



Key messages

Effective Cooperation and Multi-Stakeholder Partnerships for Addressing Sustainable Development Challenges in Middle Income Countries

GPEDC Side Event at the Third International Conference on Financing for Development (FfD), Addis Ababa, Ethiopia

Co-hosted by the Ministry of Foreign Affairs, Japan, and the Mexican Agency for International Development Cooperation

Tuesday, 14 July, 13:15-14:45, Intercontinental Hotel (Warka), Addis Ababa

Background

Against the backdrop of the rapidly changing development architecture, and the emergence of a transformative and universal development agenda for the next 15 years, there is a growing consensus that this is an opportune time to re-assess the role of development co-operation in the context of Middle Income Countries (MICs).

With the contribution of the Japan-UNDP Partnership Fund to the Global Partnership for Effective Development Co-operation (GPEDC), a study¹ was undertaken to shed light on the context-specific development challenges facing MICs and the role of development co-operation in effectively addressing these obstacles.

Building on the findings of the study, this high-level multi-stakeholder panel discussion, hosted by Japan and Mexico under the framework of the GPEDC, considered the principles of successful development co-operation practices in MICs. Participants also discussed how the GPEDC, as a multi-stakeholder platform, can promote behavioral change on the ground and support development co-operation efforts. The panel discussion was attended by approximately 80 development stakeholders, including national and local governments, parliamentarians, CSOs, multi and bi-lateral development agencies, international financial institutions (IFIs), private corporations and academia.

Key Highlights

- In line with the *Addis Ababa Action Agenda*, participants called for a **more tailored approach to development co-operation, addressing the specific challenges faced by MICs**. Based on the **principle of country ownership**, the partner country context was recognised as the starting point for devising more responsive and effective development co-operation interventions.
- While a number of countries have reached middle-income status (104 out of 215 countries as of 2015), based on GNI per capita, **MICs face inherent development challenges** including widening inequality, regional disparity in poverty rates within country, absence of strong governance, and lack of sustainable infrastructure.
- Participants called for **greater access to better data and use of more holistic indicators (e.g. UNDP's multi-dimensional poverty index) to inform policies on MICs**. In deciding the allocation criteria, in particular for Lower Middle Income Countries (LMICs), discussions highlighted the need for more **calibrated and comprehensive measurement methodologies** (e.g. aiming to not only measure a country's income level, but also a country's capacity to mobilise resources; economic and environmental vulnerability; and other social indicators).
- **MICs need continued access to finance, as well as to knowledge and technology transfers**. With poverty in MICs becoming an increasing global

¹ Available from: <https://www.unteamworks.org/fr/node/501436>

challenge, participants called for development partners to reconsider their financing mechanisms, as well as their knowledge and technology transfer efforts in support of effective development co-operation in MICs. The discussions recognised the **value of the GPEDC as a platform for sharing lessons learned** and confirmed the strategic role of ODA to mobilise and complement resources in MICs.

- **Development co-operation in MICs tends to be characterised by a broader diversity of co-operation instruments.** Although, in quantitative terms, MICs receive more aid than Least Developed Countries (LDCs), it should be noted that most of this aid is in the form of loans, with 85% of concessional lending currently directed to MICs. ODA still has an important catalytic role to play in leveraging national development efforts of MICs. A focus on debt management has particular importance in LMICs and in Small Island Developing States (SIDS). Different needs of MICs and Low Income Countries (LICs) should be taken into account in selecting development co-operation instruments. Development co-operation to particular sectors also evolves, with support to economic sectors more prevalent in MICs, whilst social sector finance tends to decrease.
- **Multi-stakeholder partnerships across public, private and non-governmental sectors are particularly relevant in MICs.** Participants called for further exploration into triangular co-operation, bringing together more established High Income Countries, MICs and LICs. Discussions also highlighted the need for more **established value chains and better regulatory environments** to allow for such partnerships, and called for **increased trust and innovative ways** of working across various sectors. It was noted that the GPEDC is in itself a multi-stakeholder partnership, unique in its level of inclusiveness, which can be further used to identify and systematize best practices for effective partnering.
- **Development co-operation can play a key role in supporting MICs to expand their access to a range of financial, technical and technological resources.** Among the different areas of potential co-operation, participants mentioned: (i) access to long-term debt, considered key in this context; (ii) access to long-term, high scale finance, including for infrastructure, by mitigating risks for private investors; (iii) broader use of sovereign stabilisation funds linked to natural resources, helping secure sufficient fiscal space for the future; and (iv) the development of export-guarantee schemes, in order to foster trade and growth.

Conclusions

- Participants reaffirmed the importance for **development approaches** to be **tailored, flexible and responsive** to each country's specific needs, priorities and capacities, and to evolving contexts. Discussions also noted the need to adapt development co-operation mechanisms to the **complexity of the challenges** faced by MICs, beyond country income levels, to capture the full scope of development challenges.
- Participants welcomed the **role of the GPEDC as a platform to strengthen partnerships among stakeholders**, and to support effective development co-operation through high-level policy dialogues and the exchange of good practice. The GPEDC was recognised as an asset for **supporting capacity building to further engage LMICs in development co-operation**.
- There was broad consensus that effective development co-operation can play a **catalytic role** in supporting MICs to **achieve sustainable and inclusive growth**, and **diversify their financing instruments** for more effective development co-operation.
- Participants agreed that MICs should play a **strategic role in promoting more balanced, sustainable and country-owned development co-operation**.

