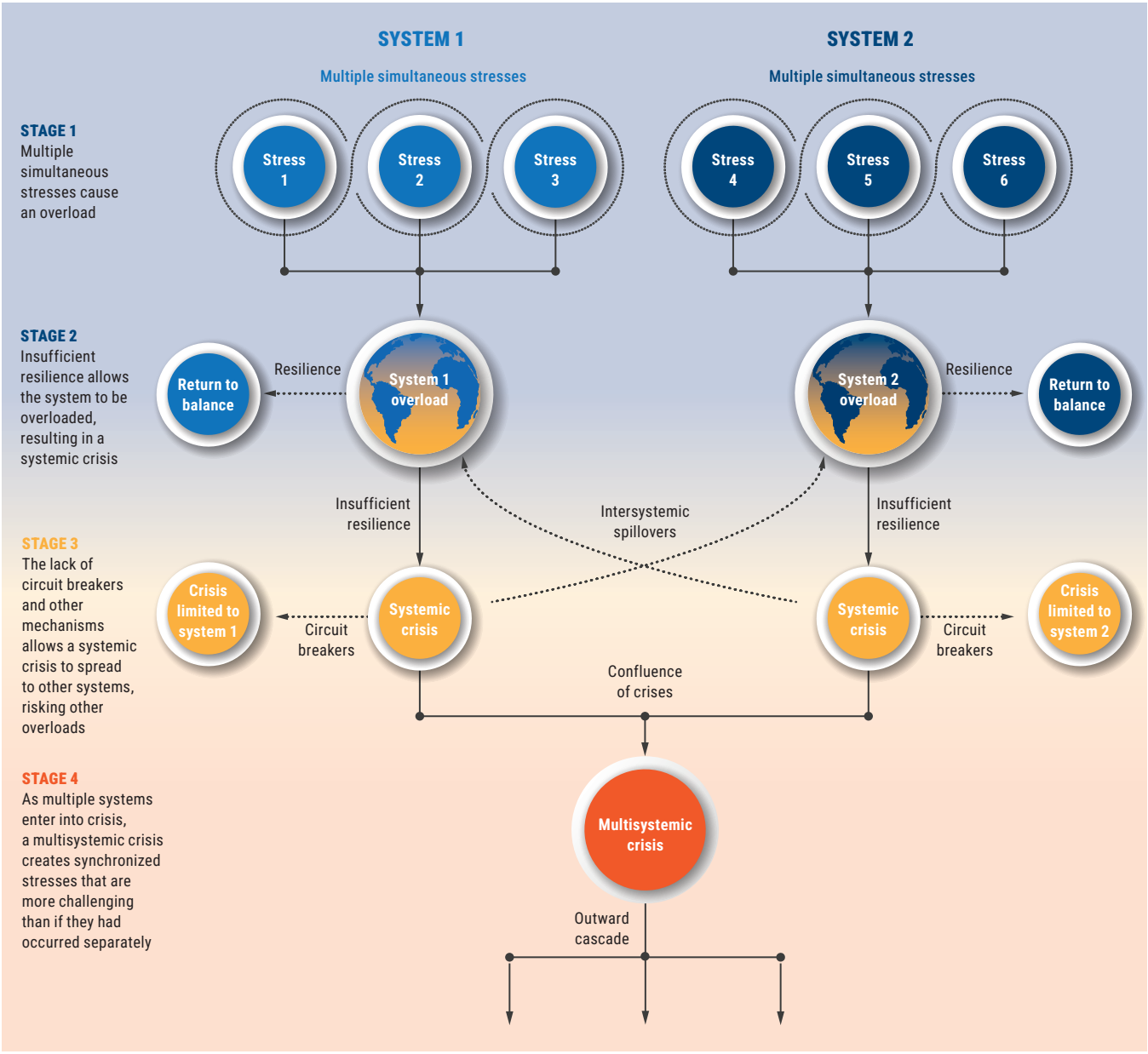
Interconnected systems, shock transmission and greater fragility

While individual shocks create significant challenges, their spread to other places and to other systems can be catastrophic; with a denser set of interconnections, this is becoming more likely. Decades of globalization have significantly reshaped networks that facilitate the flow of goods, finances, people and information. Such flows are now taking place between a greater number of countries, through more complex interconnections. Networks are therefore key to understanding the emergence and evolution of crises. Through networks, stresses and shocks can be transmitted far and wide, and vulnerabilities in one part of a network can precipitate a crisis in another part.

The ability of a network to either transmit or limit the transmission of shocks between actors and across systems depends on multiple properties as well as pre-existing institutional mechanisms (figure 1.10). Factors such as growing markets, expanding infrastructure, technological innovation, increasing economic efficiencies, strategic partnerships, desire for greater diversification of

Figure 1.9

Pathways to systemic and multisystemic crises (cascading failure)



Source: UN DESA elaboration, based on Homer-Dixon, and others (2015).

inputs, and regulatory/policy considerations are all important in determining the size and nature of human-made networks, and in turn how the networks transmit shocks.

The density of global networks plays a key role in determining how quickly crises spread and the size of the effect of a crisis on governments, communities and individuals (figure 1.11). Increasingly dense networks provide opportunities for shocks to have a wider impact across a layer of the system (for instance, between trade partners) and across different layers (for example, between trade and financial markets).

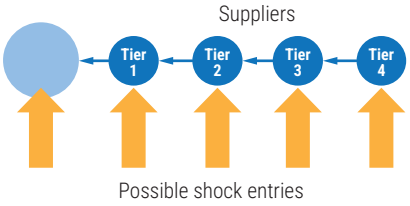
When the size of a shock or the number of shocks becomes so large that the effects cannot be fully absorbed by distributing them across the

Figure 1.10

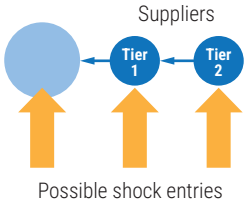
Implications of network properties for systemic fragility and resilience

More fragmentation (higher network density)

- More segments in the value chain means more points in the chain could be hit by crises
- Aggregate output is typically more sensitive to change in risk environment



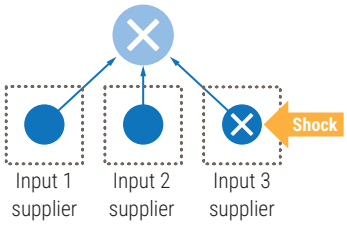
Less fragmentation (lower network density)



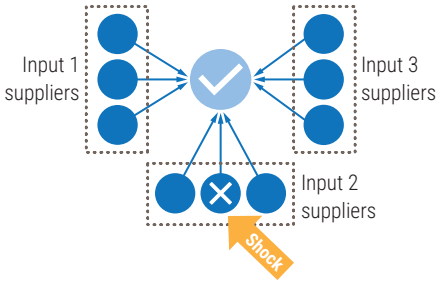
- Fewer segments in the value chain means fewer points in the chain could be hit by crises
- Aggregate output is typically less sensitive to change in risk environment

Less diversification (lower network density)

- Access to spare capacity in the network is more difficult



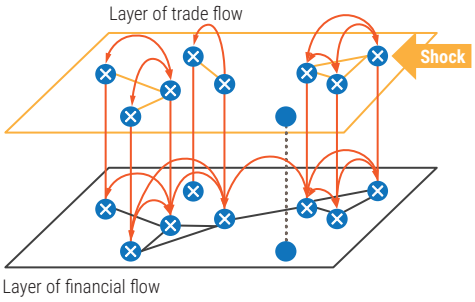
More diversification (higher network density)



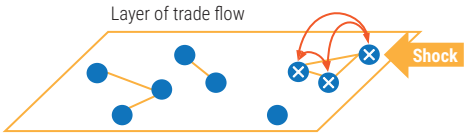
- Access to spare capacity in the network is easier

Multiple layers

- Spillover effects are typically faster and reach further
- The system could collapse with few failing nodes



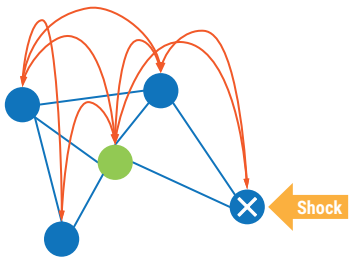
Single layer



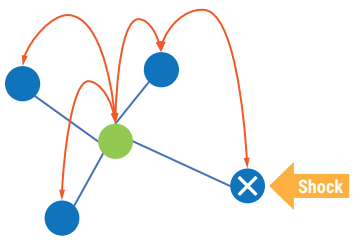
- Spillover effects are typically slower and more local
- Typically more nodes have to fail for the system to collapse

Higher clustering of a node's network neighbours

- Multi-round spillover effects from crises elsewhere are more likely
- When a domestic crisis occurs, economic partners can easily switch to others, which might impede recovery



Lower clustering of a node's network neighbours

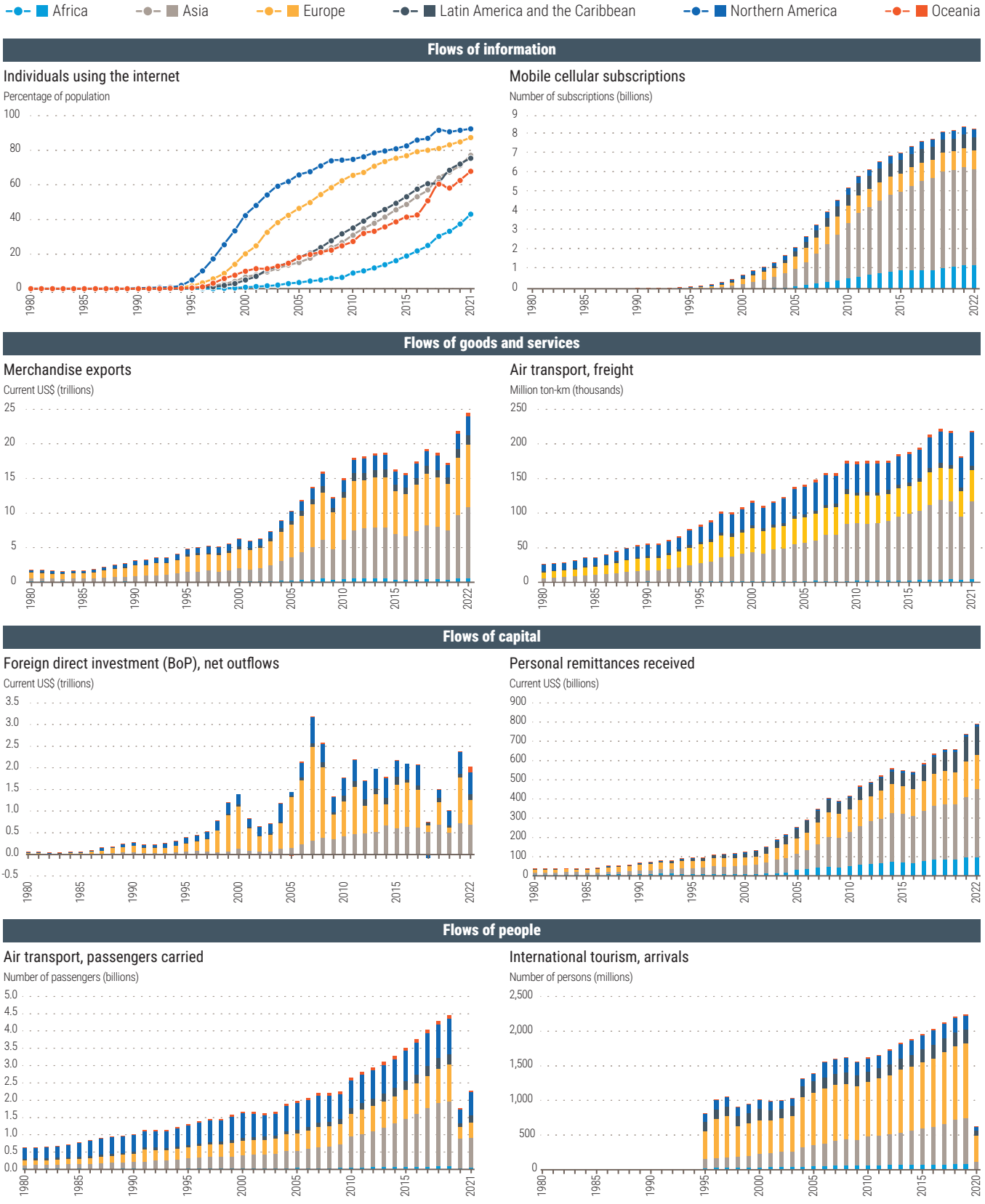


- Multi-round spillover effects from crises elsewhere are less likely
- In the case of a domestic crisis, economic partners cannot easily switch to others

Source: UN DESA.

Figure 1.11

Increasing global flows of information, trade, capital, and people, region, 1980 to latest year available



Source: UN DESA, based on data from World Bank, World Development Indicators database online.

network, network density propagates shocks rather than mitigating them (Acemoglu, Ozdaglar and Tahbaz-Salehi, 2015). Moreover, if the shock impacts important nodes in the dense network, these large shocks can destabilize the entire system. In a dense interbank network, for example, many banks are creditors of each other and a shock to one distressed bank will be transmitted to many others. If the shock is large, the distressed bank is more likely to default, which could trigger a cascade of defaults among its creditor banks and unsettle the broader interbank network. Even small countries at the periphery of the global financial and economic system are now susceptible to shocks from large central countries, notably the United States of America, the United Kingdom of Great Britain and Northern Ireland, and the euro area. The growing influence of Asian economies on the global financial system has added to the possible sources of global shocks (Korniyenko and others, 2018).

The 2008 Global Financial Crisis was a recent example of how financial shocks spread through the network of interconnected balance sheets of financial institutions, causing havoc around the world. Similar dynamics can also happen in trade networks. As seen during the COVID-19 pandemic, a large negative shock that cannot be sufficiently absorbed will quickly and significantly disrupt many other countries that are part of the global production network.

While connections *within* networks are of crucial importance, connections *across* networks also help spread shocks and fragility. Greater economic efficiencies and the increasingly interconnected, multilayered networks of countries, communities, firms and households also mean there are many more transmission channels between countries, and shocks can be transmitted across global systems more rapidly than in the past. For example, human activity can easily influence existing networks in nature, such as food webs and the carbon, nitrogen and water cycles; disruptions in the water cycle due to human-induced climate change can lead to sustained drought in a major cereal exporting region, leading to lower volumes and higher prices in the global food network, resulting in turn in sustained inflationary pressure that can prompt sharp interest rate hikes, potentially leading to instability in financial networks.

Human activity in the context of conflicts also has a major influence on several other networks. The interconnections among different networks mean that the fallout from conflicts spreads quickly, and few locations are immune to the effects of a major crisis occurring anywhere in the world. In the past, the impact of an invasion such as the war in Ukraine might have remained isolated to the parties directly involved, and to some extent neighbouring countries. However, in today's interconnected world, the ramifications are felt through changes in agriculture and energy markets, humanitarian and migratory consequences, and geopolitical shifts. The United Nations High Commissioner for Refugees reports that nearly 8 million refugees have fled from Ukraine to neighbouring and other countries (UNHCR, 2024). Global markets for energy and food products were shaken as major producers of food, fertilizer, oil and natural gas, among other commodities, became embroiled in a full-scale conflict. The growing number of users of social media networks also amplifies the spread of information (and disinformation), with ramifications for social, political and economic stability. Chapter 3 discusses this in greater detail.

Because of the difficulty in identifying all the interactions and channels of transmission, regulatory frameworks are important to creating resilience and helping countries cope with unforeseen events (box 1.2).

Greater resilience through interconnections

Global networks with deep interconnections increase exposure to crises, but can also enhance resilience by providing alternative sources of supply and demand to offset economic shocks and by driving collective action in the face of

Box 1.2

Effective governance: the key to resilience in crises

Effective governance, characterized by efficient decision-making, transparency and accountability, is essential for timely and coordinated responses to emerging stressors. Governance systems enable governments to anticipate potential risks, develop appropriate strategies, and allocate resources to address and mitigate those risks. Strong governance structures foster resilience across interconnected systems, allowing them to better withstand shocks and recover from crises.

For example, well-designed regulatory frameworks play a crucial role in preventing stressors from becoming crises and, subsequently, multisystemic crises. Effective regulatory frameworks act as safeguards, establishing rules and guidelines to promote stability, mitigate risks, and ensure transparency and accountability. By monitoring compliance and enforcing regulations, governments can identify and address vulnerabilities before they escalate into crises, thus preventing systemic failures and contagion effects. On the other hand, inadequate regulatory frameworks can allow stressors and triggers to spread and become larger problems.

A major cause of the 2008 Global Financial Crisis, for instance, was the inability of regulators to understand the systemic risks that were building up from housing finance and mortgage-backed securities. Regulatory failures and lax oversight of the financial sector led to inadequate risk management policies and a lack of transparency within the financial industry. Insufficient regulatory frameworks allowed for the growth of risky lending practices and the proliferation of complex financial products, ultimately resulting in the collapse of financial markets and a severe global recession.

Source: UN DESA.

global crises. In response to the COVID-19 pandemic, for instance, the interconnected nature of global networks played a pivotal role in fostering rapid information-sharing and collaboration – a crucial asset in the fight against the virus.

As the pandemic unfolded, researchers, healthcare professionals and policymakers across the globe leveraged networks to share critical data on the virus's behaviour, effective treatments, and vaccine development. Collaborative platforms and international coalitions facilitated the exchange of knowledge and resources, enabling both a coordinated response that spanned continents and the rapid development of several effective vaccines. This rapid dissemination of information and best practices across borders helped many countries to implement effective public health strategies, mitigate the impact of the virus, and save countless lives. Networks also proved instrumental in mobilizing global support and resources to assist countries that were more severely affected, demonstrating a level of international solidarity and cooperation that was vital in addressing multifaceted challenges.

Even as Russia's invasion of Ukraine caused disruptions in food and energy markets, the degree of interconnectivity of these networks allowed for a rapid adjustment of trading activity and limited the overall impact of the crisis. Initial concerns about the possibility of a global crisis in energy and food markets – and an ensuing famine – were not fully realized, thanks to the ability of markets to adjust to the severe disruptions caused by the conflict, including the impact on the global fertilizer supply (box 1.3).

Conclusion

Without significant advances in social development the 2030 Agenda for Sustainable Development will not be fully realized. While this is widely recognized, social development is nevertheless becoming more challenging in the face of shocks and crises with lasting impacts on drivers of social development.

Recurrent and interacting future crises present a constant threat to the ability of countries to achieve their development goals. Crises strain resources and hinder progress towards development goals. Even as countries are still struggling to recover from the pandemic, address the needs of displaced populations, adapt to climate change,

Box 1.3

Shocks and resilience in energy and fertilizer networks

Energy and fertilizer networks are important inputs into agricultural production, and their resilience to shocks and crises is critical to progress on Sustainable Development Goal 2, to "end hunger, achieve food security and improved nutrition and promote sustainable agriculture." The world today is more food insecure than it was on the eve of the 2030 Agenda for Sustainable Development. According to the report on the State of Food Security and Nutrition in the World (FAO, IFAD, UNICEF, WFP and WHO, 2023), one out of three individuals is estimated to be moderately or severely food insecure.

The resilience of energy and fertilizer networks to shocks and crises is critical to progress on SDG 2. Fertilizers, including synthetic fertilizers, are central to national and global food production. Fertilizers have made it possible for grain producers to more than triple production since the 1960s. This has helped in addressing rising food insecurity, hunger and malnutrition. In March 2022, fertilizer prices around the world reached an all-time high thanks to the high prices of three fertilizer ingredients: nitrogen, phosphorus and potassium (collectively known as NPK) (Baffes and Koh, 2023; Green Markets, n.d.). Some fertilizer components (e.g., phosphorus and potassium) are mined, while others are produced using resources such as natural gas. The high prices for fertilizers seen in 2022 were the result of several shocks to natural gas production since 2020 and to the production and trade of other fertilizer components. As a result, food production chains around the world were disrupted, threatening food security in many countries.

Natural gas production shocks were first seen in 2020 when pandemic-related lockdown measures led to labour shortages. In 2021 the production of natural gas in the United States of America was impacted by record cold temperatures in February and by Hurricane Ida in August. Global natural gas markets were also disrupted by the Russia-Ukraine war, including the closure of gas pipelines into Europe. Starting in April 2022, Russia halted exports of natural gas to Bulgaria, Finland, Latvia, the Netherlands and Poland. Russia also reduced flows to the rest of Europe, causing spikes in European natural gas prices. As a result, at least 10 of Europe's fertilizer plants were forced to reduce output or stop production in mid-2022 (Jenkins, 2022).

Other inputs into fertilizer production were also disrupted in 2022. In the spring of 2022, Russian authorities curtailed exports by the country's fertilizer manufacturers. The export restrictions on fertilizers were extended through May 2023 to secure sufficient supply for domestic farmers. Other countries, namely China, Ukraine, and Viet Nam, also enacted restrictions on exports of fertilizers. Altogether, the restrictions impacted an estimated 21.8, 4.4 and 20.8 per cent of global exports of nitrogenous fertilizers, potash, and phosphates, respectively (Laborde and Mamun, 2022).

The global crisis in natural gas and other fertilizer inputs resulted in a strong production response but was also aided by a mild European winter that kept demand for natural gas lower than expected. The supply of natural gas expanded thanks to the reopening of gas wells and higher production in the United States. The global market for natural gas also adjusted to disruptions in European supply chains. Imports of liquified natural gas from the United States increased by 137 per cent in 2022, replacing the blocked supply of natural gas originating in Russia.

Source: UN DESA.

and make progress on long-standing development needs, they are faced with a high likelihood of future crises on multiple fronts – individually or in combination.

The likelihood of shocks turning into crises is higher if existing stresses are unopposed and allowed to accumulate or intensify, but this process is not linear. The growing complexity and interconnectedness among networks and across countries and communities give rise to feedback loops and tipping points. Well-designed regulatory frameworks and good governance are needed to prevent stressors from becoming crises and, subsequently, multisystemic crises.

Recurrent and interacting future crises present a constant threat to the ability of countries to achieve their development goals

Network interconnections, while exposing countries to stresses that may turn into crises, can also contribute to greater resilience. This is possible, as they simultaneously provide alternative sources of

supply and demand to offset economic shocks and drive collective action in the face of global crises.

Amid recurrent crises, rapid social, economic, and environmental progress must be the foundation of resilience and coping capacity

Given this recurrent, interconnected set of challenges from shocks and crises, countries must find ways to build resilience and coping capacity in the face of unforeseen events. Rapid progress in social development, along with economic and environmental development, will also bring greater resilience. The ability to cope with crises improves as poverty and hunger lower, as health coverage expands, as job opportunities and income grow for all, and as environmental protections are implemented and maintained. Continuing challenges in these areas are the reason crises have a more profound impact on countries at the lower rungs of the development ladder.

2 The disproportionate effect of crises on vulnerable people and societies

Since the onset of the COVID-19 pandemic, the world has been buffeted concurrently by climate change events, conflicts, and persistent economic stress. This chapter presents empirical assessments to demonstrate the scale of the impacts on social development, the diversity of the channels through which they act, and their disproportionate severity on the already vulnerable. It establishes that while crises show up early in social development statistics, establishing longer-term impacts requires the monitoring of pathways through which impacts become persistent. Within countries, women, girls and other vulnerable groups face worse impacts. Across countries, those in special situations, such as least developed countries and small island developing States are also susceptible to more severe consequences.

Key messages

- Crises occurring since 2019 have had disproportionately severe impacts on already vulnerable people and countries.
- Impacts are also persistent: a 2024 projection of where global output will be in 2030, compared to where it was expected to be at the end of 2019, shows a cumulative output loss of over $50 trillion, an indication of lost opportunities for social development.
- Repeated crises, apart from their direct impacts, constrain public spending into the future, with the potential to drag down social development progress.
- In a densely networked world, shocks can turn into crises through unexpected channels: inflation and the measures to contain it became unanticipated sources of economic and social stress for people across the world.

Introduction

Recurrent crises impact social development through multiple channels, but the highest burdens are borne by vulnerable people and societies. Developing countries and those in special situations, such as least developed countries (LDCs), landlocked developing countries (LLDCs), small island developing States (SIDS), fragile States, and those emerging from conflict are disproportionately impacted due to limited resources, inadequate infrastructure, weak institutions and high dependence on debt and foreign aid.

This chapter of the *World Social Report 2024* presents empirical evidence supporting the disproportionate impacts of the recent set of crises which have led to a persistent rise in poverty and unemployment levels in vulnerable countries and regions. Within- and between-country inequalities are also projected to rise relative to 2019 estimates, primarily due to the disproportionate impacts of the COVID-19 pandemic, conflicts and climate change. Surging humanitarian needs, significant mortality and health consequences, and increases in the stocks and flows of displaced persons are all associated disproportionately with vulnerable countries. Moreover, the global slowdown has further weakened the capacities of developing countries to increase expenditure on social development. The potential cumulative economic output losses since 2019 could amount to an estimated $51 trillion by 2030.[1]

The highest burdens of recurrent crises are borne by vulnerable people and societies

The degree of exposure and vulnerability of a country, society and individual to a crisis largely determines its impact. Repeated crises undermine spending on social development and weaken countries' capacities to face future crises. The existing levels of economic inequality, and the strength of equalizing institutions – those organizations, policies or systems designed to reduce economic, social and political inequalities within a society – play an important role in building resilience to crises. Finally, the chapter makes the case that having to prepare and respond to repeated crises through multiple systems puts government resources under constant stress, thus preventing the very types of investments needed to build resilience. The implications of this are clear and call for urgent investments in resilience at the national level that is also supported by global action.

The disproportionate social and economic impacts of recent crises

Rising levels of poverty and food insecurity

In 2022, 712 million people were living in extreme poverty (subsisting on less than $2.15 a day) compared to 689 million in 2019, down from the increase of 97 million in 2020 (World Bank, 2024); in low-income countries, poverty rates tended to remain above pre-pandemic levels, even as they returned to those levels in most other countries. Countries in special situations, including LDCs and LLDCs, experienced a much higher rise in their poverty headcount ratios in 2021 compared to 2018 (figure 2.1).

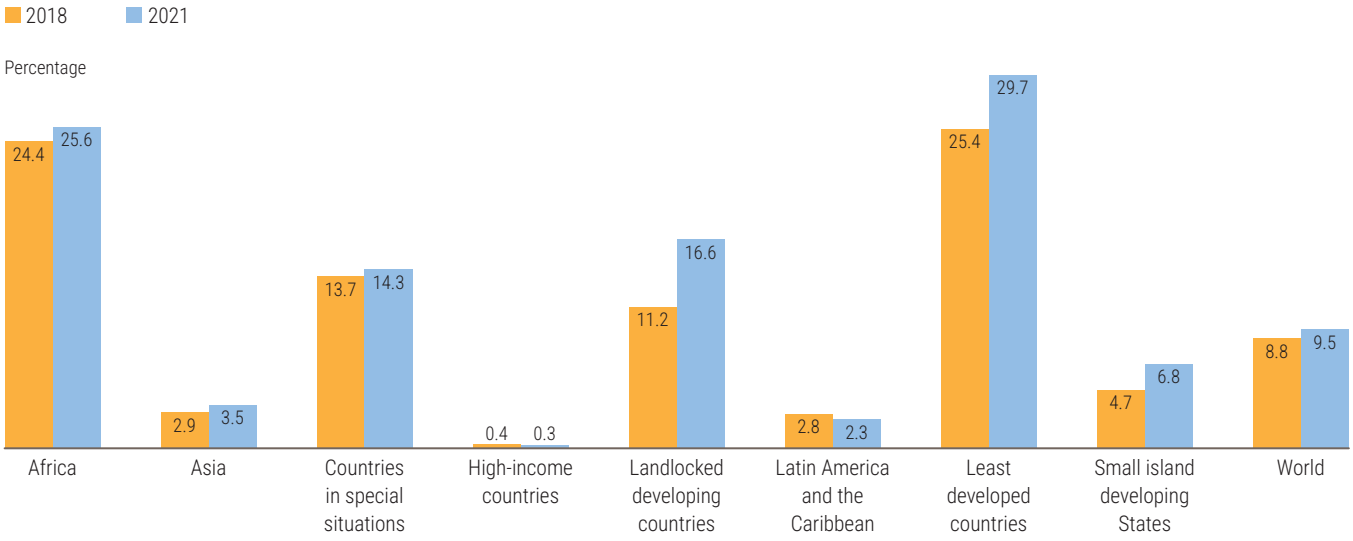
While extreme poverty levels have recently been declining in some countries, hunger and malnutrition have remained persistently high globally, with rising levels in Africa. According to the *State of Food Security and Nutrition in the World 2023* (FAO, IFAD, UNICEF, WFP and WHO, 2023) the proportion of undernourished population worldwide increased from 7.9 per cent in 2019 to 9.2 per cent in 2022. In Africa, the proportion increased from 17.0 per cent to 19.7 per cent, with the highest rise in Central Africa from 24.8 per cent to 29.1 per cent. Africa is now home to almost 38 per cent of the estimated 735 million people facing hunger globally.

In addition, many developing countries have experienced a rise in the proportion of their population suffering from moderate to severe food

1 Based on the difference between growth projections made at the end of 2019 and 2023, respectively.

Figure 2.1

An increasing extreme poverty headcount ratio, select country groupings, 2018–2021[a]



Source: UN DESA, based on data from World Bank's Poverty and Inequality Platform (World Bank, 2022).
a Based on the World Bank definition of extreme poverty as subsisting on less than $2.15 per day.

Table 2.1

Rise in prevalence of moderate or severe food insecurity in countries' total population, three-year average, 2020–2022 compared to 2017–2019

Percentage of population experiencing moderate to severe food insecurity	Countries experiencing an increase in food insecurity in 2020–2022 compared to 2017–2019
Above 60%	Angola, Benin, Guinea-Bissau, Kenya, Malawi, Mozambique, Sierra Leone, South Sudan, Togo, Zimbabwe
30% to 60%	Afghanistan, Argentina, Belize, Botswana, Burkina Faso, Cabo Verde, Cambodia, Cameroon, Côte d'Ivoire, El Salvador, Ethiopia, Gambia, Guatemala, Honduras, Iran (Islamic Republic of), Jamaica, Libya, Lesotho, Madagascar, Mauritania, Namibia, Nepal, Niger, Nigeria, Philippines, Senegal, Sudan, United Republic of Tanzania, Yemen, Zambia
20% to 30%	Ecuador, Mauritius, Mexico, Paraguay, Saint Kitts and Nevis, State of Palestine, Tunisia
10% to 20%	Algeria, Bulgaria, Chile, Costa Rica, Israel, Lebanon, Malaysia, New Zealand, North Macedonia, Pakistan, Portugal, Romania, Serbia, South Africa, Ukraine, Uruguay, Uzbekistan
5% to 10%	Azerbaijan, Bosnia and Herzegovina, Canada, Denmark, Estonia, Finland, France, Hungary, Kyrgyzstan, Republic of Korea, Sri Lanka, Viet Nam
Less than 5%	Austria, Czech Republic, Germany, Japan, Malta, Norway, Poland, Singapore, Slovakia, Thailand

Source: UN DESA compilation, based on FAOSTAT.

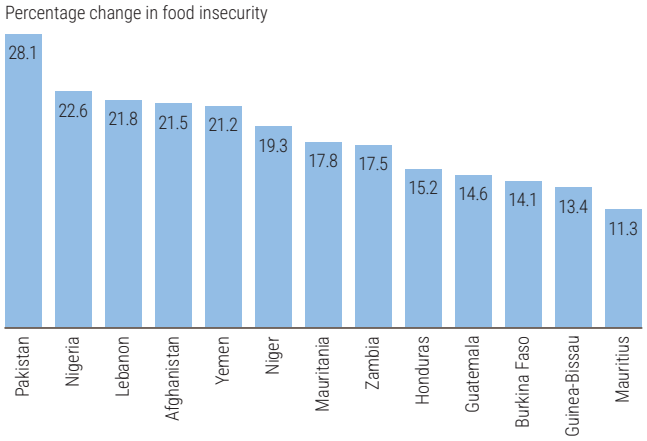
insecurity[2] in the period 2020–2022 (three-year average) compared to 2017–2019 (table 2.1). As many as 40 countries with more than 30 per cent of their populations under moderate to severe food insecurity in the pre-pandemic period experienced a further increase.

However, in some countries the proportion of the population experiencing food insecurity increased by more than 10 percentage points in the post-2020 period. In Pakistan, Nigeria, Lebanon, Afghanistan and Yemen, the share of population with food insecurity increased by more than 20 percentage points.

2 Food insecurity at moderate levels of severity is typically associated with the inability to regularly eat healthy, balanced diets. It is therefore a predictor of various forms of diet-related health conditions associated with micronutrient deficiency and unbalanced diets. A household is classified as severely food insecure when at least one adult in the household reports having being exposed, at times during the year, to several of the most severe experiences, such as having to reduce the quantity of food consumed, skip meals, go hungry, or go for a whole day without eating because of a lack of money or other resources.

Figure 2.2

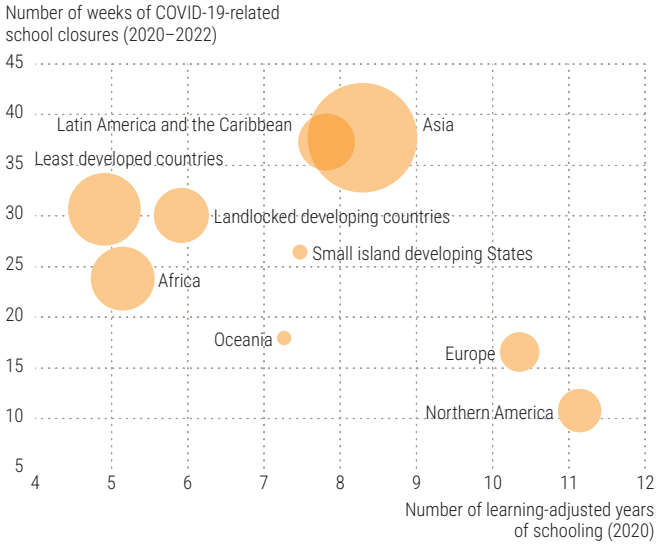
Countries with a more than 10-percentage-point increase in food insecurity, 2020–2022 compared to 2017–2019



Source: UN DESA, based on data from FAOSTAT.

Figure 2.3

COVID-19-related school closures against learning-adjusted years of schooling, select regions



Source: UN DESA, based on data from UNESCO's Dashboards on the Global Monitoring of School Closures Caused by the COVID-19 Pandemic and World Bank, World Development Indicators online (learning-adjusted years of schooling).
Note: Data on school closures cover the period from February 2020 to June 2022. Bubble size is scaled by the total number of students enrolled in formal education from pre-primary to upper-secondary levels.

In Pakistan, the percentage of food insecure people increased from 14 to 42 per cent, while in Nigeria, it increased from 47 to 70 per cent (figure 2.2).

For infants and children, even relatively transitory impacts during crises can inflict long-term damage to health and cognitive development, leading to setbacks in social development overall. Lowered human capital – due to preventable illnesses or poor nutrition, for example – results in a greater likelihood of being in poverty as adults. Globally, coverage of the DPT-3 vaccine in 2022 fell to 81 per cent of the coverage in 2021 and is still below the 86 per cent reported in 2019. This compounds the already prevailing high rates of stunting and wasting – 22.3 per cent and 6.8 per cent of children under five, respectively.

Education losses

Yet another pathway through which crises lead to long-term impacts on social development is interruption in education, often experienced differentially across girls and boys. It is estimated that 147 million children missed more than half of their in-class instruction during the COVID-19 pandemic (UN ECOSOC, 2022). There was significant variation across regions and country groups in this context (World Bank, UNESCO and UNICEF, 2021) (figure 2.3). Globally, only one in six of the poorest children had access to the Internet as school closures began.

Some 463 million children in low- and middle-income countries were also not able to benefit from distance learning because of the digital divide. One indication of the extent of learning loss is from direct measurement of outcomes. Between 2018 and 2022, based on learning outcomes at the end of lower secondary school across 81 Organisation of Economic Co-operation and Development and partner countries, mean performance in mathematics fell by a record 15 points; reading fell 10 points.[3]

According to Azevedo and others (2022), school closures caused by the COVID-19 pandemic could translate into aggregate global economic losses amounting to $20.6 trillion under an intermediate scenario (ibid.). In absolute terms, economic losses tend to be higher in relatively more developed regions such as East Asia and the Pacific Asia ($5.8 trillion) as well as North America ($4.7 trillion). However, losses are at least as significant in other regions, when placed in the context of their respective levels of development.

3 Reading and mathematics scores had been declining for these countries prior to 2015, suggesting that COVID-19 explains only part of the decline.

Learning losses are compounded when crises limit public spending on education – an effect that can persist even after the immediate shock has dissipated. During the pandemic, 65 per cent of Governments in low- and lower-middle-income countries reduced their education budgets (ibid.). It is estimated that annual government education spending as a share of gross domestic product (GDP) would need to increase in low- and lower-middle-income countries during the remainder of this decade from 3.5 to 6.3 per cent, or from $1.1 billion to $2.0 billion, to achieve Sustainable Development Goal (SDG) targets 4.1 and 4.2 by 2030 (ibid.).

Mortality and health consequences

Between 2000 and 2021, an estimated 19 million deaths globally were associated with various kinds of crises (United Nations, 2022a; WHO, 2023) (box 2.1). Countries in special situations, including LDCs and SIDS, often bear a disproportionate burden of crisis-related mortality. Excluding COVID-19-related deaths, LDCs and SIDS accounted for nearly 40 per cent of the almost 4 million crisis-related excess deaths globally, although they comprised only about 15 per cent of the global population. SIDS and the group of 37 LDCs that are not SIDS had an estimated rate of about 8 crisis-related deaths per 100,000 population per year over the period 2000–2021, four times the global average. The effects of ill health on individual life outcomes as well as on economic growth are well known.

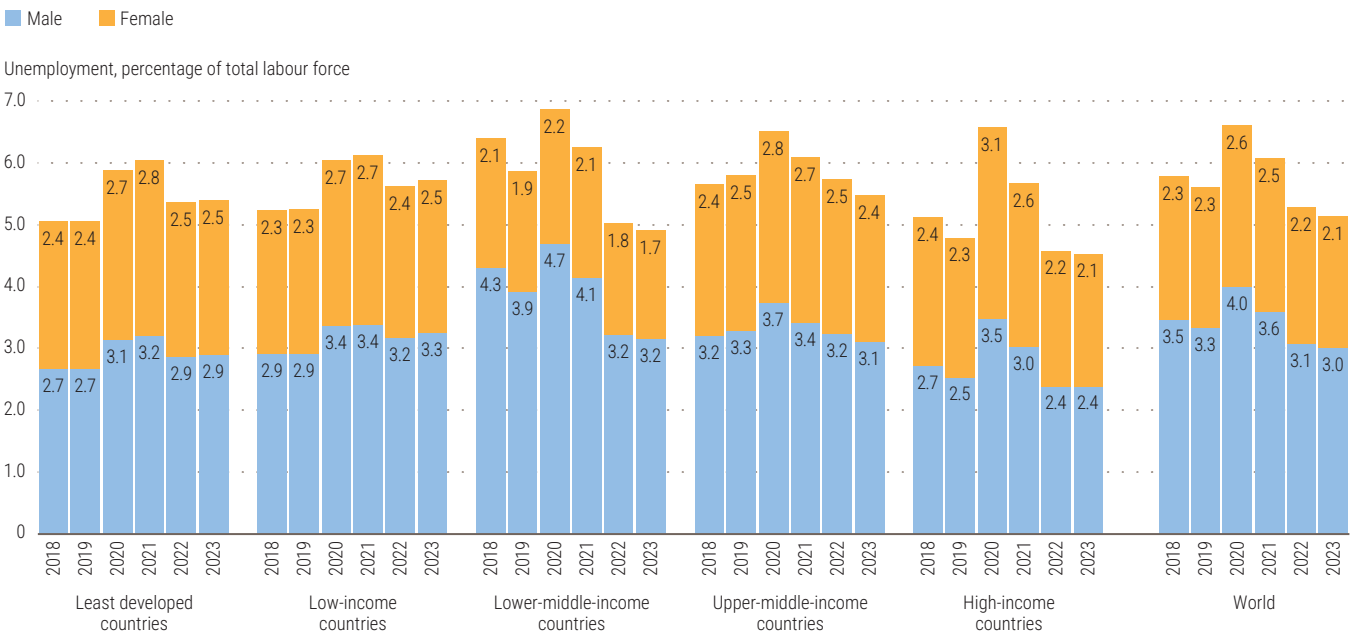
Growing unemployment and weakening labour markets

The COVID-19 pandemic led to a steep rise in unemployment rates across the world, with variations across gender and regions. Relative to 2018, the percentage of people unemployed increased in all regions of the world in 2020, with the greatest increases in high-income countries. However, over 2020 to 2023, high-income countries experienced the largest percentage point decline in the unemployment rate. In LDCs and low-income countries, unemployment in 2023 remained above prepandemic levels (figure 2.4).

Divergent recoveries in employment have been a notable feature of the recent set of crises: labour

Figure 2.4

Percentage of unemployment, gender, income group and select country grouping, 2018–2023



Source: UN DESA, based on data from World Bank, World Development Indicators database online.

Box 2.1

The human death toll of epidemics, conflicts and natural disasters

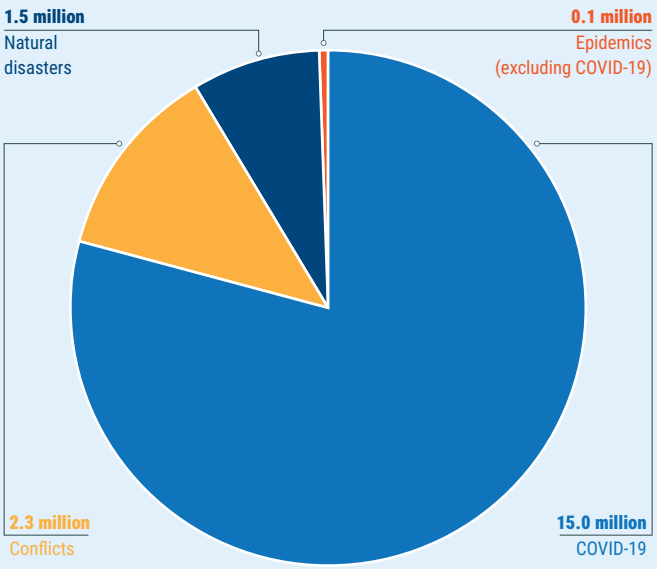
Between 2000 and 2021, an estimated 19 million deaths globally were associated with various types of crises. Among these, nearly 15 million – about 80 per cent of the total – occurred in the period 2020–2021 and were attributed to the direct and indirect impacts of the COVID-19 pandemic (United Nations, 2022a; WHO, 2023). The pandemic led to a decline in the global life expectancy at birth of 1.8 years for men and 1.6 years for women in 2021 compared to 2019 levels. Older persons and groups in marginalized situations experienced a disproportionate burden of COVID-19-related mortality. For example, over 70 per cent of the excess pandemic-related deaths worldwide occurred among persons aged 65 years or older (WHO, 2023). Other crisis situations, including natural disasters, conflicts and epidemics such as cholera and Ebola, also contributed to the loss of life during this period, albeit not on the same scale as the COVID-19 pandemic (figure 2.1.1). Globally, some 2.3 million deaths between 2000 and 2021 were associated with conflicts, with the wars in Afghanistan, Iraq and the Syrian Arab Republic contributing the largest numbers. Natural disasters caused 1.5 million deaths, with 0.4 million due to earthquakes, 0.3 million due to tsunamis, another 0.3 million due to famines (droughts), and the remaining 0.6 million due to cyclones, floods and other natural disasters.

Countries in special situations, including the least developed countries (LDCs) and small island developing States (SIDS) often bear a disproportionate burden of crisis-related mortality. Excluding COVID-19-related deaths, LDCs and SIDS accounted for nearly 40 per cent of the almost 4 million crisis-related excess deaths globally, although they comprised only about 15 per cent of the global population. SIDS and the group of 37 LDCs that are not SIDS (hereafter "LDCs-37") had an estimated rate of about 8 crisis-related deaths per 100,000 population per year over the period 2000–2021, four times the global average (figure 2.1.2).

Conflicts were the main cause of crisis-related deaths for the LDCs-37, followed by natural disasters. In contrast, natural disaster–related deaths, due mostly to the catastrophic 2010 Haiti earthquake, were dominant among the crisis-related fatalities suffered in SIDS, followed by epidemics. Several targets of the 2030 Agenda for Sustainable Development call for the reduction of crisis-related deaths. However, progress in the achievement of such targets requires not only addressing the immediate causes of crisis-related mortality, but also the factors that lead to uneven impacts among and within countries. This involves building resilience to protect the most vulnerable countries and sub-populations, strengthening health-care systems, improving social and economic conditions, promoting good governance, mitigating the effects of climate change and implementing other comprehensive measures to reduce inequality (Bezruchka, 2022; UN DESA, 2011).

Figure 2.1.1

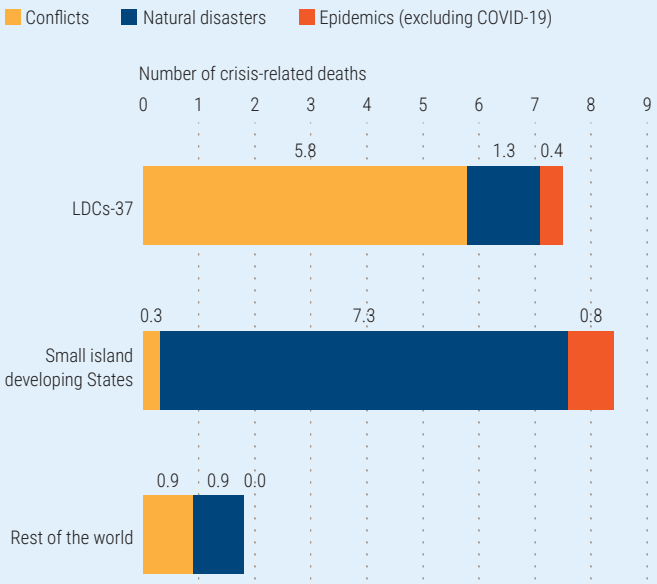
Global number of crisis-related deaths, type of crisis, 2000–2021



Source: UN DESA, based on data from UN DESA (2022a).

Figure 2.1.2

Number of crisis-related deaths (excluding COVID-19) per 100,000 population, type of event, 2000–2021



Source: UN DESA, based on data from UN DESA (2022a).
Note: As of 31 January 2024, there were 45 countries or areas classified as LDCs and 57 SIDS. The LDCs-37 category refers to LDCs excluding the 8 SIDS that are LDCs.

Source: UN DESA

markets recovered faster than expected in developed countries, but shortfalls persisted in developing countries. In 22 countries, unemployment rates in 2023 were higher by more than 1 percentage point compared to 2018 (figure 2.5). In Afghanistan, Rwanda and South Africa, it had increased by more than 4 percentage points.

Growing gender gaps in labour markets

Recurrent crises have further widened many gender gaps, disproportionately affecting women's income and job security. It may take more than 130 years to close the gender gaps worldwide, up from about 100 years prior to COVID-19, according to the World Economic Forum. Globally, an estimated 64 million women lost their jobs during the pandemic – double the number of men – because women are more likely to work in informal, temporary and part-time jobs.

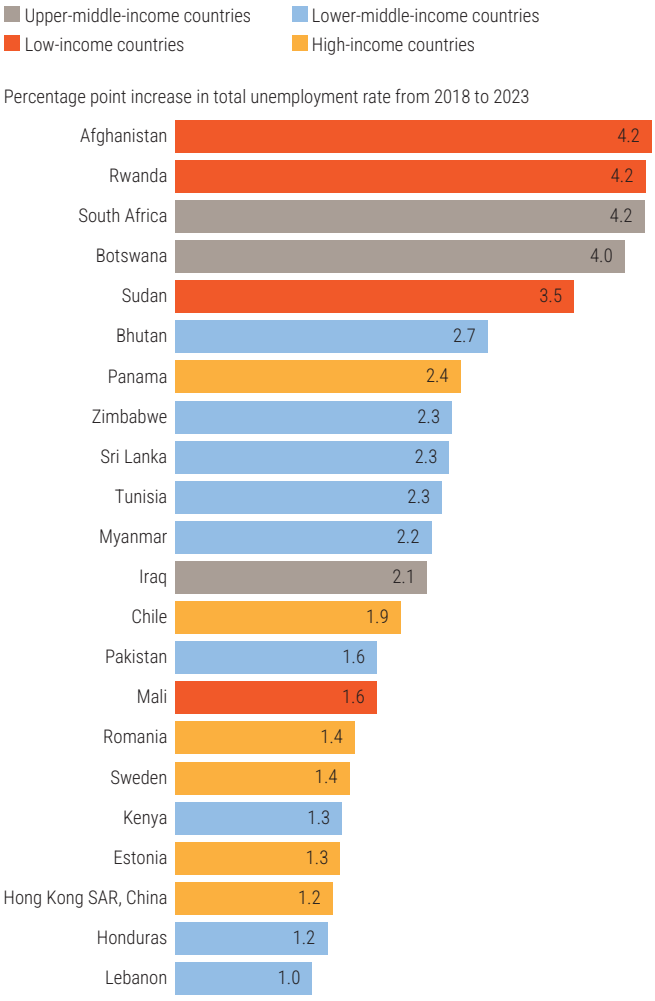
Women account for more than half of those living in extreme poverty. Their labour force participation is often lower than men's due to family responsibilities and unpaid domestic and care work – conditions that hold them back from education and learning opportunities as well as paid work. Eliminating gender disparities in the labour market is critical to reducing income inequality in society. Gender equality also goes hand-in-hand with macroeconomic and financial stability and can greatly accelerate economic growth. Closing the gender gap in the labour force participation rate is important to reducing income inequality, according to recent UN DESA analysis of historical factors contributing to growth in 178 countries (United Nations, 2023e), and could add significantly to GDP per capita in many countries.

Income inequalities are rising within and between countries

While converging crises are fueling the existing income inequalities in all countries, low- and middle-income countries with existing higher-income inequalities are bearing the brunt. In low- and middle-income countries, the percentage share of the income of the top 1 per cent of earners in

Figure 2.5

Increase in total unemployment rate of at least one percentage point from 2018 to 2023, income group



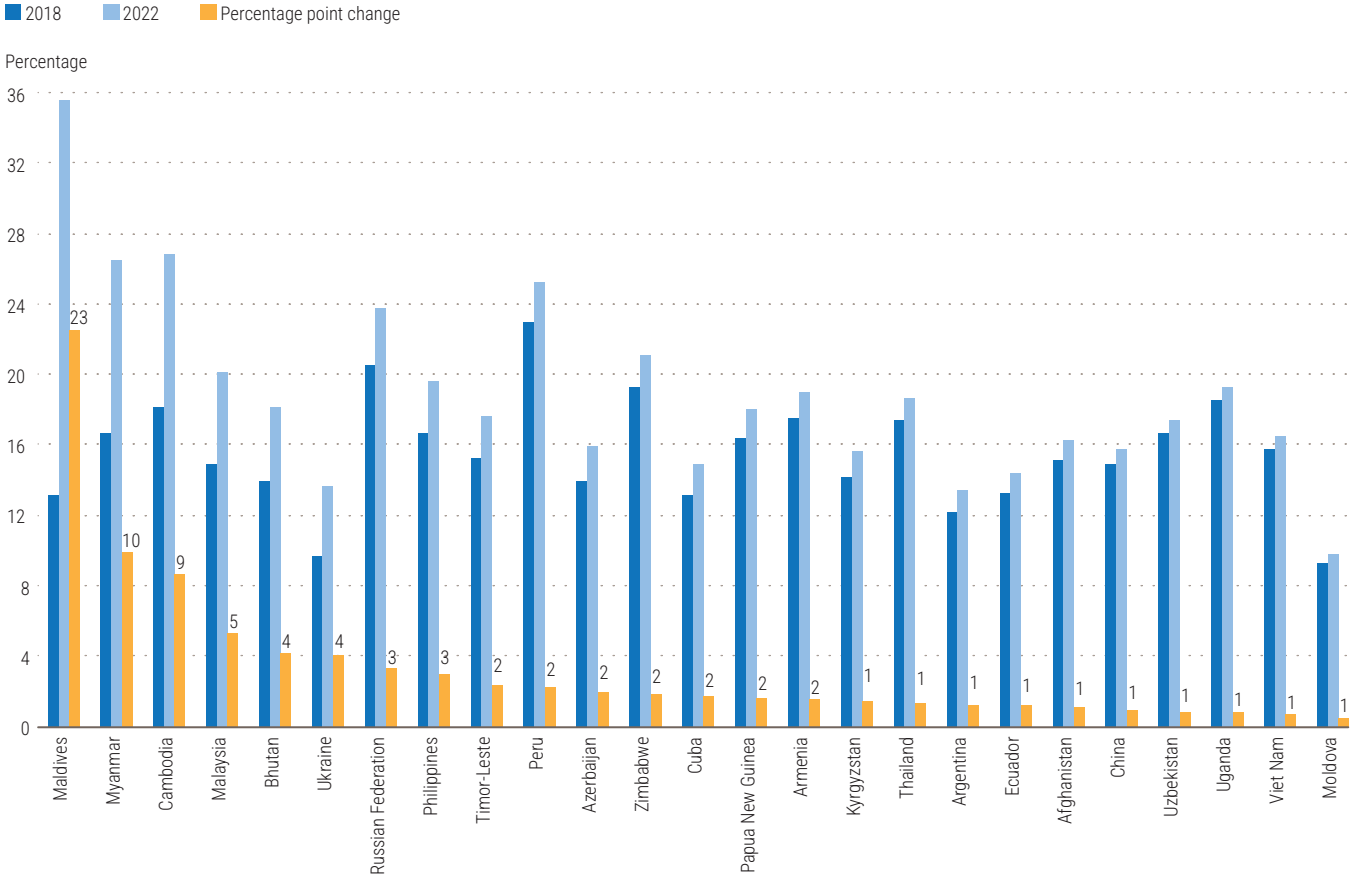
Source: UN DESA, based on data from World Bank, World Development Indicators database online.
Note: Excludes countries for which total unemployment data for 2018 and 2023 are unavailable.

total national income increased in 2022 compared to 2018. The increase was the largest for Maldives (23 percentage points), followed by Myanmar (10 percentage points) and Cambodia (9 percentage points) (figure 2.6).

Furthermore, inequality between countries has increased for the first time in a generation (Sánchez-Páramo and others, 2021). UN DESA estimates show how between-country inequality is expected to be affected in the period to 2030. Figure 2.7 projects a significant increase in between-country inequality from the pre-COVID-19 estimate.

Figure 2.6

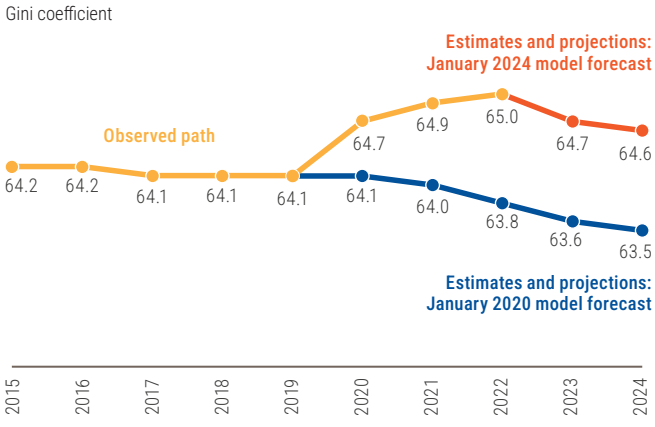
Percentage increase in the share of the top one per cent in pre-tax national income from 2018 to 2022, select low- and middle-income countries



Source: UN DESA, based on data from World Bank, World Development Indicators database online.
Note: Percentage change is calculated as the share of the top one per cent of pre-tax national income in 2022 minus the share of top one per cent of pre-tax national income in 2018.

Figure 2.7

Between-country inequality trajectories, 2019–2024



Source: UN DESA calculations, based on data from the World Economic Forecasting Model and United Nations (2022b).
Note: Between-country inequality is calculated based on GDP per capita in constant US dollars at 2015 prices. The figure shows the estimated Gini coefficients which take the value 100 for perfect inequality.

The growth of displaced populations and the challenge to social development

Persistent crises contribute to forced displacement. At the end of 2022, the total number of forcibly displaced people had reached 108 million (UNHCR, 2023), following a steady increase over the previous two decades that signaled both deprivations exacerbated by crises and challenges to social development. Table 2.2 shows key trends in the stock of migrants and displaced people (refugees and asylum-seekers) in the 2003–2022 period.

The total flow of internally displaced people in the 2013–2021 period was 354 million people, of which 61 million sought safety within their own country in 2022 alone. The total flow of new internal displacements in the 2021–2022 period was 99 million,

of which 56 million and 43 million were disaster- and conflict-related, respectively. Of the 56 million new disaster-induced displacements, some 90 per cent, were climate related.

Table 2.2

Stock of migrants and displaced people at year-end (in millions), 2003–2022

Key components	2003	2015	2018	2021	2022
Internally displaced people[a]	4.2	40.5	41.6	53.2	71.1
Externally displaced: refugees	9.7	21.3	25.9	27.1	32.5
Externally displaced: asylum-seekers	1.0	3.2	3.5	4.6	4.9
Total number of displaced people	**14.9**	**65.0**	**71.0**	**84.9**	**108.5**

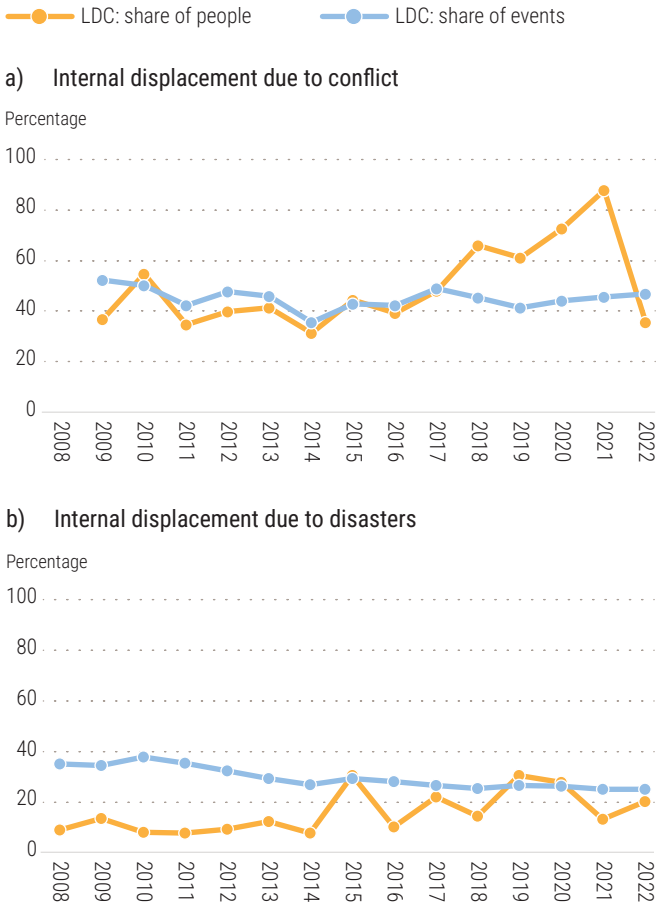
Source: UN DESA compilation, based on Internal Displacement Monitoring Centre and reporting from the United Nations High Commissioner for Refugees (UNHCR).

a The numbers for internally displaced people include those that are conflict-related, not those that are disaster-related.

Displacements have been more pronounced in countries with greater development needs. LDCs, for instance, have experienced a disproportionate and growing share of the number of people affected by conflict or disasters, even if the number of events they experienced remained constant or declined between 2008 and 2022 (figure 2.8). With the direct economic losses of climate change[4] relative to GDP being higher for low-income countries and countries in special situations (figure 2.9), forced displacement may be expected to rise.

Figure 2.8

Share of internal displacement events and displaced people due to conflict and disasters, least developed countries, 2008–2022



Source: UN DESA, based on data from Internal Displacement Monitoring Centre.

The impact of crises on social development through macroeconomic and financial channels

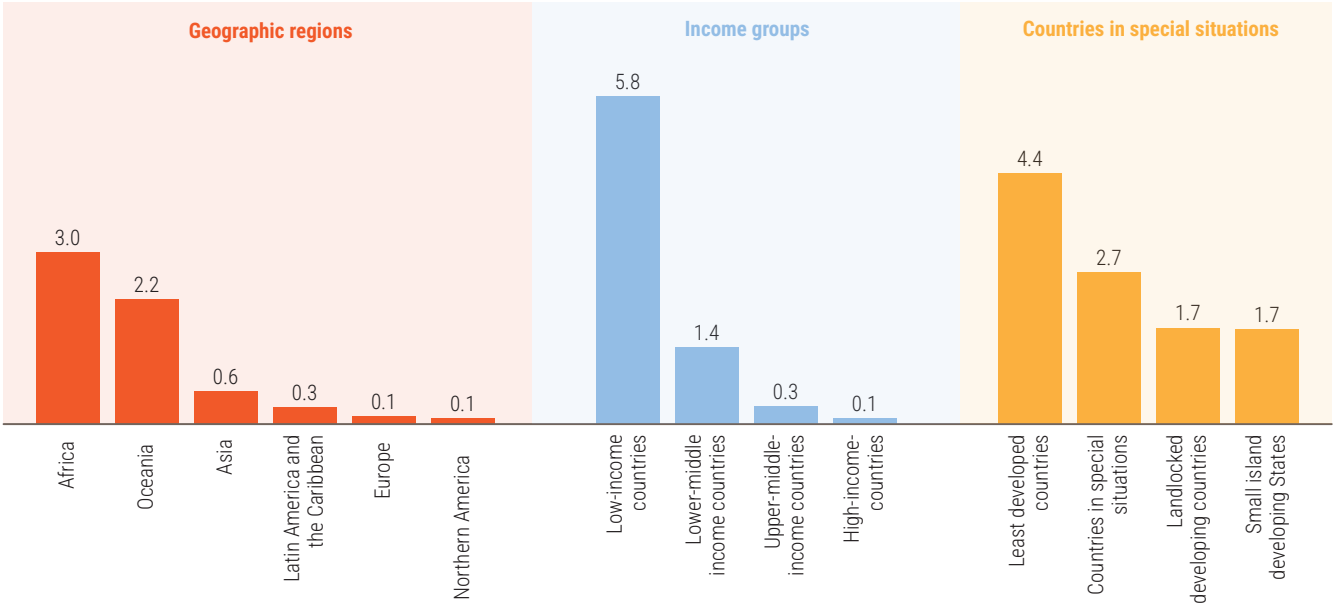
Economic and financial crises have extensively documented impacts on social development. First, shocks originating in other sectors can have long-lasting impacts mediated through economic and financial channels. Many external shocks can turn into crises for countries that lack resilience, adversely impacting their social and economic progress. These impacts can worsen, due to the global slowdown that follows macroeconomic and financial crises. Second, fiscal space remains limited across most countries, but can be especially constraining for developing countries. More than 50 developing economies spent more than 10 per cent of public revenues on interest payments, and 25 spent more than 20 per cent. That restricted their capacity to respond to shocks, or to provide essential services like education and health care.

4 Direct economic loss denotes the monetary value of total or partial destruction of physical assets in the affected area, which is nearly equivalent to physical damage. Losses usually happen during the event or within the first few hours afterwards, and are often assessed soon after the event to estimate recovery cost and claim insurance payments. These are tangible and relatively easy to measure. The losses encompass events in the areas of agricultural, housing, infrastructural, cultural heritage and others.

Figure 2.9

Direct economic loss attributed to disasters relative to GDP, region, income, country grouping, latest year available (2015–2022)

Percentage of GDP



Source: UN DESA, based on data from the SDG Indicators Database (United Nations, 2023f).

Worsening macroeconomic performance

Macroeconomic developments since 2019 have been extensively studied in successive issues of the *World Economic Situation and Prospects*, among other sources. While all countries have been adversely impacted by successive crises since 2019, uneven recoveries have set developing countries back much more than developed countries. Such losses represent missed opportunities for advancing social development through raising incomes, jobs and public expenditures, and can be particularly impactful in developing countries.

Between 2019 and the end of 2023, cumulative output losses – calculated as the sum of the annual difference between the pre-pandemic projections of GDP and the actual GDP – amounted to about 40 per cent of the 2019 GDP in SIDS and about 30 per cent in LDCs. In comparison, the developed economies saw only a cumulative loss of about 10 per cent of the 2019 GDP. Among the developing regions, Africa and South Asia experienced the largest cumulative output losses over this period (figure 2.10).

At the aggregate level, the potential cumulative economic output loss could be over $50 trillion in the 2020–2030 period (figure 2.11).[5] The projected global output in 2030 would be 7.3 per cent lower than the pre-pandemic projection.

Figure 2.12 provides a more disaggregated regional breakdown of the projected output losses. According to our estimates, Asia could experience output losses amounting to almost $ 21 trillion while Africa could lose $2.2 trillion.

Deterioration in fiscal space and debt sustainability

Recurrent crises tend to drain the fiscal space of many developing countries because of both expanded social support expenditures during the crisis and declining revenue growth arising from the associated economic slowdowns. The pandemic

5 The global output loss from the pandemic is estimated as the cumulative difference between the 2020–2030 world gross product projection made in January 2020 and that made in May 2022.

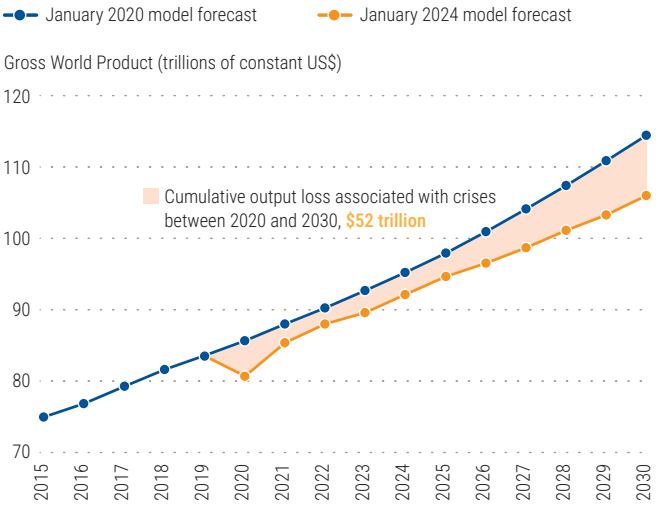
Figure 2.10

Cumulative GDP loss relative to pre-pandemic projections, country grouping and region, 2020–2023

Source: UN DESA, based on estimates produced with the World Economic Forecasting Model.
Notes: e = estimates. Cumulative output losses are calculated as the sum of the annual difference between the pre-pandemic GDP projections and the latest GDP estimates.

Figure 2.11

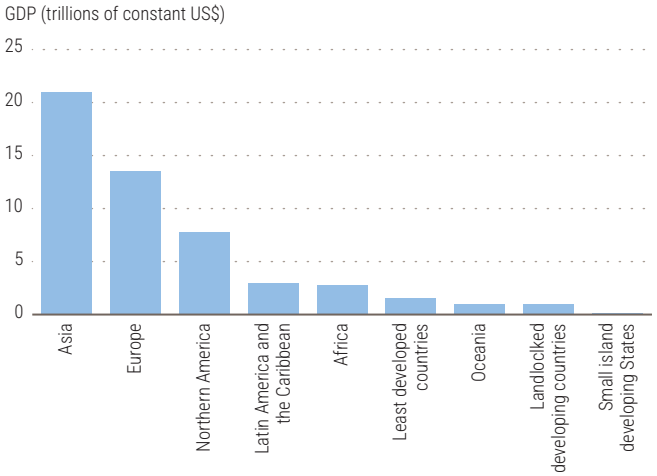
Impact of crises on world gross product between 2020 and 2030



Source: UN DESA, based on scenario results from the World Economic Forecasting Model and data from S&P Global (2022).

Figure 2.12

Projected output loss associated with crises during 2020–2030, regional average



Source: UN DESA, based on scenario results from the World Economic Forecasting Model and data from Munday, Amiot and Sifon-Arevalo (2022).

prompted the largest fiscal expansion since World War II (Pitterle and Niermann, 2021). According to the International Monetary Fund estimate based on World Economic Outlook databases, global sovereign debt in 2023 reached 93.2 per cent of GDP.

According to the Institute of International Finance, global debt passed $315 trillion in early 2024, rising from $197 trillion in 2019, with borrowing at levels seen only during the two world wars of the twentieth century. The rapid rise in debt levels has been led by advanced economies and China, but developing countries have also had to borrow massively: COVID-19 stimulus packages adopted by Governments often raised public debt levels by 5–20 per cent of national income. In early 2024, half of low-income countries were at high risk of debt distress because of the economic impact of COVID-19, the war in Ukraine, interest rate hikes and the strong US dollar, highlighting the need for a common framework for debt relief.

In early 2024, half of low-income countries were at high risk of debt distress because of the economic impact of COVID-19, the war in Ukraine, interest rate hikes and the strong US dollar, highlighting the need for a common framework for debt relief

In a testament to the challenges that many developing countries face in keeping up with loan and interest payments, five countries defaulted on their debt between 2020 and 2023 (Zambia, Suriname, Sri Lanka, Ghana and Ethiopia). It is extremely urgent that countries work together to tackle this mountain of debt in order to safeguard stability and prosperity, including the implementation of the SDGs. The number of advanced economies with debt ratios larger than the size of their economies has also increased significantly in the past three years.

This situation is particularly alarming for developing countries and pushes them further behind in achieving the SDGs, with some of them spending more on debt interest payments than on health, education and social protection combined. For example, in Africa, on average, over a quarter of public revenues will go towards interest payments in 2024 – about 10 percentage points more than the average over the half decade preceding the pandemic (United Nations, 2024c).

Lowered growth and revenue prospects also contribute towards the ongoing decline in investment growth in many countries. Further deleterious impacts can arise if the fiscal consolidation process – which serves to align expenditures with revenues after the immediate crisis period is over – restricts necessary public spending on health, education and social protection.

Dominance of unanticipated risk factors

The post-2019 period has also served to demonstrate how previously unanticipated risk factors can serve to precipitate and perpetuate crises. Inflation took off across the world, driven initially by factors such as changes in consumer demand combined with supply chain bottlenecks in the wake of pandemic-era actions. The global headline inflation rate in 2023 was 5.7 per cent, on top of the 8.1 per cent reported in 2022 and well above the 2.9 per cent average during the 2010–2020 period (United Nations, 2024b). Even though commodity prices dropped in 2023, they are well above pre-pandemic levels, and the already sharp increases in food and energy prices disproportionately impacted the poor and the most vulnerable. In developing countries, real incomes were eroded as wages did not keep pace with inflation.[6]

As central banks raised interest rates to tame inflation and manage inflation expectations, economic growth was held back. Interest rate decisions in the major developed countries – such as those taken by the US Federal Reserve and the European Central Bank – reverberated across the world, through raising debt servicing and borrowing costs while jeopardizing balance of payment situations for many developing countries. Although inflation has fallen in many countries, it remains stubbornly elevated

6 In developed countries with low unemployment, the impacts on poorer people were less dire. The United States, for example, experienced an ongoing period of "wage compression" with increased real incomes towards the lower end of the distribution, a reversal from outcomes during previous shocks and crises (Autor, Dube and McGrew, 2023).

above the 2 per cent target rate in the United States of America. As a result, even as many central banks are adopting accommodative stances, the prospect of "higher-for-longer" rates in the United States continues to constrain developing-country options as well as potentially being a source of financial instability for them.

Global and regional spillovers from localized events continue to pose risks to macroeconomic stability – events such as prolonged droughts or extreme weather events that threaten agricultural production, or conflicts that lead to restrictions in supplies of essential commodities. Slow moving environmental stressors can also limit resilience – for example, the Global Inclusive Wealth Index (UNEP, 2023) (incorporating natural, human and produced capita), grew by almost 50 per cent in the period 1990–2019, albeit accompanied with the estimated loss of one quarter of the world's natural capital, indicating the scale of environmental degradation and decline in the capacity to provide ecosystem services.

Determinants of the impact of shocks

SDG progress and reduced vulnerability to recurrent shocks

When considering recurrent shocks, outcomes for a given community or individual are co-determined by three factors: (i) the *hazard* – the probability that a shock of a particular kind occurs; (ii) the *exposure*– the degree to which societies and individuals have the potential to be impacted by the shock when it does happen; and (iii) *vulnerability* – the extent to which exposed societies and individuals would be negatively impacted in the event of a shock.

Whether shocks turn into crises depends on how these three factors interact, as well as their evolution over time. Chapter 1 argued that both hazards and exposure of people and societies is increasing, due to a combination of factors such as climate change and greater interconnectedness. *Vulnerability* in turn encompasses distinct elements such as preparedness, response capacity and the ability to build back capacity that may be drawn down by a prior shock. Exposure and vulnerability[7] can have elements that are hazard specific, as can be seen when considering different hazards such as a banking meltdown or a hurricane.

Recurrent and interacting crises pose a unique challenge to the resilience of systems, as they drain scarce resources needed for countries to cope with and respond to future shocks

In general terms, a shock unexpectedly interrupts flows of goods or services, and vulnerability is higher if these flows are difficult to restore. Goodwin (2003) and others have argued that such flows are provided through different kinds of capital stock, such as physical (manufactured), financial, human, natural and social. One can consider the level and quality of these kinds of capital as essential for reducing vulnerability. In that sense, progress towards many of the SDGs and their targets builds up such stock and contributes to reducing vulnerability. Maintaining such progress through shocks and crises is also a critical component of reducing vulnerability when faced with recurrent shocks.

The impact of repeated crises on public spending

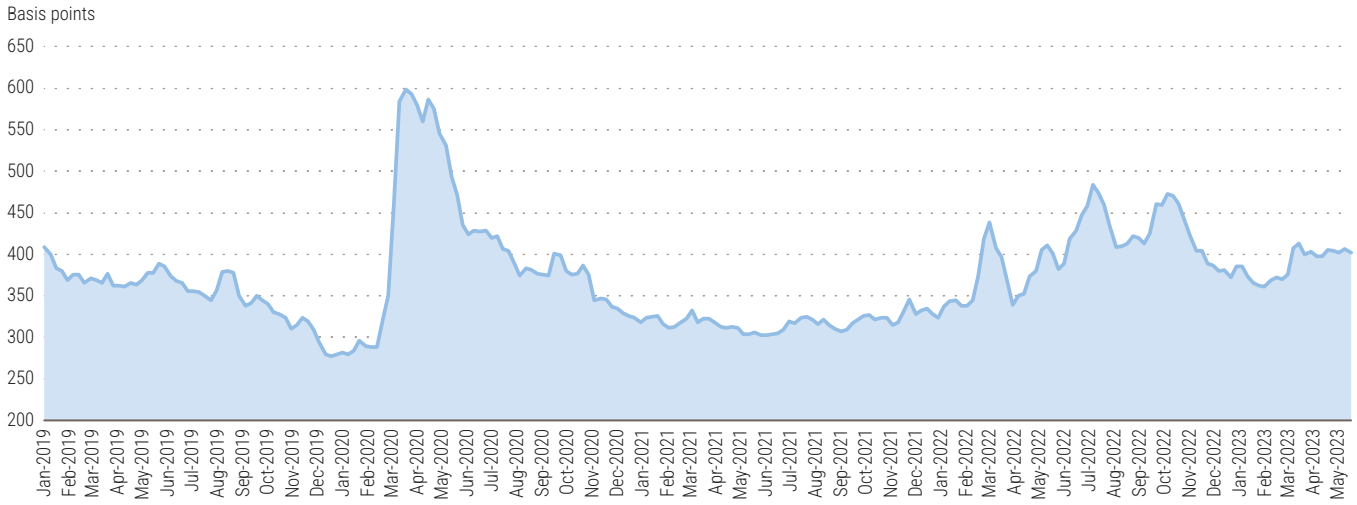
Shocks that follow each other in quick succession have worse impact than if they had occurred further apart in time. Recurrent and interacting crises pose a unique challenge to the resilience of systems, as they drain scarce resources needed for countries to cope with and respond to future shocks.[8] The numerous economic and financial crises experienced in recent decades exemplify this challenge. Since 2000, countries and international institutions have grappled with a series of crises, both global and country or region specific.

7 The Multi-Dimensional Vulnerability Index seeks to build a common assessment tool and set of indicators to assess countries' vulnerabilities to different kinds of shocks.

8 Response capacity and resilience refer to a system's ability to withstand stressors and respond effectively to crises.

Figure 2.13

Sovereign bond spreads, January 2019–May 2023



Source: UN DESA, based on data from JPMorgan Emerging Market Bond Index (EMBI) Global spreads, collected from Haver Analytics.
Note: Sovereign bond spreads are the difference between a government's borrowing cost and "risk-free" bonds (for example, US Treasuries).

In response to the COVID-19 pandemic alone, Governments in 2020 and 2021 financed more than 5,200 fiscal support policies (ESCWA, 2024). This happened even as government revenues in developing countries declined substantially due to the pandemic. In sub-Saharan Africa, total government tax revenue decreased by 15 per cent in 2020 compared to the prior year, a significantly greater decline than during the global financial crisis in 2008–2009 and the Ebola outbreak in 2012. It is no surprise that the cost of borrowing for emerging market economies has been increasing since a pandemic low in early 2021 (figure 2.13).

Even before the onset of the COVID-19 pandemic, Governments were already facing the difficult task of directing sufficient funds to address national priorities. The pandemic added to the already high public and private investment needed to achieve the SDGs by 2030, while at the same time sapping the ability of countries to mobilize the necessary resources. Across a range of countries, it has been estimated that additional investments of between 1.0 and 5.6 per cent of GDP per year above the requirements as defined before the pandemic will be needed (Benedek and others, 2021).

Resilience reduced by economic inequalities and weak equalizing institutions

Recent research has shown that shocks and crises can increase economic and political inequality and make countries more vulnerable to such events in the future (Van Bavel and Scheffer, 2021). This particularly applies to societies where the political organization of low- and middle-income people is weak and public policies are influenced by the interests of the elite. The distribution of economic and political power can influence how the costs of responding to a shock or crisis are allocated among different groups in society.

It has been argued that major shocks and disasters can end up reducing wealth inequality if they are accompanied by a changing distribution of political power that shifts the economic cost of response strategies to the wealthier individuals in society. Such effects were seen in the aftermath of the Great Depression and the two world wars, attributed partially to the strengthening of the self-organization capacity of low- and middle-income workers in the form of trade unions, cooperatives, voluntary organizations, and political movements – all of which fostered a more balanced social and political context with widely

dispersed leverage and enhanced role of equalizing institutions (ibid.).

It is important to note that experiencing a devastating crisis need not be necessary for establishing equalizing institutions (i.e., organizations, policies or systems that are designed to reduce economic, social and political inequalities within a society). These institutions aim to level the playing field and provide individuals with more equal opportunities and access to resources. Examples include progressive taxation, affordable health care, universal quality education systems, social protection systems and anti-discrimination laws. Such institutions play a critical role in promoting fairness and reducing disparities in income, wealth and access to essential services in a society.

Policy responses that build resilience during recurrent crises must consider all three determinants of impact – hazard, exposure and vulnerability

In recent years, many commentators have marked the weakening of equalizing institutions in several developing and developed countries. One indication is the weakening of labour unions in many countries, with union membership declining globally over time (ILO, 2024b). Many conditions have led to this decline, including a growing number of people working in the unorganized sector, technological changes that are changing the nature of economic activities, and more people working on digital platforms with no labour unions. These factors, combined with the decreasing bargaining power of workers, have also contributed to the declining share of labour incomes and growing inequalities in income and wealth. Authors such as Rajan (2010) have argued that growing inequality in the United States – a plight addressed by expanding housing credit to poorer families rather than by effective redistribution – contributed to the country's sub-prime housing crisis that in turn precipitated the global financial crisis of 2008.

It has been argued that growing inequalities have been a driver, amplifier and consequence of mutliple and overlapping crises (UNRISD, 2022). These inequalities – economic and social – both drive and are driven by political inequalities as elites accumulate wealth to preserve and perpetuate a system which undermines sustainable development and prevent transformative change. Interconnected and compounding crises therefore become endogenous to the current economic system.

Conclusion

This chapter looks at recent events to provide evidence of the longer-lasting impact of recurrent crises on social development and establishes that such impacts are disproportionately felt by vulnerable people and societies. Disproportionate impacts include raising the number of people in extreme poverty; weakening food security; increasing income and wealth inequality; widening gender gaps; significant negative health consequences; and high educational losses.

Policy responses that build resilience during recurrent crises must consider all three determinants of impact – hazard, exposure and vulnerability. With hazards and exposure increasing for all countries, it is imperative that responses be rapid and adequate to provide immediate protection, and that they build up buffers and safeguard progress already made towards achieving the SDGs. At the same time, the unequal and dis-equalizing impact of shocks on different members society must also be corrected, given that high and persistent inequalities themselves contribute to decreasing resilience.

For many countries, increasing hazards and exposure result from being part of a global, interconnected system and arise from events that take place outside of national jurisdictions. Accordingly, national measures alone will not be the most efficient or effective in reducing vulnerability: coherent and committed international collaborations are also essential. Chapter 3 address these issues.

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3 National and global actions for advancing social development in times of recurrent crises

With shocks being driven by a more complex, interconnected set of drivers, measures that advance social development, or secure it against disruptions, must be reviewed and complemented as needed to ensure their continued effectiveness. International cooperation, too, can be more effective in this respect by ensuring a specific focus on social development objectives, even if the primary objective may be different. This chapter first examines country-focused actions, such as national strategies to advance social development, followed by those that are directly related to countering shocks to social development, such as social protection and insurance. International support is an essential element of these predominantly national efforts. In addition, joint action is necessary to counter shocks that are inherent to the networked nature of our world. The chapter examines how such action can be made more effective while being more aligned to social development.

Key messages

- National policies to eradicate poverty, ensure inclusive, job-rich growth, and promote equality of opportunity are among those that advance social development. Country contexts differ, so there cannot be one universal prescription, but each country needs to review and redesign its policies against updated risk scenarios to ensure their continued effectiveness.
- Expanding and strengthening social protection systems in the face of recurrent crises will require improvements in service delivery efficiency, stronger financing capacities and the adoption of a rights-based approach. Rapid progress in eradicating poverty, expanding inclusion, reducing inequality and securing employment within the framework of sustainable development serves to build resilience at the individual and community level.
- New products, improved regulation and expanded risk-sharing mechanisms leading towards better risk governance are necessary for insurance to live up to its potential for advancing social development.
- Collective action, which is necessary to address the drivers of shocks that spill across national boundaries, can deliver a double dividend for social development if the mechanisms through which they are provided put people at the centre of design and implementation.

Introduction

Social development – marked by eradicating poverty, increasing decent work, expanding inclusion and reducing inequalities – is addressed through many of the individual Goals and targets in the Sustainable Development Goals (SDGs). As such, national development strategies that seek to eradicate poverty, ensure inclusive job-rich growth, and promote equality of opportunity, among others, can all contribute towards social development, especially if other policy objectives are also consistent with these efforts.[1]

As the previous chapters have indicated, shocks to social development can originate in different domains, spill over across geographic and systemic boundaries, and lead to significant setbacks in the short and long term. With such shocks about to become more frequent and more pronounced, countries need to re-examine the entire gamut of their policies and programmes by working through alternative scenarios to ensure that they succeed in accelerating social development in this new context of recurrent crises.

This chapter considers specific national and global actions that, together, can strengthen countries' capacities to deliver social development

International cooperation also requires a fresh look. Its importance in supporting poverty eradication, promoting inclusion, and delivering humanitarian assistance is well established. These areas will continue to be critical for social development as multiple crises converge. At the same time, countries must also undertake joint action to deal with global stressors and shocks. Requiring that the implementations of such actions *also* advances social development helps identify complementary measures and areas of focus.

This chapter considers specific national and global actions that, together, can strengthen countries' capacities to deliver social development. At the national level, there is a need to strengthen social protection and insurance mechanisms, supported by international actions that ensure adequate fiscal space and the adoption of innovative practices. At the global level, actions towards climate change mitigation, pandemic prevention and preparedness, global financial stability, and limiting the spillover effects of violent conflicts will reduce risks and build resilience – but also must put people at the centre to maximize progress towards social development.

Social protection and insurance – mechanisms that transfer resources to participating households affected by shocks – are central elements of national coping strategies. They limit the adverse impacts of crises, support short-term recovery, enhance longer-term resilience and are conducive to sustainable and inclusive growth. These mechanisms can also help prevent the longer-term erosion of human or natural capital that is essential for social development, as income support during crises can help keep children from dropping out of school or becoming undernourished, and can also help avoid additional pressures on the environment as people try to eke out a living. By encouraging the risk-taking needed for innovation and investment, these mechanisms can also contribute to increased productivity and longer-term economic growth.

In the context of converging crises, social protection and insurance against risks also increase systemic resilience by limiting spillovers and cascading effects

In the context of converging crises, social protection and insurance against risks also increase systemic resilience by limiting spillovers and cascading effects. For example, in many countries, social protection, health insurance, unemployment insurance, and trade insurance helped safeguard some economic activity during the COVID-19 pandemic, thus preventing an even deeper and more prolonged macroeconomic downturn. In turn, stronger social protection systems typically go together with more

1 Individual policies may not work unequivocally for social development. For example, curbing inflation benefits those living in poverty by maintaining the real value of their incomes. However, when central banks raise interest rates to do so, they also slow down economic activity more broadly, which in turn can lead to lost income and jobs. Such trade-offs can be balanced through programmes in other areas, for example, employment guarantee schemes or unemployment insurance.

equitable and stable societies, which have proved more resilient during times of crisis.

Many developing countries have expanded social protection, including through greater use of digital technologies. However, such efforts remain scattered and fragmented, and some have come under pressure from reduced fiscal space and tighter international financial conditions. For example, in response to the COVID-19 crisis, many countries put in place exceptional social protection measures with impressive results. It is estimated that social protection expenditures in the 2020–2021 period reached $3 trillion, 4.5 times higher than what had been spent during the global financial crisis in 2008–2009 (Independent Group of Scientists, 2023). But these measures waned by the end of 2021 in many developing countries, although economic growth and employment had not fully recovered, putting their beneficiaries at risk of falling into a poverty trap.

The target of universal social protection has remained elusive

SDG target 1.3 envisages that, by 2030, there will be "substantial coverage of the poor and vulnerable" through "nationally appropriate social protection systems and measures for all". Currently, however, only 47 per cent of the global population is estimated to have access to at least one social protection benefit, meaning that more than 4 billion people still lack any social protection (ILO, 2023). The challenge is worsened by recent increases in inequalities, which tend to make societies more vulnerable to shocks and crises, as discussed in chapter 2. In turn, more entrenched inequalities are associated with an uneven distribution of economic and political power, which may make it harder to reach consensus on social protection strategies. In this context, the target of universal social protection has remained elusive. There is a need to strengthen people's claim on social protection and build the capacities of Governments to deliver it.

The changing risk landscape, characterized by more intense, widespread and interlinked shocks and crises, poses additional challenges. Fiscal space for social protection is under growing pressure from more frequent needs for crisis response, coupled with reduced public revenues as a consequence of each crisis. Short-term public spending needs are competing with longer-term investment needs to reduce future risks and strengthen resilience, including through investments in the SDGs. Growing debt burdens and the rising share of interest payments in government budgets are restricting the fiscal space for social development. While these challenges affect all countries, countries in special situations (i.e., least developed countries (LDCs), landlocked developing countries (LLDCs) and small island developing States (SIDS)) are more vulnerable to exogenous shocks (including those related to climate change) and tend to have slower recoveries. These challenges occur against a backdrop of declining quality of the natural environment – climate change, biodiversity loss, pollution, and waste – which imperils the provision of essential ecosystem services that can further worsen living conditions, especially of the already vulnerable.

National-level actions will remain insufficient – even if perfected – to deal with impacts arising from multiple and interrelated global stressors and feedback loops

Considering the evolving patterns of risk is also central in reassessing the role of private insurance in social development. Innovations such as parametric insurance and microinsurance are expanding the access of the poor to insurance products, which may also help them avoid falling into poverty traps should productive assets be damaged or destroyed during shocks. Indirectly, insurance can also support jobs and livelihoods that are sustained through different kinds of enterprises. Novel data, forward-looking scenario building, product innovations and broader partnerships (including with the private sector) can all make insurance more directly relevant for the poor. However, the rise in systemic risk requires a broader rethinking of existing models and more comprehensive approaches to risk governance, including exploring possibilities for regional and global risk sharing.

As discussed in chapter 1, by themselves, national-level actions will remain insufficient – even if perfected – to deal with impacts arising from multiple and interrelated global stressors and feedback loops; high interconnectedness within and between systems and countries; and more frequent and correlated shocks. Given the intrinsically cross-border nature of such challenges, joint international actions are essential, with several under different stages of implementation. It is important to observe that while coordinated international actions are necessary, not all countries would contribute in the same way, either in scope or scale, for reasons of both equity and efficiency. And, as noted earlier, additional steps will be necessary to ensure that gains to social development are maximized.

Strengthening social protection systems

Social protection has historically played a major role in protecting individuals, communities and societies from the impacts of shocks and crises, thereby accelerating recovery, building resilience and securing social development. Well-functioning social protection mechanisms can also promote social cohesion and political stability by mitigating the aggravating effects of shocks and crises on wealth and income inequalities.

Numerous academic studies have shown that fair and sustainable economies are critical for the resilience of the productive capacities of low- and middle-income people when faced with a shock. This requires well-functioning and inclusive labour markets that provide workers with decent work, while ensuring that growth itself is broad based and that supportive measures for goals such as gender equality and universal access to high quality education are incorporated – conditions that also strengthen upward mobility. Societies that offer more opportunities for women and young people to participate in the political and economic life of a country and provide clear routes of social mobility also tend to experience less social and political instability (United Nations and World Bank, 2018).

Social protection can also fundamentally alter countries' political economies. Indeed, a major factor in explaining its levelling effect is its role in strengthening the self-organization capacity of populations in the form of trade unions, cooperatives, voluntary organizations and political movements. This in turn can enable the gradual adoption of progressive taxation, affordable health care, education systems, social safety nets and anti-discrimination laws. Recent research has also shown the importance of protecting social spending as a strategy to enhance the resilience of the wealth and productive capacities of low- and middle-income people and to avoid falling into a state that risks political and social instability (Akanbi and others, 2021).

Social security is recognized as a human right in international law (United Nations, 1948, art. 22), but progress in enacting universal social protection has been uneven within and across countries. Recent global crises, especially the COVID-19 pandemic, have shown that a swift roll-out of social protection initiatives is possible. Countries that have invested in social protection floors[2] even before crises emerge offer abundant evidence of how these investments can buffer countries, communities and individuals against shocks, irrespective of their scale.

Recent global crises, especially the COVID-19 pandemic, have shown that a swift roll-out of social protection initiatives is possible

For example, studies from Ethiopia, Kenya and Uganda demonstrated that social protection can significantly scale up the capacity of individuals and households to absorb the negative impacts of climate-related shocks and stresses, even when not directly targeted to alleviating climate risks (Ulrichs, Slater and Costella, 2019). Countries in special situations, including SIDS, also stand to benefit from expanding social protection to

2 Social protection floors are nationally defined sets of basic social security guarantees that should ensure, as a minimum, that over the life cycle, all in need have access to essential health care and basic income security, which together secure effective access to goods and services defined as necessary at the national level.

overcome their specific vulnerabilities, including those stemming from exposure to natural hazards. As of now, however, social protection measures are insufficient in many countries and prone to being further diluted if new global shocks emerge at a time when countries' fiscal capacity is already stretched by the cumulative impact of converging crises.

The scale of the challenge

Currently, only 47 per cent of the global population is estimated to have access to at least one social protection benefit, meaning that more than 4 billion people still lack any social protection (ILO, 2021a). Furthermore, only 31 per cent of the working-age population are legally covered by a comprehensive social security system. In 2024, the cost of achieving nationally appropriate social protection and health systems (SDG target 1.3) in developing countries by 2030 is estimated at an additional $1.4 trillion, or 3.3 per cent of their combined gross domestic product (GDP) per annum, composed by 2.0 per cent of GDP or US$ 833 billion for essential health care and 1.3 per cent of GDP or US$ 552 billion for five social protection cash benefits (figure 3.1) (Cattaneo and others, 2024).

Behind these global averages lie significant variations. In high-income countries, on average, 85 per cent of the population is covered by at least one social protection benefit,[3] while in low-income countries, which are most affected by the converging crises, only 13 per cent of the population is covered (figure 3.2). In Africa, although there has been progress in expanding social protection coverage, only 17 per cent of the population currently benefits from at least one form of social protection.

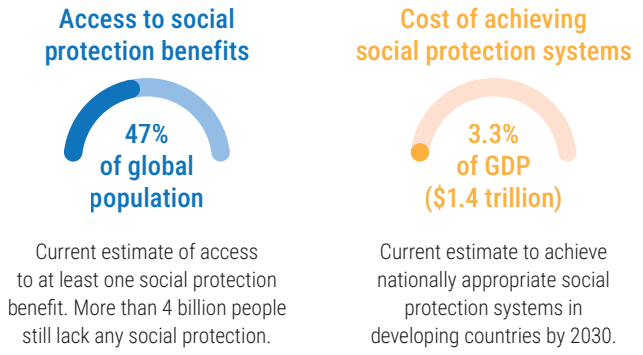
There are about 29 countries with 10 per cent or less than 10 per cent of their population covered by at least one social protection benefit (figure 3.3). Significant coverage gaps persist in countries like Central African Republic (3.5 per cent), Comoros (3.1 per cent), Uganda (3.1 per cent), Chad (2.5 per cent) and Guinea-Bissau (2.5 per cent).

Estimated costs of expanding coverage also show considerable variation, with some estimates indicating that low-, lower-middle- and upper-middle-income countries would need additional investments of $308.5 billion, $616.6 billion and $460.6 billion, respectively.

Such investment gaps are compounded by challenges to the fiscal environment. Crises – marked

Figure 3.1

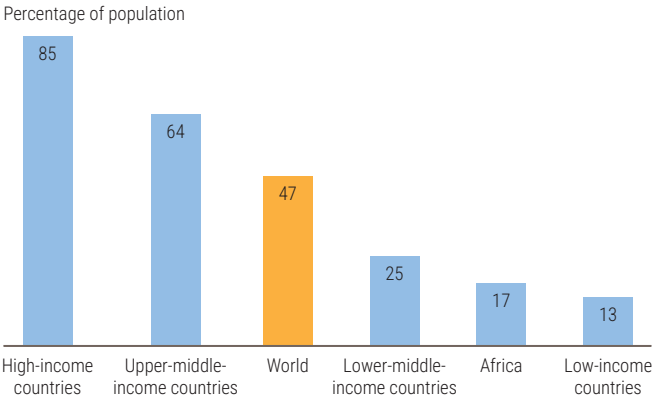
Achieving social protection: gaps and estimated cost, 2020 or latest available year



Source: UN DESA, based on ILO, World Social Protection Database and ILO (2021a).

Figure 3.2

Less people in low-income countries covered by at least one social protection benefit, 2020 or latest available year

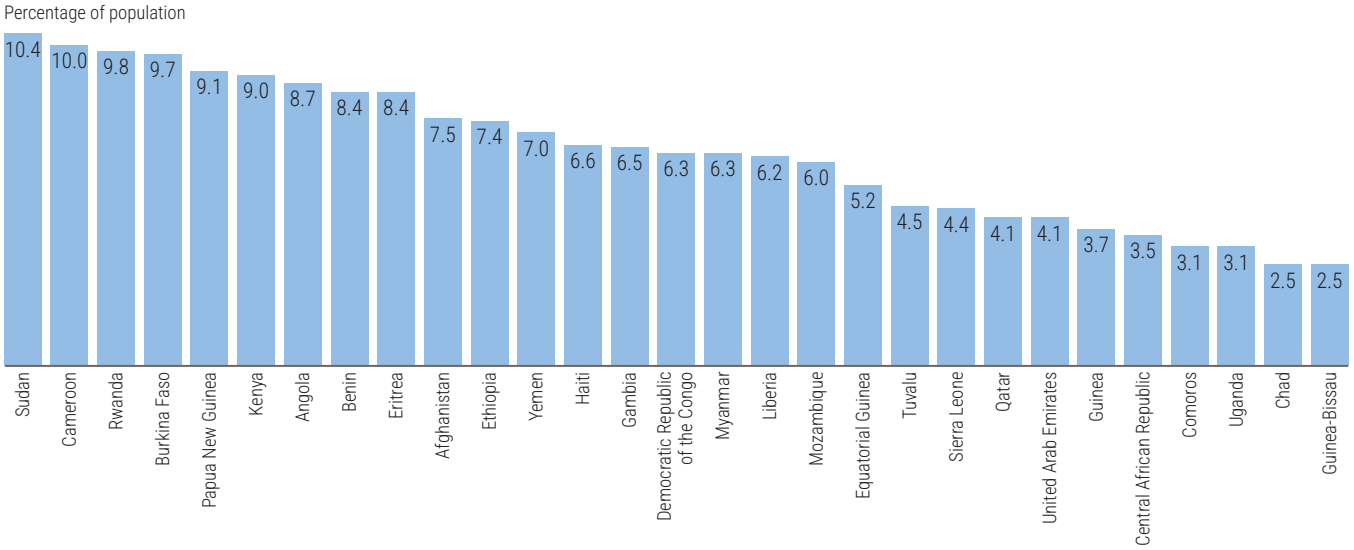


Source: UN DESA, based on ILO, World Social Protection Database and ILO (2021a).

3 The indicator measures the proportion of persons who are effectively covered by a social protection system. Social protection systems include contributory and non-contributory schemes. Social protection includes child and family benefits, maternity protection, unemployment support, employment injury benefits, sickness benefits, disability benefits, and old-age pensions. Social protection systems address all these policy areas by a mix of contributory schemes (social insurance) and non-contributory, tax-financed benefits, including social assistance.

Figure 3.3

Countries with 10 per cent or less of population covered by at least one social protection benefit, 2020 or latest available year



Source: UN DESA, based on data from the SDG Indicators Database (United Nations, 2023f).

by a need for anti-cyclical spending followed by lowered growth during recovery – significantly erode the fiscal space of many developing countries. In 2023, following multiple shocks, global public debt (comprising general government domestic and external debt) reached a record $97 trillion, with developing countries accounting for almost 30 per cent of that amount ($28.7 trillion).

The situation is particularly alarming for developing countries, pushing them further behind in achieving the SDGs, with some of them spending more on debt interest payments than on health, education and social protection combined. For example, 25 developing countries, the highest number since 2000, spent over 20 per cent of their government revenue in 2022 on total external debt servicing (Ecker and others, 2023). The average low-income country spends between double and triple the share of government revenues on total interest payments compared to the average high-income country, and about 2.3 times more on interest payments than on social assistance.

For many developing countries, servicing debt while confronting the socioeconomic costs of recent shocks and tepid economic growth has become increasingly difficult. In early 2024, half of low-income countries were in or at high risk of debt distress because of the combined effects of the COVID-19 pandemic, the war in Ukraine, interest rate hikes to curb inflation, and the strong US dollar. African countries are expected to pay, on average, over a quarter of their public revenues towards interest payments in 2024 (WESP mid-year update, May 2024). In the absence of debt restructuring at scale, there is little or no fiscal space left to mitigate downturns or to invest in the achievement of the SDGs and climate change mitigation and adaptation. In a testament to the challenges that many developing countries face in keeping up with loan and interest payments, five countries defaulted on their debt between 2020 and 2023 (Zambia, Suriname, Sri Lanka, Ghana and Ethiopia); scaled-up international cooperation to rapidly address this has become essential for social development.

The right to social protection

A human-rights based approach to social protection, prescribed by law, guarantees its continuity and predictability at times of crisis, helping reduce the need for ad hoc emergency actions.

The International Labour Organization Declaration of Philadelphia in 1944 was the first international instrument to envisage social security from a human rights perspective, recognizing it as a right stemming from the need for protection. The right to social security is embedded in numerous international human rights instruments, including article 22 in the Universal Declaration of Human Rights.[4] It encompasses the right to access and maintain benefits without discrimination in order to secure protection, particularly in case of (a) lack of work-related income caused by sickness, disability, maternity, employment injury, unemployment, old age, or death of a family member; (b) unaffordable health care; and (c) insufficient family support, particularly for children and adult dependents. Each of these instruments underscores the right to social security for various vulnerable groups, highlighting its universal importance.

However, globally, only 18.6 per cent of the unemployed receive unemployment benefits, only 33.5 per cent of persons with severe disabilities receive disability benefits, only 26.4 per cent of children enjoy effective access to social protection, and only 44.9 per cent of women giving birth receive maternity benefits (ILO, 2021b). While the right to social security has been reflected in many national constitutions, countries vary in terms of its implementation. Some outline it as a State policy objective, some impose a duty on the State to realize social rights without conferring a direct individual right, while others establish an individual right to social security, thereby obliging the State to fulfill it.

Many countries – Portugal (1976), Spain (1978), Italy (1947), and Greece (1975), for instance – have constitutions that recognize an individual right to social protection. This is also the case in the constitutions of Balkan and Southeastern European countries that were adopted in the 1990s, as well as in nearly all Central and South American countries. The constitutions of Brazil (1988), Venezuela (1999), Ecuador (2008) and Bolivia (2009) detail how health and social security benefits are to be provided to different beneficiaries (ILO, 2011).

The most effective social protection systems are grounded in legal instruments that create entitlements, ensure permanence, and give rights holders the legal ability to invoke their rights

But the most effective social protection systems are grounded in legal instruments that create entitlements, ensure permanence, and give rights holders the legal ability to invoke their rights. For example, Brazil and South Africa have specific legal provisions that ensure individuals' right to social protection (ibid.).

It is important that social protection mechanisms are established and defined by law and supported by an adequately funded long-term strategy that is part of a broader development plan. Making social protection a legally binding right can encourage Governments to design socioeconomic policies to foster growth with equity. This can help in reducing poverty and existing inequalities within and between countries and increase accountability of Governments and other stakeholders and encourage efforts to build more inclusive, sustainable and resilient societies. International efforts can then be devoted to complement national efforts of developing countries, including those in special situations, to provide social protection to their people. The upcoming Second World Summit for Social Development in 2025 will be an important opportunity to move these discussions forward. While realizing the right to universal social protection can appear daunting in the face of multifarious challenges, the policy experiences of countries at different stages of development can help provide a way forward.

4 The right to social security is also included in the International Covenant on Economic, Social and Cultural Rights (articles 9 and 10), and specialized conventions such as the Convention on the Elimination of All Forms of Discrimination against Women (article 11), the Convention on the Rights of the Child (article 26), the International Convention on the Protection of the Rights of All Migrant Workers and Members of Their Families (article 27), and the Convention on the Rights of Persons with Disabilities (article 28).

Social development in the context of major crises: some lessons from history and policy experiences

Some key social security reforms of the twentieth century happened in response to major crises. For example, the Social Security Act (1935) in the United States of America, adopted during the Great Depression, established a system of old-age benefits for workers and victims of industrial accidents, unemployment insurance, and aid for dependent mothers and children, persons who are blind and people with disabilities. About a quarter of the labour force in the United States had lost their jobs during the Great Depression, which created a strong sense of urgency to adopt countercyclical policies and for the federal Government to take on a more direct role.

In the United Kingdom of Great Britain and Northern Ireland, the economic and social challenges following World War II were accompanied by political consensus, for the most part, on the country's main priorities and the broad cooperation across party lines to achieve them. The post-war economic reconstruction and the welfare of the people became a high priority of the major political parties. Another important purpose of the welfare reform launched in 1945 was to revitalize the productive capacity of the economy by enhancing labour productivity and economic output, to strengthen national unity, and to develop a new social contract in society. The new social measures, including the establishment of National Insurance and the National Health Service, were financed from progressive taxation, which meant that a significant share of the cost was paid by the country's high-income earners.

Welfare reform became an important policy response of countries in East Asia following the financial crisis in 1997. In particular, the Republic of Korea, one of the countries hardest hit, witnessed a rapid expansion of the welfare state. Both Japan and the Republic of Korea had long pursued a social investment approach to the formulation of their social and economic development policies, where an important objective was to raise economic productivity (Peng, 2014). However, the new approach involved a marked shift in the targets of social investments, from predominantly skilled, male, industrial core workers to more peripheral, marginalized and vulnerable population groups such as women, children and the elderly. These changes represented a notable shift towards a more inclusive welfare system, which facilitated the economic recovery from the 1997 financial crisis.

Social protection mechanisms that were already established prior to shocks have offered significant benefits and enabled faster recoveries

Importantly, while crises have often served to catalyse a major reconfiguration or strengthening of social protection arrangements, there are also examples of countries rolling out large social protection programmes as a long-term development policy without being motivated by any specific shock. In turn, social protection mechanisms that were already established prior to shocks have offered significant benefits and enabled faster recoveries. Box 3.1 presents an example of ongoing efforts to build resilience through social protection, while box 3.2

Box 3.1

Social protection mechanisms in small island developing States

Small island developing States (SIDS) share many vulnerabilities that hinder their sustainable development. They are prone to natural hazard–related disasters and are particularly affected by climate change. Their heavy reliance on external markets is exacerbated by their remote geography and high transportation costs. SIDS that depend on tourism have suffered substantial economic losses due to the COVID-19 pandemic (UNCTAD, 2021b; UN-OHRLLS, 2024). This highlights the need to develop targeted strategies that can help overcome the specific challenges faced by SIDS.

Over the past three decades, Member States of the United Nations have adopted several Programmes of Action in support of SIDS. In 1994, The Barbados Programme of Action was adopted with the aim of implementing national and international measures to help SIDS achieve sustainable development. In 1999, Member States re-affirmed this commitment by setting forth recommendations for urgent action in priority areas by adopting the State of Progress and Initiatives for the Future Implementation of the Programme of Action. In 2005, a year after the Caribbean

hurricanes and the Asian tsunami, the Mauritius Strategy for the Further Implementation of the Barbados Programme of Action for Sustainable Development of Small Island Developing States was adopted to arrest the growing vulnerability of SIDS and highlight their special sustainable development situation. In 2010, the Mauritius +5 was adopted to both recognize the commitment of SIDS in having promoted their sustainable development and identify the significant challenges that lie ahead (United Nations, 2024a).

More recent Programmes of Action that address the vulnerabilities of SIDS highlight the importance of social protection. The SIDS Accelerated Modalities for Action Outcome Pathway (SAMAO Pathway), adopted in 2014, states that social protection and inclusion are important for improving well-being among the most vulnerable and disadvantaged (United Nations, 2019). In 2020, the Joint SDG Fund, alongside other stakeholders, allocated $3 million to the Joint Programme on Social Protection across the four most vulnerable SIDS: Samoa, Cook Islands, Niue and Tokelau (UN Joint SDG Fund, 2020). Finally, in the early 2020s, the Joint SDG Fund invested $30 million to accelerate sustainable development in SIDS, with social protection being a priority area of investment (UN Joint SDG Fund, 2021).

Samoa can be used as a case study of social protection systems in SIDS. Samoa is a beneficiary of the Joint Programme of Social Protection, implemented in 2020. The country currently has informal and formal social protection systems. Reliance on informal social protection mechanisms is widespread, but this protection is strained, even in regular times.

The formal social protection system remains underdeveloped. The absence of an established social protection system has impeded targeted Government intervention in times of crises, such as the COVID-19 pandemic, and hindered women's economic advancement. Nevertheless, the Government, alongside other stakeholders, is making efforts to strengthen its social protection plan. The National Social Protection Framework Policy has moved forward with the aim of placing social protection at the centre of Samoa's social, political and economic development. Further, the National Social Protection Policy is in the process of being implemented with the aim of providing an inclusive and sustainable social protection system for the country. Such measures highlight the potential of SIDS to invest in social protection systems to overcome their vulnerabilities (ILO, 2024b). The recently adopted Antigua and Barbuda Agenda for SIDS (ABAS) recognizes the inadequacy of social protection systems in the SIDS and seeks the support of the international community to make these more inclusive, adaptive and with greater coverage.

Source: UN DESA.

Box 3.2

Social security schemes for generating employment and boosting productivity

While social protection schemes may help in maintaining necessary levels of consumption during periods of crisis, they also need to aim at building long-term productive capacities, creating jobs and boosting human capital. This can lead to positive spillovers and promote resilience.

One example of a social protection scheme with long-term benefits aimed at job creation and income generation is the Mahatma Gandhi National Rural Employment Guarantee Act (MG-NREGA) in India. This is a social protection measure that aims to guarantee the right to work for citizens in rural India. It was enacted by the Indian Parliament in 2005 to enhance livelihood security in rural areas by providing at least 100 days of wage employment per year to every household whose adult members volunteer for unskilled manual work. The Act was borne out of the recognition of the significant levels of poverty and unemployment prevailing in rural India. It seeks to address issues of economic distress and rural underemployment by offering guaranteed employment opportunities and a source of income for rural households.

In addition to guaranteeing a certain minimum level of income, the Act is novel for two reasons. First, it focuses on asset creation and uplifting infrastructure in rural areas through various tangible initiatives such as building roads, water conservation projects, irrigation facilities, etc. Second, it has a strong emphasis on women's empowerment and at least one third of beneficiaries are women – a high number considering gender dynamics in rural India. The Act played a key role in helping beneficiaries withstand the brunt of the COVID-19 pandemic. For example, a study found that an increase in state capacity by one MG-NREGA workday per rural inhabitant reduced job losses in rural areas in April–August 2020 by 7 per cent cumulatively and by 74 per cent for rural women, over the baseline employment rate (Afridi, Mahajan and Sangwan, 2022). Similarly, the Act was also used to rapidly roll out pandemic response measures such as constructing quarantine centres, building sanitation facilities, and creating awareness campaigns about COVID-19 preventive measures.

Another example of proactive implementation of a social security programme is the Ethiopian Productive Safety Net Programme, established in collaboration with donor support as a dynamic social protection initiative designed for scalability during crises. The Programme regularly provides aid to food-insecure households, bolstering their resilience and preventing asset depletion in the face of recurring droughts. During the first three phases (2005–2015), it benefited approximately 8 million people, with an annual budget of roughly $500 million, making it one of sub-Saharan Africa's largest social protection programmes (Abay and others, 2022).

Source: UN DESA.

provides examples of social security schemes for generating employment and boosting productivity.

Rethinking social protection in times of recurrent converging crises

Evidence shows that one of the principal determinants of the success of countries in dealing with the COVID-19 pandemic in its initial stages was the existence of social protection systems (Islam and others, 2020).

Between February and December 2020, Governments around the world announced some 1600 social protection measures in response to the pandemic

The COVID-19 pandemic itself precipitated a significant expansion of social protection: between February and December 2020, Governments around the world announced some 1600 social protection measures in response to the pandemic (ILO, 2021b). Approximately three quarters of these measures comprised non-contributory responses, the remainder being delivered through contributory systems. The estimated social protection expenditures in 2020–2021 reached $3 trillion, 4.5 times higher than what had been spent during the 2008 global financial crisis (Independent Group of Scientists, 2023). However, in some countries, these measures have been withdrawn, even where economic growth and employment have not yet fully recovered, putting their beneficiaries at risk. At the same time, the multidimensional nature of the measures' impacts, as well as how they have differentially affected different population groups, has indicated that social protection coverage requires rethinking.

Yet another new challenge for social development is forced displacement. Internal displacement due to conflict or extreme weather events has not been uncommon, and countries have devised various approaches to providing temporary shelter, followed by a return to the displaced person's home when the situation returns to normal. However, there are growing numbers of the forcibly displaced crossing international borders, arriving in destination countries as refugees or migrants. Numerous studies have pointed to the long-term economic benefits they bring. For example, recent immigration into the United States is expected to add 0.2 percentage points annually to the real GDP growth between 2024 and 2034 (Congressional Budget Office, 2024). At the same time, in the short term, a large influx of immigrants can strain local government budgets and potentially provoke social tension.

Improving efficiency in the provision of social protection

Strengthening social protection is no longer a "luxury good," but must be a development priority in its own right because of the high cost that systemic shocks impose and the spillover effects across borders (Lokshin, Ravallion and Torre, 2022). Given many countries' limited fiscal space, muted growth prospects, and high demand on public resources, the importance of effective design and delivery that builds on synergies with other interventions cannot be overstated. The use of digital technology can greatly aid in improving the efficiency of social protection schemes while broadening their coverage, but countries need to avoid risks such as those stemming from digital exclusion (box 3.3).

Building fiscal capacities of Governments to deliver on sustainable and equitably financed social protection

Historical evidence shows the critical role of social protection in nurturing the human capital and social stability that long-term economic growth and poverty alleviation are predicated upon, particularly in the aftermath of a shock or crisis. Recent studies have also shown how an investment in social protection creates a multiplier effect in local economies. In Ethiopia, every Ethiopian birr invested in social protection was found to generate 2.52 birr in the local economy through the consumption channel (FAO and UNICEF, 2017).

Financing for social protection usually comes from national budgets, which have come under severe

Box 3.3

How greater use of technology is lowering the cost of delivering social protection

The need for digital social protection payments became particularly critical during the COVID-19 pandemic. Millions of workers either lost their jobs or saw their incomes severely reduced, and social distancing practices required solutions that obviated in-person services. As a result, the pandemic accelerated the uptake of digital systems to manage social protection payments in many low-, middle- and high-income countries.

Digital social protection systems can provide several benefits in terms of efficiency, transparency, cost-effectiveness and inclusivity. For example, in Argentina, linking 34 social protection databases to the unique identification number of beneficiaries led to savings of $143 million over an eight-year period (World Bank, 2019) through elimination of multiple entries and reduction in administrative costs. In Botswana, a biometric enrolment campaign in the social grant and pension programme reduced the number of recipients by 25 per cent by cutting out ghost, deceased and duplicate entries, resulting in annual savings of $1.7 million (Gronbach, 2020). The shift to bank transfers for social grant delivery in South Africa was associated with a 62 per cent reduction in delivery costs (Pickens, Porteous and Rotman, 2009). Digital social payment systems have also been associated with providing better data for decision-making. For example, the introduction of a high-frequency, phone-based monitoring system for a farmers' cash transfer programme in Telangana, India, resulted in an 8 per cent decline in the number of participants not receiving their expected transfers, as well as a 3 per cent increase in the rate of on-time delivery (Muralidharan and others, 2021).

The increasing public access to the Internet and mobile phones in developing countries – a trend accelerated by the pandemic – has been a key enabling factor for the digitalization of social security payments. Both front- and back-end digitalization of social protection has also been supported by wider e-government trends – in particular, the boom in digital identification systems, which were established in over 130 countries between 2000 and 2015 (Lowe, 2022). Digital identification systems are increasingly being linked with social protection provision, for example, to verify people's identity when they access services, or to link individual records across different datasets.

However, while there are many potential economic and other benefits of digital social protection systems, the design of such programmes needs to be implemented in an inclusive and prudent manner. Digital social protection systems must avoid the exclusion of the most vulnerable populations, who are also most likely to suffer from the digital divide. It is also important that the introduction of digital payment systems is underpinned by a sound legal framework to ensure the privacy and protection of vulnerable populations. In addition, a shift towards greater reliance on the delivery of social protection through digital systems should not be used as an argument to reduce government allocations towards them. Finally, while the enhanced use of technology for social protection is conducive to accountability and fairness, without adequate oversight and digital security protocols, it also opens up opportunities for exploitation by malicious and exploitative actors.

Source: UN DESA.

pressure from converging crises and tight international financing conditions. While efficiency improvements can help to achieve better social protection outcomes, the expansion of coverage that is necessary to achieve universal social protection would require a significant increase in fiscal space. For countries that are in acute debt distress or at high risk of debt distress – often due to external factors – urgent support from the international community is required to resolve those challenges and direct resources for social development.

Financing for social protection usually comes from national budgets, which have come under severe pressure from converging crises and tight international financing conditions

For other countries, some additional options are available. First, Governments can make efforts to increase tax revenues through improved collection and tax reforms. If undertaken together with, or following, the expansion of public services such as improved social protection, this can help strengthen the social contract and increase taxpayers' willingness to pay. Yet, since the global financial crisis, developing countries' tax revenues have remained stubbornly low as a share of GDP, after having risen by several percentage points during the early 2000s. Even before the pandemic, the median tax-to-GDP ratio in developing countries was about 15 per cent in 2019, compared to about 25 per cent in developed economies. For LDCs, the median ratio was about 12 per cent (UN IATF, 2024). Efforts to increase revenues through tax reforms can also make the tax system more equitable, by relying more on progressive

income or wealth taxes rather than value added taxes that are regressive in nature.

Second, dedicated social insurance contributions can be an important source of funding for social protection mechanisms. While there has been debate whether this could create disincentives for formal employment, there is little empirical evidence of employment or formalization gains from lower contributions (Calligaro and Cetrangolo, 2023). Since social insurance contributions are likely to fall during times of crisis, just when the need for social protection is highest, they should be part of a broader, medium-term fiscal framework that can insulate social protection from cyclical downturns, for example, through dedicated fiscal reserve funds (UN IATF, 2024).

Third, countries can enhance fiscal space for social protection by reorienting and enhancing the effectiveness and efficiency of government spending. For instance, a socially fair phasing out of fossil fuel subsidies or a reduction of military spending can free up resources for social protection. To be politically feasible, such measures will have to be carefully managed to avoid backlash from vested interests.

Implementing these changes requires state capacity and access to technology that is often in short supply. International support in these areas can help strengthen domestic resource mobilization, including through official development assistance (ODA). Yet, ODA for domestic resource mobilization has been stagnant in recent years, fluctuating between $300 million and $474 million from 2018 to 2022. During 2022, this was equivalent to 0.26 per cent of total ODA to developing countries (UN IATF, 2024).

Additional support in the form of debt swaps for social development can also help countries that are fiscally constrained but do not have unsustainable debt burdens. In a sovereign debt swap, creditors provide debt relief in return for a commitment from the Government to use the freed-up resources for a specific purpose, such as environmental protection, health, or other development goals. Debt-for-SDG or specific debt-for-social-development swaps could help countries expand their fiscal space for social protection by reducing debt payment obligations in return for social spending commitments. Despite some successful examples in the past, general uptake of sovereign debt swaps has been low, due in part to high transaction costs. More standardized contracts could help to reduce such costs, and could be complemented by official financial support in the form of partial guarantees or collateralization (United Nations, 2023).

Domestic resources will likely be insufficient to provide universal social protection in most low- and lower-middle-income countries by 2030

Despite such efforts to expand fiscal space, domestic resources will likely be insufficient to provide universal social protection in most low- and lower-middle-income countries by 2030. A recent proposal in an ILO working paper proposes a global partnership for funding SDG 1.3 in developing countries to help them realize the right to social protection (Yeates and others, 2023). The paper examines how revenues from international initiatives in taxation, as well as domestic initiatives that tax products with negative externalities, could help generate resources for the global partnership. Other sources of international financing, particularly in in low- and lower-middle-income countries, include ODA, the Loss and Damage Fund, and eliminating illicit financial flows. Notably, ODA for social protection as a share of total ODA increased during the pandemic, from an average of 1.3 per cent during 2000–2019 to an average of 2.8 per cent during 2020–2022, with higher shares for LDCs, LLDCs and SIDs.[5] If ODA is used, it should be in the form of grants or highly concessional loans, as investments in social protection typically take longer to strengthen a country's debt-carrying capacity. While this is the case to a large extent in LDCs, LLDCs and SIDS, it does not apply for developing countries overall, where loans have made up about 40 per cent of ODA for social protection in recent years.

5 During 2020–2022, average ODA for social protection as a share of total ODA was 4.6 per cent for LDCs, 4.2 per cent for LLDCs, and 5.1 per cent for SIDS (based on the OECD/DAC online database (accessed on 31 May 2024)).

Advanced economies can also derive tangible benefits from such support. For example, amid slowing global economic growth, vibrant and growing economies in low- and lower-middle-income countries nurtured by universal social protection can create new markets and trading partners for developed countries. In addition, social protection can help developing countries adapt to some of the impacts of climate change and enhance their resilience to future shocks. This in turn contributes to global stability and resilience at all levels.

Insurance as a tool for mitigating risks and advancing social development

Insurance – both formal and informal – helps transfer risks from a single person, household or entity to a larger group and enables each individual entity to recover faster from an adverse shock than they would if left to themselves. Members of a group covered by insurance secure a guaranteed compensation in the event of a predefined loss in return for a smaller, predetermined contribution (insurance premium) by each member. From informal mutual arrangements within a community to formalized agreements with either public or private providers, insurance provides protection from the financial impact of shocks such as crop loss; damage or destruction of property, cattle or other productive assets; income loss; and the ill health or death of a family member. However, insurance needs to be affordable and accessible. Reducing insurance gaps requires strengthening and regulating insurance markets.

Insurance is also an important instrument for social development for several reasons

Many kinds of insurance – for example, high-end real estate or automobiles – provide benefits primarily to the wealthy. However, insurance is also an important instrument for social development for several reasons: it can help the near-poor avoid poverty traps should they lose productive assets, face a poor harvest or have unexpectedly high expenses due to ill health in the family. By shoring up incomes across a significant part of the income distribution, insurance can mitigate pressures that would tend to increase inequality following a society-wide shock. Insurance can also encourage an appropriate degree of risk-taking, and therefore contribute to technology adoption, innovation, investment and trade, leading to increased productivity, earnings, jobs and livelihoods – all of which can facilitate social development.[6] Indirectly, insurance can also help strengthen resilience through promoting a better understanding of shocks and incentivizing the adoption of protective measures. Even before a shock occurs, insurance prompts a better understanding of its potential direct and indirect consequences, and the probability of its occurrence. Such knowledge can drive the development of various scenarios and encourage anticipatory action.

Contribution-based social protection mechanisms and insurance are based on the same principle of risk transfer, with the difference that the former typically include an element of redistribution (for instance, contributions to unemployment insurance and public retirement systems are usually tied to individuals' incomes, but disbursements are more equally distributed to guarantee a minimum benefit level). Often, there is also an element of social transfers, when public funding is used to subsidize such schemes. Public insurance mechanisms are sometimes used to overcome insurance market failures and ensure inclusive coverage, as in the case of health insurance or insurance against weather-related shocks.

Insurance gaps

While insurance does protect against shocks, important gaps in its use remain. These are generally attributed to three factors, often more pronounced in developing countries and among groups in more vulnerable situations: (i) a lack of resources to cover the upfront cost of insurance; (ii) insufficient supply

6 A growing financial sector (which includes insurance) has been found to be associated with greater economic growth up to a point, after which the relationship appears to be reversed. Beyond that point, excess financialization is likely to divert financial and human capital away from the real economy, thereby reducing potential growth (see, for example, Law and Singh, 2014; Dawd and Benlagha, 2023).

of differentiated insurance products; and (iii) a lack of knowledge and trust on the side of the customers/policyholders, including due to delayed or low compensations. Insurance gaps tend to be larger for women, although a lack of sex-disaggregated data makes them hard to quantify (box 3.4).

Box 3.4

Insurance gaps and women

A lack of sex-disaggregated data makes it hard to quantify insurance gaps for women. Based on available data at the level of individual insurers and country case studies, several factors have been identified that limit women's access to and demand for insurance products. These include gender-discriminative laws and social norms that impact women's engagement in economic activities and their access to legal identification documents, as well as mobile phones or other devices that could help strengthen women's financial inclusion (Miles and Pandey, 2021). Women also face different health risks than men and are more vulnerable to climate risks, with disproportionate effects on life expectancy, unemployment, labour force re-entry, and relative asset losses (Erman and others, 2021). Women who depend on their husband's income face risks of domestic violence, divorce and widowhood. Women have traditionally managed such risks through savings, investing in property and children, and relying on informal reciprocal social relationships. In extreme disaster events, these risk management strategies may no longer be available.

Source: UN DESA.

Income is an important factor for insurance uptake, although the relationship varies widely between countries, even when premiums are low (as in the case of microinsurance). For instance, an increase in household income from $2 per day to $10 per day has been found to increase the likelihood of having some formal insurance coverage from 12 per cent to 85 per cent for households in Eswatini, compared to an increase from 45 per cent to 58 per cent in Thailand, and from only 5 per cent to 8 per cent in Myanmar (Panda, Lambert and Surminski, 2020).

Insufficient availability of differentiated insurance products that can appeal to consumers with different needs contributes to gaps in insurance. Without appropriate regulation and supervision, insurance markets may not be viable or become dominated by monopolistic suppliers. The small market size and limited purchasing power in many poorer developing countries limit the potential returns for private insurers, reducing their interest in offering insurance products; low risk appetite of insurance providers may also contribute, especially in the absence of re-insurance options, including through a well-developed financial market.

Without appropriate regulation and supervision, insurance markets may not be viable or become dominated by monopolistic suppliers

Estimating the extent of the insurance gap across the world is difficult. Recent estimates show a global *protection gap* – measured as the economic losses from disasters that are not covered by insurance – of about $174 billion in 2023 (equivalent to 60 per cent of total economic losses (Swiss Re Institute, 2024)).

Assessing insurance protection at the individual and household levels requires more granular data on *insurance coverage*, measured as a percentage of the total population covered by insurance. However, this information is not widely available and often limited to individual insurance lines such as health insurance (box 3.5). Studies on the impact of microinsurance – targeting low-income populations, typically people earning between $2 and $20 per day – also often include data on the coverage of individuals and households (A2ii and IAIS, 2017).

Enhancing inclusion in insurance markets

Regulation

Closing or reducing insurance gaps requires strengthening and regulating insurance markets, broadening affordable access to insurance, and facilitating demand. An enabling environment with a sound legal framework and adequate regulation is needed to develop effective and inclusive insurance markets, including through tailored insurance products such as microinsurance for low-income populations. All measures aimed at reducing insurance gaps should go hand-in-hand with measures to adapt insurance models to the new global

Box 3.5

Insurance coverage for health care

Health insurance is an important enabler for reaching Sustainable Development Goal (SDG) target 3.8, to "achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all". The share of a country's population that is covered for a core set of health services can provide an approximate measure for access to care and financial protection (although it should be complemented with indicators for the quality and outcomes of care).

In most member countries of the Organisation for Economic Co-operation and Development (OECD), health insurance covered 100 per cent of the population in 2021. Coverage was less than 95 per cent in six countries, and less than 90 per cent in only two. In most countries, this coverage was provided by national health systems or public health insurance, with two countries (the Netherlands and Switzerland) opting for compulsory private insurance, supported by subsidies and regulations. Only three countries relied on a mix of private and public insurance for primary health coverage (Chile, Germany, United States of America). Private insurance played a role in many countries as a voluntary complement (to cover costs not covered by public insurance), supplement (to cover additional services), or duplicate (to provide faster access or a wider choice of providers) to public insurance (OECD, 2023).

A study covering 56 low- and middle-income countries found that, on average, only 20.3 per cent of the population were covered by health insurance (Chen and others, 2022). Almost two thirds (36 countries) had coverage of less than 10 per cent, with only 7 countries reaching more than 50 per cent and 3 countries reaching over 70 per cent. Among the 48 countries with information on the type of insurance, 71.4 per cent of the covered population had public insurance, while 28.6 per cent relied on private insurance.

While gross domestic product per capita was positively correlated with insurance coverage, it explained only a small proportion of the variation between countries. Regarding individual and household characteristics, those who were male, older, more educated and wealthier were more likely to have health insurance. Yet, the impact of these factors varied widely across countries, pointing to an important role for public policy. Notably, the impact of household wealth on individual insurance coverage was lower in countries who relied more on public health insurance. This suggests that countries aiming to achieve more complete and equitable insurance coverage could rely on public health insurance for basic health care and leverage private insurance for additional care (ibid.). Public health insurance can also be an effective way to mitigate inherent adverse selection problems in the health insurance market and include an element of income redistribution.

Source: UN DESA.

risk landscape and with the implementation and strengthening of other measures that reduce risks and increase resilience and protection from more frequent and increasingly interconnected shocks and crises.

Insurance market regulation traditionally has two main goals, namely, to protect policyholders and to maintain financial stability. To successfully address insurance gaps, especially in developing countries, a third goal should be the development of regulated insurance markets with expanded coverage that meet the varying needs of the vulnerable (Noordhoek, Marcoux and Schanz, 2022). Policyholders' interests are protected when regulators and supervisors ensure the ability of insurers to pay; promote fair and transparent prices and timely claims settlements payouts; and encourage innovation that helps to develop more tailored products at more affordable rates. Better customer protection along these lines will also help to improve trust in the insurance industry, which is a precondition for greater insurance demand and uptake. Financial stability also depends on insurers' ability to pay, even in the case of very large losses, and on the limitation of spillovers from the liquidation of assets to the broader financial system.

As insurance markets continue to grow, there is a need for capacity-building to help regulators and supervisors keep pace with increasing complexity

In developed and several emerging economies, regulators have adopted complex, risk-based approaches to ensure solvency through capital and liquidity requirements. However, many developing countries lack the necessary capacity to implement such policies, both on the side of regulators and supervisors and of local insurers. Regulatory frameworks therefore need to be tailored to the maturity of markets, with regulation that balances

the need to ensure solvency with the need for a simpler approach that matches the available skills and resources (ibid.). This may require more stringent licensing requirements, as well as product and investment regulations. Access to international reinsurance markets can also help to diversify risks and ensure solvency. As insurance markets continue to grow, there is a need for capacity-building to help regulators and supervisors keep pace with increasing complexity.

Microinsurance

Microinsurance was first developed in the mid-1990s to protect microfinance clients from the impacts of idiosyncratic shocks that were affecting their ability to service loans or maintain savings. Since then, it has developed into a set of insurance offerings that are accessed by low-income populations through the payment of premiums (IAIS, 2007). The target population is generally considered to include those earning between 2 and 20 dollars per day on a purchasing power parity basis, which is at and just above the extreme poverty line (Merry and Rozo Calderon, 2023).

A range of risks – to property, crop and livestock, health and life – are covered. Policies are typically simple, rely on low premiums, provide low coverage, and target a broad market with few if any exclusions. Microinsurance can be financially viable for private insurers, depending on the target population, market development and types of risk, or it can be supported or fully run by Governments and donors in an effort to protect the most vulnerable (IAIS, 2007).

Some of the biggest private insurers in this market are specialized microinsurance providers, but most of the world's 50 largest insurance companies have also started offering such products (Churchill and Matul, 2012). Distribution channels typically rely on cooperation with microfinance institutions, financial institutions or local agents on the ground. Some Governments have been active in promoting microinsurance products. For example, in India, the Insurance Regulatory Development Authority of India (IRDA) formulated regulations for microinsurance in 2005 and the Government has made it mandatory for insurer firms to offer a microinsurance product. In Bangladesh, microinsurance is offered by two state-owned corporations.

Technology has helped in minimizing transaction costs. Microinsurance products are often distributed via digital or mobile channels – often coupled with other products, such as microfinance products or mobile phone plans. Payouts can be based on parametric triggers[7] rather than costly and time-consuming in-person claims verifications (Insurance Information Institute, 2021). However, overreliance on these technologies can have drawbacks, as it may exclude people without Internet or mobile phone access, many of whom are women.

The overall uptake of microinsurance remains low, with an average coverage of about 8 per cent of the target population

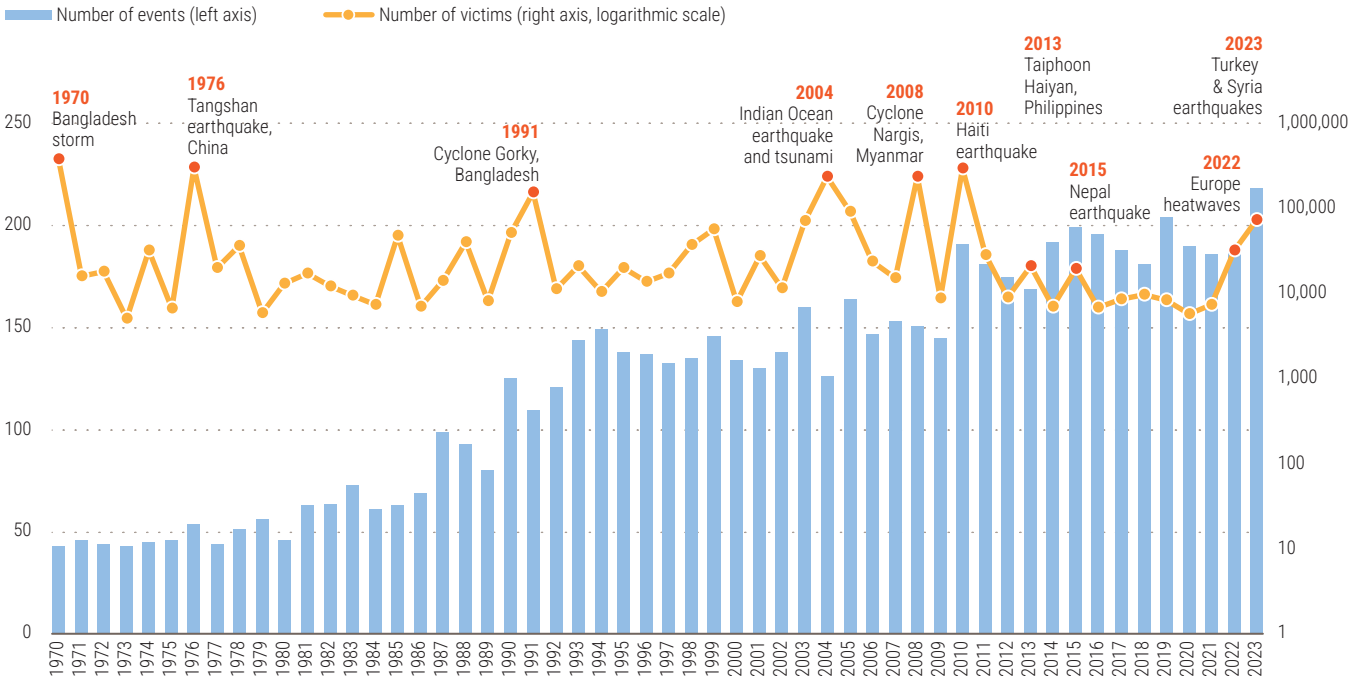
In 2022, a total of 35 countries had implemented specific inclusive insurance regulation, up from 32 in 2021, and an additional 19 countries were actively developing such regulation. However, the overall uptake of microinsurance remains low, with an average coverage of about 8 per cent of the target population (Merry and Rozo Calderon, 2023). While numbers vary between countries and studies, coverage is rarely above 30 per cent (Platteau, De Bock and Gelade, 2017).

The relatively low market penetration of microinsurance indicates that its role in protecting against shocks and advancing social development may be limited; at the same time the relatively high degree of variation indicates that there may be untapped potential (Platteau, De Bock and Gelade, 2017; Panda, Lambert and Surminski, 2020). Only about 20–30 per cent of microinsurance premiums collected are paid out as disbursements, compared to ratios closer to 80 per cent for traditional insurance in developed countries, indicating an urgent need to ensure that microinsurance is in fact reducing the vulnerability of the poor. (Merry and Rozo Calderon, 2023; Weiss, 2017).

7 Parametric insurance makes payments based on an objective index, such as rainfall measures or wind speeds in a certain area, which can serve as a proxy for property losses. Payouts are based on whether the index crosses a certain threshold ("parametric trigger"), rather than on actual losses.

Figure 3.4

Catastrophic events from natural hazards, 1970–2023



Source: UN DESA, based on Swiss Re Institute (2024).
Note: The right axis uses a logarithmic scale to accommodate large fluctuations in the number of victims.

Evolving risk-sharing mechanisms for addressing vulnerabilities

Increasing challenges to traditional risk-sharing models

The increased size and frequency of shocks, the rising correlation between them, and the growing complexity and interconnection of systems require insurance mechanisms to evolve if they are to continue to protect the vulnerable.

For example, the number of catastrophic events from natural hazards has steadily increased over the last five decades, rising from an average of 47 events per year during the 1970s to an average of 194 events per year during 2018 – 2023 (figure 3.4).[8] Such disasters, only increasing with climate change, have profound and long-lasting impacts on social development.

As with social protection, the changing risk landscape also challenges private insurance mechanisms. Industry estimates point to lower profitability of the global insurance sector, with return on equity declining from an average of 12 per cent during 2012–2016 to 5 per cent during 2017–2021 (Swiss Re Institute, 2023), attributable to greater insurance demand, larger payouts and relatively stagnant premiums. Insurers must balance the trade-off between raising premiums to maintain profitability, and potentially pricing people out of the market. In either case, there could be greater calls for the public sector to step in, including as an insurer of last resort.[9] Such arrangements would need to be carefully structured to avoid excessive demands on limited public resources, and their diversion away from social development.

8 Swiss Re Institute registers an event as a "catastrophe" based on thresholds for economic losses, adjusted for inflation ($86.5 million in 2010) and the number of victims (20 fatalities/people reported missing, and/or 50 people injured and/or 2,000 homeless) (Wirtz, and others, 2014). Natural hazards include floods, storms, earthquakes, droughts/forest fires/heat waves, cold waves/frost, hail, tsunamis, and other natural hazards (Swiss Re Institute, 2023).

9 For example, growing real estate premiums in the United States have led to increasing numbers of homeowners who have lost private insurance signing on with a state-run insurer that offers premiums below the market rate, effectively underpricing risk and shifting it to the public sector (Otte, 2023; Crowley, 2023).

Developing better insurance mechanisms

More timely, granular and high-quality data, together with more forward-looking modelling techniques could help better assess exposures and vulnerabilities in a rapidly changing risk landscape. The combination of data from novel sources – including local weather sensors, remote monitoring systems, and satellites with innovative data analysis (e.g., artificial intelligence) – and forward-looking climate scenarios can also improve the selection of appropriate triggers for parametric insurance, which could enhance the efficiency of microinsurance and reduce basis risk.[10] This information can also be crossed with demographic data on the size, age, sex and spatial distribution of populations to anticipate areas and groups that may be particularly vulnerable. Measures such as these could help preserve the financial viability of insurance by reducing the mismatch between premiums and realized losses.[11]

More timely, granular and high-quality data, together with more forward-looking modelling techniques could help better assess exposures and vulnerabilities in a rapidly changing risk landscape

Developing multidimensional measures of vulnerability and resilience to interrelated shocks and crises can also help improve the assessment and identification of vulnerable populations. Multidimensional measures such as the Global Multidimensional Poverty Index,[12] currently available for 110 countries, can be informative in this regard. Updated vulnerability and risk assessments could be seen as a source of competitive advantage; however, such knowledge should be made widely available to enable better informed decision-making by public and private entities at all levels. Despite calls for greater information-sharing within the industry (Swiss Re Institute, 2023), this may require additional regulatory action.

Product innovation and partnerships can help address new challenges. For instance, some new insurance products offer coverage from the effects of increasing heat, including for informal agricultural workers, dairy producers and farmers (Clark and Uranaka, 2023). Hybrid solutions that combine parametric and traditional indemnity-based approaches can further reduce basis risk by improving the correlation between actual losses and payouts (Loster and Reinhard, 2012). Process innovations can help reduce the cost of providing insurance products – for example, through more efficient distribution and claims processing potentially leading to lowered premiums. Partnerships between established insurers and startup companies can accelerate product innovation through small-scale product trials that may reach market scale faster. Partnerships can also include the public sector, as part of a broader risk management strategy that includes incentives for loss prevention and greater societal resilience.

With more correlated shocks, small local insurance pools that are no longer viable may need to participate in risk-sharing alliances

With more correlated shocks, small local insurance pools that are no longer viable may need to participate in risk-sharing alliances at the regional or national levels. Reinsurance can also play an important role, as large providers can transfer risks between different pools, often on a global scale. Since the mid-1990s, catastrophe (CAT) bonds have been used to transfer risks to capital markets, and interest from both insurers and investors has grown in recent years.

National policymakers should also review and update regulatory frameworks as appropriate. For example, rules for capital and liquidity buffers may need to be adjusted to ensure the solvency of insurance and reinsurance companies. This can be supported by scenario analyses and stress testing

10 Basis risk describes the risk that a parametric insurance may not result in a payout despite a loss event, if the selected parametric trigger does not properly reflect the actual loss.

11 For instance, global reinsurance rates for property insurance rose sharply in January 2023, with increases of 20–50 per cent for loss-free portfolios and up to 100 per cent for portfolios that were hit by losses (Swiss Re Institute, 2023).

12 Developed by Oxford Poverty and Human Development Initiative.

to identify insurers' vulnerabilities. Such analyses could also better inform social development policy more broadly, by enabling an informed consideration of protection options and the changing nature of people's vulnerabilities.

Regional and global risk sharing

Natural disasters can have profound and enduring effects on social development, requiring large-scale government responses. One way to generate sufficient resources for this purpose has been through sovereign risk pools that diversify risks across countries. Over the past two decades, sovereign risk pools for natural hazard–related catastrophes have been established in several developing regions, including the Caribbean Catastrophe Risk Insurance Facility (CCRIF, established in 2007), the Pacific Catastrophe Risk Insurance Company (PCRIC, established in 2013), and the African Risk Capacity (ARC, established in 2014). They are set up either as mutual insurance companies (in the case of CCRIF and ARC), with membership consisting of client countries and in some cases donor countries who provided initial funding, or as joint initiatives from international development organizations and regional developed countries (in the case of PCRIC).

Over the past two decades, sovereign risk pools for natural hazard–related catastrophes have been established in several developing regions

These regional risk pools provide parametric insurance against natural hazard–related catastrophes, tailored to region-specific risks – for example, hurricanes in the Caribbean (Martinez-Diaz, Sidner and McClamrock, 2019). They are funded from national public contributions as well as donors, and also participate in international reinsurance markets, or international capital markets through CAT bonds. Their continuing reliance on external support for premium funding is one source of vulnerability, as is the exclusively regional nature of the risk pools.

With the increased frequency and correlation of natural hazard–related shocks, as well as their greater impact, higher premiums would be needed to maintain the financial viability of these regional risk pools. For many countries, this would increase the need for donor support. Another option that can be considered is a risk-sharing alliance between different regional pools, which will diversify the risk portfolio and increase its viability, maintaining low premiums.

Global risk-sharing mechanisms become an absolute necessity in times of converging crises

Global risk-sharing mechanisms become an absolute necessity in times of converging crises. Some examples include the InsuResilience Global Partnership for Climate and Disaster Risk Finance and Insurance Solutions, which fosters and supports new and existing insurance initiatives at the national and regional levels (InsuResilience Global Partnership, 2023). The Global Shield against Climate Change initiative aims to support climate risk insurance and prevention activities at the national and regional levels and to mobilize additional funding (Global Shield against Climate Risks, 2023). A new Loss and Damage Fund for assisting developing countries that are particularly vulnerable to the adverse effects of climate change was agreed in 2022 at the twenty-seventh session of the Conference of the Parties of the UNFCCC (COP 27) and operationalized at COP 28 in late 2023 (UNFCCC, 2024).

To address the growing risks of global pandemics, the international community created a new financial intermediary fund for pandemic prevention, preparedness and response, hosted by the World Bank, with the World Health Organization (WHO) as technical lead (World Bank, 2023). A previous initiative by the World Bank to provide insurance through a pandemic bond (the Pandemic Emergency Financing Facility) was not renewed after it failed to provide timely and adequate assistance during the early phase of the COVID-19 pandemic (Hodgson, 2020), underscoring the importance of well-designed global mechanisms.

From risk sharing to risk governance

Ultimately, decision-making associated with risks when the risks themselves are changing must engage with the totality of actors, rules, conventions, processes and mechanisms concerned, as well as evaluate how relevant risk information is collected, analysed, and communicated – an approach sometimes termed risk governance (IRGC, 2017). Risk governance can help to structure and organize growing uncertainties through explorative scenarios for future developments. Based on a comprehensive review of current and future risks, such scenarios can help to prepare and build resilience. The monitoring of context conditions, including through early warning systems, can help to identify and mitigate emerging risks.

Risk governance can help to structure and organize growing uncertainties through explorative scenarios for future developments

National risk governance to reduce the risk of multisystemic crises requires adaptive and holistic governance, including regulations and policies. A coordinated approach involving the various stakeholders and sectors at all levels, supported by mutual trust and accountability is essential for establishing comprehensive and coherent responses. Many countries may need capacity-building support; at the international level, a central facilitator may be needed to support the interaction among stakeholders, break down silos to promote interdisciplinary work, build consensus around technical methods and approaches, and champion integrated solutions that are effective at building resilience (Sachs, 2023).

Global action for global challenges: advancing social development

Global action is needed to address the drivers of several of the shocks discussed earlier, thereby reducing risks and supporting resilience across the world. This includes action towards climate change mitigation, pandemic preparedness and response, global financial stability and preventing spillovers of violent conflict. International coordination is required, since no single country or entity can deliver this kind of action at the necessary scale and scope. At the same time, not all countries need to act in the same manner or at the same level to ensure that these beneficial outcomes are realized. Deliberate efforts are also essential to ensure that, while contributing towards such broadly positive outcomes, countries do not inadvertently set back social development in their own contexts. These points are elaborated in the following subsections.

Climate change mitigation

Climate change mitigation involves reducing the flow of greenhouse gases (GHGs) into the atmosphere. Although the associated global benefits are much larger than the cost of its provision, the world is not currently on track to reach the Paris Agreement target of limiting global warming to 1.5°C above pre-industrial levels.[13] The rising number of climate change–related disasters, ranging from exceptionally violent hurricanes to extraordinarily prolonged heat waves, significantly impedes progress towards social development.

Although the associated global benefits are much larger than the cost of its provision, the world is not currently on track to reach the Paris Agreement target of limiting global warming to 1.5°C above pre-industrial levels

Reducing global levels of GHGs is the aggregate effect of individual countries' efforts to do so, a process referred to as "summation".[14] However, individual country contributions to this objective will vary, given the significant heterogeneity

13 According to the Intergovernmental Panel on Climate Change, the current trajectory of GHG emissions, considering pledges made by October 2021, "would make it likely that warming will exceed 1.5°C during the 21st century and would make it harder to limit warming below 2°C – if no additional commitments are made or actions taken" (IPCC, 2023).

14 Joint global actions can be characterized by how individual countries' efforts contribute to the joint outcome (e.g., summation, weakest link, best shot). This notion was first introduced by Hirshleifer (1983).

across countries along many relevant dimensions, such as a country's historic and current contributions to climate change; its exposure to the effects of climate change; levels of development; expected domestic costs and benefits of reducing GHG emissions; and ability to mobilize the required resources and capacities. These differences must be – and were – taken into account in global discussions, resulting in the "common but differentiated responsibilities" first formalized in the United Nations Framework Convention on Climate Change (UNFCCC), agreed in Rio de Janeiro in 1992 and in force since 1994.

Mitigating climate change would advance social development by reducing the likelihood of climate-related shocks. At the same time, when countries transition away from fossil fuel–based energy or transportation, jobs and livelihoods in the associated sectors will be lost. Countries whose emissions are currently low (reflecting lower levels of economic development) may have more difficulty finding pathways to poverty eradication, which in turn could slow down social development in the longer term. International support, including through financing, technology transfer and capacity-building, can help to build capacities of developing countries; this includes low- and middle-income countries that may otherwise become large GHG emitters as they seek to increase reliable and affordable access to energy in their quest to eradicate poverty and improve people's lives.

The Paris Agreement recognized the importance of just transitions; at COP27, parties agreed on a work programme on just transition pathways. Support from international partners could take the form of Just Energy Transition Partnerships, which were first announced at COP26 in Glasgow and which bring together donor countries, development banks and the private sector to support just energy transitions in selected heavily coal-dependent emerging economies, via grants, loans, guarantees, private investments, and technical assistance (Kramer, 2022).

Changing agricultural, forestry and other land use practices to attain emission goals could also impact communities whose livelihoods are based on these natural resources – often rural, poor and Indigenous communities who tend to have less say in decision-making. Ensuring that national mitigation efforts are accompanied by context-specific measures to protect and accelerate social development, including with the support of the international community, is essential to avoid inadvertent backsliding.

Recognizing social development to be an essential element of global climate mitigation can also provide additional perspectives on global coordination. Carbon tariffs in developed countries, unless accompanied by support for large-scale renewables adoption in developing-country trading partners, could eviscerate manufacturing exports, a well-established path out of poverty. Similar outcomes could also arise from industrial policy that seeks to favour local industries in renewables manufacturing.

International support is also key to addressing the burden of cumulative past GHG emissions from developed economies, through dedicated resources for adaptation and compensation for loss and damage.[15]

Pandemic prevention, preparedness and response

The COVID-19 pandemic was a stark reminder that infectious diseases can spread rapidly across borders, reversing years of progress on social development, as discussed in chapters 1 and 2. In today's interconnected world, the spread of a highly communicable disease is extremely difficult to contain in one country, while habitat degradation and closer contact between humans and wildlife have increased the risk of emergence of new zoonotic diseases. At the same time, advanced science and technology makes it possible that vaccines and treatments can be found relatively quickly, and production scaled up rapidly. A pandemic is, by definition, global, and effective prevention,

15 Long-standing calls for a designated fund to address loss and damage were heeded at the twenty-seventh session of the Conference of the Parties of the UNFCCC (COP 27), and the Fund was operationalized at COP28 in late 2023.

preparedness and response rely on coordinated action by all countries – albeit the most effective contributions vary across countries.

Prevention of the emergence of new diseases (for instance, through better habitat protection and appropriate regulation of wildlife trade) as well as early detection, containment, access to protective equipment, and the development and deployment of effective treatments and vaccines are some of the actions necessary for containing pandemics. The most effective way for countries to contribute depends on which action is being considered.

The overall effectiveness of prevention, early detection and containment depends on how effective the worst performing country is

For example, the overall effectiveness of prevention, early detection and containment depends on how effective the worst performing country is – a situation characterized as "weakest link".[16] According to the Global Health Security Index (2021), pandemic preparedness is generally lower in developing countries, and particularly in Africa. Wealthier countries have a strong self-interest in shoring up the pandemic preparedness of poorer countries, but there are also incentives for one country to free ride off of the support provided by others, implying that the aggregate support provided may be insufficient.

Multilateral organizations and other partners can help overcome such coordination failures. The International Health Regulations, which were agreed in 2005 at the World Health Organization (WHO) and came into force in 2007, define countries' rights and obligations in handling public health events that have the potential to cross borders, with the WHO playing a coordinating role, as well as providing capacity-building and surveillance.[17] A new WHO convention, agreement or other international instrument on pandemic prevention, preparedness and response is being negotiated by WHO member states, to be finalized by May 2025, at the latest.

Vaccine discovery is best accomplished with focused effort in countries with high levels of scientific and funding capacity

Vaccine discovery, on the other hand, is best accomplished with focused effort in countries with high levels of scientific and funding capacity – those having the "best shot"[18] at succeeding. Once developed, the vaccine needs to be made available and administered rapidly across all populations, with pandemic eradication only possible when a large enough proportion has been vaccinated.

Rapid vaccine development followed by global undersupply and unequal access during the COVID-19 pandemic highlights both strengths and weaknesses in global mechanisms. For example, public funding supported by intellectual rights protections created incentives for vaccine development. However, over time, international trade rules and intellectual property rights hampered the broadening of the production base in developing countries with established vaccine manufacturing capacities and a wider distribution at affordable prices (Ferranna, 2023).

In the wake of the COVID-19 pandemic, there is a window of opportunity for reforms

In the wake of the COVID-19 pandemic, there is a window of opportunity for reforms – for example, following the recommendations of the Independent Panel for Pandemic Preparedness and Response (Independent Panel for Pandemic Preparedness and Response, 2021) and those of the Secretary-General of the United Nations (United Nations, 2021). The process to develop a new global agreement was launched in December 2021, and negotiations are continuing. Key elements of the draft outcome include the need for predictable and

16 See footnote 14.

17 Other key international agreements and standards include the Pandemic Influenza Preparedness Framework. The One Health Approach recognizes the interconnection between people, animals and the environment, which makes it an important tool for the control of zoonotic diseases.

18 See footnote 14.

sustainable financing for pandemic preparedness and response, and an equitable system for access and benefits (Intergovernmental Negotiating Body, 2024).[19]

Ensuring that actions taken to address shortcomings in national and global response mechanisms have maximal impacts on social development may require additional steps, given near universal and well-documented inequities in access to health services. For example, closing the last mile in vaccine access – even for childhood immunizations – necessitates engagement and empowerment of marginalized groups and communities. Failing this, existing inequalities can become further entrenched through diminished prospects over the entire life cycle. Expanding surveillance and reporting would need to guard against stigmatization and discrimination of identified population groups, even as they offer the opportunity to involve them in the design, planning and delivery of basic health services. Successfully shoring up weakest links in health systems across the world, through the coordinated actions of global and national actors, can lead to enduring benefits for reducing poverty and inequality.

Global financial spillovers

Crises that begin in the financial sector – marked by synchronized crashes in asset prices and the collapse of financial institutions – can rapidly spread to the real economy, causing growth slowdowns or recessions, lost jobs, increased poverty and inequality, and reduced public spending, thus inflicting considerable harm to advances in social development that can take many years to reverse.

For national financial systems, central banks work to ensure stability through regulation, monitoring and oversight, paying closer attention to systemically important financial institutions (those whose distress or disorderly failure would cause significant disruption to the wider financial system and economic activity). But national systems have considerable international exposure through trade and finance links. For example, the Global Financial and Economic Crisis (2008–2009) was sparked by collapses in US financial institutions but spread quickly to other economies around the globe. During the five years after the crisis, this caused an estimated annual economic loss of at least 4 per cent of global GDP, with additional longer-term effects for countries that took longer to recover (mostly developed economies). In contrast, recent estimates suggest a much lower cost of maintaining long-term financial stability – of, at most, 0.8 per cent of global GDP – when accounting for possible output losses from reduced lending (due to tighter macroprudential regulations) and incremental administrative costs from tighter global and national supervision of the financial sector (Oxford Economics, 2023).

Due to contagion risks, the overall resilience of the global financial system is determined by the least resilient financial sector in any of the systemically important countries

Due to contagion risks, the overall resilience of the global financial system is determined by the least resilient financial sector in any of the systemically important countries. Systemically important countries derive domestic benefits – such as macroeconomic stability and inclusive growth – from financial stability, so they have strong incentives to provide this. However, short-term perspectives can weaken regulation as less regulated financial sectors can generate greater returns in the short term, despite potentially increasing medium- and long-term risks. Platforms for coordination, early warning and technical cooperation can shore up the resilience of systemically important financial sectors.[20] Continued vigilance and coordination is also needed to address new and emerging risks in

19 The Financial Intermediary Fund for Pandemic Prevention, Preparedness and Response (Pandemic Fund), launched by the World Bank in September 2022, had raised $2 billion in funding by January 2024, compared to an estimated annual funding gap of $10 billion for pandemic preparedness in low- and middle-income countries (Rigby, 2023).

20 A range of financial institutions and international standards, along with agreements supported by countries with systemically important financial sectors, have evolved to strengthen the governance of the international financial system (also known as the international financial architecture). The Financial Stability Board brings together senior policymakers from the G20 countries and four other key financial centres, as well as international bodies, including standard setters.

the growing non-bank financial sector, including with regard to crypto assets and so-called stablecoins (UN IATF, 2023).

In addition to strengthening financial sector resilience to prevent crises, international institutions offer emergency funding through various channels to reduce the impact of crises and prevent their further spread. An important component of this is the Global Financial Safety Net (GFSN), a multi-layered network of mechanisms and institutions centred around the International Monetary Fund (IMF). The GFSN supported financial stability following the pandemic, but there were also concerns that the poorer countries could not access all the layers of the safety net.

For many countries, a unique source of vulnerability arises from the dominance of the US dollar, which accounts for about half of global trade invoicing, half of all international debt securities and cross-border loans, and almost 60 per cent of official foreign exchange reserves (Drehmann and Sushko, 2022). As a result, countries – especially developing countries – remain particularly vulnerable to financial conditions in the United States (for example, the current period of sustained high interest rates to curb domestic inflation).

Such exposure imposes hurdles for social development through different channels. By increasing debt servicing costs, it constrains the amount of public revenues available for social spending. As developing countries raise their own interest rates to curb capital flight, financing – including that available for supporting the livelihoods of those living in poverty – becomes more costly. Imports, including of essentials, become more expensive; this tends to disproportionately impact the poor and makes their expenditures on social development dependent on external factors, which in turn introduces uncertainties into the achievement of long-term social development. In addition, the dependence on changing external financial conditions can transmit stresses to a country's systemically important institutions. A systematic assessment and regular monitoring of people's vulnerabilities to external financial conditions are necessary for corrective action.

The current confluence of crises has underscored the need for reform of the international financial architecture

The current confluence of crises has underscored the need for reform of the international financial architecture, with proposals seeking to mitigate new and emerging risks, provide stronger support for developing countries, and strengthen the voice and representation of developing countries in economic and financial decision-making bodies (United Nations, 2023b). The Fourth International Conference on Financing for Development, to be held in mid-2025, provides an opportunity to make meaningful progress towards reform (UN IATF, 2024).

Limiting spillovers of violent conflict

Rising global interconnectedness is associated with a number of channels through which locally confined conflicts can spill over and create challenges for social development in other parts of the world. Effects such as disruption of trade linkages, rising international commodity prices, forced migration, fall in remittances, increased military spending at the expense of development assistance, among others, can have direct and indirect impacts on social development that go beyond the dire impact on those directly affected by the conflict.

Greater multilateral coordination could help to coordinate the global response, not just in the case of violent conflict, but also in the event of other complex global shocks

Currently, the response to these multifarious impacts of conflict-related spillovers mainly consists of ad hoc measures at the national and regional levels, such as subsidies or price caps to protect people from energy and food price increases. In some cases, such measures themselves can cause negative spillovers on vulnerable populations, as in the case of export restrictions on critical

commodities. Greater multilateral coordination could help to coordinate the global response, not just in the case of violent conflict, but also in the event of other complex global shocks. This could be achieved through a standing authority for the Secretary-General and the United Nations system to convene and operationalize an Emergency Platform (United Nations, 2023c).

A recent estimate put the global economic cost of violence at $17.5 trillion in 2022 (in PPP), or 12.9 per cent of global GDP. This includes (i) direct costs, such as military expenditure, internal security expenditure, and loss of lives; (ii) indirect costs, such as GDP losses, the cost of forced displacement, and violent crime; and (iii) a multiplier effect that accounts for the opportunity cost of diverting spending away from more productive uses (Institute for Economics & Peace, 2023). About 40 per cent of this total ($7 trillion) could be attributed to cross-border externalities through the channels mentioned above. In comparison, it is estimated that about $20.5 billion per year for global prevention and peacekeeping could significantly reduce violent conflict (Oxford Economics, 2023).

While the United Nations Security Council has the "primary responsibility for the maintenance of international peace and security" (United Nations, 1945, art. 24.1), the successful implementation of many of its resolutions depends on the best efforts of countries who are willing and able to take the lead (von Einsiedel, Malone and Ugarte, 2015). To encourage greater global and regional cooperation, initiatives such as the Peacebuilding Commission as well as regional multilateral bodies and other actors should be further strengthened (United Nations, 2023b; HLAB, 2023).

Global actions and global public goods

Rather than merely providing assistance during a crisis – which is often late, costly, and insufficient – global actions can be provided as global public goods (GPGs). GPGs can reduce systemic risk from the outset and prevent or limit future damage, which greatly reduces the cost to lives and livelihoods (box 3.6). This is the case for climate change mitigation or pandemic prevention and preparedness, for example. GPGs can also strengthen system resilience and prevent spillovers across different systems, thereby preventing shocks from developing into full-blown crises and avoiding broader contagion. Examples include global financial stability and limiting spillover effects of violent conflicts.

Strengthening networks for systemic resilience

While national and global actions are necessary for delivering on social development in times of converging crises, there is also a need to strengthen resilience and foster adaptive capacities across the complex, multilayered network of systems affected by stressors and shocks.

Comprehensive assessments and actions to build resilience require cross-sectoral collaborations, cross-border cooperation and, in some cases, building capacity

Building resilience within a given network must also consider the possibility of shocks being transmitted through other networks. A range of scientific modelling and scenario-building approaches is available for assessing network robustness against shocks and can also help develop measures to design for resilience, identify early warning signals, and devise adaptive responses. Such approaches must also include how resilience-enhancing measures taken by individual entities can themselves have knock-on effects on other networks. For example, over the course of the global food crisis in 2008, trade restrictions to ensure adequate domestic availability were imposed by 6 of the top 17 wheat exporters and 4 of the top 9 rice exporters, leading to higher prices and also resulting in other countries imposing similar restrictions (Puma and others, 2015). The combined effect of these measures would have been to exacerbate food insecurity in food-importing low-income countries. On the

Box 3.6

Global public goods for social development

Several of the international actions presented to advance social development are in the nature of *regional or global public goods*, characterized by three properties: (i) non-excludability; (ii) non-rivalry; and (iii) benefiting all countries and people. Global public goods (GPGs), like all public goods, are non-excludable and non-rivalrous – that is, once provided, their benefits are available to all, and the enjoyment of their benefits by any one party does not reduce those enjoyed by others.[a] In addition, in principle, they provide benefits to all countries and people; although, in practice, the nature and size of these benefits may not be uniform. An example of a regional public good is a tsunami early warning system, compared with the global public good of removal of substances that deplete the ozone layer.

GPGs can be underprovided, in the sense that the amount made available remains below what is necessary to achieve the objectives. A common problem is the incentive to "free ride" – where one country may wait for another to contribute, and then simply enjoy the benefits. Other challenges may arise from differing preferences and priorities, varying capacities to contribute, and the difficulties in initiating and then sustaining long-term collaboration among sovereign actors (Kaul, 2021).

Examples for underprovision of GPGs abound. For instance, the GPG of stamping out a pandemic was successfully provided in the case of smallpox eradication, but not in the case of COVID-19 – despite a great sense of urgency and global consensus.[b] Climate change mitigation, also a GPG, remains dangerously distant three decades after the adoption of the United Nations Framework Convention on Climate Change, whose objective was to achieve "stabilization of greenhouse gas concentrations in the atmosphere at a level that would prevent dangerous anthropogenic (human-induced) interference with the climate system". Policy choices, laws and regulations, social norms, and effective international collaboration are all involved in ensuring that global public goods are effectively provided (see, e.g., Kaul, 2021).

Since no single country can typically provide a GPG on its own, international coordination mechanisms, which provide differentiated incentives and support, are necessary to facilitate joint provision. While all countries would benefit from the enhanced provision of GPGs that reduce systemic risk and promote resilience, they are even more important for developing countries that lack the necessary domestic resources and capacities to protect their populations from the effects of converging crises, especially countries in special situations (e.g., least developed countries, landlocked developing countries and small island developing States). Further, coping mechanisms at national, community, household and individual levels would still be necessary and may require additional support (adaptation support in the context of climate action, for instance).

There are growing calls for greater support towards the provision of GPGs. The United Nations Secretary-General called for a "new global deal to deliver global public goods and address major risks," including those in the areas of global health, healthy planet, global economy and peace (United Nations, 2021). All of these are pertinent to curbing stressors and improving global resilience. Through their financing capacity, convening power and technical expertise, multilateral development banks are uniquely placed to advance the implementation of international agreements to provide GPGs. The World Bank's Evolution Roadmap and the associated Livable Planet Fund include provisions in that direction, although many details remain to be worked out (Mathiasen, 2024).[c] A better understanding of the different provisioning mechanisms of GPGs can help to design and strengthen mechanisms and institutions to enhance provisioning, and to ensure that the benefits are enjoyed by all. Fundamentally, as elaborated in chapter 3 of the *World and Social Report 2024*, requiring social development to also be advanced through global action may also help to better align GPG provisioning mechanisms and financing with the needs of vulnerable people and communities.

a In practice, very few goods are fully non-excludable and non-rival. Rather, there is a continuum between purely public and purely private (rival and excludable) goods.
b See, for example, General Assembly Resolution ARES/74/274, adopted 20 April 2020, on International cooperation to ensure global access to medicines, vaccines and medical equipment to face COVID-19.
c The Livable Planet agenda encompasses eight global challenges: (i) climate change adaptation and mitigation; (ii) fragility and conflict; (iii) pandemic prevention and preparedness; (iv) energy access; (v) food and nutrition security; (vi) water security and access; (vii) enabling digitalization; and (viii) protecting biodiversity and nature.
Source: UN DESA.

other hand, strengthening the resilience of systemically important firms in a network helps stabilize the entire network against shocks, also conferring a benefit to all participants.

Comprehensive assessments and actions to build resilience require cross-sectoral collaborations, cross-border cooperation and, in some cases, building capacity. Grounding such assessments in the need to achieve social development can help identify actions that have a direct bearing on the lives of the vulnerable. For example, food system resilience can be assessed against different benchmarks, such as socioeconomic access to food, biophysical capacity, and production diversity, with each yardstick leading to a different result

(Grassia and others, 2022). National regulators and policymakers can then use such assessments to set appropriate rules and incentives.

Globally, countries need to collaborate to develop early warning systems that detect disruptions to networks at the earliest possible, to allow prompt interventions that contain initial shocks and minimize contagion.[21] Several multilateral and regional organizations already partly fulfil this function, for example the IMF through its surveillance activities. To be effective, early warning systems require efficient information-sharing among countries and between public and private sectors, as well as the identification of near-real-time indicators that are effective in flagging early signs of distress. Given the interdependence of different layers of networks, such early warning systems need to monitor all key networks for them to be effectual. International cooperation is also needed to avoid regulatory arbitrage – for example in the case of systemically important firms that may be subject to regulation (with varying levels of stringency) in different jurisdictions.[22]

Conclusion

Sustaining social development in the current risk landscape requires coherent and joined-up action at all levels as well as engagement with a range of stakeholders. Even before a shock hits, national actions and international support to eradicate poverty, reduce inequality, decrease unemployment and improve inclusion all work towards strengthening the capacity to withstand and respond to shocks. Multisectoral assessments incorporating methods from the study of networks can indicate actions needed to improve resilience and identify early warning signs that should be monitored.

Recurrent shocks threaten the viability of national response mechanisms, a primary line of defence for social development. Social protection systems are largely underdeveloped and are under increasing strain, with recurrent shocks constraining their fiscal foundation. Insurance – which is limited in coverage, but increasingly important for those with lower earnings as new products better address their needs – is also challenged by greater uncertainty as well as more frequent and correlated shocks, all of which threaten to undercut its business model based on quantifiable risk sharing.

Recurrent shocks threaten the viability of national response mechanisms, a primary line of defence for social development

To achieve the SDG target of implementing nationally appropriate social protection systems and measures for all, national policymakers need to mobilize sustained domestic funding, including through increasing tax revenues and social security contributions, reallocating public expenditures and reducing inefficiencies. Careful design of social protection mechanisms and greater use of digital technologies, while ensuring safety, privacy and inclusiveness, can help to improve the efficiency and coverage of such mechanisms. Design choices should also be informed by the new risk landscape that could threaten the viability of existing mechanisms while increasing the need for coverage.

Countries that cannot mobilize sufficient domestic resources (mainly least developed countries and other low-income and lower-middle-income countries) may need support from the international community – for instance, through a Global Fund for Social Protection (Yeates and others, 2023). International cooperation is also needed to address growing sovereign debt burdens that are crowding out investments in the SDGs, including social protection. Debt swaps for social protection can go a long way in building capacities of Governments to deliver social development in times of converging crises.

Insurance policies that extend effective coverage to lower-income households must go together with

21 See Yeo and Cutler (2023) for a detailed discussion of the key elements of such an early warning system in the context of regional supply chains.

22 One successful example was the agreement on reforms of banking regulation and supervision by the G20 following the 2008 world financial and economic crisis. By 2020, the implementation of these reforms had made significant progress and helped the regulated financial sector to broadly withstand the financial turmoil at the onset of the pandemic (UN IATF, 2022).

new and better insurance mechanisms based on granular, high-quality data and forward-looking models, and should be supported by appropriate regulatory frameworks. Where Governments step in as "insurers of last resort," they can help to better diversify risks and take advantage of international risk transfer mechanisms such as CAT bonds or regional sovereign risk pools. In addition to new and emerging measures to improve the transfer of risks, a broader approach to risk governance could draw on interdisciplinary stakeholder communities to develop explorative scenarios to help identify and mitigate emerging risks.

A broader approach to risk governance could draw on interdisciplinary stakeholder communities to develop explorative scenarios to help identify and mitigate emerging risks

At the cross-national/global level, a standing authority for the Secretary-General and the United Nations system to convene and operationalize an Emergency Platform (United Nations, 2023c) in the event of complex global shocks could help speed up and coordinate the global response. When it comes to prevention, preparedness and shared capacities, longer-term actions being taken at the international level – towards climate change mitigation, pandemic preparedness and response, global financial stability and managing the international spillovers of violent conflict – should be strengthened. Several of these objectives relate to global public goods and have been further elaborated in, among others, the Secretary-General's Policy Briefs in connection with the Summit of the Future.[23]

International coordination is required as no single country or entity can act at the necessary scale and scope to deliver against these objectives. At the same time, not all countries need to act in the same manner or at the same level for these beneficial outcomes to be realized. Deliberate efforts are also essential to ensure that, while contributing towards such broadly positive outcomes, countries do not inadvertently set back social development in their own contexts.

Despite the current pressures towards geopolitical fragmentation, there is a window of opportunity to reinvigorate multilateral cooperation in areas where countries have common interests

Despite the current pressures towards geopolitical fragmentation, there is a window of opportunity to reinvigorate multilateral cooperation in areas where countries have common interests. The current confluence of crises has increased awareness of the risks of climate change and prompted increased investment in green technologies; enhanced support for greater cooperation with regional security organizations; strengthened calls for reform of the international financial architecture; and led to the creation of a new Pandemic Fund and launched negotiations on a new WHO agreement. It has also shored up support for multilateral cooperation on digital governance.

Upcoming global summits and conferences represent an opportunity to galvanize reform proposals and agree on joint global actions. These include the Summit of the Future in September 2024, which aims to reinvigorate the multilateral system; the Fourth International Conference on Financing for Development in mid-2025, which could advance a meaningful reform of the international financial architecture; and the Second World Summit for Social Development in 2025, which could strengthen global partnerships for social development in a changing world of increasing risk and greater global wealth.

23 All policy briefs available at https://www.un.org/en/common-agenda/policy-briefs.

UNICEF/ Biju Boro

4 Ways forward for social development during converging crises

Thirty years since the first World Summit for Social Development at Copenhagen, its objectives remain just as relevant, even as the global context has changed considerably. This report has examined one aspect of those changes, albeit one with great significance for social development – that of a changed risk landscape where complex shocks that turn into multidimensional crises have become more likely. This chapter draws upon the analysis, assessment and proposals developed in the preceding parts of the report to put forward twelve actions – six at the national level and six at the international level – through which social development can continue to be accelerated.

Key messages

- Key upcoming global summits and conferences to be held at the United Nations through the end of 2025 represent a unique window of opportunity to update the Copenhagen consensus on social development for our times.
- At the country level, the near-ubiquitous presence of the United Nations in developing countries, combined with its experience in supporting integrated, cross-sectoral actions, makes it invaluable for accelerating progress.
- Essential actions at the national level include reworking national strategies and policies for social development; expanding and strengthening social protection; adopting surveillance and early warning systems; incorporating public and private insurance mechanisms into a comprehensive system; ensuring that governance is fit for purpose; and doubling down on SDG acceleration.
- At the international level, key actions include operationalizing a global emergency response platform; empowering national actions by providing long-term solutions for constrained fiscal space; strengthening the provision of crisis-related collaborative solutions; establishing the knowledge base for better risk governance; widely sharing successful solutions to crises across countries and regions; and supporting a broad-based capacity development programme for social development.
- National and international actions are closely linked: neither can expect to be successful without the other.

INTRODUCTION

Thirty years ago, the United Nations World Summit for Social Development in Copenhagen raised the primacy of social development in the global agenda and put forward a vision that has shaped successive global agreements, including the Millennium Declaration and the 2030 Agenda for Sustainable Development. Much progress has taken place since 1995, but the current confluence of crises – the COVID-19 pandemic, conflicts, cost-of-living increases and escalating climate change impacts – has laid bare the gaps that remain; the scope and scale of impacts, including their disproportionate severity on the already vulnerable; and the overall limited preparedness in dealing with such situations, which are becoming ever more likely.

Foundational changes are therefore necessary to accelerate social development in today's world. On the one hand, stronger interlinkages across the globe have contributed to growth, employment and poverty reduction while also helping to realize economic efficiencies and support some degree of resilience. However, these interlinkages can also increase fragility, and accelerate the spread of shocks, causing converging crises and amplifying long-lasting adverse impacts on social development. Global and national actions are both necessary and must work to support each other.

At the global level, the United Nations provides a unique, fully inclusive and legitimate forum to build consensus for necessary actions. Major conferences and summits through the end of 2025 – the Summit of the Future in September 2024 in New York, the Fourth International Conference on Financing for Development in June–July 2025 in Spain, and the Second World Summit for Social Development in the latter part of 2025 – offer a unique opportunity to converge towards a consensus through different workstreams that would update the Copenhagen declaration for our times.[1] At the country level, the United Nations presence through country teams and its convening power are unparalleled and can support countries at different stages of their sustainable development journey.[2]

The following sections discuss the way forward by presenting two sets of actions for accelerating social development. The first set deals primarily with national actions, the second with those for which collaboration across countries is needed. The categories are not watertight; indeed, there are fundamental complementarities between both, and international support will also be necessary in many countries for the national actions to succeed.

Reinvigorating national actions for social development

Social development objectives are at the heart of national Governments' aspirations for their peoples. Such widespread political commitment can provide momentum for actions that can effectively prepare for the new risk landscape, especially if international support is available as needed.

a) **Rework national strategies and polices for social development.** Strategies and policies for poverty eradication, job-rich growth, inclusion, equality of opportunity, universal access to services, among others, are crucial to advancing social development. In most countries, however, these may need a thorough review to accommodate rapidly changing circumstances. For instance, holistic vulnerability assessments that consider the new multi-dimensional risk landscape at national and local levels, as well as the disproportionate impacts on the vulnerable, would help inform priority actions for strengthening resilience. Changes due to the global green transition, new technologies and shifting trade patterns also need to be considered. Taken together, a comprehensive, forward-looking reworking of national strategies and policies is essential for advancing social development.

1 Some elements are already present in the draft outcome documents associated with the Summit of the Future, currently under negotiation by the Member States of the United Nations. Other processes, such as the UNFCCC CoP29, are also under way.

2 For example, during the COVID-19 pandemic, United Nations country teams brought together United Nations entities and other partners to prepare a total of 122 socioeconomic response plans, covering 139 countries and territories to support the provision of essential services, strengthen social protection services, protect jobs and vulnerable workers, and maintain social cohesion (United Nations, 2021).

b) **Expand and strengthen social protection.** The pandemic-era expansion of social protection instruments can provide the building blocks for social protection floors in developing countries, and can also address inequalities in vulnerability and access. While fiscal space would remain a challenge in the medium term for many countries, maintaining current levels of coverage, lowering transaction costs, building in accountability, making provision for countercyclical spending, and establishing coherence across other sectoral initiatives that also advance social development can all contribute towards greater effectiveness and efficiency. In parallel, a human-rights based approach that is prescribed and guaranteed by law can help increase accountability and foster a long-term mindset that assures continuity, dependability and permanence.

c) **Adopt surveillance and early warning systems.** At the national level, the developing surveillance and early warning systems based on the monitoring of key indicators in natural, economic and health systems, with an added focus on the vulnerable, can help with early action. Such systems, supported by efficient information-sharing among countries and between public and private sectors, can facilitate timely interventions to mitigate the effects of shocks. Such a mechanism should integrate existing monitoring frameworks, incorporate real-time data, and ensure that analysis and data are readily accessible to the public. In addition, establishing a formal connection between safety net programmes and early warning systems can cultivate risk awareness and promote inclusive growth. This integration can enable a transition to early actions and informed social protection measures, strengthening national resilience against unforeseen shocks.

d) **Incorporate public and private insurance into a comprehensive system of coverage.** Public and private insurance is an increasingly important part of the solution in many developing countries, with several innovative approaches such as parametric insurance and microinsurance. While premiums and deductibles restrict scope and scale of coverage, they can serve as important components of resilience, including by helping to prevent those who have escaped poverty from falling back into it in the event of losing productive assets due to a shock. Oversight and regulation of insurance markets is essential to meet the varying needs of the vulnerable populations.

e) **Ensure governance is fit for purpose.** Good governance is pivotal to the success of national actions, encompassing capacities for foresight, surveillance, participatory engagement, planning. implementation, monitoring and course correction. Regulation plays an especially important role in this regard, helping serve multiple policy objectives such as improving working conditions and wages, promoting competition to lower prices, or reducing pollution to remove chronic health risks that can disproportionately affect the poor. Regulations are also critical for building resilience – either directly as with insurance markets, financial institutions, land use and building codes, or indirectly as with curbing greenhouse gas emissions. Adaptive regulatory frameworks and good governance, along with a coordinated approach involving various stakeholders coupled with greater implementation capacity, are essential for coherent and comprehensive actions for social development.

f) **Double down on acceleration towards the Sustainable Development Goals (SDGs).** Generalized coping capacity – that is, the ability to withstand shocks from different sources, including those that may be unanticipated – is closely tied to higher levels of sustainable development. Accelerating SDG progress while leaving no one behind through transformative action should be seen as an essential investment in building resilience. Within the United Nations development system, joint programming is under way to advance the six key transitions identified as catalytic for accelerating progress towards the SDGs (United Nations Sustainable Development Group, 2023).[3]

3 These transitions are in the areas of food systems; energy access and affordability; digital connectivity; education; jobs and social protection; and climate change, biodiversity loss and pollution).

Renewing international collaboration for social development

National actions – even when enhanced as suggested above – are no longer sufficient in themselves to advance social development in today's complex crisis environment. International collaboration is therefore imperative for the success of national commitments.

a) **Operationalize an emergency response platform.** Experience with recent crises has underscored the importance of coordinated knowledge-sharing and timely action by the international system to guide effective crisis response during global shocks. Building on past experiences, such as recently with the Global Crisis Response Group, a standing capacity to undertake such coordinated action would ensure that no time is lost. Such action becomes especially important as shocks originating in one sector could unexpectedly trigger stresses in another, requiring a coordinated response at short notice.

b) **Empower national action by providing long term solutions for constrained fiscal space.** Increasing levels of debt – often caused by factors such as external shocks or interest rate hikes in developed countries that are beyond the control of the indebted country – significantly curtail the possibility of countries to invest in social development or advance the SDGs. At the same time, such actions would, in the medium to long term, enhance a country's ability to service its debt. Collective-active solutions are needed to free up fiscal space in heavily indebted countries, while also providing an effective debt resolution framework for the future. Additional measures, such as supporting stable growth paths in ways consistent with social development, and facilitating institutional development, are also needed in the medium term. For many countries, particularly those in special situations, official development assistance and concessional finance would continue to be essential for advancing social development objectives.

c) **Strengthen the provision of crisis-related collaborative solutions.** Collaborative solutions extend beyond the aid provided during a crisis, as vital as that support is. Collective action that addresses the drivers of shocks that spill over across national boundaries can reduce systemic risk from the outset and prevent or limit future damage, which greatly reduces the impact on social development. Examples include climate change mitigation, global financial stability, pandemic prevention, preparedness and response, and preventing the spillovers from violent conflict. As each of these is best supplied through different provisioning mechanisms, global coordination and agreements are necessary to elicit the appropriate contributions from countries. Importantly, requiring these collaborative solutions to also advance social development can deliver a double dividend through enabling national contributions appropriately. In the absence of such collective action, purely national solutions may not succeed, and could even end up further increasing systemic risks.

d) **Establish the knowledge base for better risk governance.** As shocks become more frequent and more correlated, with the potential for inflicting greater damage, evolving scientific knowledge needs to guide practical action. Multidimensional measures of vulnerability and resilience could follow from globally standardized data and methodologies. Understanding the variations in climate shocks across the world could guide the creation of cross-country and interregional risk-sharing alliances. A central risk governance think tank could promote interdisciplinary work, build consensus around technical methods and approaches, and identify integrated solutions. Such thought leadership could build upon existing capacities in the United Nations system with data and analysis, "crowding in" the knowledge of external experts in a dynamic manner.

e) **Widely share successful solutions to crises across countries and regions.** Identifying technological and scientific advances that underpin effective responses to shocks and crises,

and sharing this widely across countries and regions, can help many vulnerable countries to be better prepared. Building capacities at the regional level for adopting, applying and replicating solutions is needed. One successful example of this is the World Health Organization vaccine technology transfer hub,[4] which provides a range of services, including training and financial support, along the entire vaccine value chain.

f) **Support a broad-based capacity development programme for social development.** Institutional capacities to deliver against the range of national actions enumerated in the preceding section varies widely across developing countries. Developing such capacities is a long-term investment in helping countries devise and implement social development solutions that are best suited in their own context.

Conclusion

The aspirations put forward in 1995 at the first World Summit for Social Development continue to guide action. However, almost three decades since the Summit, the global context within which social development actions take place has changed considerably. This report examined just one aspect of that change: the propensity for more frequent and more complex shocks that turn into crises, thereby setting back social development. Based on the analysis presented in this report, it sets out recommendations that would help recover lost ground and make for more robust progress towards social development in the midst of a more turbulent and uncertain future. Such progress would also contribute towards getting the SDGs back on track during the second half of their implementation period.

4 See the mRNA vaccine technology transfer hub (who.int).

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