

CONCEPT NOTE  
High-Level Meeting on  
“Development cooperation in middle-income countries”  
December 4, 2018,  
Trusteeship Council Chamber, UN Headquarters, New York

[Background](#)

*Middle-income countries and sustainable development*

The adoption of the 2030 Agenda for Sustainable Development reflects a paradigm shift that demands bold changes in the way that development is conceived. This new landscape has important implications for thinking about development progress.

In particular, the 2030 Agenda recognizes that middle-income countries (MICs)<sup>1</sup> face significant challenges to achieve sustainable development. Taken together, the over 100 middle-income countries account for almost half of global gross domestic product and 70 per cent of the world’s population. However, they vary in population, rates of poverty and inequality, natural resource endowments, development potential and economic and social performance. Despite improvements in some MICs, many are still characterized by fragmented social and economic structures, with a significant share of employment in informal or low-productivity sectors.

The United Nations General Assembly has acknowledged the efforts and successes of many MICs in eradicating poverty and their contribution to global and regional development and economic stability. However, MICs are still home to 73 per cent of the world’s poor and face difficulties in achieving debt sustainability.

An overarching concern for many MICs is the risk of economic stagnation – the so-called middle-income trap – limiting the prospects of economic convergence with high income countries and the achievement of the 2030 Agenda and its Sustainable Development Goals (SDGs).

MICs are often faced with daunting challenges in sustainably managing their natural resources, reducing pollution and combating climate change, and are extremely vulnerable to natural disasters. In addition, many MICs are excessively dependent on

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<sup>1</sup> Based on World Bank estimates of gross national income (GNI) per capita, the group of 109 MICs includes both lower middle-income economies (between \$1,006 and \$3,955) and upper middle-income economies (between \$3,956 and \$12,235).

commodity exports, which are often an underlying factor of the high levels of volatility in investment and economic growth.

To ensure that their development is sustained and sustainable, MICs need to improve their international competitiveness and access to newer technologies. This will enable them to maximize their trade potential and the possibility to leapfrog to the next stages of development, while avoiding the middle-income trap. The main challenge for some MICs, however, is the limited capacity to absorb and develop technologies, given their infrastructural and institutional bottlenecks. In other cases, diffusion of innovations from high-productivity countries also needs to be improved.

As many MICs face important fiscal deficits and public debts, especially since the 2008 global financial crisis, building human, technological and production capabilities has become more challenging for the public sector. Unfortunately, there is limited scope for official development assistance (ODA), given its small size relative to the MICs' GDP, to expand MICs' fiscal space. Nevertheless, ODA and other forms of concessional financing are still important, especially for investments in health, education and other social sectors. Strengthening private resource mobilization will also be key, especially considering that private investment in R&D has declined in many MICs since the global crisis.

### **Key Facts on MICs**

- Currently 109 countries categorized by the World Bank are situated within the middle-income category and this grouping is home to more than 70 per cent of the world's population. This means that most countries and the majority of the population of the developing world is now located in the middle-income category.
- The share of MICs in total gross capital formation in the world has risen dramatically from an average of only 0.17 in 1960 – 1969 to 0.45 in 2010 – 2016.
- MICs are highly diverse. Lower-middle-income countries face the challenge of continuing to mobilize development financing, there are pockets of poverty, often in marginalized groups, frozen conflicts and weak resilience in the face of natural disasters. Higher-middle-income countries have become donors of development assistance. Greening their economies, boosting the job market, modernizing government administrations and harnessing innovation are nevertheless structural bottlenecks they face.
- Demographic and social dynamics in the MICs pose a big challenge to the implementation of SDGs, coupled with the fact that most of their economies have limited diversification.
- MICs in Latin American and the Caribbean (LAC) represents 8 per cent of the world's GDP, 6 per cent of world exports and close to 7 per cent of global gross fixed capital formation. The upper middle countries of LAC concentrate half of the existing poor and indigent population of the region.
- In the African region, 21 MICs account for about 50 per cent of the population and have high population growth rates. High rates of inequality, migration, and unplanned

urbanization are among the key challenges to realizing sustainable development in African MICs.

- MICs make up the majority of countries in the ECE region.
- MICs do not all have the same capacity to mobilize resources. Access to external resources can depend on many factors besides per capita income, including external conditions beyond the control of middle-income countries, such as credit rating, risk perceptions and existing vulnerabilities, external demand conditions and country size. More diverse set of external sources of development finance does not necessarily ensure a greater capability to strategize development priorities.
- For MICs, there is a relative decline in more traditional forms of financing for development, such as ODA, and the emergence of new actors, mechanisms and sources of finance. Emerging donors, and innovative financing mechanisms and climate funds, among others are all playing a stronger and more visible role in development finance.
- Many MICs, along with other developing countries face a huge challenge of data availability on the indicators of the SDGs to measure progress.
- Weak governance and accountability are among the challenges that can have important implications for the realization of the SDGs in some MICs.

### *The United Nations, Multilateral Financial Institutions, Regional Banks and MICs*

The United Nations General Assembly, in its resolution A/RES/67/290, emphasized that the concerns and specific challenges of MICs should be given consideration with the aim of enhancing engagement and implementing commitments in achieving sustainable development.

Against this backdrop, the General Assembly, in its resolution A/RES/72/230 entitled “*Development cooperation with middle-income countries*”, decided to convene a high-level meeting to discuss the gaps and challenges of middle-income countries in the implementation of the 2030 Agenda for Sustainable Development.

The General Assembly recognizes the role of the UN development system in addressing the diverse development needs of MICs in a coordinated manner, including through assessment of these countries’ national priorities and needs, and taking into account variables beyond per capita income criteria. Effective cooperation of the UN with MICs is critical for their achievement of the SDGs and other development goals. The UN development system, regional banks and multilateral financial institutions have an important role to play in supporting MICs in their efforts to achieve the sustainable development goals and to address special challenges facing the most vulnerable countries and MICs.

MICs are significant partners in the implementation of the 2030 Agenda for Sustainable Development and have much to share from their own efforts to achieve the SDGs, including with the poorest countries. However, dialogue is needed to guide and shape successful partnerships in order to meet the challenges these countries face and sustain the progress made to date. More must be done to facilitate an exchange of experiences and strengthen coordination among the United Nations development system, international financial institutions, regional organizations and other stakeholders.<sup>2</sup>

## OBJECTIVE

This high-level meeting is being organized to discuss the gaps and challenges of middle-income countries in the implementation of the 2030 Agenda for Sustainable Development. The meeting will facilitate ongoing exchange of experiences among MICs and with other actors on implementing the SDGs. A key objective is also to highlight the focused and enhanced support, including improved coordination that the United Nations development system, the international financial institutions, regional organizations and other stakeholders can extend to MICs. The discussions are intended to create action-oriented and solutions-based recommendations which will support MICs to build their capacity and resilience towards the attainment of the 2030 Agenda and enhance their support to other developing countries.

## FORMAT

The high-level meeting, which will take place from 10 a.m. to 1 p.m. and 3 to 6 p.m., consists of an opening segment, two interactive panel discussions, a plenary segment for general discussion, and a closing segment.

The two interactive panels will address the following issues:

- MICs, as a group, have traditionally grown faster than countries in other income groups and experienced a significant decline in poverty. However, there are significant differences among MICs and many are still facing persistently high inequality in all its forms, with large pockets of poverty and low quality of social services in rapidly urbanizing environment. The panel, representing a mix of experience from individual countries, will generate discussion on the successes and challenges in the implementation of the 2030 Agenda for middle-income countries and the lessons learnt from institutions whose work impact MICs.
- The United Nations role in facilitating South-South and triangular cooperation among MICs is key to the implementation of the 2030 Agenda. The panel is expected to generate discussion on the role of South-South cooperation and

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<sup>2</sup> Based on A/72/230, PP7.

triangular cooperation in the implementation of the 2030 Agenda for Sustainable Development. Key issues include country-specific constraints that impede trade and investment flows, designing trade and investment agreements that can augment technology transfers and improve economic diversification, and promoting inclusive and sustainable development.

The interactive panels will provide the platform for speakers to highlight key issues related to the themes, highlighting experiences, expertise and perspectives. Following the introductory remarks of the moderator, panelists will be invited to deliver their presentations. The moderator will then open the floor for interventions. Discussions are intended to be interactive in nature and there will be no pre-established list of speakers, intention to speak will be expressed by pressing the microphone button.

The list of speakers for the plenary segment will be established after consultation with the General Assembly.

## PARTICIPANTS

The meeting is open to Member States, Observers of the General Assembly and the United Nations system.

## OUTCOME

The President of the General Assembly will prepare a summary of the discussion, which will inform the forthcoming Secretary-General's report on the implementation of resolution A/RES/72/230.

## Key Questions

Participants may wish to consider the following questions to guide their interactions in the panels:

- What are the major gaps and challenges faced by MICs face in the implementation of the 2030 Agenda and SDGs?
- What form and structure of development cooperation is necessary for the middle-income countries to achieve sustainable development, including through sustained economic growth, while reducing inequalities in all its forms?
- How can the UNDS, MFIs and regional banks respond better to varied and fast-changing needs of MICs?
- Where are some of the biggest opportunities to build and expand South-South and triangular cooperation for MICs and by MICs? What more can be done to improve the effectiveness of the UNDS to promote it?

- What role can multilateral development cooperation play to increase private financial flows – especially foreign direct investment (FDI) – to the middle-income countries?
- What are some of the areas to boost capacity building and partnerships, not only within government institutions, but in central government, civil society actors and private sector entities?
- What are the impacts (positive and negative) of frontier technology on MICs and how do they contribute to the achievement of the 2030 Agenda?
- How can the MICs harness the potential of innovation and entrepreneurship to promote realization of sustainable development?
- How can the high-level political forum on sustainable development and ECOSOC support implementation of the 2030 Agenda in middle-income countries?