

ECOSOC Dialogue on the longer-term positioning of the UN development system

The role of the UN development system in Middle-Income Countries to deliver on the 2030 Agenda

26 May 2016, ECOSOC Chamber

Summary by the Vice-President of ECOSOC

Mandate

In pursuance of the 2030 Agenda and the Addis Ababa Action Agenda, and in compliance of GA resolution 70/215 inviting ECOSOC to discuss how the UN development system (UNDS) can better respond to the diverse needs of middle-income countries (MICs) within the platform offered by the ECOSOC Dialogue on the longer-term positioning of the UN development system, the Council convened an informal one-day event on the role of the UNDS in MICs to help realize the promise of the 2030 Agenda.

Objectives

The event aimed to identify the diverse and complex realities of MICs, look at ways to deal with MICs growing capacities and yet persistent gaps, and identify concrete proposals and action priorities for the UNDS to advance system-wide efforts in response to the different and multifaceted challenges of MICs. The discussions benefited from presentations by external experts and views offered by representatives from government and the UN system at both global and national levels.

Interventions

The Vice President of ECOSOC opened the meeting highlighting the paradox of MICs, where high economic growth is often paired with rising pockets of poverty, increasing inequality, and gaps such as in human capital, technology, and in productive and decent employment. He pointed to the diverse structural, environmental, and social challenges that are not captured by a classification based on per capita income, noting for example that a number of MICs are also LDCs. He underscored the importance of a tailored approach by the UNDS and the responsibility of the international community in ensuring ODA as well as preferential financing and trading treatments.

The moderator specifically pointed to the limits and implications of financing policies based on a single indicator, showcasing examples in the global health area where countries in need resulted ineligible of financial support because of income average measures. These measures do not take into account key issues such as inequalities, domestic resource prioritization and mobilization, and that social outcomes do not necessarily correlate with GNI. He noted that the logic of targeting assistance should link needs, policies and resources.

A special presentation was made in the morning by Mr. Jonathan Glennie, the Director of Policy and research at Save the Children, who has extensively researched and written on MICs. Mr. Glennie pointed to the MICs traps and gaps, i.e. the constraints to progress resulting from a set of mutually reinforcing blocking factors (such as lack of technical and productive change, no green growth and energy transformation, macroeconomic instability and absence of international financial integration, continued social incoherence and cohesion, weak governance and institutions) and the constraints that require large financial investments to overcome (such as persistent poverty and infrastructural needs). He highlighted that graduation to MICs status does not automatically correspond to a step change, there is continuing need for development cooperation to face the considerable structural deficits and vulnerabilities that remain and affect the development process. The UNDS should primarily reposition itself to focus on providing policy advice, building institutional capacity and oftentimes legitimacy, while leveraging public and private financing as well as supporting efforts to plug MICs into the international financial and trading arena. Nothing automatically changes for a country when it crosses a per capita income threshold. While it is true that policy coherence is likely to be more important for MICs than financial transfers, it does not follow that such transfers are unimportant. They remain a key part of the global effort to reach sustainable and equitable growth. Efforts should aim not only to address the needs of those who do not fall within the extreme or limited category of few dollar-a-day income, but of all those who strive to converge towards the same standards of living of developed countries.

Two representatives from national governments, one in capital and the other in New York, and two representatives from the UN development system at country level and at headquarters were invited to provide their views as panelists.

The Minister of Labor and Social Security of Costa Rica, H.E. Mr. Carlos Alvarado Quesada, reinforced the argument on the limits of a poverty measure based on income per capita, showcasing the different local realities within his country that prove how averages can be misleading. He pointed to Costa Rica's efforts to capture diversity through a multidimensional poverty index that takes into account the level of education, health, job opportunity, social protection, housing and use of the internet, so that public policies can respond to the complexities of the different local realities.

The Permanent Representative of the Philippines, H.E. Ms. Lourdes Ortiz Yparraguirre, spoke of the importance to address the varying needs of MICs also in light of their dual role as both recipients and contributors in global development. She highlighted the challenges of MICs and the support they need, in particular to graduate from aid dependency, invest in infrastructure (and particularly social infrastructure), build human capital, address the impact of climate change and urbanization, guarantee access to technologies, expertise and innovations (including through South-South and triangular cooperation), and build good governance and the rule of law. Yet, she also highlighted that MICs are part of the solution by increasingly developing their own aid programmes, creating spill-over effects and serving as engines of growth within their regions and at global level. She noted that acknowledging and addressing the reality of MICs would not

crowd out and present competing claims over already limited resources, but rather amplify the returns of development cooperation. In this regard, she encouraged the UN development system to define a clear approach to needs of MICs, providing guidelines and setting priorities, to complement the existing plans of action of each country grouping – whether LDCs, LLDCs or SIDS.

The Director of Strategic Policy at UNDP Bureau for Programme Support, Mr. Pedro Conceição, spoke on behalf of the UN Development Group (UNDG). He noted that increased income levels do not eliminate the challenges of poverty, inequality and exclusion, and might in some cases, actually rather exacerbate them, and underscored that income levels are bad proxies for resilience against shocks. He also highlighted the role that MICs can play in advancing solutions for global, regional and national challenges, and in the implementation of the 2030 Agenda.

The UN Resident Coordinator in Peru, Ms. Maria del Carmen Sacasa, reiterated that increased economic growth does not necessarily result in increased equity, competitiveness and productivity. She highlighted that the role of the UN development system in MICs should focus on policy innovation, brokering knowledge sharing, leveraging partnerships, supporting the transition towards a green economy and other forms of development assistance strictly linked with the new global realities, while also building institutional capacity. She also pointed to the importance of addressing social needs through targeted interventions, particularly in the most remote areas. She spoke of the work of the UN in Peru, including support to multiyear financial planning and civil service reform, and noted the challenges of the RC system on the ground, due to limited access to regional technical resources from non-resident agencies, minimal financial resources and the need for changes at the headquarters of UN entities.

The special presentation by Ms. Adriana Abdenur in the afternoon further focused on the role of the UN development system in addressing the diverse and changing needs of MICs. Ms. Abdenur, who authored the external expert background paper in support of the meeting, noted that the UNDS has been mostly successful when it adopted a strategic focus, paired immediate response with efforts to ingrain long-term planning, moved towards upstream, innovative policy engagement (“*the delivery of thinking, not things*”), provided policy continuity vis-à-vis national changes while being firmly rooted in national ownership, and drew on its global reach to contextualize and tailor interventions. Moving forward, the UN should first and foremost move away from the reductionist approach that classifies countries based on their GNI; boost capacity building of national institutions and systems, civil society, private sector and other local actors; further advance its efforts to facilitate South-South and triangular cooperation; and support infrastructural changes for inclusive development without assuming that megaprojects “*automatically lift all boats*”. She stressed the importance of ODA and other concessional forms of finance to expand gains, prevent reversals, avoid traps and fight social inequality, cautioning however not to assume that “more of the same” will work because the remaining challenges may be harder to overcome. Graduation policies should be sequenced, phased and gradual. Finally, she highlighted the need to rethink country the composition, profile and size of country teams to ensure the skills, capacity and effectiveness for a context-specific response.

The Chief for International Affairs of the Ministry of Planning of Colombia, Ms. Ana Maria Romero, brought the perspective of a higher MIC and noted how despite the notable economic achievements, her country remained one of those with the highest inequality in the Latin American region. The different realities of capital cities and peripheries are an example of the diversity that a poverty measurement based on average income cannot capture. She spoke of the work of the High-level Inter-Institutional Commission on SDGs on indicators and development priorities to nationalize and localize the 2030 Agenda. She underscored that the UN development system can best support national efforts through a coordinated and integrated approach, breaking away from working in silos, and building synergies with national players. She further spoke of the importance of mobilizing appropriate resources and facilitating South-South cooperation and knowledge sharing, and of the need to operationalize a technology facilitation mechanism.

The Permanent Representative of Belarus, H.E. Mr. Andrei Dapkiunas, underscored the need to both act and capitalize on the MICs category, mainstreaming and coordinating action in their support while tapping into their often underrated potential as actors of change. He picked up on the suggestion in Ms. Abdenur's paper to move towards a concept of Middle-Development Countries. He suggested that the UN development system consider a system-wide approach that could potentially range from establishing an inter-agency coordination mechanism to adopting an action plan for sustainable development in MICs, or that alternately, the the UN Secretariat assume the guardianship of the MICs agenda, establish a "one-stop-shop" for MICs, and a coordination centre to facilitate access to and exchange of expert advice, finance, technology and means of implementation.

The Chief of the Post-2015 Development Branch of the UNFPA Division of Governance and Multilateral Affairs, Mr. Harold Robinson, spoke of the Fund's pioneering experience in developing a more refined country classification based on needs, and adapting strategies in support of the diversified needs and priorities of MICs based on their specificities. UNFPA changed its business model by categorizing countries according to issues related to UNFPA's mandate (from maternal mortality to HIV prevalence and other factors), treating per capita gross national income as a proxy for a country's ability to assume or share the financial responsibility for development investments. Different programming modalities have been developed according to resulting needs and capacity, from "downstream" models of engagement (such as service delivery) to "upstream" support (such as knowledge management, advocacy, policy dialogue and advice).

The UN Resident Coordinator of Mauritius and the Seychelles, Mr. Simon Springett, spoke of the targeted technical and policy interventions as well as the synergies that the UNDS has offered in the national contexts he operates, noting the comparative advantages of the UN system and yet the need to strengthen its operations, particularly with regard to the RC system.

Key messages

Member States' interventions from the floor in the morning and afternoon built on the issues raised by panelists over the course of the day. Discussions revolved first and

foremost around the limits of a classification based on per capita income alone. There was general agreement that the MICs category is too broad (covering 104 countries, accounting for a third of global GDP and being home of over 70% of the world's poor) and does not capture the multidimensional nature of the challenges at hand. The current classification does not take into account the vulnerabilities, volatility and mixed capacities of MICs, negatively impacting much needed ODA, concessional financing, preferential trading and debt sustainability, risking fragile development gains and potentially leading to middle-income traps.

There is a need to move towards a multidimensional index to capture poverty in all its forms and dimensions and to recognize the complex realities of a very heterogeneous country group. In this regard, the discussion pointed to possible variables to build a multidimensional measure of poverty, from vulnerability levels, savings and investments, diversification and transformation of economies, productivity and innovation, to public spending in health, education and infrastructure. Several Member States pointed out the importance to build such measurements in the context of intergovernmental agreements achieved in the 2030 Agenda, on the basis of the SDG targets and indicators, and without creating new rigidities.

Several Member States suggested that the UN system, in collaboration with the relevant international institutions, (including the IFIs), undertake analytical work aimed at building new ways to capture the complex realities of developing and middle-income countries. Such work should aim to move away from a narrow view of poverty measurement and ensures an adequate country classification that takes into account the structural, social, environmental and geographical challenges of a very large and diverse group of countries. Some MICs have already undertaken work to develop a national poverty index that takes into account, for example, variables related to health, education, employment, state of women, children and youth, and access to services. These examples can offer valuable lessons to draw upon, and considering the strong call to address these issues they should be explored further in a follow-up meeting fully dedicated to options for multidimensional measures of progress and country classification.

Member States also highlighted the diversity of middle-income country contexts and the need for a differentiated approach by the UN development system based on targeted and tailored interventions. The UNDS should adapt to the necessary shifts in functions that are tailored to the ambitions articulated by the 2030 Agenda, and the diverse and increasingly complex realities of MICs, including their dual role as donors and recipients of aid, and their potential in realizing the 2030 Agenda both as contributors through South-South cooperation, knowledge-sharing and direct interventions, and as recipients of support.

At country level, support by the UNDS should move towards the provision of more upstream, high-quality policy support, based on enhanced analytical capacity for integrated, multi-sectorial and multi-stakeholder policy advice. Such assistance must be closely aligned with national plans, policies and legislation, and be rooted in inclusive growth and a human rights approach.

At global level, taking into account the strong call by member states, the system should develop a clear, system-wide strategy for MICs, that would provide guidelines and set priorities, and complement existing programmes of action for LDCs, LLDCs, SIDS and conflict-affected countries. This should be built upon a solid evidence-base, and be defined by clear objectives, indicators and sources of financing.

Such a strategy would harness the experiences of those UN entities that have strived to differentiate their business models and programming approach to adapt to different country contexts, including by developing more refined indicators of progress that take into account variables related to their mandated areas of work, and treat national and per capita income as proxies for a country's ability to assume or share financial responsibility for development. Regional hubs would also have a role to play as depositories of knowledge and as brokers of cross-country fertilization.

Different functions and different strategies should also be reflected in different models of UN country presence. Many noted the importance of shifting from a representational model to one that is based on technical capacities in support of specific country needs. This will require more specialized technical expertise within UN Country Teams to render real-time policy advice, advocacy, and knowledge management to complement national expertise and supplement domestic capacities.

In sum, support to countries must be determined by capacities and challenges rather than by income categories. Averages should be challenged, both from an income perspective and to account for specific and local realities. The classification of middle-income countries should move towards that of "middle-development countries" or a similar concept that would reflect a multidimensional approach to poverty measurement and country classification.

The above approaches should not imply fewer resources dedicated to those countries that are most in need. Rather, they are an investment in the potential of MICs, including to move from the caboose to the engine of development. A phased graduation approach to ensure appropriate ODA flows along with revisited yet adequate concessional financing and trading preferences would avert a zero-sum game, along with the improvement of fiscal space as well as better risk and disaster management. Upstream and integrated policy support, paired with strengthening of institutional and human resource capacity, should also account among action priorities of the UNDS to end aid dependency and build resilience against shocks.

The QCPR has a key role to play in relation to updated strategies and approaches to the needs and priorities of MICs, and in providing guidance to the UNDS for a strategic coherent and coordinated system-wide approach in this regard.