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**Joint Meeting of the Executive Boards of
UNDP/UNFPA/UNOPS, UNICEF, UN-Women and WFP
30 and 31 January 2012
New York**

**Middle-income countries: The role and presence of the United Nations for the
achievement of the internationally agreed development goals**

Background paper prepared jointly by
UNDP, UNFPA (coordinator), UNOPS, UNICEF, UN-Women and WFP

I. Introduction

1. Middle-income countries make up the most rapidly growing group of countries – in terms of population and some key economic and human development indicators. In the aftermath of the global financial crisis, they have contributed to about half of the recovery of the world economy. In many middle-income countries, robust growth has been an important factor in driving down poverty rates, and substantial progress has been made in achieving the health- and education-related Millennium Development Goals (MDGs). But overall progress has been uneven. Eradication of extreme poverty and hunger, achievement of environmental sustainability, and the forging of a global partnership for development (MDGs 1, 7 and 8, respectively) still remain priorities in middle-income countries.¹ Despite the income gains, an estimated 960 million poor people, 72 per cent of the world's poor, live now in these countries, and the distribution of income tends to be more unequal there, compared to low- and high-income countries.

2. Despite extensive discussion at the United Nations, there is still no policy framework that clearly defines a coherent United Nations strategy for engagement with middle-income countries. At the sixty-sixth session of the General Assembly, the United Nations Member States considered proposals contained in the 2011 report of the Secretary-General on development cooperation with middle-income countries (A/66/220) and adopted a resolution reaffirming support of these countries (A/C.2/66/L.78). The January 2012 Joint Meeting of the Executive Boards of six United Nations organizations is expected to contribute to the discussion regarding the development of a coherent policy framework for the United Nations engagement with middle-income countries.

II. Key issues and challenges

Commonality and diversity

3. Many middle-income countries share some, if not all, of the following basic commonalities: relatively high economic growth; openness to trade and integration in the global economy; vulnerability to external shocks; severe inequality and social exclusion of some groups from the benefits of development; low dependence on foreign aid and considerable access to private capital and investments. But the range of per capita gross national income, used by the World Bank for distinguishing middle-income countries, is very broad – from \$1,006 to \$12,275 in the 2010 classification. As a result, the current group of 110 middle-income countries is enormously diverse in terms of population and territory size; political systems and support of human rights; achievement of the MDGs and other internationally agreed development goals; and the level of human development. Notably, this group includes approximately one third of all least developed countries.² Thus, diversity tends to outweigh commonalities across this wide spectrum of country contexts.

¹ Report of the Secretary-General, *Development cooperation with middle-income countries* (A/66/220), pp. 3, 6, 11.

² Contrary to the World Bank categories of low-, middle-, and high-income countries, which are defined for lending purposes in terms of per capita income alone, the United Nations category of least developed countries considers economic and environmental vulnerability and the level of human development.

4. Treating middle-income countries as a single, broad category masks important differences. Given the diversity of these countries, and the significant development challenges faced even by countries that do not belong to the category of the least developed, a more robust and refined classification of “middle-development” countries may be more appropriate for designing development strategies. As income level is not synonymous with development, policy responses must be well attuned to various facets of the context in order to be effective. A more refined classification may help the United Nations respond better to the changing needs of middle-income countries as they progress.

Questions: Is the distinction between lower- and upper-middle-income countries sufficient? If not, should a classification of middle-income countries be based on the combination of income and development indicators to better reflect their needs, challenges, interests and capacities? What new analytical and conceptual tools can be offered to address the unresolved challenges of fast growing economies with persistent disparities? In what ways do population and territory size matter? If so, would the United Nations role and practice be different in small, medium and large middle-income countries? What forms of engagement are suitable for United Nations organizations in different contexts?

Unfinished development agenda

5. Middle-income countries have an unfinished development agenda. Even in fast-growing economies, new prosperity and an expanding middle class often accompany high maternal and child mortality, malnutrition and inferior access to health care and sanitation in less developed regions, creating pockets of deprivation among disadvantaged groups and in certain geographic areas. Addressing the “residual traditional” development agenda is necessary for full achievement of the MDGs and other internationally agreed development goals. It includes tackling challenges in economic and democratic governance.

- The focus of the United Nations support to middle-income countries should be revisited to address their diverse development needs.

Questions: In a changing global environment, should the United Nations prioritize support to poorer nations or to the poor, disadvantaged and marginalized people regardless of where they live? How can the United Nations help address the pockets of poverty in middle-income countries? Would this require more focus on subnational levels, institutions and/or sectors in these countries while maintaining the United Nations commitment to national development priorities and plans?

- The forms of the United Nations support of middle-income countries must be reassessed to build on the United Nations comparative advantage and to address national priorities.

Questions: What is the United Nations comparative advantage vis-à-vis other development actors in middle-income countries? What should the United Nations do – and not do – in this context, considering what national government prioritizes and does best? What are the areas in which the United Nations excels, and how can they be advanced to the benefit of national, regional and global development? Within the range from project delivery to upstream policy support and

technical advice, where would United Nations cooperation matter most? Is the United Nations staff expertise sufficient to meet the varying demands of middle-income countries? If not, what should be done?

Global development partnerships and South-South cooperation

6. Relatively close integration of many middle-income countries in the global economy affects their neighbours and influences global trends. But it also increases vulnerability of these countries to external shocks. Given their role in globalization, they have huge stakes in addressing challenges requiring global collective action, such as persistence of poverty, climate change, continuous food and nutrition insecurity, gender inequality, discrimination against women, and effects of rapid urbanization and migration. As more MDGs are achieved on aggregate, priorities of middle-income countries are expected to shift toward greater interest in regional and global public goods, fostering educational advancement beyond the primary level, focusing on groups and areas that lag behind, and promoting broader issues of socially and environmentally sustainable development.

7. This marks a fundamental shift in the development paradigm, resulting in global development partnerships. The dichotomy of “donors” and “recipients” of development assistance becomes less relevant as existing arrangements are being complemented by South-South and triangular partnerships for peer learning as well as knowledge, experience and technology sharing – alongside the voluntary provision of financial assistance. Commensurate with the expansion of South-South trade (a ten-fold upsurge between 1990 and 2008, compared to a four-fold rise in world trade³), South-South cooperation is an increasingly important engine of development. As providers of knowledge, expertise and resources, middle-income countries can offer less costly services and advice, which may be better tailored to developing country settings.

Questions: What are the United Nations current and prospective practices in forging these partnerships, building on its normative role and convening power? What are the successes and pitfalls in the United Nations facilitation of South-South cooperation? How much does South-South cooperation benefit low-income and least developed countries? How can the United Nations and its partners enable least developed countries to reduce poverty and deprivation through effective participation in production and knowledge networks of middle-income countries? How can win-win situations be created for all categories of countries in terms of achievement of internationally agreed development goals, producing regional and global public goods and resolution of global problems?

³ Organisation for Economic Co-operation and Development, 2010, *Perspectives on global development 2010: shifting wealth*, p.18.

United Nations operations in middle-income countries

8. To be effective in its engagement with middle-income countries – both with respect to their domestic and international agendas – the United Nations has to adapt its operations in some of these countries where the service delivery mode may have hitherto been predominant.

- United Nations organizations need to maximize results from the use of resources and expertise, that is, “do more with less” in middle-income countries. In order to provide cutting-edge knowledge and expertise to these countries, it is important to make use of the analytical capacities available across the United Nations system (including non-resident agencies), offer advice based on consolidated analyses and positions, and assist financially where needed. It is also important to focus more on results as opposed to processes while developing coherent approaches to programming and cooperation.

Questions: What practical approaches to the United Nations programming and operations have proven effective in reducing transaction costs in middle-income countries? Given the diversity among middle-income countries, are engagement strategies and modalities sufficiently tailored to different contexts? What needs to be done in the area of mobilizing and allocating resources to ensure more effective United Nations support of middle-income countries? How can the United Nations catalytic role be pursued through better management of knowledge, human and financial resources?

- Harmonization and simplification of United Nations business practices in the areas of procurement, finance and budget, information and communication technology, and human resources and knowledge management promise to achieve significant efficiency gains in engagement with middle-income countries.

Questions: What are the examples of harmonized and simplified approaches that have indeed produced significant efficiency gains? Since harmonization does not automatically lead to reduction in costs, which measures are necessary to boost efficiency? How to balance harmonization with contextualized approaches and flexibility?

III. Lessons learned

9. Although their rates of economic growth vary, many middle-income countries have achieved reductions in poverty and deprivation due to relatively high economic growth, and they further count on economic growth as a means to address remaining challenges. However, if not complemented by effective, pro-poor social policies, economic growth has proven to increase social inequalities, and cannot be a solution to all problems.

- The United Nations role in middle-income countries is to promote and monitor implementation of international agreements and to advocate for inclusive development and socially and environmentally sustainable growth.

- Middle-income countries also need United Nations support in the design and application of effective social policies, strengthening of institutional capacities, expansion of social protection systems, and increasing social cohesion.
- In its engagement with middle-income countries, the United Nations should build on its unique strengths, which include a global perspective; a large network of offices and institutes around the world; access to and provision of world-class expertise, data and knowledge; wide recognition and credibility; neutrality/impartiality and convening power.
- The United Nations normative role (support for implementation of standards, norms, agreements, with the focus on human rights) sustains its significance, which is consistent with universality and neutrality of the United Nations operations. Supporting and promoting policies and programmes that reach the poorest and most deprived groups are at the centre of this role.
- At the same time, the United Nations role in support of development requires rethinking. The United Nations must become more responsive to the specific demands related to national development challenges. This involves better alignment with priorities and goals of national development, and accounting for broader regional and global aspirations of middle-income countries. National leadership and ownership become especially important when financing of the United Nations operations shifts from official development assistance to cost-sharing or even to full financing by the host country.
- Many middle-income countries require a mix of technical and policy-oriented support. The balance between the two would depend on their specific challenges. United Nations catalytic engagement primarily refers to upstream policy dialogue with governments, advocacy, brokering and transfer of knowledge, national capacity development and consensus-building. This strategic level reflects not only the needs but also capacities of middle-income countries as well as their greater leverage in addressing regional and global problems.
- The United Nations needs to strengthen its focus and prioritization in middle-income countries and redesign its forms of engagement according to the specific context. It is important to select areas of work that constitute clear United Nations comparative advantage, and to focus on high-end value-adding activities that generate knowledge and deliver results.
- The enormous diversity of middle-income countries also calls for well contextualized and dynamic responses, including addressing specific requests from national governments. A “straitjacket” of one set of United Nations policies and procedures is to be avoided: approaches to engagement with middle-income countries must be tailored to their particular needs, interests and capacities. It is critical to ensure flexibility, following the principle that “no one size fits all.”

- Moving away from a development assistance framework to a global partnership modality would require increased mutual accountability between national governments and the United Nations as well as recalibration of capacities, tools and approaches within the United Nations. To retain relevance, the United Nations system also seeks to promote greater cooperation among partner organizations with respect to development goals. This cooperation would involve the participation of the international financial institutions, such as the World Bank and the International Monetary Fund, regional institutions and relevant civil society and private sector organizations.

IV. Conclusion

10. There is an agreement within the international community that the United Nations should continue and improve its support of middle-income countries to the benefit of these countries and their populations as well as the global community. The United Nations has developed experiences in this area and can build on the available lessons learned. However, principles and modalities of the United Nations engagement with these countries are not yet clear-cut. This paper seeks to guide the discussion at the 2012 Joint Meeting of the Executive Boards toward a range of issues to be further explored. Deliberations at this meeting would contribute to enhancing a common understanding on these issues and could serve as an important step in developing a flexible, yet coherent, strategic framework for the United Nations engagement with middle-income countries.
