

# **Delivering the 2030 Agenda for Sustainable Development: The role of the UN development system in Middle-Income Countries**

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## Introduction

As the 2030 Agenda for Sustainable Development gains momentum, the international community has come together to work towards the implementation of the 17 Sustainable Development Goals (SDGs) and 169 targets that make up the 2030 Agenda. Especially since 2015, a number of UN General Assembly resolutions have recognized that, within this broader process, the category loosely known as Middle Income Countries (MICs) pose specific challenges to the Agenda 2030, as well as potential solutions for some of the global efforts underway.

Through the “Transforming our world” outcome document<sup>i</sup>, the UN has recognized that MICs still face significant challenges in achieving sustainable development, and that the full range of stakeholders involved in international development—not only the UN development system, but also the international financial institutions and regional organizations, among others—should improve coordination and support of this effort<sup>i</sup>. Likewise, the Addis Ababa Action Agenda<sup>ii</sup> resulting from the March 2015 Third International Conference on Financing for Development acknowledged that MICs have “diverse and specific development needs” requiring not only tailored approaches, but also ODA and other concessional forms of finance. The Agenda recommended that multilateral banks develop graduation policies that are “sequenced, phased and gradual,” and it called for affordable financing and effective risk mitigation mechanisms<sup>ii</sup>. More recently, a General Assembly resolution on Development Cooperation with Middle Income Countries invited the Economic and Social Council (ECOSOC) to discuss concrete proposals for MICs within the ECOSOC Dialogue on the long-term positioning of the UN development system (UNDS)<sup>iii</sup>.

These resolutions indicate that, as stakeholders mobilize to eradicate poverty while addressing the economic, social, and environmental dimensions of sustainability<sup>iv</sup>, new questions are being raised around the role of Middle Income Countries (MICs) in development, and—consequently—about the UN’s role in supporting those countries achieve major goals and targets. One factor driving this debate is the changing role of MICs in development, as well as the expectations that have been built around those countries. Over the past fifteen years, not only have many MICs become more vocal players in key normative debates in international development, some of the major gains in poverty reduction and other aspects of development have taken place in such countries (Abdenur 2014). At the same time, MICs comprise a wide variety of countries, and even those that showed marked improvement in some development indicators still face significant challenges ahead. Since MICs currently account for about one-third of global GDP and five of the world’s seven billion people, including an estimated 73% of the world’s poor<sup>v</sup>, they are essential to global development efforts both as sites and as agents of development.

This paper sets out to contribute to the debate around development and the MICs through three interrelated tasks. The first is a broad analysis of how the set of programmes, funds, specialized agencies and other UN entities that comprise the UN Development System (UNDS) have successfully assisted national governments in MICs in the formulation and implementation of national development policy since 2000. The second task involves identifying the key challenges faced by MICs within the context of the 2030 Agenda. The third and final task is to provide policy recommendations within the context of the ECOSOC Dialogue on the longer-term positioning of the UNDS for how the system can best adapt to the changing circumstances and broadened goals set through the Sustainable Development Goals (SDGs). Rethinking the role of the UNDS in MICs in the first few years of the 2030 Agenda will be vital to establishing a productive relationship with national governments in the long run.

The paper combines existing academic and policy publications carried out with semi-structured interviews with representatives from different parts of the UNDS. The overarching goal is not to generate definitive conclusions about the role of the UNDS in these countries—but rather to identify major trends and to generate constructive recommendations for the coming years.

In a nutshell, the analysis suggests that the UNDS should pay closer attention to the heterogeneity within the classic MIC category and adopt a more multidimensional approach to this broad gamut of countries—one allowing for a more tailored approach across a variety of functions. Upper MICs, do not share the same needs as Lower MICs and conflict-affected MICs. In turn, developing a more agile, responsive presence requires rethinking the functions of the UNDS in these countries, as well as organizational dynamics and institutional cultures at Headquarters.

The paper is structured in the following manner. Part 1 briefly examines the category of “Middle Income Country” and suggests that, rather than relying on a rigid income-based rubric, the entities of the UNDS should use loose clusters of countries that take into consideration not only income but also aspects of human development. Part 2 considers the role of the UNDS in responding to the main challenges in MICs since 2000— what has worked, and why. Next, the paper notes some of the key challenges facing MICs in the implementation of the SDGs. The last part of the paper provides recommendations on how different functions of the UNDS can best help the governments of each cluster of MICs work toward the achievement of the 2030 Agenda.

## **1. From “Middle Income” to “Middle Development”**

Although different definitions have been proposed for MICs, the point of departure is typically the categorization scheme proposed by the World Bank, which labels countries according to income ranges as measured by gross national income (GNI) per capita. As of 1 July 2015, middle-income economies are those with a GNI per capita of more than \$1,045 but less than \$12,736. The World Bank further divides MICs into lower-middle-income and upper-middle-income economies, separating them at a GNI per capita of \$4,125<sup>vi</sup>, and it updates the list of countries annually. At current count, 104 countries fall into the MIC category (51 are lower MICs and 53, higher MICs).

As others have already noted, the scheme fails to capture the vast heterogeneity among these countries; in 2015, for instance, Lower MICs included India, São Tomé e Príncipe, Nicaragua, and the Syrian Arab Republic. Among upper-MICs were Angola, China, Suriname, and Libya. Not only do these countries vary immensely in terms of income source and distribution—some, for instance, owe their high (mean income) to resource booms the benefits of which are enjoyed by a very narrow minority — but they are also highly diverse in terms of human development, political regimes, human rights practices, and experiences with conflict and stability, among other variables. As a result, several development specialists, including from the World Bank itself (see Ravaillon 2012), have called for the criteria for those thresholds to be updated and revised, and they warn that the categories should nonetheless be used with caution, especially since they were designed to determine countries’ capacity to repay loans<sup>vii</sup>.

The UNDS varies widely in the degree to which its individual entities have adopted a “tailored” approach to MICs—a set of regulations and practices based on the assumption that these countries face a particular set of development challenges and that they possess a certain assortment of capabilities. Most of the UNDS does not appear to have systematic approaches to MICs. Some entities, however, have relied at least partially on the World Bank categorization scheme. The United Nations Development Programme (UNDP), for instance, has partnered with the Republic of

Korea in sponsoring a series of debates and related publications on the “Challenges of the Middle-Income Countries.viii” and issued reports on development within the African MICs. The International Labour Organization (ILO) has sometimes used the MIC category, but breaking it down into geographic regions<sup>ix</sup>. The United Nations Population Fund (UNFPA), has moved towards a more refined approach that combines income with several other criteria, such as level of need for capacity development and service delivery; its most recent Strategic Plan features tables with color-coded country clusters and the corresponding recommended approach<sup>x</sup>.

Some of the specialized agencies also use the World Bank definition on an ad hoc basis. The Food And Agriculture Organization (FAO), for example, has used a hybrid approach, combining the MIC category with food-oriented ones (e.g. Low Income and Food Deficit) in choosing case studies for evaluation of its effectiveness at country level based on research undertaken in the context of this paper<sup>xi</sup>. Based on the background research done for this paper, UNICEF appears to have come closest to challenging the MIC rubric altogether, opting instead to focus on the multi-dimensional needs of each country in light of its human development situation and experience with fragility.

Reports of the UN Secretary-General on development cooperation in MICs have generally focused on broad economic analyses about development experiences and remaining needs of MICs, while acknowledging the group’s heterogeneity and the variation in the UN’s role within them<sup>xii</sup>. In other words, there is no consensus within the UNDS on whether the income-based definition of MIC is useful, or how it should be used.

For the purposes of this paper, four loose clusters of “Middle Development Countries” (MDCs) are proposed. These are not rigidly set categories, but rather ideal types that take into account not only income, but also other dimensions of development and vulnerabilities, as well as countries’ roles as political actors in the field of development:

1. **Lower-MDCs:** This cluster includes not only countries that have been recently “promoted” into the World Bank category, but also those whose gains in poverty alleviation are highly vulnerable to reversals, or whose World Bank categorization hides extremely imbalanced income distribution (examples: Angola, Guatemala, Pakistan);
2. **Middle-MDCs:** These countries have achieved some poverty alleviation and human development gains without provoking sharp increases in inequality (examples: Ecuador, Jordan, Namibia);
3. **Higher-MDCs:** These countries have combined poverty alleviation while implementing some measures to help ensure that those gains are not easily eroded by economic downturns or emergencies, especially through institution- and capacity-building (examples: Chile, Malaysia, Iran);
4. **Conflict-affected MDCs:** These are countries whose development gains are substantially threatened by conflict and emergencies and thus subject to dramatic reversals in development, both in terms of well-being and with respect to infrastructure (examples: Libya, Syria, Ukraine).

Thinking in terms of these loose clusters, rather than the rigid and single-variable classification of the World Bank, allows for a somewhat more refined analysis of the types of development challenges that these countries have faced over the past fifteen years and are likely to encounter in the years ahead. It would also enable different entities of the UNDS to take into account fast changes in circumstances, such as the additional pressures on MICs created through the ongoing refugee crisis around the Mediterranean.

## 2. The role of the UNDS: What has worked in MICs, and why?

It is no easy task (and may in fact not be feasible) to establish the exact impact that the entities of the UNDS have on development in the MICs since 2000—for instance, by teasing out what portion of poverty alleviation gains can be attributed to the actions of the UNDS. Government officials, politicians, and academics from several MICs have tended to attribute the gains achieved in recent years to “homegrown” innovative social policies, such as conditional cash transfer programs and credit expansion schemes, or to economic growth (or a mixture of both)—in some cases, possibly underplaying the role of external actors, including the UNDS.

However, it is possible to identify, in broad and qualitative strokes, key functions of this system that are viewed as significant in helping to shape the way that MICs design and implement successful development policies. These can be summarized along the following four key functions, all of which foster capacity building within different levels of government and other involved stakeholders:

1. *Service Delivery*: In some MICs, successful service delivery has depended upon strategic focus. A 2012 evaluation of UNDP by the Canadian International Development Agency (CIDA) noted that the program’s initiatives tended to be most successful where country programming was not widely dispersed across a vast number of projects and/or a large geographic area and where there was effective investment in knowledge development<sup>xiii</sup>. Another common denominator is the ability to implement a “culture of evaluation,” planning initiatives with monitoring and evaluation benchmarks and indicators in mind rather than attempting to devise them in an *ad hoc* fashion. Such a culture of evaluation has helped the UNDS to increasingly rely on evidence-based analysis to design and implement projects.

In conflict affected and lower-MDCs, the UN has been especially successful in building resilience when combining efforts geared at immediate needs with efforts to ingrain long-term planning for emergencies. For instance, in Moldova, the UNDP has partnered with local communities in a Disaster and Climate Risk Reduction Project combining the construction of a drainage system with the development of a “toolkit meant to incorporate risk management into development planning<sup>xiv</sup>.”

In contrast, in higher-MDCs, UNDS entities have been viewed as less successful when they are perceived as having “stepping into the shoes of the state” and taking on actions that would be best left to the government. Although this dynamic is not driven strictly by the UNDS itself—in some countries, governments also have incentives to “outsource” policy initiatives to international organizations like the UN—it tends to curtail capacity-building and can undermine the accountability of national governments.

2. *Policy Support*: The UNDS has been most effective within MICs where it is able to identify policy innovations, especially at a local level, and assist governments in devising ways to scale them up. Within the MICs, UNFPA has increasingly moved towards upstream engagement—“the delivery of thinking, not things.<sup>xv</sup>” In the lower and middle MDCs, for instance, UNICEF has often been able to identify successful local efforts (even ones at small scale) to improve child nutrition and has then offered advice on how governments could extend those pro-poor policies to other communities elsewhere in the country, such as in Peru.

In higher-MDCs, where institutional capacity tend to be considerable but uneven, the entities of the UNDS are viewed as positive and influential when they are able to provide sophisticated, quality policy advice (that is, advice that is sharp and well-contextualized, informed by detailed knowledge of past and current experiences as well as budgetary and political constraints) at the highest levels of government, from head of state to ministries. . In all cases, the UN's neutrality as a partner in development, has been essential to success. For these countries, concrete, highly targeted global policy tools have also been successful in informing decision-making in MDCs. The ILO, for instance, has designed a "Career Guidance Resource Book" specifically designed for MICs, as a reference for training materials for both low and middle income countries; the resource book has been used in Argentina, China, Czech Republic, Egypt, and Indonesia, and was successfully mainstreamed into the national policies of three (China, Egypt, and Indonesia)<sup>xvi</sup>.

In conflict affected MDCs, and particularly when emergencies strike, success has depended on a mixture of early warning and response capacity. UNICEF, for instance, has combined two elements—pre-existing resource and logistical mechanisms set up for such contingencies (such as the regional resource centers of the Office of Emergency Programmes) and country teams—to offer guidance to national governments faced with natural disasters, the outbreak of conflict, and sudden refugee crises. Effective policy guidance during emergencies has also depended on attaining a balance between being demand-driven and helping to identify unforeseen needs, including at local levels.

The support by the UNDS is also regarded as useful when it provides some policy framework continuity in the face of national government changes. For policy support by the UNDS to be effective, a careful balance between neutrality and engagement must be attained and maintained by UN country teams vis-à-vis local governments. This requires closely following political developments and calendars—including electoral cycles, regular leadership meetings, and the issuing of basic planning documents, where appropriate.

Across the board, the UN country teams have found success in providing policy support when they can capitalize on the UN's comparative advantage of being able to draw on experiences of other countries to contextualize local experiences and suggest solutions to eventual problems. This involves not only resorting to the UN's data and analysis functions, but also disseminating relevant outside experiences within the country as sources of inspiration while avoiding the "one-size-fits-all" pitfall, which undermines the legitimacy of external actors.

3. *Norms, Standards and Advocacy*: The core programs have been most successful where advocacy has been embedded into all activities, from policy support to service provision. This requires not only designing projects or policy support initiatives around UN norms, but also fostering an internal culture around those norms and standards within the country teams. For instance, with respect to mainstreaming gender equality and increasing women's participation in governance structures, UN country teams have been most successful when combining women-specific programs at a local or national level with efforts to mainstream gender equality into all programming, thus circumventing tokenistic approaches. In the case of the MDGs, representatives from different entities of the UNDS have underscored that the normative and advocacy work involved has had to reach well beyond the confines of the goals and associated targets.

Successful advocacy by the UNDS has also entailed two types of effort: high-level and secondary reach. High-level reach involves the ability to influence and have an impact on the decision-making of high ranking government officials, from brainstorming policy options to raising awareness of key challenges to disseminating the results of analyses. This requires country teams to engage in “development diplomacy” that is highly sensitive to the local political, cultural and social context. The UNDS’s normative support role in MICs has also entailed the ability to facilitate political debates due to the perception of the UN as a neutral body; for instance, UNFPA has been able to put sexual and reproductive rights “on the table” in countries where there is a relatively high sensitivity to those topics. In other instances, UNDS entities have had success in influencing debates that were then translated into legislation, with a more lasting normative impact.

Secondary reach involves developing ways to partner with governments to make development-related information accessible and available to the widest possible audience using resources such as publications, social networks, and other means of communications. It has also meant undertaking multi-stakeholder partnerships with organized civil society entities, grassroots groups, and private sector actors.

4. *Knowledge Brokering*: In the past fifteen years, the UNDS seems to have been most successful in fostering knowledge exchanges between MICs through highly focused regional or sub-regional efforts. For instance, UNDP has helped to operationalize an information network that monitors and shares regional practices in toxic waste management in the Mekong River Basin countries<sup>xvii</sup>. In another sub-regional project, UNFPA has helped several Latin American countries to tackle adolescent pregnancy in the Andean region through a multi-stakeholder approach that underscores the importance of two aspects of South-South Cooperation.

A key element revolves around including actors beyond national government and institutions, especially given the trend towards decentralization and empowerment of community and issue groups. Such partnership and alliances strengthen knowledge development and sharing. A second essential element is the ability to encourage different governments—including those that have engaged in South-South cooperation primarily on a bilateral basis and without the involvement of the UNDS— to work together at sub-regional level on well-defined issues.

As some countries make and consolidate development gains, the UNDS has also become more proactive in helping higher-MDCs to share experiences and knowledge gained through governance initiatives. For instance, after helping the Peruvian government to create the Place of Memory—a research portal designed to help the country deal with the experiences and legacies of the 1980-2000 conflicts—the UNDS shared lessons of the Peru’s Truth Commission with other countries in—including Brazil and Tunisia. In this and other efforts, successful UN knowledge-brokering in different types of MICs has also depended on awareness of sensitivities around in differentiating South-South cooperation from other modalities, and of helping governments and other stakeholders to develop capacity, for instance, through the creation of divisions dedicated to administering international development cooperation for knowledge exchange.

### 3. Emerging Challenges for MICs within the Context of the SDGs

Three key factors result in new challenges for the MICs in the context of the 2030 Agenda. First, the broadened global development goals as encoded in the SDGs generate new and more ambitious demands, even as MICs face significant “unfinished business” from the MDGs. Second, the less favorable global economic context places new financial constraints on what can be done, as reflected in UN financing as well as government budgets for national development. And third, rising expectations on the part of the international community regarding the responsibilities of some MICs, especially higher MDCs, as contributors to development place new political pressures on these countries (Weiss and Abdenur 2015). These new challenges will be particularly salient in relation to efforts on poverty eradication, social equity, and issues related to peace, justice, and strong institutions.

#### *a) Poverty Eradication*

For all of the MIC clusters, there are two broad poverty-related challenges ahead. The first is to expand on the gains of the past fifteen years, especially in terms of poverty eradication, given that a large portion of the world’s poor currently live in these countries. The geography of global poverty has been the object of heated debates over the past decade. Development experts disagree over where the bulk of poor populations are located. Kharas and Rogerson (2012) that the largest concentration of the poor is in LICs concentrate most of this population, and they estimated that, by 2015, “most absolute poverty will once again be concentrated in low-income countries,” especially so-called “fragile countries” whose governments cannot meet the needs of their populations.

Sumner (2012), on the other hand, calculates that 4/5 of the world’s population surviving on less than USD\$2 a day live in MICs—the so-called “poverty paradox.” This means that, even as many MICs experienced higher economic growth, a portion of their population remained in poverty. MICs with large populations, such as China and India, Nigeria, Pakistan, and Indonesia, concentrate what Glassman, Duran and Sumner (2012) refer to as “the new bottom billion.” This “poverty burden” of MICs has increased due to high demographic growth, poverty, and deficits in national policy and institutions, for instance as reflected in lagging public health programs. Glassman, Duran and Sumner (2012) argue that the existence of large pockets of poverty in these countries merits a more tailored approach to MICs, for instance in global health efforts.

For the vast majority of MICs, the ability to deal with this “poverty burden” in coming years has less to do with aid and more with how “pro-poor” their domestic policies are. The years of higher economic growth presented opportunities to address poverty on a larger scale<sup>xviii</sup>. With economic slowdown, the challenge is compounded the vulnerability of recent gains.

However, this does not entail “more of the same” approach by the UNDS. This is in part because the remaining poor may be harder to reach than the previous pool, but also because the economic outlook for many of these countries is less favorable than it was in the 2000s. In recent years, many MIC governments been concerned about the possibility of being caught in the “middle income trap,” through which they lose competitiveness to LICs while still lacking the technological edge to catch up to high-income countries. From higher-MDCs to lower-MDCs, an even bigger number of MICs are experiencing economic slowdown or recession. The “soft landing” of the Chinese economy, the associated drop in key commodity prices, and pessimistic predictions for the US economy over the next few years may cause GNP growth rates to drop across all MIC clusters.



This context threatens not only future progress in poverty eradication, but also recent hard-won gains (Foxley 2009). In many MICs, the new middle classes may be vulnerable to reversals as unemployment increases and social policies face new budgetary constraints. Therefore, MICs will need assistance in designing (and, in some cases, implementing) mechanisms meant to close existing policy gaps and boost the resilience of their recently expanded middle classes.

One rapidly expanding demand by all MIC clusters concerns infrastructure, especially transportation, communications, and energy. The rapid expansion of bilateral South-South cooperation in this area over the past fifteen years, along with the recent creation of the development financing institutions focusing on infrastructure (e.g. the BRICS New Development Bank and the Asian Infrastructure Investment Bank, AIIB), have brought greater attention to the vast deficits in infrastructure investment in developing countries. In addition, these emerging institutions seem to be generating a behavioural shift in the South about the role of infrastructure in fostering development—one that harkens back to the early decades of the Bretton Woods Institutions, when the World Bank in particular promoted investment in large-scale infrastructure in developing countries. The present demand is vast, growing and has largely been unmet by the UNDS.

A related challenge involves how MICs can address poverty in a more multi-dimensional way, as called for by the SDGs. The broadened scope of the global effort demands a more proactive normative role on the part of the UNDS and engagement with a broader range of development stakeholders, both within and outside of government. In all MDCs, this will also mean building relationships with a larger number of ministries and government divisions involved in sustainable development, such as energy and employment. This will entail a more proactive role not only by UN funds and programmes but also by specialized agencies, especially UNCTAD and the ILO, in designing and disseminating policies for inclusive growth, industrial policy, and job generation.

#### *b) Social Inequality*

Even more than poverty—which was already a focus of the MDGs—social inequality has been the object of increased attention within the field of development, including within the UNDS, over the past fifteen years. Around the turn of the millennium, a number of development experts argued that inequality levels were resistant to change; that tax-based approaches to redistribution risked slowing growth; and that governments ought to focus on dynamic redistribution (that is, ensuring that the poor receive an increasing share of the gains from growth, for instance by improving education levels) rather than transfer of existing income from rich to poor (Maxwell 2001).

However, recent experiences in MICs have challenged these positions; their trajectories show that it is possible to significantly change levels of inequality, and that this can be done through different paths. Although historic legacies weigh heavily, past experiences do not lock countries into specific and immutable path dependencies; rather, inequality levels are highly dynamic, able to change in both directions—up or down (ODI 2004). Some Latin American MICs attribute the improvements made in recent years to progressive cash transfer programs (conditional or otherwise), such as *Mexico's Oportunidades*, *Brazil's Bolsa Familia*, and *Bolivia's Renta Dignidad*. These experiences underscore the possibility of change through careful policy design, including models inspired by policies implemented elsewhere.

This change in thinking about inequality has important implications for MICs in the years ahead. Overall, inequalities at the national level have been increasing in both developed and developing

countries, and income inequality as measured by Gini coefficient remains especially sharp in Latin America and Africa, both of which experienced considerable economic growth. There are several drivers behind this trend, ranging from global forces to domestic institutional and political frameworks; key factors include imbalanced globalization, financial integration, differential gains from technological progress, regulatory reforms in labor markets, changes in tax and transfer systems, labor market segmentation, demographic changes (for an overview, see Vieira 2013). The diversity of variables means that social inequality will also require a multi-pronged approach tailored to the particular mix of factors in any given country.

It is worth noting that the track record of MICs in reducing inequalities has been very mixed since the turn of the millennium. Some of the fastest-growing MIC economies, like Indonesia, have also featured sharply rising inequality<sup>xix</sup>. Despite China's dramatic success in lifting hundreds of millions out of poverty, its growth model has also generated pockets of prosperity alongside pockets of deprivation—not only in cities, where the massive “floating population” of migrants attempt to settle, but also in the countryside. The phenomenon illustrates one important aspect of the MICs' social inequality challenge: more than just highly unequal distribution of wealth, the problem involves qualitatively new forms of social inequality, with large groups excluded from social services and/or subject to discrimination and different forms of violence.

Part of the problem is that the MDGs did not adequately address issues of socioeconomic inequality, either between or within countries<sup>xx</sup>. As a result, the international development community was late to the game when it came to the MDGs addressing inequality. A 2003 paper on the intersection between growth, inequality, and poverty reduction in MICs recognized that inequality posed barriers to the achievement of the MDGs, but institutional inertia led the UN to generally overlook inequality as a problem of development (Jolly 2012). A rights-based approach to women and girls, as well as indigenous groups and other vulnerable populations, will thus be even more essential in addressing within-country inequality during the SDG efforts, helping those groups to make their voices heard in tackling discrimination and reducing institutionalized inequalities.

During the period of elevated growth that some MICs have experienced in the past fifteen years, they also experienced new or intensified stresses on natural resources as well as associated environmental problems, many accompanied by social tensions. Largely due to existing patterns of production and consumption, especially those related to the exploitation of natural resources, monoculture, and manufacturing practices. Peru, for instance, has experienced high growth in part due to production of copper and zinc, but it has also undergone environmental damage and social tensions resulting from this resource exploitation. Mongolia's mining boom centering on copper and coal has made the country into one of the world's fastest-growing economies, but has also accelerated deforestation and the degradation of pasturelands. Such policies and practices have exacerbated inequalities, social tensions and political instability in many MICs.

At the level of individuals and social groups, lifestyle shifts have also had considerable ecological consequences. Notably, the historic levels of affluence achieved in some of the MICs and the pursuit of consumption levels comparable to those of industrialized countries have taken a heavy toll on the environment. Government policies and measures in many MICs are encouraging these trends by making credit more widely available and reducing import tariffs for consumer goods. What is more, the trend is expected to deepen in some MICs as yet another wave of emerging economies (including Iran, Thailand, Turkey, and Vietnam), all of them with rapidly expanding middle classes, stand to become major resource consumers over the next decade.

### *c) Climate Change*

Expectations are high for support by the UNDS to all countries to achieve sustainable development. The debate around green industry is particularly relevant for MICs that are transitioning their economies because those countries may be able to choose to follow not the traditional, resource-intensive path but rather a more efficient use of materials, energy and water; reduction of wastes and emissions; safe and responsible management of chemicals; phasing out of toxic substances; substitution of fossil fuels with renewable energy sources; and redesign of processes and products.

Nonetheless, there are political sensitivities around the topic, as reflected in the negotiations over climate change. Many MIC governments, , have sometimes bristled at the idea of voluntarily restraining growth to serve environmental needs when industrialized economies have arrived at their current levels of affluence having not faced these constraints<sup>xxi</sup>. These comparisons have yielded the “Common but Differentiated Responsibility” stance adopted by many MICs,, in climate change negotiations since the Copenhagen climate summit. Although these countries have since committed to greater reductions through bilateral initiatives (especially the 2014 joint announcement by China and the United States) and the 2015 Paris agreement, the perception that MICs are subject to double standards still colors views about environmental responsibilities.

MICS are considered to be key players in efforts to tackle climate change, not only because they concentrate so much of the world’s population, but also because of their role in major climate agreements since Kyoto. As MICs experience economic growth and their middle classes swell, their urbanization rates also increase, posing a variety of new challenges. Rapid urbanization calls for additional resources and greater capacity on the part of local governments (DESA 2013).

Poor planning and haphazard urban growth may put large portions of MIC populations at risk of natural disasters, including storms, flooding, and other extreme weather-related events, which may be enhanced by climate change, especially in coastal and low-lying areas. In comparison to HICs, MICs have a greater deficit in adaptive capacity, for instance due to backlogs in protective infrastructure and services, as well as the limitations of urban government and the unwillingness of many stakeholders to properly address water, sanitation, electricity and health issues in informal settlements (Moser and Satterthwaite 2008). Climate change may also affect water resources in many regions, creating new bottlenecks for growth as well as momentum for social unrest in MICs.

Even as they face (and contribute to) global environmental problems, some of the MICs have been eager to show positive innovations in sustainable development, including low-carbon technology developments. India, currently the world’s fastest-growing economy, is also the fourth largest GHG emitter, yet, since June 2008, it has had a National Plan on Climate Change identifying eight core “national missions” through 2017<sup>xxii</sup>. Conflict affected MDCs, on the other hand, will face new challenges in shifting towards the SDGs, particularly where violent conflict intersects with natural resources.

### *d) Peace, Justice, and Strong Institutions*

While intra-state conflict has become more common in the post-Cold War period, many MICs face significant challenges from non-state actors both within and beyond their own borders. The geography of conflict, and its relationship to development levels, has also changed considerably. A background paper to the World Development Report estimated that, in the 1960s, almost 70% of wars and conflicts took place in the poorest quartile of countries, and that little more than 10%

happened in the next quartile up (that is, the lower MICs). By the 2000s, the pattern had noticeably changed. The share of conflicts in the poorest quartile dropped under 40%, while the share in the lower MICs rose to over 40%. In other words, conflict has become more frequent in lower MICs in particular (Fearon 2010). In addition, a number of MICs are still transitioning from post-conflict situations and are vulnerable to relapses.

SDG 16 is a landmark in that, for the first time, the 2030 Agenda recognizes that there can be no peace without development, and no development without peace—a particularly important innovation given the historical tendency in the UN, for efforts and resources to be channeled along separate “silos.” In addressing SDG16, which aims to significantly reduce all forms of violence and find lasting solutions to conflict and insecurity, Member States must tackle a variety of challenges, ranging from armed violence to sexual violence. Social movements in several MICs have begun to call greater attention to the issue of violence against women, sometimes framing it as a public health issue requiring a more multidimensional treatment. Far from being mutually exclusive, different forms of violence in the MICs in fact overlap (Denney 2012). For instance, in many MICs featuring high rates of violent crime, including homicide, violence is associated with the expansion of organized crime groups—notably those involved in the traffic of illicit goods (especially drugs) and of people—and with corruption and lack of accountability within police and other security forces.

Although many MICs have experienced relatively high growth since 2000, this economic success does not automatically translate into peace. In addition to being problems in their own right, conflict, violence, and instability are major hurdles to achievement of development goals. More broadly, however, the interconnected nature of peace and development means that narrowly security-oriented approaches will not suffice in promoting lasting peace and stability. Investments in inclusive development, especially when they generate jobs and benefits for a wide swath of the population, help to alter the structure of incentives that contributes toward violence and instability. Likewise, addressing issues of peace and stability helps to establish the conditions for successful development initiatives, from infrastructure to social programs, in a virtual cycle.

In order to foster strong institutions, tackling issues of justice are essential. The poor, women, and other marginalized segments of society in these countries face significant limitations to access formal judicial institutions, and that official courts have limited ability to resolve disputes (Botero 2004). Inadequate accountability also remains a challenge in many MICs, and in some of the lower MDCs in particular it is associated with the “resource curse” of extraction.

It is important to note that many developing countries including MICs may find aspects of the topic to be sensitive due to concerns about the potential for security-related goals to lead to the imposition of conditionalities and/or to result in undue interference by the development community in the domestic affairs of developing countries<sup>xxiii</sup>. UNDS entities involved in this area should remain aware of the political sensitivities and to work together with those governments in devising solutions.

### **Policy Recommendations**

In supporting governments to the implement the SDGs, the UNDS should develop a more targeted approach to MICs. Doing so will require at least four changes in the way the UNDS approaches these countries:

1. **Rethink the category “Middle-Income”:** The UN should promote, within and across its different entities, detailed discussions of basic country categories, with a view to devising more refined concepts—ones that take not only income into account, but also other variables that are particularly important to the mandate of that component. While categories need not be consistent across the entire UNDS (for some, clusters may suffice, while for others, a more fine-grained approach might be necessary), it is clear that relying on borrowed, uni-dimensional labels like “Middle Income Country” may be ineffective and lead to mismatch between proposed solutions and target countries. Establishing more fluid and multi-dimensional categories or clusters of countries will permit a more tailored approach. These concepts of development levels or types of needs should be incorporated into strategic plans so as to better inform programming and approaches across a wide variety of countries.
2. **Strengthen ODA:** Some donors have been all too quick to retract and redirect ODA away from MICs, partly due to the perception that many of these countries, especially those on the higher income brackets, are now able to finance their own development. In many instances, this retraction has been premature, especially given the context of economic slowdown and volatility in MICs. Oscillations in economic growth render middle classes particularly vulnerable and may lead to lost gains. ODA to MICs should be reconsidered in light of these vulnerabilities.
3. **Boost Capacity-Building:** Across all clusters of MICs, there is a strong demand for the UNDS to engage in capacity-building, not only within government institutions at central and local levels, but also on the part of civil society actors, private sector entities, and partnerships across these categories.
4. **Rethink country teams:** In order to better address the varied and fast-changing needs of all types of MICs, UN country teams’ presence and capacities need to be reconsidered. In higher MICs in particular, staff profile should primarily be around the skills and capacity to provide high quality, context specific policy advice, based on experience with and knowledge of policy innovations and effective practices in other countries. Staff should strike a balance between fostering an entrepreneurial spirit and sensitivity to the demands voiced by governments and other stakeholders. Networking should be prioritized not only with non-UN interlocutors, but also with other UN offices in the country, for a more integrated response. The composition, profile and size of UN country teams should be decided, not only according to availability of funds, but also in response to the particular capacities and needs of the country, as established in dialogue between the country and the UN.
5. **Reconsider the role of infrastructure:** Given the salience of demands among all types of MICs for infrastructure investment, and in light of the heavy focus that new South-South institutions are giving to this area, the UNDS must adapt and respond. The UNCT must provide governments with in policy support, helping MIC governments avoid negative externalities generated by the infrastructure projects of early decades (including widespread environmental damage, dislocation of local communities, concentration of benefits, and deepening social exclusion) by promoting innovative policy approaches to infrastructure. The UNDS should also help steer MICs of all types away from the philosophy of “spatial trickle down economics,” whereby large-scale infrastructure lifts all boats, advocating for a greater convergence between infrastructure investment and the SDGs. The UNDS entities should engage with new development financing institutions, such as the

BRICS New Development Bank and the Asian Infrastructure Development Bank (AIIB), both of which intend to focus primarily on infrastructure.

6. **Strengthen South-South Cooperation through multilateral platforms:** Although different entities of the UNDS already engage in the promotion and facilitation of South-South and triangular cooperation, the UNDS should become a more effective platform for these modalities. This strengthened and amplified function should enable knowledge creation and sharing among a broader range of countries (not exclusively MICs) and in a wider gamut of sectors. At the same time, the UNDS should not focus excessively in state-led South-South cooperation, and instead promote the participation of subnational government and non-state entities in South-South and triangular cooperation, including organized civil society groups, other social movements, academe, and private sector actors.

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## End Notes

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- <sup>vi</sup> World Bank (2015) “New Country Classifications”: <http://data.worldbank.org/news/new-country-classifications-2015>
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- <sup>xvii</sup> Evaluation of UNDP Contribution at the Regional Level to Development and Corporate Results, 2020 p 29, cited p 20 of OECD evaluation of UNDP
- <sup>xviii</sup> Pernia (2003) defines it as growth that leads to the incomes of the poor growth proportionately faster than the incomes of the non-poor, serving to effect income redistribution; whereas Ravallion and Chen 2003 and DFID 2004 define pro-poor growth as growth that contributes to poverty reduction, and is thus purely instrumental). Source: <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/2602.pdf>
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