

## Concept Note

### Session 3 “Development Cooperation with Middle Income Countries”

**Proposed Champions:** *Mexico, South Africa, Turkey, Belarus, Costa Rica*

#### Background

According to the World Bank, Middle Income Countries (MICs) are those with a Gross National Income (GNI) per capita between 1,036 USD and 12,615 USD; this category is in turn divided between lower middle income (\$1,036 - \$4,085) and upper middle income (\$4,086 - \$12,615) countries.

MICs are a heterogeneous and diverse group by size, population and income level, development potential, and economic and social achievements and performance. They are home to 5 of the world’s 7 billion people and 73% of the world’s poor,<sup>1</sup> with poverty rates ranging from around 2 percent to more than 60 percent<sup>2</sup>. MICs also represent about one-third of global GDP and are major engines of global growth.<sup>3</sup>

At a policy level, the current classification has had important implications because the thresholds are used in various ways by a number of bilateral and multilateral donors, as well as by various non-development actors (such as investment ratings agencies) in their decision-making processes to determine the terms of engagement with the countries included in this category.<sup>4</sup>

However, a concept that is based exclusively on an indicator as limited as GNI per capita overlooks the broadly recognized fact that development is a complex, non-linear process<sup>5</sup>. On the one hand, it creates a group of countries that encompasses many different realities, both in terms of challenges and vulnerabilities, as well as in terms of capacities and potential. MICs differ greatly among themselves not only with regards to socioeconomic conditions, but also in structural circumstances that determine their potential for development and production performance.<sup>6</sup> Many MICs continue to face acute problems of inequality and lack of social inclusion, and some (particularly in the lower tier of the classification), still have challenges and conditions similar to other country categories.

There are many global development issues that have a particular impact on MICs, such as domestic inequality, lack of access to basic services, chaotic urbanization and the challenges associated with the structural nature of gender inequality and the effective implementation of human rights. The active engagement of MICs is fundamental to address these matters, for they can be key promoters of social inclusion policies that target particularly vulnerable populations that have been traditionally overlooked, such as indigenous peoples.

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<sup>1</sup> World Bank, “Middle Income Countries Overview”, <http://www.worldbank.org/en/country/mic/overview> [last accessed August 16, 2013].

<sup>2</sup> General Assembly, *Development cooperation with middle-income countries, Report of the Secretary-General, Sixty-four session, A/64/253*, August 5, 2009, para. 10.

<sup>3</sup> World Bank, “Middle Income Countries Overview”, *op. cit.*

<sup>4</sup> Andy Sumner, “Global poverty and the ‘New Bottom Billion’ Revisited: Exploring the Paradox that Most of the World’s Extreme Poor no Longer Live in the World’s Poorest Countries”, Working Paper, May 14, 2012, p. 3.

<sup>5</sup> There is an emerging trend, including in the Post-2015 debate, whereby developed countries argue that ODA should be focused on countries with special needs (CSN) rather than developing countries as a whole, and that the emphasis should be put solely on “extreme poverty”, overlooking the reality that the majority of the world’s poor reside in MICs.

<sup>6</sup> Economic Commission for Latin America and the Caribbean, *Middle-Income Countries: A Structural-Gap Approach, Note by the Secretariat*, Thirty-fourth session, LC/G.2532(SES.34/11), July 23, 2012, p. 13.

## General Objectives

As a complement to the increasing role of Middle Income Countries as development cooperation providers, the GPEDC is a space to engage in discussions regarding their rightful place within the new development cooperation architecture, including a reflection on the ways in which the international community can continue to support their development efforts in order to enhance results.

The development effectiveness agenda can be instrumental to ensure that cooperation flows act as catalyzers for national development efforts, and that they are strategically directed where they are most needed. This might include targeted and differentiated strategies that reject *one-size-fits-all* formulas and recognize the heterogeneous nature of the MIC category, which can be carried out through different means, including multilateral, regional and bilateral mechanisms.

It is also essential to promote a more integral classification system that appropriately addresses the differences between MICs, including their specific needs, but also the new roles that some of them are now in a position to assume, particularly in the context of the debate on how to finance the Post-2015 Development Agenda.

It should be clear that this discussion is not intended to increase cooperation flows to MICs at the expense of Low Income Countries or Least Developed Countries, which are rightfully at the center of the international community's efforts. The focus is rather set on the most effective way to integrate the different actors and cooperation traditions, building on their comparative advantages and exploiting synergies, to maximize their joint efforts towards the achievement of global sustainable development. In this sense, the graduation of LICs to MICs poses particular challenges, which should also be addressed with continuous international support.

It is also fundamental to emphasize the multiplying effect that cooperation with MICs can have: on the one hand, because of the direct impact it can have on the achievement of the Millennium Development Goals, and on the other, because it can reinforce the institutional and technical capacities for some MICs to collaborate with countries of a relatively lower development level through South-South and Triangular Cooperation. Moreover, MICs are of systemic importance for the creation of global public goods including, among others, the reduction of poverty, global economic and financial stability, orderly flows of trade, environmental protection, knowledge creation and disease prevention.

## Deliverables

- a) Concrete actions by the international development community to support poverty reduction and inclusive growth in MICs – e.g. looking at the different types of cooperation that may be called for to support inclusive development.
- b) Explore different criteria for country classification and their implications for international development cooperation.
- c) Identify and share good practices / approaches in supporting developing countries during their transition from LIC/LDC status, with a particular emphasis on avoiding setbacks in the development gains made by MICs.

- d) Case study or initiative on the role of local governments (e.g. in addressing urban poverty and regional disparities).
- e) Explore the coherence of developed countries' aid and non-aid policies that impact on development (e.g. trade) in MICs. How do we avoid setbacks? (For example, when countries graduate, preferential treatment in trade policies can have a more significant impact on poverty reduction efforts than declining aid receipts).

## **Analytical Work**

The basic background references on the state of this debate can be traced back to the outcome documents of the Madrid (2007), San Salvador (2007), Windhoek (2008) and San José (2013) meetings. Other important references on the subject include official working documents such as General Assembly Resolution 63/223 (2009) and the Report by the United Nations Secretary General on "Development cooperation with middle-income countries", as well as the work of some international and regional organizations that have been particularly active on the topic of on MICs such as:

- World Bank: "Middle Income Countries Overview"
- United Nations Industrial Development Organization: "Breaking In and Moving Up: New Industrial Challenges for the Bottom Billion and the Middle-Income Countries"
- United Nations Development Program: Human Development Report 2013, "The Rise of the South: Human Progress in a Diverse World"
- Executive Boards of UNDP/UNFPA/UNOPS, UNICEF, UN-Women and WFP: "Middle-Income Countries: The role and presence of the United Nations for the Achievement of the Internationally Agreed Development Goals"
- G77 (26 September 2013): 37th Ministerial Declaration G77 (paragraphs 24, 83-85)
- Economic Commission for Latin America: "Middle-Income Countries: A Structural-Gap Approach"
- Asian Development Bank: "Tracking the Middle-Income Trap: What is It, Who is in It, and Why?"

From a local perspective, United Cities and Local Governments (UCLG) has generated relevant documents that should also serve as references, such as "For a World of Inclusive Cities" (2008), "Charter-Agenda for Human Rights in the City" (2011), and the "Third Global Report on Local Democracy and Decentralization: Basic services for all in an urbanizing world" (2013).

## **Summary of key findings from multi-stakeholder consultations**

- Key findings from E-discussions on MICs (Coordinated by the GPEDC Secretariat)
- Key findings from the side-event on "Middle income countries: Key actors for effective development co-operation", that the Permanent Missions of Mexico and the United Kingdom to the United Nations hosted during the Sixth Session of the Open Working Group on Sustainable Development Goals.

## **Plan for producing additional analytical work to fill evidence gaps:**

- Roadmap of consultations towards the High-Level Meeting. To be identified by the Secretariat.

## **Format of the Session**

The Session would be undertaken in a manner that promotes interactive dialogue among the high level participants. A Davos-TED Talk format would be suitable.

The moderator should be a journalist with a public profile, who should “challenge” participants in a respectful way.

### **a. Possible high-profile speakers:**

- Helen Clark, Administrator UNDP
- Alicia Bárcena, Head of ECLAC
- Professor Hans Roslyn
- A high-profile representative from Local and Regional Governments
- A high-profile representative from Civil Society Organizations

### **b. Up to 10 ministers or heads of organizations who could offer strong, and diverse views on the topic. Strong country candidates include:**

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|--------------|----------------|
| • Belarus    | • Namibia      |
| • Costa Rica | • South Africa |
| • Egypt      | • Spain        |
| • Jamaica    | • Turkey       |
| • Mexico     | • Vietnam      |

### **c. Non-executive stakeholders include:**

- Civil Society Organizations: CSO Partnership for Effective Development, Trade Union Confederation of the Americas (representatives to be defined)
- Local Governments: United Cities and Local Governments, Forum of United Regions (RU-FOGAR)
- Others TBC

## **Outreach Plans**

- Side-event to the Sixth Session of the Open Working Group on Sustainable Development Goals (December 11<sup>th</sup>, 2013), entitled “Middle income countries: Key actors for effective development co-operation”. Co-organized by the Permanent Missions of Mexico and the United Kingdom to the United Nations.