



Hertie School  
of Governance



# UN Reflection Series 2016

DEVELOPMENT COOPERATION, POLICY  
ADVICE AND MIDDLE INCOME COUNTRIES



## PROCEEDINGS

# **UN Reflection Series 2016**

Development Cooperation, Policy Advice and  
Middle Income Countries

## **Proceedings**

United Nations System Staff College and Hertie School of Governance

UN Reflection Series 2016: Development Cooperation, Policy Advice and Middle Income Countries

United Nations System Staff College & Hertie School of Governance

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Particular appreciation is due for the engagement and support by Dr Jafar Javan, Director of the UN System Staff College, and Prof Dr Helmut K. Anheier, President and Dean of the Hertie School of Governance, in realizing the vision of a UN Reflection Series. Special thanks goes to Patrick van Weerelt and Henrik Schober for their continuous oversight of the planning and implementation process of the event. The UN Reflection Series provided a platform for UN staff members as well as government and civil society representatives, academics, practitioners and others, to share their expertise and experience and learn about and discuss contemporary international development issues within the context of the 2030 Agenda for Sustainable Development and the Paris Agreement.

The successful organization of the event and this publication would not have been possible without the extensive engagement and generous investment of time by the team from the Hertie School of Governance in Berlin – Dr Susann Park-Gessner and Eva Savinova – and the team of the newly established UNSSC Knowledge Centre for Sustainable Development in Bonn – Aida Ghazaryan, Dr Simona Costanzo-Sow, Ugo Caruso, Marleen Schreier, Daniela Cepeda Cuadrado and Paulyn Duman.

We are also most grateful to the authors in- and outside the UN system who have submitted their contributions for this event. Their papers offer an insightful practitioner and academic perspective on the particular development challenges Middle Income Countries are facing and the changing role and operational set up of the UN system, as well as bilateral donors, multilaterals and civil society in Middle Income Countries.

We would also like to extend special thanks to all guest speakers, panellists and clinic facilitators for their valuable contributions to the event.

## Foreword

The United Nations System Staff College (UNSSC) and the Hertie School of Governance are pleased to offer this publication and hope it will be a valuable resource for those involved in international development cooperation in Middle Income Countries (MICs).

The UN Reflection Series 2016, held in Berlin from 14 to 16 April, on “**Development Cooperation, Policy Advice and Middle Income Countries**”, fostered in-depth discussions on issues that matter for advancing sustainable development in MICs. Hosted by the UNSSC Knowledge Centre for Sustainable Development in collaboration with the Hertie School of Governance, this 2 ½ day event convened a highly distinguished group of participants – UN staff, academics, development practitioners and policymakers – from 18 different countries located in Asia, Africa, Europe and the Americas.

The *UN Reflection Series* is an annual interactive learning event facilitating knowledge sharing between UN staff members as well as government and civil society representatives, practitioners and renowned experts in international development cooperation, as well as high-level representatives of the United Nations in a 'non-UN' setting. The programme of the *UN Reflection Series 2016* included keynote speeches and panel discussions, as well as clinics with academics and practitioners, which are reflected in the proceedings of this publication, followed by the papers submitted for the event.

The purpose of this collection is to highlight critical areas of support to MICs in the context of the 2030 Agenda for Sustainable Development and the Paris Agreement under the United Nations Framework Convention on Climate Change. It draws a wide-ranging picture of the realities in MICs, illustrating challenges and opportunities faced by governments, civil society, the private sector and the international community, once a country moves from low-income to middle-income status, and pays strong attention to the new roles and opportunities that emerge when MICs engage in international development cooperation.

Middle Income Countries are very diverse in nature, yet they face a number of similar challenges. Currently, MICs are defined as those countries with a GNI per capita of more than \$1,045 but less than \$12,736.<sup>1</sup> This group is divided into lower-middle income and upper-middle income economies, which are separated at a GNI per capita of \$4,125. According to the World Bank, there are currently 104 MICs, being home to more than five billion people and accounting for approximately one third of the global GDP. Overall, MICs are one of the main contributors to global economic growth. But despite their economic leverage and rapid growth, MICs are also home to 73% of the world's poor.

Leaving no one behind is the major challenge of our century. Since 2005, 23 countries rose from low-income status to middle-income status but only one out of ten economies managed to leave the MIC category behind. This particular situation has been labelled by many as 'middle income trap'.

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<sup>1</sup> Income is measured using gross national income (GNI) per capita, in U.S. dollars, converted from local currency using the World Bank *Atlas method*. The income status is determined by income group thresholds of the previous fiscal year that account for inflation and are adjusted annually on July 1. See World Bank, “Data: Country and Lending Groups”, at <http://data.worldbank.org/about/country-and-lending-groups>.

Overall the context in which the UN operates has also considerably changed 70 years into its establishment. Aid flows have significantly dropped and numerous new actors have emerged. At the same time many issues the world is facing require global responses. Through the newly adopted Agenda 2030, Member States recognize the need to search for global and collaborative solutions to address today's environmental, economic, and social challenges. Paradoxically, while the UN system needs to seriously reconsider its approaches and the competencies required to deliver results, the source of inspiration 'we the peoples', which led to its creation, remains as relevant as ever, and the system needs to learn to better engage different actors in society. In general, the UN system needs to adapt its approaches to country support and stakeholder engagement in order to remain relevant.

At present, discussions often centre on issues of dwindling development resources in MICs. But there are equally important and substantive issues to focus on in terms of the appropriate role the United Nations system and other actors can play in support to MICs such as "What is the quality and nature of support delivered in MICs by external partners and how does this interact with governments' own capacities, systems and accountabilities?"

The present volume brings together valuable reflections and lessons learned on the challenges and obstacles in the pursuit of inclusive sustainable development based on academic research and experiences at country level. The authors have dedicated invaluable thought and time to shed light on various important aspects that require recognition and/or implementation by the international development community. The most prevalent topics discussed in the articles range from the necessity of upstream engagement and improved policy advice, capacity building, the importance of emerging donors, South-South and Triangular cooperation, to tackling inequality, implementing social protection floors and strengthening civil society participation.

The United Nations System Staff College and the Hertie School of Governance want to express their utmost gratitude to the authors for contributing to this collection, as well as to the participants of the Reflection Series for their passionate and insightful contributions during the event itself.

This publication provides an opportunity for readers to engage with a selection of papers that were presented during the UN Reflection Series 2016. The 12 papers published here present different views on issues of relevance for MICs, such as the normative role of the UN; South-South and Triangular Cooperation; policy advice and upstream engagement; and the role of civil society in development cooperation. Additionally, this volume also includes proceedings, highlighting the key messages from all sessions during the event.

We hope you enjoy reading!



**Prof Dr. Helmut K. Anheier**  
President and Dean  
Hertie School of Governance  
Berlin, Germany  
June 2016



**Dr. Jafar Javan**  
Director  
UN System Staff College  
Bonn, Germany  
June 2016



# Proceedings

The UN Reflection Series 2016 brought together UN staff, development practitioners, academics and policymakers from all around the world to discuss ways to serve Middle Income Countries (MICs) better in their pursuit of sustainable development outcomes. During 2 ½ days, the event engaged participants in different types of sessions, ranging from panel discussions and forums to practical clinics. This fostered dialogue and strengthened participants' skills in relevant fields of policy advice.

*“We believe it’s the interaction between practitioners, academic community and policymakers that moves debates forward”-  
Helmut Anheier*

## DAY 1

The UN Reflection Series 2016 initiated with a **high-level panel discussion** focused on the relevance of the Agenda 2030 and the Paris Agreement for MICs. Prof Dr Andrea Roemmele, Academic Director of Executive Education at the Hertie School of Governance, engaged the panellists and the audience in an insightful discussion about this topic. Among the panellists were Dr Christoph Beier, Vice-Chair of the Management Board at GIZ; Dr Cyrill Nunn, Director for Human Rights, International Development and Social Affairs at the German Federal Foreign Office; Mr René Valdez, Resident Coordinator of UNDP Argentina; and Dr Imme Scholz, Deputy Director of the German Development Institute.

The debate brought forward diverse points of view reflecting the complex nature of addressing development challenges in MICs. Firstly, panellists agreed that more specific criteria are needed beyond income considerations to categorize countries' development needs. Currently, the World Bank's classification based on GNI values groups a vast array of countries with different development realities as middle income. Among the alternatives suggested were the Structural Gaps approach<sup>1</sup> and the Human Development index<sup>2</sup>.

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<sup>1</sup> The Structural Gaps Approach, put forward by the Economic Commission for Latin America and the Caribbean (ECLAC), 'entails explicitly incorporating into the development cooperation agenda an evaluation of needs and shortcomings that are not captured by income indicators but are reflected in other types of gaps'. UN ECLAC, *Middle-income countries – A structural-gap approach* (UN ECLAC, Santiago de Chile, 2012), 8. Available at <http://www.cepal.org/en/publicaciones/los-paises-de-renta-media-un-nuevo-enfoque-basado-en-brechas-estructurales>.

<sup>2</sup> The Human Development Index (HDI) focuses on people and their capabilities as the ultimate criteria for assessing the development of a country, not only on economic growth. UNDP, "Human Development Index (HDI)", UNDP, at <http://hdr.undp.org/en/content/human-development-index-hdi>.



Secondly, there was an overall consensus that in order to tackle inequality, the categorization between donors and recipients can no longer be taken as clear-cut. The development community needs to recognize that MICs are performing both roles while facing serious inequality issues. When providing support to Middle Income Countries, the focus should not only be on capacity building and cooperation, but the UN should also increasingly concentrate on leveraging domestic knowledge and expertise, as well as facilitating South-South and Triangular knowledge and practice exchanges.

Finally, a number of key enablers for MICs to advance sustainable development were highlighted: good governance based on the rule of law and human rights protection; universal access to quality health and education; adequate finance for development; access to technology and innovation; coherent macroeconomic policy; sustainable use of resources; and risk reduction initiatives.

## DAY 2

During the second day of the UN Reflection Series, participants engaged in a full-day schedule with parallel paper sessions and clinics as well as a roundtable discussion.

**The paper session on the normative role of the UN** sought to provide a space for participants to learn about policy and operational dimensions of development cooperation as well as discuss the UN global strategies to advance development in MICs. Dr Abdul Alim, Regional Social Policy Advisor at UNICEF South Asia; Nicholas Booth, Programme Advisor at UNDP Bangkok Regional Hub; Kirit Patel, Economist within the Development Cooperation Policy Branch of UN DESA in New York; and Katrin Weible, Member of the Research Project FLOOR at Bielefeld University, exposed their views, calling attention to the following issues, among others:

- ✓ The UN and partners' development efforts should focus on long-term initiatives that seek to bring about systemic change. Embracing complexity during the process is key for successful development interventions;
- ✓ The UN needs to strengthen its feedback loops within and across the system in order to successfully incorporate lessons from past successes but also failures in development practices and be able to adapt to changing country realities through more flexible modalities, allowing for corrections along the way;
- ✓ All development interventions need to be inclusive, fostering national and local ownership. The UN should continue to play its catalytic role and facilitate spaces for policy dialogue among all relevant stakeholders;
- ✓ Social protection policies are key to catalysing access to basic services and equality of opportunity. While many MICs have introduced such policies, an analysis of population segments which are not covered reveals the necessity to roll out more inclusive programmes.



The parallel paper sessions were followed by an **expert roundtable discussion**, moderated by Executive Director of the Sustainable Development Solutions Network Adolf Kloke-Lesch. It gathered panellists from academia – Professor Dr Andrea Roemmele – as well as the UN system – Kanni Wignaraja, Director of UN Development Operations Coordination Office; Dr Natalia Dinello, Advisor at the UNFPA Division for Governance and Multilateral Affairs; and Setsuko Yamazaki, UNDP Country Director in Cambodia – to discuss the role of policy advisory services in development cooperation. In the context of the Agenda 2030, it was agreed that the UN advisory role should focus on raising those sensitive issues that are important for advancing human-rights based development efforts. To maximize efficiency, UN agencies should work in coordination, share knowledge and data, and focus on long-term planning and evaluation. Overall, good quality policy entails engagements that are always multi-sectorial, multidisciplinary, contextualized and partnerships-based.

*#UNRS2016: Leave artificial divisions behind  
– Development policy is pushing boundaries  
on new services*

*- Kanni Wignaraja*

Two final parallel clinic sessions concluded the second day of the UN Reflection Series.

**The clinic on Social Protection Floors** invited participants to jointly reflect on the role of social protection schemes in MICs. Dr Valerie Schmidt and Mr James Canonge, from the International Labour Organization, facilitated this session, guiding participants to reach the following conclusions:

- ✓ There is an unequal access to social protection schemes all around the world;
- ✓ The UN needs to adopt more coordinated and comprehensive approaches in order to better support the implementation of social protection at the national and local level. Among the strategies the UN system can take are to provide dialogue forums for the private sector and government officials; support civil society organizations' advocacy work; and offer its financial and technical capabilities to MICs;
- ✓ In the context of the Agenda 2030, the UN needs to 'deliver as one' in order to successfully advance its Social Protection Floor Initiative (SPF-I), which emerged in 2009 and informs various SDG targets.

Finally, **the clinic on Climate Change, SDGs and Green Growth** highlighted the interdependent nature of the Paris Agreement and the Agenda 2030. With input presentations and fishbowl discussions, Professors Dr Ottmar Edenhofer and Dr Jan Mix, from the Hertie School of Governance, explained that sustainable development is only attainable if we put forward clearly-defined and long-term oriented climate policies. In this regard, the UN should play a leading role in developing a convincing narrative at the national level that invites governments and other stakeholders to simultaneously consider both agendas in their development initiatives.

## DAY 3

During the UN Reflection Series' last day, participants engaged in a discussion forum and participated in either one of the two parallel clinics offered.

*There needs to be more coordination and dialogue across different organizations on how to engage with #civilsociety for development – #UNRS2016*

**The discussion forum** explored the role civil society organizations (CSOs) play in development cooperation and the best existing approaches to engage with these stakeholders more effectively. In light of the Agenda 2030, facilitator Prof Dr Anheier of the Hertie School of Governance and discussants Dr Udan Fernando, Executive Director of Centre for Poverty Analysis, and Stjin Houben, Programme Analyst at UNDP Rwanda's country office, agreed about the importance of civil society as key actors for the implementation of all SDGs. CSOs can mediate between governments and citizens to advance the Agenda 2030 as well as advocate for social change, holding authorities to account on the policies adopted. Different speakers also highlighted the crucial role of the synergies between the for-profit sector and CSOs. Overall, the forum emphasized the role of the UN as a broker of spaces, bringing different actors to the table in support of national goal implementation.

**The clinic on development and finance**, facilitated by Adjunct Professor at the Hertie School of Governance Dr Inge Kaul, examined new and innovative – yet economically and politically feasible – ways of fostering adequate financing for the Agenda 2030. Dr Kaul discussed the implications Development and Global Public Goods (GPGs) provisions have for the UN system as well as for financing the Agenda 2030. Regarding the UN, she advocated for the UN agencies to have a triple focus in the years to come, concentrating on (i) poor countries, (ii) policy dialogue in all countries, and (iii) global-issue focus. After an in-depth introduction on the concept of GPGs, she also argued that the UN system's work in MICs is mainly GPG-focused, as it is mainly concerned with supporting the roll-out of global norms and advising national policymakers about what they could do about GPGs unilaterally and collectively, together with other states. Finally, Dr Kaul warned about using ODA to finance GPGs. In this regard, she underlined the need to recognize GPG provision as an important international cooperation strand entailing new cooperation requirements to disentangle the current mix between aid and GPG finance. As a tentative solution, she recommended, among other measures, the creation of an independent Global Stewardship Council tasked to monitor the structure and functioning of the global public domain and, if necessary, nudge states into action.

Lastly, **the clinic on inequality in Middle Income Countries** was facilitated by Adjunct Professor at the Hertie School of Governance Dr Arntraud Hartmann, who introduced participants to the technical aspects of inequality measurements, and invited them to reflect on the impacts of widening inequality. According to Dr Hartmann, there can be inequality in outcomes as well as inequality in opportunities. And despite the fact that inequality can, to an extent, foster economic growth by providing incentives for entrepreneurs to innovate and create more jobs, inequality overall impedes development. In view of this, participants discussed different approaches to mitigate the effects of inequality, such as fair taxation laws; labour market regulations; policies to empower interest groups and the middle class; and laws to regulate land distribution could be useful instruments to substantively reduce inequality in MICs.

*In doing things differently for the Agenda 2030,  
we need to be open to new forms of  
partnerships!*

*- Patrick van Weerelt*

Overall, the UN Reflection Series engaged participants from all around the world in thorough discussions on how to move forward and advance sustainable development in MICs. The debates echoed the general understanding that there cannot be a one-size-fits-all approach to MICs. Being at different development stages, MICs require development interventions that are multi-sectorial, multidimensional, contextualized and partnerships-based. With the UN acting as a broker and convener of expertise and knowledge, the UN should enhance its convening power to foster multi-stakeholder development approaches, as well as provide a leading role in ensuring that development interventions are always localized and contextualized. The key to carrying out successful development initiatives, in the end, relies on the extent to which all stakeholders – citizens, CSO representatives, governments, academia, the private sector, and the UN, among others – coordinate their engagement, work together, and learn from the experiences of one another in order to advance the Agenda 2030 and the Paris Agreement for Climate Change in MICs.



# Papers

# Rethinking United Nations Engagement in Middle Income Countries: Equity and Institutions as Determinants of Engagement<sup>1</sup>

**Dr Abdul Alim**

*Regional Advisor for Social Inclusion and Policy  
South Asia- UNICEF*

## **Abstract**

This purpose of this paper is to open up the discussion and challenge some basic assumptions about United Nation's (UN) global engagement strategies with Middle Income Countries (MICs).

As the discussion on how to measure the achievement of Sustainable Development Goals (SDGs) gets to its final stages and the debate on how to address rising inequalities intensifies, it is increasingly clear that the UN intends to address inequality as a central pillar of its development work. Increasingly, the UN is being challenged on how to deal with complex development challenges including conflict situations, especially in a rising number of the fragile states. This has blurred the boundaries of the UN humanitarian and development work. At the same time, traditional development approach that links the income status of a country has been increasingly criticized for weak correlation with social development and yet paradoxically continues to drive the development policy dialogue among development partners.

Over the last two decades, in addition to income poverty, several new measures that look at the multi-dimensionality of poverty and the myriad of factors that shape a country's social development have been explored and used to shape public policy. This paper examines the nature of relationship between Inequity and Inequality and shows that unless measures of social development can capture inequity and guide development interventions towards transformation of institutions, change will be unsustainable. This is illustrated through using several different development indices to develop a typology and to show a possible correlation between types of institutions and social outcomes. Four typologies are developed which captures more closely the complex and multi-dimensional view of development. It proposes an alternative approach to looking at development status of a country by moving away from traditional linear models of social progress that are based on income classification or simple ranking/indexing.

These four typologies can be useful tools for the UN to understand the relevance of institutional transformation for achieving the SDGs. These can also potentially guide UN's strategies of engagement and investment in Member States, particularly in Middle Income Countries in order to achieve better and sustainable development outcomes.

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<sup>1</sup> The opinions presented here do not reflect those of UNICEF.

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## I. INTRODUCTION AND BACKGROUND

Institutions<sup>2</sup> are central to the development of a state. From the emergence of the Westphalian model of welfare state<sup>3</sup> to the founding of South Sudan as the newest nation state, philosophers and social scientists from Weber to Acemoglu<sup>4</sup> have written extensively on the importance of institutions for the development of the nation state.

Historically, the main reason why individuals surrendered their freedoms to the state was to maximize their interests and collective good. Human development, thus, forms the *raison-d'être* for the welfare of the nation state, as this is the main organizing principle. The formation of institutions within the nation state has enabled countries to maximize the interests of a diverse group of people that live within it. A cursory look at the history of the development of nations, however, leads to an observation that although reasonable progress has been made, a large and overwhelming number of nation states have fallen short of achieving “fair/just” human development. Thus, it comes as no surprise that inequality of opportunity or inequity has emerged as a serious concern. This concern highlights the fact that inequalities were not fully addressed in the Millennium Development Goals (MDGs) Agenda, and should be properly tackled with the implementation of the Sustainable Development Goals (SDGs).

An important part of development effort has been the effort of social development experts and political scientists to “measure” and “pass” and “fail” the nations on some sort of “scoring method” (Development Index or Income Classifications). This has formed the basis of not only development financing but also influenced discussions on a nation’s economic performance.

While the complexity of human development was self-evident to many development practitioners as early as the 1940s, measuring it was based on the assumption<sup>5</sup> that it was a linear process, and thus countries were classified into least and highly developed states<sup>6</sup>. This of poverty to the more well-rounded and recent multi-dimensional measures such as Multi-Dimensional Poverty Index (MPI<sup>7</sup>) and the Inequality adjusted Human Development Index (IHDI<sup>8</sup>). Others that measure the performance of institutions, such as Failed States Index (FSI<sup>9</sup>) and Social Institutions and Gender Index (SIGI<sup>10</sup>) were also formulated. However, these also reduce the countries to a rank in the index, assuming a linear model of progression.

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<sup>2</sup> “Institutions are the rules of the game in a society or, more formally, are the humanly devised constraints that shape human interaction.” Douglass C. North, *Institutions, Institutional Change and Economic Performance* (Cambridge University Press, Cambridge, 1990).

<sup>3</sup> Dr Michael Vaughan, “After Westphalia, Whither The Nation State, Its People And Its Governmental Institutions?”, paper presented at the International Studies Association Asia-Pacific Regional Conference, School Of Political Science & International Studies The University Of Queensland, 29 September 2011, Brisbane, Australia.

<sup>4</sup> Raif Can, “‘Why Nations Fail’ by Daron Acemoglu and James A. Robinson”, 13 *Central Bank Review* (2013), 83-88.

<sup>5</sup> This could also be due to the need to “reduce” complexity to a manageable “project” approach.

<sup>6</sup> The income classification developed by the World Bank categorizing countries into low, middle and high income countries also denoted as LIC, MIC and HIC see The World Bank, “New Country Classifications”, at <http://data.worldbank.org/news/new-country-classifications-2015>.

<sup>7</sup> Oxford Poverty & Human Development Initiative, *Global Multidimensional Poverty Index 2015*, at <http://www.ophi.org.uk/multidimensional-poverty-index/>.

<sup>8</sup> Selim Jahan, “Human Development Report 2015: Work for Human Development”, United Nations Development Programme, Report, 2015, at [http://hdr.undp.org/sites/default/files/2015\\_human\\_development\\_report.pdf](http://hdr.undp.org/sites/default/files/2015_human_development_report.pdf).

<sup>9</sup> The Fund for Peace, *Fragile State Index*, at <http://fsi.fundforpeace.org/rankings-2015>.

<sup>10</sup> The Organization for Economic Cooperation and Development, *Social Institutions and Gender Index*, at <http://genderindex.org/>.

Despite many challenges from even by the UN, the World Bank's income poverty measurement remains a powerful reference point for current development dialogue.<sup>11</sup> A quick review of the development literature shows that although some attempts have been made to study the relationship between institutions and social development this has not translated into any effort to develop a new classification. While the UN does advocate for an "Issue" based classification, there has been yet any attention paid to use indices in generating typologies or a classification of countries.<sup>12</sup>

To illustrate the dichotomy of measuring results of social development versus focusing on the development of institutions, it would be good to look within the UN itself, more specifically on the work of two of its most well-known Funds, the United Nations Development Programme (UNDP) and the United Nations Children's Fund (UNICEF). Historically, UNDP has been known for its work on "governance", UNICEF has been strongly identified for its work on "results for children". It will be incorrect to say that either of them has completely focused on one objective at the expense of the other, yet it does illustrate that a major strategic theme has shaped these organizations over the years. Both organizations have been conscious of this and have extensively deliberated on how to "deal" or effectively engage with host Member States, on the basis of what is currently available as a measurement of "progress". Internally, both do "rank" Members States in order to allocate their resources, fully recognizing the limitations of this approach. There is a strong perception that any other proposed alternative to "rank" or "classify" a country would have political implications and may not be acceptable to the Member States.

The transition of the MDGs to SDGs focuses on addressing inequalities to achieve sustainable development. There is a strong view within the UN that "business as usual" cannot be continued as it strives to become "Fit for Purpose"<sup>13</sup>. It can be safely concluded that addressing inequalities within and among nations should become a central pillar for the UN to "Delivering as One".

## II. OBJECTIVES AND LIMITATIONS

The overall objective of this paper is to further open the debate on methods that can generate more complex and holistic measures of development status of a country. Ideally, these should be able to capture the complexity of development challenges<sup>14</sup> but should not be too difficult to generate, be used for, planning purposes—for a development organization. This paper seeks to illustrate, through statistical analysis, how the combination of several development

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<sup>11</sup> José Antonio Alonso, Ana Luiza Cortez and Stephan Klasen, "LDC and other country groupings: How useful are current approaches to classify countries in a more heterogeneous developing world?", Department of Economic & Social Affairs, CDP Background Paper No. 21 ST/ESA/2014/CDP/2, September 2014, at

[http://www.un.org/en/development/desa/policy/cdp/cdp\\_background\\_papers/bp2014\\_21.pdf](http://www.un.org/en/development/desa/policy/cdp/cdp_background_papers/bp2014_21.pdf).

<sup>12</sup> Ritambhara Hebbar and Sarthi Acharya, "Social Institutions and Development Challenges", 38 (32) *Economic and Political Weekly* (2003), 3343-3346.

<sup>13</sup> Constance Hybsier, "Fit for Purpose? UN development reform in the post-2015 context: A summary of selected reform options", GIZ on behalf of Federal Ministry of Economic Cooperation and Development, Report, March 2015, at [https://www.bmz.de/de/zentrales\\_downloadarchiv/wege\\_und\\_akteure/Fit\\_for\\_purpose\\_UN\\_reform\\_options.pdf](https://www.bmz.de/de/zentrales_downloadarchiv/wege_und_akteure/Fit_for_purpose_UN_reform_options.pdf).

<sup>14</sup> This refers to the increasing use of "Complex System Theory" to understand social development. For more information, see Samir Rihani, *Complex Systems Theory and Development Practice: Understanding Non-linear Realities*, (Zed Books Ltd, London, 2002).

indices can be used to measure institutional performance and social outcomes. It attempts to understand a country's relative standing in development in a more comprehensive manner by developing a different typology that explains the complex nature of inequality with institutions as a critical determinant. The hope is that not only this could open up debate for a new method of "measuring" development but also that typologies could present an opportunity for the UN to further focus its research on strategies of engagement and investment in countries with an optimum mix of institutional change and social outcomes.

In more specific terms this paper addresses three issues: Firstly, it examines the relationship and explores a "possible correlation" between institutional performance and human development outcomes. This paper develops a "meta-index" approach by using several different development indices, which capture different dimensions of institutional factors and social inequality. A simple statistical method is used to show a strong correlation between institutional (maturity) performance and social outcomes. The analysis generates four different country typologies presenting a multi-dimensional view of development, challenging assumptions and expanding on traditional linear models of progress based on income classification.

Secondly, by looking at the relationship between institutions and inequality, it explores and differentiates between Inequity and Inequality. These are, more often than not, used within and outside the UN synonymously, and this paper explains how different they are both in terms of definition but also the operational implications of such a differentiation. This paper argues that a country's institutions and not its income status is one of the most important determinant of its social outcomes.

Finally, it proposes the use of several indices to define country typologies rather than a single index. This has two advantages. One, a typology is likely to capture the complexity of development and thus make a better frame of reference for the UN to think through its strategic engagement with Member States. Two, as typologies capture the robustness of institutions, it also allows to take a deeper look at the dimensions of conflict and natural disaster or nations in fragile status. As this paper will show later these dimensions are increasingly putting larger demands on the UN resources.

### III. INCOME, INEQUALITY AND UN ENGAGEMENT

Many influential development thinkers<sup>15</sup> make a compelling case that addressing inequality should be on the top list of priorities when development policymakers implement the post-2015 Sustainable Development Agenda. This seems to not have been well addressed by the MDGs, where a narrow focus on pursuing national averages as a criterion for success left disparities unaddressed. The new Agenda addresses this through its slogan “No One Left Behind”, providing the UN and the Member States a historic opportunity to fully address inequalities. But inequalities may also have persisted because investment in countries was still largely based on Income classification or a mix of development Index “ranking”. Many development indices are based on indicators such as mortality rates. These measure a post facto situation<sup>16</sup> rather than on “inputs or processes” (inequities) that lead to these unequal outcomes.

UN engagement in MICs continues to stimulate internal debate. The concept of “graduation<sup>17</sup>” of low MICs to MICs, as an input to review the level of development investments in these countries has been going on for some time. The SDGs may have found a partial solution by applying the principle of universality. While this may be an important step in the right direction the larger question of how to tackle inequalities is still a challenge. This is now fairly well recognized and reflected well in this statement by several experts.<sup>18</sup>

“The UN and governments should prioritise the development of new criteria and forms of data collection that better reflect the intersecting nature of inequalities. This requires systematic attention to horizontal and vertical inequalities<sup>19</sup>. This area is substantially underdeveloped.”<sup>20</sup>

This is because we know that despite the rise in per capita income and reduction of inequalities among countries<sup>21</sup> it has actually worsened within some countries. This is well illustrated in the case of the Philippines<sup>22</sup>, where social outcomes in some of its poorest areas are much closer to sub-Saharan Africa<sup>23</sup> than to its own highly urbanized and developed areas.

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<sup>15</sup> Dolf te Lintelo, “Summary: Inequality and Social Justice Roundtable Consultation”, Institute of Development Studies, MDGF Achievement Fund, Conference held at Convocation Hall, Church House Conference Centre, 2013, Westminster, London.

<sup>16</sup> Any classification or typology that is based on “post facto” indicators, e.g. mortality rates, is considered as outcome-based for the purposes of this paper [Author]. Child Mortality estimates are have a time lag and are based on recall over the last five years.

<sup>17</sup> Jonathan Glennie, “The role of aid to middle-income countries: a contribution to evolving EU development policy”, Overseas Development Institute, Working Paper 331, June 2011, 18, at <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7189.pdf>.

<sup>18</sup> Author, *op.cit.* note 13

<sup>19</sup> Sabina Alkire and Suman Seth, “Identifying BPL Households: A Comparison of Methods”, Oxford Poverty & Human Development Initiative, Working Paper No. 54, at <http://www.ophi.org.uk/wp-content/uploads/Alkire-and-Seth-WP54-BPL.pdf>.

<sup>20</sup> Lintelo, *op.cit.* note 15, 8.

<sup>21</sup> Sustainable Development Goals, *Goal 10: Reduce inequalities within and among countries*, at <http://www.un.org/sustainabledevelopment/inequality/>.

<sup>22</sup> Benjie Oliveros, “Worsening Inequalities”, *Bulatlat.com*, Article, 7 March 2013, at

<http://bulatlat.com/main/2013/03/07/worsening-inequalities> and Cecil Morella, “Where Did Growth Go? Philippines' elite swallow country's new wealth – economists”, *Agence France-Presse*, Article, 3 March 2013, at <http://www.interaksyon.com/business/56249/where-did-growth-go-philippines-elite-swallow-countrys-new-wealth---economists>.

<sup>23</sup> The author worked in the Philippines from 2010-2015 and this is based on as yet unpublished data from the Southern parts of the country.

The differences in per capita income and child mortality rates within countries are manifestations of what Karen Armstrong<sup>24</sup> calls structural oppression/violence. The inequalities, therefore, can only be addressed if there is a deeper understanding of how these are embedded in a society and its institutions.

Understanding these structural causes requires attention to the issue of inequality of opportunity, also known as inequity. It is the processes and drivers of exclusion that lead to a lack of access to opportunities. These are most harmful when they happen during childhood. It is estimated that it takes two or three generations to “wash out” the effects of early malnutrition<sup>25</sup>.

There are conceptual differences between inequality and inequity. Inequity manifests itself through inequality in many ways. Inequality relates to “the condition of being unequal”, whereas inequity relates to “unfairness” or “injustice”<sup>26</sup>. However, when the term inequality is used to indicate a “lack of equality in opportunity or treatment”, then this understanding of inequality is inequity. For the UN to address inequality it is therefore, important to understand how the implementation of inclusive or exclusive institutions results in inequity. This paper proposes that institutional change should be considered as a major criterion to target resources. By focusing on institutional dynamics the UN can address multiple vulnerabilities, opportunity hoarding and poverty traps.

In moving towards understanding inequity, it is important to provide an overview of the current indices and classifications and explain how the use of this is relatively ineffective in regards to the UN’s engagement with MICs.

#### IV. OVERVIEW OF OUTCOME-BASED INDICES AND TYPOLOGIES

The current outcome-based classification of countries is being used by many, if not most, development agencies when they address development issues. There is, for example, the commonly used World Bank’s income-based classification of countries (i.e., HICs, MICs, LDCs), in which indicators such as GNI per capita are used to determine the resource allocations for each country<sup>27</sup>. Given that most of the world’s poor live in MICs<sup>28</sup>, many have challenged<sup>29</sup> the use of income per capita as the primary proxy for development. Other

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<sup>24</sup> Karen Armstrong, *Fields of Blood: Religion and the History of Violence* (Knopf Canada, Toronto, 2014).

<sup>25</sup> Richard Jolly, “Accelerate action to end malnutrition in a generation”, Institute of Development Studies (IDS) Article, 8 June 2013, at <http://www.trust.org/item/20130608123118-5bauc/?source=hpblogs>.

<sup>26</sup> Richard Klein and David Huang, “Defining and measuring disparities, inequities, and inequalities in the Healthy People initiative”, National Center for Health Statistics - Centers for Disease Control and Prevention. Power Point Presentation, 2010, at [http://www.cdc.gov/nchs/ppt/nchs2010/41\\_Klein.pdf](http://www.cdc.gov/nchs/ppt/nchs2010/41_Klein.pdf).

<sup>27</sup> This is more nuanced as can be seen here: International Development Association, *How IDA resources are allocated?*, at <http://www.worldbank.org/ida/how-ida-resources-allocated.html>.

<sup>28</sup> Sabina Alkire, José Manuel Roche and Andy Sumner. “Where Do the World’s Multi-dimensionally Poor People Live?”, Oxford Poverty & Human Development Initiative, Working Paper No 61, March 2013, at <http://www.ophi.org.uk/wp-content/uploads/ophi-wp-61.pdf>; Laurence Chandy and Geoffrey Gertz, “Poverty in Numbers: The Changing State of Global Poverty from 2005 to 2015”, Brookings Institute, Policy Brief No 1, January 2011, 9, at [http://www.brookings.edu/~media/research/files/papers/2011/1/global%20poverty%20chandy/01\\_global\\_poverty\\_chandy.pdf](http://www.brookings.edu/~media/research/files/papers/2011/1/global%20poverty%20chandy/01_global_poverty_chandy.pdf).

<sup>29</sup> Pedro Conceição and Romina Bandura, “Measuring Subjective Wellbeing: A Summary Review of the Literature”, United Nations Development Programme, Office of Development Studies, Article, 2015, 2-3, at [http://www.undp.org/content/dam/undp/library/corporate/Development%20Studies/subjective\\_wellbeing\\_conceicao\\_bandura.pdf](http://www.undp.org/content/dam/undp/library/corporate/Development%20Studies/subjective_wellbeing_conceicao_bandura.pdf).

possible measures include UNDP's MPI, a more complex one is suggested by Vázquez and Sumner at Institute of Development Studies<sup>30</sup> and the recently launched Social Progress Index (SPI)<sup>31</sup>. While these are richer in capturing further dimensions, these are still linear and still miss the deeper level of complexity that is required for designing sustainable interventions. They cannot fully capture the relationship between the "inputs" i.e. the institutions to "outcomes" i.e. the development outcomes.

This paper looks at two kinds of processes which result from the interplay of societal and governance structures. Institutions formed as a result of these processes can lead to inclusion or exclusion of certain population groups. Inclusive processes relate to the acceptance of diversity in society and empowering its expression. This can, overtime, translate to equal outcomes. However, where exclusive processes are implemented, such as in case of elite capture<sup>32</sup>, inequality results. The perpetuation of "extractive institutions"<sup>33</sup> that are characterized by socially exclusive processes, can lead to both political and economic deterioration. Being socially excluded may relate to being hindered from fully and actively participating in societal activities (relational capability<sup>34</sup>), whether politically (e.g., lack of voice in decision-making processes), socially (e.g., exclusion from accessing social services) or economically (e.g., exclusion from having a decent job). This is in contrast to social inclusion, where people are provided equal opportunities to capitalize and realize their potentials and goals.

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<sup>30</sup> Sergio Tezanos Vázquez and Andy Sumner, "Beyond Low and Middle Income Countries: What if There Were Five Clusters of Developing Countries?" Institute of Development Studies, Working Paper No 404, September 2012, at <https://www.ids.ac.uk/files/dmfile/Wp404.pdf>.

<sup>31</sup> Social Progress Index, *Social Progress Index 2015*, at <http://www.socialprogressimperative.org/data/spi>.

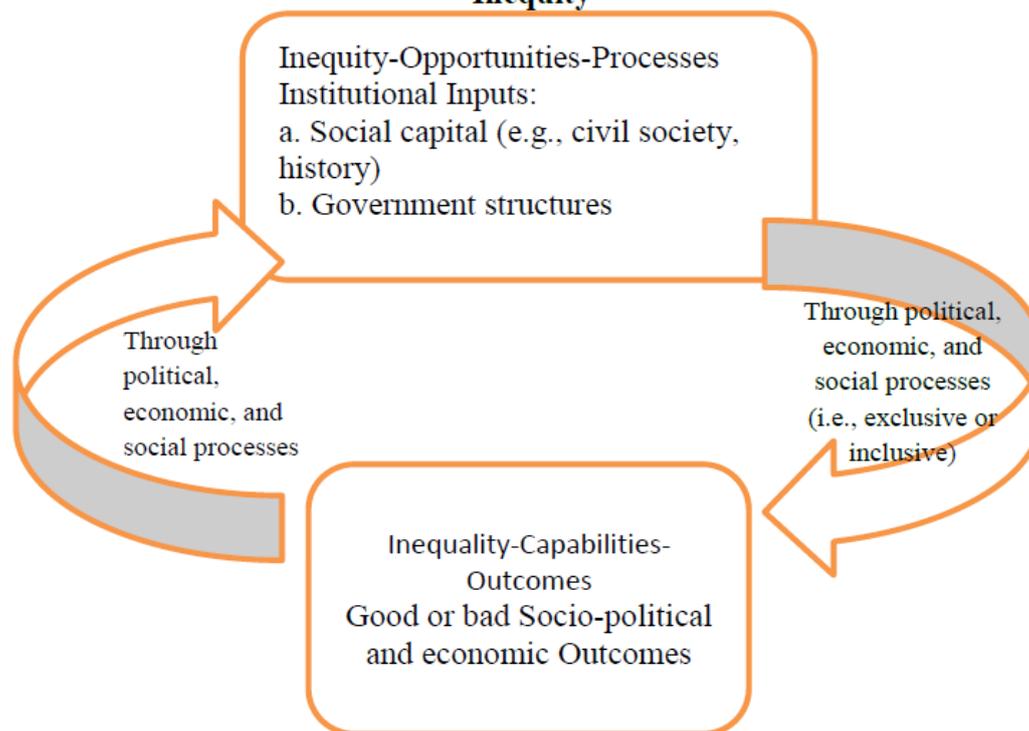
<sup>32</sup> Jean-Philippe Platteau and Frédéric Gaspart, "The 'Elite Capture' Problem in Participatory Development", Centre for Research on the Economics of Development (CRED) Faculty of Economics Rempart de la Vierge, Paper, January 2003, at <https://crespienrico.files.wordpress.com/2008/11/elite-capture.pdf>.

<sup>33</sup> After a thorough historical analysis of colonial and post-colonial institutions, Acemoglu and Robinson categorize institutions into two types: extractive or inclusive. This has wide ranging implications for poverty and inequity. They argue that extractive political institutions characterized by elite capture tend to set up exploitative economic institutions, giving rise to distortions in incentives for citizens to participate in development. On the other hand, inclusive political institutions tend to create democratic, participatory and equal societies which allow incentives for prosperity to flourish. Moreover, "inclusive political institutions, vesting power broadly, would tend to uproot economic institutions that expropriate the resources of the many, erect entry barriers, and suppress the functioning of markets so only a few benefits". According to their definition, extractive institutions appear if the political system is not pluralistic or not sufficiently centralized (or both). For more information, see Daron Acemoglu D. and James A. Robinson J., *Why Nations Fail: The Origins of Power, Prosperity, and Poverty* (Profile Books Ltd, Great Britain, 2012); and Raif Can, *op.cit.* Note 2.

<sup>34</sup> Amartya Sen, (2000), Social Exclusion: Concept, Application, and Scrutiny, Social Development Papers No. 1 Office of Environment and Social Development, Asian Development Bank, at <http://www.adb.org/sites/default/files/publication/29778/social-exclusion.pdf>.

For instance, institutional bias for gender can lead to unequal outcomes (i.e., inequality). By focusing on outcomes, we tend to overlook how those unequal results were caused in the first place. This leads to insufficient or inadequate interventions, thereby reinforcing the institutional processes that caused inequalities in the first place. This is explained in Figure 1<sup>35</sup> where you can see how unequal opportunities can contribute to a vicious or virtuous circle of equality or inequality.

**Figure 1. Vicious/Virtuous Cycle of the Creation and Entrenchment of Inequality and Inequity**



The vicious cycle of low income, high child mortality, malnutrition<sup>36</sup> and poverty is well documented and leads to intergenerational poverty<sup>37</sup> or what Kabeer<sup>38</sup> calls “path dependence”. In other words, they reduce the capabilities of and opportunities for some population groups to compete with others for resources. By investing only in short term interventions that “modify” a part of an organization chosen on the basis of their measurability we are unable to fully address inequities because these are structural and systemic<sup>39</sup>. Thus reducing maternal mortality by improved access to trained birth attendants can only lead to better and sustained outcomes if it accompanied by structural changes within the health system and civil society, particularly focused on changes in the intra-household dynamics and

<sup>35</sup> Figure conceptualized by the author.

<sup>36</sup> Low levels of income among the poorer families with many children lead to inadequate food availability, which perpetuates malnutrition. This accelerates high levels of infant and maternal morbidity and mortality (Acsadi, 1990).

<sup>37</sup> Kate Bird, “How is poverty transmitted inter-generationally and what might be done to stop it in its tracks?” Paper presented at the Chronic Poverty Research Centre’s international conference on Ten Years of ‘War Against Poverty’, 8 – 10 September 2010, University of Manchester, Manchester.

<sup>38</sup> Naila Kabeer, “Past, Present and Future: Child Labour and the Inter-generational Transmission of Poverty”, Paper Presented at Workshop by UNICEF on Social Policy in South Asia, 24 – 25 May 2006, Kathmandu, Nepal.

<sup>39</sup> Barbara Starfield, “The hidden inequity in health care”, 10 *International Journal for Equity in Health* (2011), 2-3.

women's access to resources<sup>40</sup>. Evidence is clear that systemic institutional failure can result in a serious crisis<sup>41</sup>. Examples of this is the collapse of Guinea's health system in the wake of the Ebola outbreak.

Thus, when we design development interventions based on outcome-based typology these are inadequate in addressing systemic issues. If we wish to address inequities we should consider altering institutional inputs. This is all the more important in case of MICs, where development outcomes may not be determined by the amount of financial resources but how their institutions create equities or inequities.

## V. NEED TO REVIEW THE UN'S ALLOCATION OF RESOURCES

UN's Funds and Agencies are the most influential development agencies in the world with billions of dollars of investment portfolio. By some accounts<sup>42</sup> the UN spends close to US \$ 44 billion in aid and peace keeping operations. As a way to operationalize these resources, the UN has focused on a rights-based approach to human development. The UN notes this approach as the *sin-qua-non* of development and the answer to many shortcomings faced by the previous strategies to reduce income poverty (see Poverty Reduction Strategy Papers<sup>43</sup>).

Yet, given the 2008 financial crisis' and its effects on the global economy, the UN has been facing the prospect of dwindling funding at a time of rising humanitarian and development needs<sup>44</sup>. This has led to renewed efforts to reconsider its development approach to make the best use of increasingly scarce resources.

There is growing awareness within the UN system to become Fit for Purpose and change its approach towards MICs.<sup>45</sup> In a joint meeting of the Executive Boards of UNDP/UNFPA/UNOPS, UNICEF, UN Women and WFP in 2012<sup>46</sup>, it was considered that

“[...] 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

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<sup>40</sup> Silvia Paruzzolo et. al., *Targeting Poverty And Gender Inequality*, (International Center for Research on Women ICRW, Washington DC, 2010), at 5-6.

<sup>41</sup> Medecins Sans Frontiers, “Pushed to the Limit and Beyond: A year into the largest ever Ebola outbreak”, Report, 2015, at <http://www.msf.org.uk/article/ebola-pushed-to-the-limit-and-beyond-msf-report>.

<sup>42</sup> Devex, *Simplifying the UN Budget*, at <https://www.devex.com/news/simplifying-the-un-budget-77709>. The approved budget for UN Peacekeeping operations for the fiscal year 1 July 2015-30 June 2016 is about \$8.27 billion [A/C.5/69/24]. For more information see United Nations Peacekeeping, *Financing Peacekeeping*, at <http://www.un.org/en/peacekeeping/operations/financing.shtml>.

<sup>43</sup> International Monetary Fund, *Poverty Reduction Strategy in IMF- supported Programs*, at <https://www.imf.org/external/np/exr/facts/prsp.htm>.

<sup>44</sup> The changing funding patterns of the UN and its funds, programmes and specialized agencies reflect these alarming trends. Key features are the growing gap between the scale of global problems and the (financial) capacity of the UN to solve them; the growing share of non-core contributions and earmarked trust funds in UN finance; increased reliance on the corporate sector; and the outsourcing of funding and decision-making to exclusive global partnerships. See Barbara Adams and Jens Martens, *Fit For Purpose? Private funding and corporate influence in the United Nations* (Global Policy Forum, New York, 2015).

<sup>45</sup> *Ibid.*

<sup>46</sup> “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, 30 and 31 January (2012), New York.

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.”

Note, once again, that this approach is in line with UN focus on addressing inequity<sup>47</sup> and institutional change (called variously as systemic or policy change). The UN recognizes that systems or institutions in different countries are important determinants of inequity.

## VI. INEQUALITY, INEQUITY AND INSTITUTIONS

Inequity, which is inequality of opportunity, implies unfairness or social injustice. Some researchers like Starfield<sup>39</sup> argue that if inequity is understood as unfairness, it is not measurable, and it does not lend itself to policy action. Lack of data on inequity in health systems is another serious obstacle<sup>39</sup> above. Despite methodological issues, a possible way to address this is to look at inequitable institutions. Several new global databases are now able to capture variables that characterize institutional biases, behaviours and practices are now widely available, and have been used empirically to show relationships to social or economic outcomes or to explain growing inequalities.

Both common sense and evidence shows that inequality and inequity are closely interlinked. Many social scientists consider inequality as a reflection of how institutions are shaped or created by a group of people. In other words, inequality is more structural than cultural<sup>48</sup>. At the heart of this structural problem is inequity. When inequities are institutionalized in the form of gender bias, social exclusion (e.g., for minority groups), unmet rights, lack of access to resources and opportunities, and failure of governance (elite capture), they can systemically give rise to inequalities<sup>49</sup>.

Stiglitz, in a recent book, makes a very succinct argument on how the political system and related institutional structures in the United States have made choices that increase the inequality of outcomes and reduce equality of opportunity. Later on he explains how this can be corrected<sup>50</sup>. Evidence indicates a stronger relationship between terrorism and political conditions than between terrorism and lack of education/economics. This demands a closer look at the roles inequities and institutions (and the exclusive/inclusive processes therein) play in impacting these countries' situations<sup>51</sup>. Highlighting the importance of institutions in development of the state, Fukuyama<sup>52</sup> incisively describes how institutional failure has led to

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<sup>47</sup> UN has since realized the importance of engaging and changing institutions in addressing equity issues as well as initiating policy shifts in both the legal and development environments.

<sup>48</sup> Jordan cites Oscar Lewis and his own work on relationship between structural and cultural causes of poverty and finds that there evidence to support that structural causes are more important. See Gregory Jordan, "The Causes of Poverty Cultural vs. Structural: Can There Be a Synthesis?" *Perspectives in Public Affairs* (2004), 18-34.

<sup>49</sup>M. Katherine McCaston and Michael Rewald, "A Conceptual Overview of Underlying Causes of Poverty", CARE, Report, January 2005, at

<http://pqdl.care.org/Core%20Library/A%20Conceptual%20Overview%20of%20Underlying%20Causes%20of%20Poverty.pdf>.

<sup>50</sup> Joseph Stiglitz, *Rewriting the Rules of the American Economy: An Agenda for Growth and Shared Prosperity* (W. W. Norton & Company, New York, 2015).

<sup>51</sup> Alan B. Krueger and Jitka Malec̃kova, "Education, Poverty and Terrorism: Is There a Causal Connection?" 17(4) *Journal of Economic Perspectives*, 119–144.

<sup>52</sup> Francis Fukuyama and Jonathan Davis, *Political Order and Political Decay: From the Industrial Revolution to the Globalization of Democracy* (Profile Books Ltd, London, 2015).

crises in Latin America and the Arab world. In the case of Latin America, he attributes it to the failure of political institutions in keeping pace with social change while in case of the Arab world it is really a failure of the Government, as in the case of Egypt, where rising inequalities led to a revolt against institutions that were widely seen as “hoarding” opportunities.

The World Bank acknowledges the large development costs countries incur as a result of inequity. The Bank’s 2006 World Development Report<sup>53</sup> notes that the presence of inequalities is highly correlated with inefficiencies, market distortions, exploitative economic institutions, as well as exclusive political institutions. These types of inequalities manifest themselves in corruption, rent seeking behaviour, and the creation of a class that “hoards” opportunities. This supports what Sen argued in his study on the relationship between democracies and famine. He states that it is inefficient institutions (entitlements or class-based destitution<sup>54</sup>) that causes starvation and not food unavailability, with huge costs to the country and its people.

The World Bank, however, does not have a mandate to address these “pathological policy streams”. Bebbington<sup>55</sup> et al. support this by showing that those social processes that cause inequality are much more resistant to change than poverty itself. Nevertheless, the authors recommend addressing and changing institutional arrangements that cause inequality traps as opposed to focus exclusively on reducing disparities.

Formation of inclusive political institutions forms the basis of good social capital. This is further corroborated by other social scientists, such as Rothstein<sup>56</sup> (2008), who provides detailed empirical evidence on the formation of state and social capital and establishes a very powerful correlation between them. Fao<sup>57</sup> also empirically shows the strong links between institutions, social cohesion, and economic growth or the other measures of wellbeing (e.g., Human Development Index).

The relevance of institutional change is similarly stressed by David Booth<sup>58</sup> (2011) in the context of the Paris Declaration on Aid Effectiveness. In a highly insightful evaluation of Swedish aid, Eleanor Ostrom<sup>59</sup> make a very convincing case against some international donors’ practices. The author argues that most donors tend to dispense aid in such a way that it distorts institutional accountability. In order to be effective in bringing about institutional change, it is critical that national and local institutions are motivated to be accountable to local constituencies.

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<sup>53</sup> The World Bank, *World Development Report 2006: Equity and Development* (Oxford University Press, New York, 2006).

<sup>54</sup> Amartya Sen, *Poverty and Famines: An Essay on Entitlement and Deprivation* (Oxford University Press, Oxford, 1998).

<sup>55</sup> Anthony J. Babbington et al. *Institutional Pathways to Equity: Addressing Inequality Traps* (The World Bank, Washington DC. 2008).

<sup>56</sup> Bo Rothstein Dietlind Stolle D., “The State and Social Capital: An Institutional Theory of Generalized Trust”, 40(4) *Journal of Comparative Politics* (2008), 441–459.

<sup>57</sup> Roberto Fao, “Social Institutions and Human Development”, Social Development Working Papers, Paper No. 006 July 2008, at [https://www.researchgate.net/publication/265402527\\_Social\\_Institutions\\_and\\_Human\\_Development](https://www.researchgate.net/publication/265402527_Social_Institutions_and_Human_Development).

<sup>58</sup> Douglas Booth, “Aid, Institutions and Governance: What Have We Learned?” 29(s1) *Development Policy Review* (2011), 5-26.

<sup>59</sup> Elinor A. Ostrom et al. “Aid, Incentives, and Sustainability An Institutional Analysis of Development Cooperation”, SIDA, Summary Report 02/01, May 2002, 1, at <http://www.oecd.org/derec/sweden/37356956.pdf>.

## VII. IS INSTITUTIONAL CHANGE MEASURABLE?

Is it possible to measure institutions or if they are equitable or inequitable? There has been some research on measuring institutions. An exhaustive review of these will merit a separate paper, but a quick overview suggests that any method is likely to suffer from imperfections of various sorts<sup>60</sup>. Chief among them is the ability to measure processes that characterize institutions with objectivity especially looking at both de-jure and de-facto dynamics and the fact that they remain at best measures of abstractions<sup>61</sup>.

Due to the complexity of capturing these dynamics, these methodological problems are likely to persist in any effort<sup>62</sup>. What is more important is that one remains aware of the limitations of any particular approach and also understand that any conclusions drawn are, at best, a way forward for more research. While there is literature available on relevance and the role of institutions in political and economic development and growth<sup>63</sup> few attempts<sup>64</sup> have been made to look at the role played by institutions in social development. Robert Chamber's seminal work<sup>65</sup> is useful to understand how participation or the lack thereof can determine equity. His work focuses on a human-centred approach to development to explain how discrimination or injustice could be institutionalized and how institutional change and effective participation can tackle inequities. This paper is an attempt to move in that direction while remaining aware of assumptions, limitations and pitfalls.

There have been some attempts to generate measurements including institutions as an important part of the development process. Examples can be found both in work done on generating global indices and global typologies. Recent work done on generating SPI<sup>66</sup> is one example. Another example is the Change Readiness Index, developed by the Overseas Development Institute (ODI) and KPMG since 2012, which measures a nation's readiness for change.

Other than the well-known typology based on income classifications by the World Bank, another one developed recently by Institute of Development Studies (IDS) with five different typologies, there is relatively little available in literature. While the typologies developed by IDS are promising they do require a very high capacity for analysis and may not be able to withstand rapid or medium-term changes in country situations.<sup>67</sup> The UN advocates for an "issue" based classification but also recognizes that that this may cause fragmentation of

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<sup>60</sup> For an excellent overview of this see: Stefan Voigt, "How (not) to measure Institutions", University Marburg, Joint Discussion Paper Series in Economics, Paper No 37, 2009, at [https://www.uni-marburg.de/fb02/makro/forschung/magkspapers/37-2009\\_voigt.pdf](https://www.uni-marburg.de/fb02/makro/forschung/magkspapers/37-2009_voigt.pdf).

<sup>61</sup> Mary M. Shirley, *Institutions and Development* (Edward Elgar Publishing, Cheltenham, 2010), 80.

<sup>62</sup> *Ibid.*

<sup>63</sup> Roberto Fao, *op.cit.* note 46

<sup>64</sup> Anil B. Deolalikar *et al.*, "Poverty Reduction and the Role of Institutions in Developing Asia", Asian Development Bank, Economics and Research Department Working Paper Series No.10, May 2002, at <http://www.adb.org/sites/default/files/publication/28443/wp010.pdf>; Daron Acemoglu James Robinson, "The Role of Institutions in Growth and Development", Commission on Growth and Development of the World Bank, Working Paper No 10, 2008, at [http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth\\_Commission\\_Working\\_Paper\\_10\\_Role\\_Institutions\\_Growth\\_Development.pdf](http://siteresources.worldbank.org/EXTPREMNET/Resources/489960-1338997241035/Growth_Commission_Working_Paper_10_Role_Institutions_Growth_Development.pdf).

<sup>65</sup> Gabriel Ferrero y de Loma-Osorio and Carlos Salvador Zepeda, "Changing Approaches and Methods in Development Planning: Operationalizing the Capability Approach with Participatory and Learning Process Approaches", Group of studies in Development, International Cooperation and Applied Ethics, 2003, at 168.

<sup>66</sup> Social Progress Index, *op.cit.* note 23.

<sup>67</sup> Sergio Tezanos Vázquez and Andy Sumner *op.cit.* note 25.

international aid system when there is preferential issues which have to be prioritized and also suffers from “comprehensiveness” which is needed to deal with issues in a more multi-dimensional way.<sup>68</sup>

This paper is perhaps the first attempt to use global indices to generate a typology. The intention here is to demonstrate a method and generate an example, not to produce evidence. As it attempts to measure abstractions, it combines several global indices to capture many dimensions. Despite the criticisms on indices their importance and relevance for influencing development policies cannot be denied. These are World Governance Index<sup>69</sup>, which reflects governance behaviour, these have been used with some success to look at development performance<sup>70</sup>, and the Social Institutions and Gender Index<sup>71</sup>, which accounts for institutional factors behind gender inequality and Fragile (previously Failed) States Index<sup>72</sup>. The intent here is to demonstrate that this approach can highlight the importance of institutions for social development. This can lead towards a simpler and practical planning approach to reduce inequities and advance human development.

## VIII. TOWARDS A NEW TYPOLOGY

A quick review of literature points to four measures that should be taken into account if an equity-driven typology of countries is to be arrived at. These measures account for political, societal, social and economic dimensions. The purpose is to find the best proxy indicators surrounding these dimensions. In this case, we make a distinction –which may not entirely be exclusive – between the first two dimensions that are more institutional in nature, and deal with how nation states and societies organize themselves, thereby leading to potentially inclusive or exclusive processes (measuring inequity or inequality of opportunity). We also make a distinction between the last two, which– for the purpose of this paper– measure how institutions perform in delivering better services or allowing income opportunities to its citizens. In other words, the last two measurements reflect on inequality.

In particular, this paper examines proxy indicators that can measure the “Equitableness<sup>73</sup>” of the political institutions. These indicators measure the presence of social capital in a country, in addition to the commonly-used measures of economic and social development. The rationale behind this is that the measure of the “equitableness” allows us to determine whether a political system will embrace responsible social practices be open to change its behaviour critically, or generate/ be motivated by self-sustaining good governance incentives. If a political system follows these incentives, they can lead towards a “consolidation of social gains” trajectory sustainably.

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<sup>68</sup> *Ibid.*

<sup>69</sup> The World Bank, *Worldwide Governance Indicators*, at [www.govindicators.org](http://www.govindicators.org).

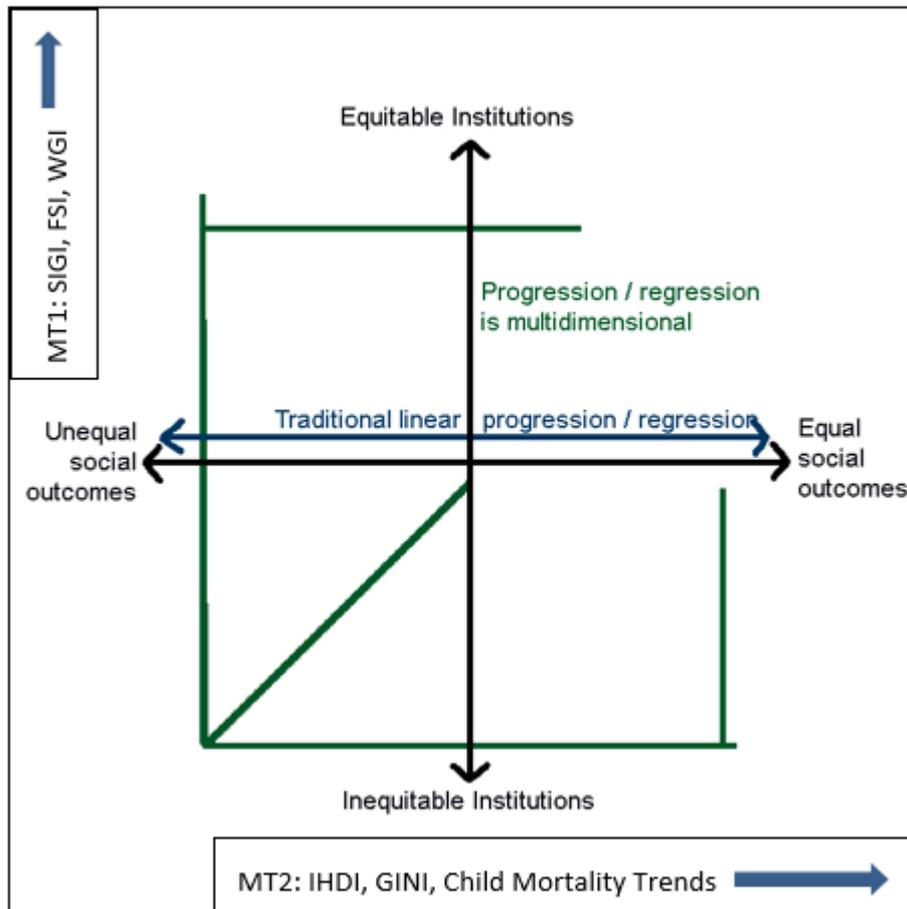
<sup>70</sup> Xuehui Han, Haider Khan and Juzhong Zhuang, “Do Governance Indicators Explain Development Performance? A Cross-Country Analysis”, Asian Development Bank, ADB Economics Working Paper Series No 417, November 2014, at <http://www.adb.org/sites/default/files/publication/149397/ewp-417.pdf>.

<sup>71</sup> OECD, *op.cit.* note 8.

<sup>72</sup> Fund for Peace, *op.cit.* note 7.

<sup>73</sup> World Bank, *op.cit.* note 42.

**Figure 2. Correlation between MT1 & MT2**



This paper argues that social outcomes, such as inequality, can be determined with two indexes that measure what shapes institutional behaviour: the Input Index (MT1), and the Output Index (MT2) (See Figure 2). MT1 is composed of SIGI, FSI and World Governance Index (WGI). This measure assesses how people or civil society, as reflected in social capital, interacts with and shapes governance institutions. Governance institutions, in turn, are measured according to their performance and maturity. The interaction between people/civil society and governance institutions influences whether a society's behaviours or practices are inclusive or exclusive. A key limitation when quantifying MT1 was to find an appropriate composite index that measured social capital. Nevertheless, MT1 captures some of the most important aspects of social capital. By utilizing three different international databases, MT1 measures all inputs that go into shaping social outcomes.

On the other hand, MT2 measures all outputs, as it is a composite of IHDI, GINI Coefficient and Child Mortality Trends. This paper correlates MT1 with MT2 in a two by two formulation with four different quadrants (see Figure 2). MT1 measures equity (opportunities as institutional practices) and MT2 measures equality (outcomes that result from availing of opportunities).

## IX. METHODS AND ANALYSIS

This paper examines the relationship between institutional performance and social outcomes. This study combined and compared global indices that reflected on the quality of civil society and governance institutions, in order to develop appropriate country typologies and measure inequity and inequality.

Datasets were identified based on the following criteria. They:

- were the most globally representative;
- best captured inequity or inequality;
- captured trends over time, as opposed to static data points;
- captured both processes and outcomes of processes; and
- Come from reliable sources.

Three datasets covering social outcomes met these criteria: UNDP's IHDI, the GINI Index, and the under-five Mortality Rate (U5MR) reported annually in UN's *The State of the World's Children* and trended over 10 years.

By contrast, it was challenging to identify datasets covering institutional performance, given the political sensitivities, the lack of universal agreement on how institutional performance should be measured, and the fact that these data may have been collected subjectively. Two datasets nonetheless met our criteria: the Organization for Economic Co-operation and Development's SIGI, and the World Bank's WGI. A third dataset on institutional performance – the FSI – was also considered and used. The analysis was tested with and without FSI.

FSI includes data on institutional exclusion not available elsewhere, such as the capture of resources by elites and political competition. Among FSI's technical flaws are an arbitrary weighting scheme, a combination of too many variables and a binary methodology. Politically, the dataset is controversial and lacks buy-in. When FSI was excluded, the exact position of every country changed: 109 countries improved and 23 worsened.

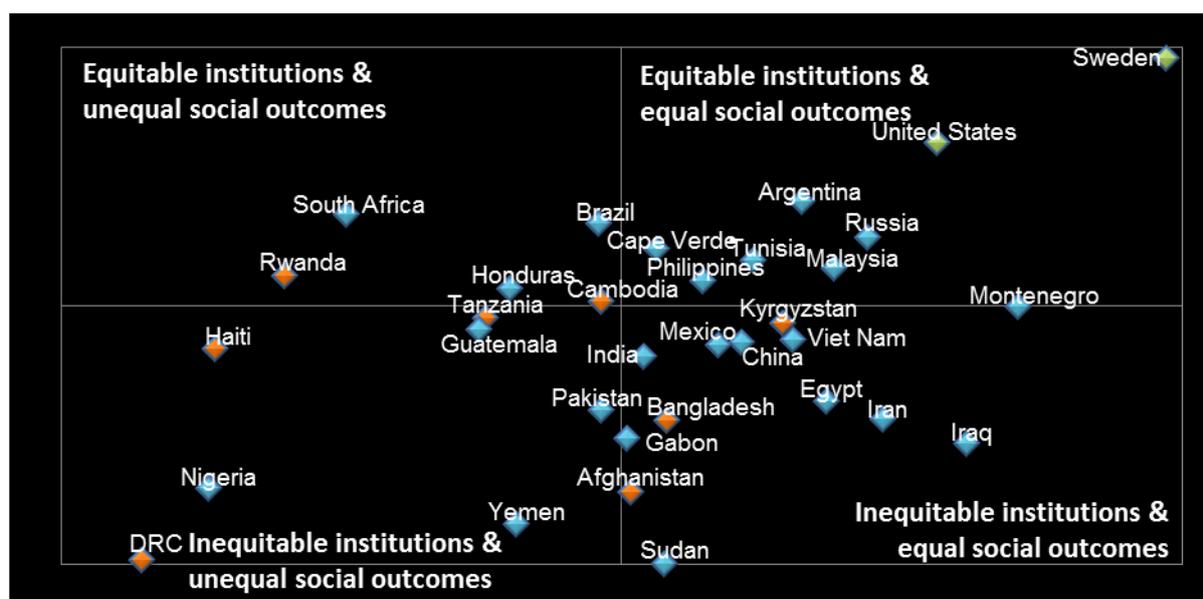
## X. ANALYSIS

Figure 3 below shows a two by two quadrant with four typologies. Only a few countries are shown out of the 132 for which data was available. Countries falling within the same quadrant share systemic regularities in contrast to others. These formed the basis for this study's four typologies.

The analysis and the emerging four typologies suggest that the UN should take into account countries' institutional performance and rather than their income status especially in case of MICs, as they are found in every quadrant.

The typologies that resulted from the analysis present a multi-dimensional view of progress, expanding on traditional linear models. The indices representing the relative equitability of institutions and the relative equality of social outcomes, used in this analysis, can be further combined to create a meta-index. This provides a ranking of the 132 countries on a global equity-equality index.

Figure 3. Selected countries shown in Quadrants – FSI excluded



Key: Blue: Middle Income Countries, Orange: Low Income Countries

## XI. PROGRAMMING DESIGN AND POLICY CHOICES

Each of the four typologies presents a different set of challenges and opportunities for the UN in terms of programme and policy choices.

### A. Inequitable Institutions – Unequal Social Outcomes (bottom left quadrant)

With weak institutions and unequal social outcomes, this quadrant includes countries such as Democratic Republic of the Congo, Haiti, Pakistan and Yemen. Countries in this quadrant present a very high risk of institutional failure, worsening inequality, and poor social outcomes. They are unlikely to sustain social gains without strengthening their institutions. Investment in these countries should be focused on service delivery requiring and aimed at institutional. Given the instability a higher level of project (output) based interventions, where UN can exercise more control, are desirable but the design should target long term change.

Very rough estimates suggest that the UN makes a significant investment – including its peacekeeping operations – in countries that belong to this quadrant. This paper recommends that the UN integrates both development and peace keeping agendas in order to make sustainable gains and investments. This approach would be most effective if investment is used towards in building stronger partnerships with Non-Governmental Organizations (NGOs) and the private sector to strengthen the capacity of the public sector, especially where their institutions are unable to deliver services<sup>74</sup>.

<sup>74</sup> For example, in Haiti during the political crisis and embargo [1991-1994], UN organizations prioritized partnerships with NGOs to substitute for the State, which contributed to further weakening of State institutions as a result.

## **B. Equitable Institutions – Unequal Social Outcomes (top left quadrant)**

Countries in this quadrant share a risk for increased disparities because of a disconnection between institutional strength and social outcomes. Their institutions are strong, but historical, political and socioeconomic factors have limited their ability to achieve equal outcomes. This may also be a result of their institutions and policies focusing on short-term results.

However, these countries also have a strong potential basis for achieving sustainable outcomes. Brazil, Rwanda and South Africa fall into this quadrant.

UN investment would be most effective if it is used towards identifying of the root cause and bottlenecks that has led to the disconnect between social outcomes and the equitable institutions. It also implies paying more attention to the strengthening of accountability processes in the public sector.

## **C. Inequitable Institutions – Equal Social Outcomes (bottom right quadrant)**

Good outcomes run the risk of masking the fundamental institutional weaknesses shared by countries in this quadrant. China, Egypt and India are here, but so are Afghanistan, Viet Nam and Sudan.<sup>75</sup> Humanitarian aid and development investment in countries such as Afghanistan, Egypt and Sudan may have temporarily skewed social outcomes positively, without improving the institutional performance of these countries. The exclusionary nature of China and India's social institutions and their rapid and extractive economic growth explain the presence of these countries in this quadrant.

UN investment would be most effective if it is used towards conducting analyses of the institutional environment, policies and systems in order to identify the bottlenecks that prevented the achievement of MDGs and would challenge the implementation of the SDGs; and the interventions should focus on fostering and engaging in strong evidence-based advocacy to demand the improvement of institutional performance.

## **D. Equitable Institutions – Equal Social Outcomes (top right quadrant)**

This quadrant represents sustainable development, with mature institutions and good social outcomes. However, pockets of disparities also exist in countries in this quadrant. Countries in this typology include Argentina, Canada, Malaysia, the Russian Federation, Sweden and Tunisia.

UN investment would be most effective if it is used towards sustaining good results to consolidate gains; Continuously monitoring the pockets of disparities in which child rights are being violated; fostering further strengthening of institutional frameworks and leveraging of public resources towards addressing such violations; and, analyses of policy development and the impact of institutions on social outcomes in the long term.

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<sup>75</sup> The data used are prior to South Sudan's independence.

## XII. POSSIBLE FUTURE DIRECTIONS

Identifying causal relationships between institutions, policies and individual behaviours is an important area for future work. This paper merits expansion in four directions:

1. **Changing the debate** – from a traditional focus on income classification to a focus on social outcomes and importance of institutional bottlenecks that prevent equality of social outcomes.
2. **Characterizing the support provided by Headquarters (HQ) and Regional Offices (RO) to Country Offices (CO).** Country offices will require innovative support to establish linkages between social outcomes and institutional performance, embrace changes and accountability processes in the public sector, and strengthen institutional frameworks for improving inclusion. This will entail looking at governance issues within the UN (e.g., the HQ-RO-CO relationship) and reconsidering factors that affect UN efficiency and effectiveness (e.g., programme cycle duration).
3. **Building on this approach as a general instrument for improving decision-making on aid delivery.** The UN may wish to partner with some prominent universities and institutes (such as the Institute for Development Studies) to provoke a larger dialogue on this kind of approach within the international development community.
4. **Capturing further dimensions of institutional maturity.** There are several other global Indices available, such as the [Change Readiness Index \(by KPMG\)](#), the [Climate Change Index \(by German Watch\)](#), the [ND GAIN Index \(University of Notre Dame Global Adaptation Index \(ND-GAIN\)\)](#), the [Global Conflict Risk Index \(GCRI\) by the Joint Research Centre of European Commission](#), and the [Basic Capabilities Index by Social Watch](#). If integrated into the MT1, these indicators will allow further dimensions to be factored in, thereby facilitating the conduct of more detailed analyses. The results from these potential studies would help the UN to improve their investment decisions and overall engagement in the development sector.

### **Acknowledgements:**

This expanded and substantially revised paper originated as a part of a learning project, conducted in 2012 by the University of Cambridge for UNICEF staff. While the main thesis and most of the literature review comes from the author, it is important to thank the following colleagues for their important contributions to an earlier version of this paper, titled “**Understanding Child Rights, Equity and Institutions: The missing link**”. Special thanks to Tanya Accone, whose intense work on producing the data analysis, organizing the group and keeping everyone in high spirits made the project possible. My gratitude also goes to Catherine Langevin-Falcon, who provided excellent drafting and editorial support; Alice Akunga, Andres Franco and Nadine Perrault, who enriched the earlier draft with their insightful comments and suggestions; and Karin Hulshof, whose guidance was crucial for the completion of this paper. Special support was provided by the faculty at Cambridge University in ensuring the quality of the initial paper.

## The UN and Governance in Middle Income Countries

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### **Abstract**

As more and more countries graduate to middle-income status, the UN is facing growing demands for policy advice, but little has been done to change the UN's business model to reflect this. This paper takes recent reforms to UN Development Programme's (UNDP) governance programming in Viet Nam as a case study to illustrate the way the UN can leverage its convening power as a trusted and impartial actor, building UN policy advisory capacity outside nationally-executed projects, although working closely with them, for greater impact in a middle-income setting. The success of this reform has been widely acknowledged in Viet Nam, and the paper argues for its adoption in other Middle Income Country (MIC) environments. However, for such a model to achieve its full potential, the paper argues that deeper reforms will be required, including a more proactive approach to knowledge management, stronger research partnerships, more flexible programming and procurement modalities, and a real career track for policy expertise within the UN system. Financing such reforms will be challenging as dwindling amounts of Official Development Assistance (ODA) are spread ever more thinly over a growing number of MICs, but the most ambitious development agenda in human history surely requires no less ambitious reforms from the UN itself.

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<sup>1</sup> Programme Advisor – Governance, Conflict Prevention, Access to Justice and Human Rights, UNDP Bangkok Regional Hub, e-mail [nicholas.booth@undp.org](mailto:nicholas.booth@undp.org). The paper draws on, develops and updates arguments and material from an earlier paper which was presented at a conference on rule of law development and MICs at University of Chicago Law School in 2012, later published in Peerenboom and Ginsburg (eds.), *Law and Development of Middle-Income Countries: Avoiding the Middle-Income Trap* (Cambridge University Press, Cambridge 2014). The views expressed herein are mine and do not necessarily represent the views of the UN or UNDP.

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## I. MICs, THE UN AND THE 2030 AGENDA FOR SUSTAINABLE DEVELOPMENT

### A. Role of MICs in the Agenda 2030

In September 2015, the 193 Member States of the United Nations adopted the 2030 Agenda for Sustainable Development, pledging to build on the Millennium Development Goals (MDGs) and complete what these did not achieve. Notably, the MDG target of poverty reduction has been replaced with a commitment to end poverty and hunger everywhere; and a selective set of targets to be achieved in aggregate have been replaced with a much more comprehensive agenda of 17 Sustainable Development Goals (SDGs) comprised of 169 targets to be achieved “for all”, endeavouring to reach the furthest behind first. The universality of this new agenda is memorably captured through the pledge that “no one will be left behind” which first appears in the Preamble to the Agenda 2030 and is repeated four more times throughout the document.<sup>2</sup>

In the implementation of this new universal Agenda, MICs will matter as never before. The number of MICs has increased from 68 in 1999<sup>3</sup> to 104 in 2014<sup>4</sup>, representing some 74% of the world’s population. Countries like the BRICS<sup>5</sup> are the engines of the world’s growth, but MICs are still home to two-thirds of the world’s poor.<sup>6</sup> Regions such as Latin America and Asia-Pacific have become almost entirely middle- or upper- income (with just five of the world’s remaining 22 Lower Income Countries (LICs) remaining in these regions – Afghanistan, Cambodia, DPRK, Haiti and Nepal). The new focus of the Agenda 2030 on combating inequality (the specific focus of SDG 10) is also highly relevant for MICs, in which income inequality is a persistent challenge, in particular because it weakens the impact of growth in terms of poverty reduction. For instance, MICs still account for 69.6% of global undernourishment.<sup>7</sup> MICs therefore need to accomplish more than two-thirds of the new agenda to end poverty and hunger by 2030.

One important new area for the Agenda 2030 is governance, which for the first time is addressed directly through new Sustainable Development Goal (SDG) 16 to “promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels”, whose targets cover the whole field of governance including anti-trafficking, rule of law, access to justice, corruption and illicit financial flows, transparency and accountability, participatory decision-making, access to information, human rights and anti-discrimination amongst others.<sup>8</sup>

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<sup>2</sup> See UN General Assembly, Transforming Our World: The 2030 Agenda for Sustainable Development, A/RES/70/1, 25 September 2015, adopted by Heads of State and Government and High Representatives at the meeting held at United Nations Headquarters in New York from 25-27 September 2015.

<sup>3</sup> See the table at Annex B of the Report of the Task Force on the World Bank Group and Middle Income Countries April 2001, at <http://siteresources.worldbank.org/COUNTRIES/Resources/micrf.pdf>.

<sup>4</sup> See <http://data.worldbank.org/about/country-and-lending-groups>.

<sup>5</sup> An acronym for Brazil, Russian Federation, India, China and South Africa, five of the most powerful emerging economies who between them account for some 20% of global GDP.

<sup>6</sup> See Report of the UN Secretary-General on Development Cooperation with Middle Income Countries, 5 August 2013, A/68/265 (“SG 2013 report”), at [http://www.un.org/en/development/desa/policy/publications/general\\_assembly/a\\_68\\_265\\_dev\\_cooperation.pdf](http://www.un.org/en/development/desa/policy/publications/general_assembly/a_68_265_dev_cooperation.pdf), para. 21.

<sup>7</sup> *Ibid.* para 121.

<sup>8</sup> The targets in full are as follows: 16.1 Significantly reduce all forms of violence and related death rates everywhere; 16.2 End abuse, exploitation, trafficking and all forms of violence against and torture of children; 16.3 Promote the rule of law at the national and international levels and ensure equal access to justice for all; 16.4 By 2030, significantly reduce illicit financial and

Governance is clearly highly relevant for MICs. There is a strong correlation between levels of governance and levels of income and human development.<sup>9</sup> It is beyond the scope of this article to go deeper into the debate whether better governance strengthens growth and development or vice versa, but in any case it is clear that, across all dimensions, governance in MICs is stronger than in LICs (and countries with low human development), but much weaker than in high-income economies (and countries with high human development). Indeed, the most important recent theoretical work on development issues such as inequality and growth has squarely placed politics – and therefore governance – at the centre of the problem.<sup>10</sup> The addition of SDG16 therefore represents a long-overdue recognition of the role of governance as a driver of human development in all its dimensions.

UNDP shares the conviction that weak governance is one of the main reasons for the so-called “middle income trap” – the phenomenon where some countries’ growth falls off and stagnates once they reach middle-income status<sup>11</sup> – and that is why inclusive, democratic and equitable governance is one of the three pillars of UNDP’s work.<sup>12</sup>

This focus on governance is also well-aligned with the preferences of MICs themselves. A 2012 survey of 111 countries showed that 79% of respondent MICs considered the UN’s contribution to governance and public administration especially significant, second only to environment and sustainable development; and this percentage was higher than for either LICs (67%) or High Income Countries (HICs) (40%).<sup>13</sup>

## ***B. Role of the UN in Supporting MICs in the New Agenda 2030***

If MICs are key to delivering the Agenda 2030, the UN bears a particular responsibility in supporting them to do so, since the UN’s mandate is universal while bilateral aid donors traditionally begin to phase out aid programming once a country “graduates” to MIC status. In many MICs the UN is therefore the only development partner present on the ground, or one among very few. The need for the UN to remain engaged with MICs was highlighted for the

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arms flows, strengthen the recovery and return of stolen assets and combat all forms of organized crime; 16.5 Substantially reduce corruption and bribery in all their forms; 16.6 Develop effective, accountable and transparent institutions at all levels; 16.7 Ensure responsive, inclusive, participatory and representative decision-making at all levels; 16.8 Broaden and strengthen the participation of developing countries in the institutions of global governance; 16.9 By 2030, provide legal identity for all, including birth registration; 16.10 Ensure public access to information and protect fundamental freedoms, in accordance with national legislation and international agreements; 16.a Strengthen relevant national institutions, including through international cooperation, for building capacity at all levels, in particular in developing countries, to prevent violence and combat terrorism and crime; 16.b Promote and enforce non-discriminatory laws and policies for sustainable development.

<sup>9</sup> See the interactive data tables for the Worldwide Governance Indicators at

<http://info.worldbank.org/governance/wgi/index.aspx#reports> where this trend can be observed for each dimension of governance across the whole time series since 1996. The question of causality (whether good governance enables growth or vice versa) remains unproven, but the correlation is clear.

<sup>10</sup> See for instance Acemoglu and Robinson *Why Nations Fail* (Crown Publishing, New York 2012) and Stiglitz *The Price of Inequality* (W.W. Norton, New York 2012) and Piketty *Capital in the Twenty-First Century* (Belknap Press, Cambridge, Mass. 2014).

<sup>11</sup> The ‘middle-income trap’ phenomenon is discussed in the SG’s 2013 report. SG’s report, *op.cit.* note 6, paras. 26 *et sub.*

<sup>12</sup> UNDP Strategic Plan 2014-2017 “Changing With The World” at

[http://www.undp.org/content/undp/en/home/librarypage/corporate/Changing\\_with\\_the\\_World\\_UNDP\\_Strategic\\_Plan\\_2014\\_17/](http://www.undp.org/content/undp/en/home/librarypage/corporate/Changing_with_the_World_UNDP_Strategic_Plan_2014_17/).

<sup>13</sup> See “Results of survey of programme country governments: Preparation for the 2012 Quadrennial Comprehensive Policy Review of Operational Activities for Development of the United Nations System Department of Economic and Social Affairs (UNDESA)” Chart 15, at [http://www.un.org/esa/coordination/pdf/government\\_survey\\_report\\_10\\_june\\_2012.pdf](http://www.un.org/esa/coordination/pdf/government_survey_report_10_june_2012.pdf).

first time in the 2008 Triennial Comprehensive Policy Review<sup>14</sup> and has figured prominently on the UN's agenda since then.<sup>15</sup>

The core resources available to the UN to meet these responsibilities are spread ever more thinly. The rise in number of MICs has not been reflected in the proportion of the UN's core resources allocated to them, which has remained constant at around 12% since at least 1995.<sup>16</sup> Conversely, MICs have greater access than LICs to other sources of financing such as foreign direct investment, remittances, and domestic resources as well as concessional lending. Therefore, once a country graduates to MIC status, UN agencies increasingly depend on government cost-sharing and other sources to finance their development support.

The UN has recognized the need for a specific strategy for supporting development in MICs, but it remains a work in progress. In his 2011 report on development cooperation with MICs, the Secretary-General went so far as to describe the lack of a well-defined, coherent strategic framework for providing advocacy and policy advice<sup>17</sup> to MICs as “the principal strategic constraint facing the United Nations system”.<sup>18</sup>

More precisely, what is lacking is not an understanding of the kinds of policy advice which would be most relevant for the UN to focus on in MICs.<sup>19</sup> Nor is there any disagreement about the key principles which should guide the UN in providing such policy advice – these are well summarized, for instance, in a joint discussion paper in 2012 by the Executive Boards of UNDP, UN Population Fund (UNFPA), UN Office for Project Services (UNOPS), UNICEF, UN Women and World Food Programme (WFP):<sup>20</sup>

- **Comparative advantage:** Building on the UN's strengths, which include a global perspective; a large network of offices and institutes around the world; access to world-class expertise, data and knowledge; wide recognition and credibility; neutrality/impartiality; and convening power.

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<sup>14</sup> See GA Resolution A/62/208 at para 27.

<sup>15</sup> Following three UN-sponsored International Conferences on Development Cooperation with Middle-Income Countries in Madrid, El Salvador and Windhoek in 2007-2008, the GA in December 2008 passed its first resolution focusing on development cooperation and MICs (A/RES/63/223), calling on the Secretary-General to submit a report, which he did in August 2009 (A/64/253). Since then there have been a number of further conferences and resolutions (64/208 of 21 December 2009, 66/212 of 22 December 2011 and 68/222 of 20 December 2013) and SG reports in 2011 and 2013 (*op.cit.* note 6).

<sup>16</sup> In the 2008-2011 period about 86-87% of core funding for UNDP/UNFPA was allocated for lower-income countries, only slightly lower than the 88% allocated in 2004-2007 (see UNDP/UNFPA Executive Board Proposal for Programming Arrangements 2008-2011, <http://www.undp.org/content/dam/undp/library/corporate/Executive%20Board/dp07-44.pdf>) a proportion which has remained constant since at least 1995 (see Executive Board decision 95/23 at paragraph 24, at <http://web.undp.org/execbrd/pdf/e95-34e.pdf>). The question of resources for MICs will be revisited below.

<sup>17</sup> The move ‘upstream’ to focus on policy advocacy and advice is part of a more general repositioning of the UN's role, not only in its work with MICs, but it is considered particularly relevant in MICs: cf. UN Development Group (UNDG) Strategic Priorities for 2010-2012 include “Engage ‘upstream’ in policy and programme dialogue and technical advice, especially in MICs and NCCs [net contributor countries]”. For a recent study commissioned by the UN Development Operations Coordination Office (UNDOCO) see CBI “UNCTs engaging in National Policy Dialogue: Lessons from the Field” (Dec. 2011).

<sup>18</sup> A/66/220 at paragraph 33, at [http://www.un.org/en/development/desa/policy/publications/general\\_assembly/a\\_66\\_220.pdf](http://www.un.org/en/development/desa/policy/publications/general_assembly/a_66_220.pdf). The lack of an overarching, well-defined strategic framework for development cooperation with MICs was highlighted by the Secretary-General as a continuing problem in his 2013 Report (*op.cit.* note 6, para. 57).

<sup>19</sup> See for a recent example UNDP “Synthesis Report: Development Cooperation in Middle-Income Countries” (July 2015), at <http://www.undp.org/content/dam/undp/library/development-impact/UNDP%20Synthesis%20Report%20%20Development%20Cooperation%20in%20Middle%20Income%20Countries.pdf>.

<sup>20</sup> The following bullet-points are taken from the background paper prepared for a Joint Meeting of the Executive Boards of UNDP/UNFPA/UNOPS, UNICEF, UN Women and WFP held in January 2012, *Middle-income countries: The role and presence of the United Nations for the achievement of the internationally agreed development goals*, at [http://www.unicef.org/about/execboard/files/Final\\_version-MICs\\_background\\_paper.pdf](http://www.unicef.org/about/execboard/files/Final_version-MICs_background_paper.pdf).

- **UN's role:** Based on the UN's normative role, consistent with universality and neutrality of UN operations, with support to policies and programmes that reach the poorest and most deprived groups at the centre of this role.
- **Country context:** Perhaps most importantly, greater responsiveness to the specific demands related to national development challenges, avoiding a "straitjacket" of one set of UN policies and procedures. This point deserves special emphasis. The club of MICs is not only huge now but highly diverse, not only in terms of income,<sup>21</sup> but also in terms of human development.<sup>22</sup> It is surely fruitless to try to identify common substantive approaches for MICs as a whole: we live in a post-Washington-consensus world and understand that there are no 'universal best practices' and that 'no size fits all'. Another factor here is that while some basic infrastructural and training needs are likely to be relevant in most LICs, MICs are more likely to require policy advice (or the strengthening of their own policy-making and strategic capacities). That in turn calls for not only a deeper understanding of the national context by the UN, but also a more sophisticated understanding of how to discern, compare and learn from the experiences of other countries (which are increasingly likely to be MICs themselves in an era of growing South-South and triangular cooperation), embedded in equally specific and complex contexts.

The question which has received less attention is: How concretely the UN needs to change the way it does business to fulfil these principles in middle-income contexts. Of course, there is a limit to the degree to which this question can be answered that applies across a group of more than 100 countries in extremely diverse political, cultural, geographical and economic contexts, whose economies at the top end of the range are by definition more than 10 times larger than those at the bottom, and whose poverty ratios vary from 0% in Belarus to 68.1% in Timor Leste.<sup>23</sup> Nonetheless some key characteristics can be identified, each of which have important implications for the UN:

- **Complex, contextual governance needs:** Some basic needs are commonly required across all LICs, and development partners have a strong track record in supporting them. They may be infrastructural needs such as installing IT systems or building and refurbishing court-houses or prisons. They may involve fundamental capacity-building such as training judges, prosecutors and lawyers on international human rights law, training anti-corruption commissioners on the UN Convention against Corruption, and sending officials on study trips and exposure visits to understand the basic architecture of governance institutions in other countries. By contrast, in MICs, the uncontroversial part of institution-building has often been completed and what remains is a policy agenda, each part of which is highly political, path-dependent and contextual. For now we can summarize this point by saying that the governance needs evolve from infrastructure and capacity-building support to policy advice, but beneath this simple

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<sup>21</sup> The threshold levels for MICs and upper-income countries mean that by definition, the richest MICs having GDP over 12 times those of the poorest.

<sup>22</sup> Ranging from very-high-human-development Lithuania (ranked 40th in the 2011 index with HDI of 0.810) to low-human-development Côte d'Ivoire (ranked 170th in the 2011 index with HDI of 0.400).

<sup>23</sup> See tables at <http://www.ophi.org.uk/multidimensional-poverty-index/mpi-2015/>.

phrase, issues of fundamental importance and complexity are lurking which need to be examined in more detail below.

- **Financing for development:** MICs have more resources to finance their own development, and conversely UN agencies have less core funding and access to bilateral aid, so that development (at least through UN programmes) is increasingly likely to require government cost-sharing. MIC governments therefore have more options, and they will have a different relationship with UN agencies in which they, and not the UN, are (at least in part) the donor. In fact, this is a natural and a positive evolution. While all development cooperation is meant to be based on national ownership and priorities, this is particularly likely to be true for programmes funded by national budgets, and the sustainability for such interventions should also be improved. But the UN will itself need to evolve to reflect this changed relationship. Three aspects can be briefly mentioned here:
  - Firstly, MICs which are paying for policy advice can choose from whom they buy it. This places a premium on the quality of the UN's policy advice.
  - Secondly, like all consumers, MICs who are paying for a product may need stronger evidence to persuade them to buy it than those who are being offered a product for free. This puts a premium on the UN's ability to provide evidence in support of its proposed development solutions. Given its role as an enabler of other development goals, governance has always presented special challenges in terms of measuring and demonstrating impact: the UN needs to work even harder on that.
  - Conversely, if donor-funded projects carry the risk of being more strongly aligned to donors' agendas than national priorities, the UN needs to be equally vigilant not to allow its own values and priorities to be swayed by the availability of government funding. Strong accountability frameworks, supported by excellent monitoring and evaluation, will remain essential to ensure that the UN's programmes result in maximum development impact for the poorest and most marginalized groups in society, irrespective of who is paying for them.
- **South-South cooperation:** MICs are both development partners as well as recipients, opening up the scope for South-South and triangular aid cooperation. The UN with its strong presence on the ground should be well-placed to support this, but only if it is capable to deploy and disseminate knowledge about what different MICs have to offer one another.

The question which has received much less attention is: What is needed to translate these principles into concrete terms? What does the UN need to do differently in terms of its staffing, programming and operation in MICs? How can it strengthen its ability to deliver policy advice at country level (so that real expertise is applied to a sound understanding of local context), drawing on and contributing to the UN's global pool of knowledge, anchored within a solid theoretical (but empirically-informed) framework based on world-class research?

In this paper, I would like to suggest some elements of an answer by drawing on my experience as a founding member of the Policy Advisory Team which was established within UNDP Viet Nam in 2007; precisely in order to better address the challenges of delivering policy

advice to Viet Nam as it graduated to lower-middle-income status. This innovation is therefore of particular relevance to our theme, especially as it involved the strengthening of country-level policy-advisory capacities. In the discussion below, I aim to show how this indeed proved relevant to the changing needs of Viet Nam for policy advice as it entered middle-income status, and also highly responsive to the growing requirement for the UN system to “deliver as one”. By trying to meet these requirements, the new ‘policy advisors’ became increasingly aware of the limitations of UNDP’s corporate knowledge base, which has yet to reflect the richness of UNDP’s<sup>24</sup> programmes in some 177 countries and territories around the world.

My discussion will be based on a narrow focus: one UN agency (UNDP), one area of development work (governance) and one country (Viet Nam from 2007-2012), but three subsequent years serving as a regional policy advisors for rule of law and access to justice in the Asia-Pacific region – which for UNDP includes 24 country offices and 36 countries -- has convinced me that the lessons from Viet Nam are relevant to many other country contexts in the region, and that UNDP should do more to strengthen both its policy advisory capacities at country-level and the quality of its regional and global knowledge base.

As a rare example of an innovation designed to respond to the growing need for policy advice in a MIC environment, whose value has been demonstrated through independent research and evaluations<sup>25</sup>, I therefore argue that the UNDP Viet Nam experience deserves to be the subject of more attention: indeed, I believe that we – not just UNDP, not just the UN, but the whole development community – should be paying more detailed attention to this and other approaches to delivering policy advice in MICs. I am therefore of course delighted at the initiative of UNSSC and Hertie Foundation to organize this conference, which I hope will be an excellent catalyst for the discussion and just the first in a series of such exchanges.

## **II. A VIET NAM CASE STUDY**

### ***A. The Early *đổi mới* Period 1986-2000***

To start with some context:<sup>26</sup> Viet Nam is a socialist republic under the leadership of the Communist Party of Viet Nam. After decades of devastating conflict, international isolation and extreme poverty, UNDP’s story begins in the early 1990s after the introduction of extensive economic and more limited political reforms, known as *đổi mới* (“the renovation”), which introduced a “socialist rule-of-law-based state” within continued one-party rule, and with it a diplomatic engagement with the outside world which also opened the door to wider development cooperation.

UNDP and other donors were quick to respond, and by the end of the 1990s UNDP had projects with a wide range of partners in the fields of rule of law development, parliamentary development, economic governance and public administration. From a standing start, the

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<sup>24</sup> The rest of this paper will focus on UNDP because I have no experiences of other UN agencies, but I would be more than happy to learn from colleagues in other UN agencies whether their approaches and experiences converge or diverge from mine.

<sup>25</sup> See section II.D below.

<sup>26</sup> The history and context for policy reform in Viet Nam and its implications for development strategies is examined in greater detail in my earlier paper (see Peerenboom and Ginsburg, *op.cit.* note 1).

governance landscape transformed dramatically. A comprehensive legal framework was quickly enacted, including the progressive development of a legal framework for a “socialist-oriented market economy”; the legal profession was revived; law universities and faculties were established; courts and prosecution offices were fundamentally restructured and their personnel professionalized; legal aid offices were established; and a regulatory framework emerged to support the growth of a nascent civil society.

Throughout this process, the international donors remained strongly engaged, especially in supporting law-drafting processes, introducing Viet Nam to experiences around the world through study-tours and international workshops, providing technical assistance, including training of personnel, and supporting infrastructure-related projects (for instance in areas like IT).

### ***B. Developing National Strategies for Governance***

The first decade of the new millennium saw the development of a number of national governance strategies, including a Public Administration Reform (PAR) Master Plan 2001-2010<sup>27</sup>; comprehensive legal<sup>28</sup> and judicial reform strategies<sup>29</sup> in 2005, and in 2009 an Anti-Corruption Strategy<sup>30</sup>. The UN and UNDP (together with other donors) consistently played a strong role in supporting the adoption of these strategies, and the focus of projects increasingly turned towards their implementation.

It was at this point, however, that the perspectives of many donors began to diverge from that of their national counterparts. A national bar association was established that did not meet the requirements of independence and autonomy for which donors had advocated. Administrative courts were established but seemed hesitant to challenge government acts; court reforms stopped short of independence and judges continued to be recruited from within the Communist Party; civil society regulation retained strong discretionary controls on the licensing and operation of NGOs; and mechanisms to address corruption appeared limited in their effectiveness.

In this changed climate, UNDP’s own performance came under increasing scrutiny. Donors called on the UNDP to leverage its comparative advantage – above all, the political neutrality which enables it to address sensitive issues from the standpoint of international norms, access to global expertise and knowledge, and the convening power to bring governments, civil society and the international community around the table – in the politically sensitive areas of governance.

At the same time, with graduation to middle-income status imminent, bilateral donors began preparations to phase out aid programmes, while the UN in Viet Nam launched a “One UN” or

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<sup>27</sup> For details on the 2001-2010 PAR Master Plan see <http://caicachanhchinh.gov.vn>. A new PAR Master Plan is now in force, see Resolution 30c/2011/NQCP of November 2011, at <http://vietnamlawmagazine.vn/resolution-no-30c-nq-cp-of-november-8-2011-promulgating-the-master-program-on-state-administration-reform-in-the-2011-2020-period-4705.html>.

<sup>28</sup> Politburo Resolution No. 48-NQ/TW of 24 May 2005 on the strategy for development and improvement of Vietnam’s legal system to the year 2010 with direction to the period up to 2020 (“LSDS”).

<sup>29</sup> Politburo Resolution No. 49-NQ/TW of 2 June 2005 on the judicial reform strategy to 2020 (“JRS”).

<sup>30</sup> Government Resolution 21/2009 NQ-CP of 12 May 2009.

“Delivering as One (DaO)” initiative<sup>31</sup>, aimed at enabling the UN to deliver more effective system-wide policy advisory services and advocacy.

### **C. UNDP’s Internal Review of Governance 2006**

Accordingly, in 2006, UNDP conducted an internal review to ensure its fitness for purpose in the new One UN middle-income environment. Its thinking was strongly influenced by its own experiences in economic governance and equity issues, where a series of evidence-based policy research papers had been acclaimed as major contributions to debates on economic policy, and generated significant traction at senior policy levels within the Party-State, while presenting a distinct and complementary focus to the World Bank’s engagement.

The essential insight which had led to the successful reform of UNDP’s economic governance programme was based on the perceived shortcomings of UNDP’s traditional project model, “national implementation modality” or NIM, under which a specific government agency is entrusted with implementing a short-term (typically 3-5 year) project in which project strategy, activities and expected outcomes are set through a detailed Results and Resources Framework which is agreed and budgeted at the outset of the project.

This model is ideally suited for undertakings where all the essential inputs and outputs, financial and technical, can be accurately assessed in advance and the roles of all actors can be adequately captured within the project logic. A simple case would be an infrastructure project, such as building a road or a bridge, where the essential skills and manpower, equipment and raw materials can be assessed and budgeted and an implementation plan can be drawn up with a fair degree of confidence. Of course, some variables remain – weather, unexpected engineering difficulties caused by unexpected geological features, or the spirited protest of affected landowners – but still this type of project design remains broadly relevant and appropriate to the essentially technical task at hand.

The picture becomes much more complicated, however, when policy reforms (and especially governance policy reforms) are in question. Take, for instance, the legal and judicial reforms set out in the 2005 strategies, which set out a broad canvas of strategic reform directions to be implemented over a 15-year period.

The central issue is politics. Even a one-party state like Viet Nam contains within it widely divergent viewpoints and interests, within and outside government structures, whose agreement and cooperation are needed for effective change. This is particularly the case in a MIC where different institutions enjoy higher levels of capacity and, with it, a stronger sense of their own institutional interests, which may or may not converge with those of other institutions. In such circumstances, a policy direction such as “criminal procedure reform” may well reflect a consensus that the criminal procedure system needs to be reformed, but may equally well hide very divergent views about the specifics of that reform, in which police, prosecutors, judges and the Bar Association may all have directly conflicting views about

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<sup>31</sup> DaO is an initiative to improve UN system-wide coherence at country level, including through mechanisms such as a One UN Plan for all agencies in the UN Country Team, a single fund for all UN programmes, joint programming and advocacy and other related initiatives – see for more details <http://www.un.org/en/ga/deliveringasone/index.shtml>. DaO in Viet Nam is discussed in more detail below, with particular reference to the role of the UNDP Policy Advisory Team’s contribution to UN system-wide coherence.

changes which strengthen the powers of some at the expense of others. Different actors will use all the networks at their disposal to influence the course of reforms – including, in some cases, to neutralize or delay them. If, as was memorably said, a week is a long time in politics, then 15 years is a generation and the task of “implementing” a national strategy is considerably more complicated and path-dependent than it may at first appear.

A second, somewhat related, issue is that the ‘science’ of governance reforms is highly contested. Such reforms are context-dependent, so that reasonable policy-makers can differ on whether a solution which seemed to work elsewhere can be successfully applied in a new context, and if so with what adaptations. The pathway towards reform often requires some experimentation and a process of trial and error, memorably described by Deng Xiaoping as ‘crossing the river by feeling the stones’.

From these two factors, a number of problems with the traditional project model emerge. One is timing: attempting to forecast the reforms which will be successfully undertaken within a 3-5 year time period is a hazardous business. Two examples from Viet Nam: an attempt to pass a Law on Associations failed in both 1994 and 2006 because the vigour of opposing and irreconcilable views in the political debate, and it remains to be seen whether the new draft law, tabled in June 2015, will meet a different fate. And three successive attempts, in 2001, 2006 and 2011, to introduce a system of constitutional review each failed because of the lack of consensus on what form of review would be appropriate for Viet Nam’s context. That question, too, is sure to re-emerge in the years to come, but only time will tell when it will re-emerge and whether the outcome will be different next time.<sup>32</sup>

Another problem is agency capture. UNDP projects are typically implemented by national agencies in order to ensure national ownership, but we should be careful not to equate national ownership with the interests of a particular agency. To take an example cited earlier, a project on criminal procedure reform could be implemented very differently depending on whether the courts, prosecution, police or the Bar Association were put in charge of implementation.

A particular feature in Viet Nam’s context is that projects are usually implemented by Departments of International Cooperation within ministries. The incentives for the Director of such a department are to deliver the project successfully, which means above all financial delivery – successfully spending the project budget according to the agreed work plans. Conversely, the Director has no incentive to incur any political risk in implementing the project. After all, the department is not the one responsible for implementing policy changes. If the Director organizes activities which provoke an angry reaction from powerful stakeholders, career prospects may suffer; whereas if the project delivers its financial targets, a reward is likely to be handed out. The fact that it failed to deliver substantive policy change can probably

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<sup>32</sup> This issue is equally true of any political reform in countries irrespective of income levels, of course. Take the instance of same-sex marriage: the ‘inputs’ in terms of advocacy, awareness raising, coalition-building etc. in the USA have been continuous since the 1960s, but the ‘outcome’ and its timing could hardly have been predicted – indeed, as recently as 2006 24 out of 50 states had laws banning same-sex marriage, whereas now it is constitutionally protected throughout the US. See for an excellent discussion of the issues around design and measurement of political reform initiatives (from which this last example was taken) R. Kleinfeld “Improving Development Aid Design and Evaluation: Plan for Sailboats, Not Trains” (Carnegie, New York 2015) at <http://carnegieendowment.org/2015/03/02/improving-development-aid-design-and-evaluation-plan-for-sailboats-not-trains/i4u1>.

be explained on other factors.<sup>33</sup> This is perhaps one explanation for the often-noted tendency of governance projects to focus on organizing workshops and study tours rather than on advocating controversial policy changes – and not just in Viet Nam.<sup>34</sup>

Of course, many people within such project structures may have strong personal motivations to support reforms, including both national project staff and the international technical experts who are often assigned to these projects, whether on a short or long-term basis. However, the implementing agency has the ultimate say, and even an international advisor has very little freedom of manoeuvre in practice if the National Project Manager and Director do not have the incentive to bring about real change. The key then is to identify and respond to demands for UNDP's policy advice outside project implementation units.

At the same time, nationally-implemented projects are still essential as a vehicle for development cooperation, especially when the project is indeed within the Ministry responsible for implementing policy change (even if the driver of change comes from a different substantive department). Even if the drivers for change come from elsewhere, it is often essential for initiatives to come from national rather than UN agencies in order to engage high-level stakeholders.

UNDP's economic governance unit's strategy was therefore not to abandon the standard project portfolio, but to supplement it with activities outside those projects. The Country Economist, a resident international expert reporting directly to UNDP outside of any individual project, and with access to funding of his own, was able to build up a broad network of national researchers and experts, within and outside government structures, to learn about the 'hot' issues of the day, and to commission research, both national and international, to bring new evidence – especially comparative experiences – and perspectives to the national debate. Through this, UNDP was able to make a real contribution to the major economic debates of the day. This in turn led to government officials directing projects to follow-up on the ideas and recommendations resulting from policy researches, and in such cases the projects came as nationally-owned and executed vehicles for conducting policy debates and piloting reforms – the element of risk being mitigated by the support from powerful government officials which was gained during the process of research, discussion and debate.

UNDP Viet Nam saw that the innovations developed in the Economics unit had the potential to address the shortcomings in its governance work. It therefore decided to establish a new Policy Advisory Team comprising international and national Policy Advisors responsible for key policy areas – Rule of Law and Access to Justice, Public Administration and Anti-Corruption, and Climate Change in addition to the existing Economics advisor. The Policy Advisory Team (PAT) reports directly to UNDP's senior management, outside the thematic project portfolio, and has access to significant resources to undertake research or innovate pilot initiatives which, once their value has been proved, can be used to advocate scaling-up

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<sup>33</sup> The donor may share similar incentives to prioritize financial delivery over policy change. Reporting under-delivery is a generally seen as a failure even if backed up by understandable reasons; meeting delivery targets is generally welcomed even if policy change is not yet apparent.

<sup>34</sup> Although this example is taken from Viet Nam, this kind of structure – where international donor projects are approved and implemented by other business units than those in charge of domestic policy reforms – is quite common in my experience, and so the form of risk-aversion which neutralizes the impact of development projects can be observed in many quite different country contexts.

through conventional project vehicles.<sup>35</sup> PAT advisors have also identified opportunities for conventional projects to address emerging issues which were not originally identified in workplans, leveraging their relationships with civil society and access to international expertise to ensure that the UN plays its convening role to the fullest.<sup>36</sup>

#### **D. Policy Advisors and “Delivering as One”**

An important dimension of the policy advisory team has been its support to the delivery of coordinated “One UN” system-wide policy advice. Following the 2006 report of the Secretary-General’s High-Level Panel on UN System Wide Coherence<sup>37</sup>, Viet Nam was one of eight countries to pilot a “One UN” approach with one leader, one programme, one budget and, where appropriate, one office, known as the “Delivering as One” (DaO) initiative.<sup>38</sup>

Initially, only one of the eight pilot countries (Uruguay) was a MIC,<sup>39</sup> but since 2007 that number has risen by four with the graduation of Albania, Cape Verde, Pakistan and Viet Nam, and the relationship between DaO and development cooperation with MICs was to become one of the key dimensions of the pilot, and was stressed in the Secretary-General’s 2009 report.<sup>40</sup>

The access to resident expertise on governance and climate change issues enabled UNDP to act as a resource to other agencies to forge cross-agency coalitions on strategic policy issues and enhance the coherence and voice of the UN system in Viet Nam. The climate change advisor, for instance, works extensively with the UN Resident Coordinator to support a UN-wide engagement on climate change; while the rule of law advisor convened a cross-agency coalition to advocate successfully for the closure of detention centres for sex workers and the introduction of judicial due process standards for detention of juveniles and drug users.

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<sup>35</sup> One notable example is the Provincial Governance and Administration Performance Index (PAPI, at [www.papi.vn/en](http://www.papi.vn/en)) which was started by a PAT advisor with PAT funding but has grown to become an established and trusted source for provincial governance performance data in Viet Nam, frequently relied upon by the Government itself.

<sup>36</sup> An example is the role UNDP played in brokering a national conversation on the rights of same-sex couples in the context of the 2012-3 revision of the Law on Family and Marriage, connecting the Government with civil society organizations representing LGBTI communities, parents of LGBTI, gay and lesbian parents as well as with international experts specializing in the human rights of LGBTI. A nationally-implemented project was the enabler for a conversation which has transformed not only the public discussion but also the legal recognition of LGBTI rights (including a recent change to the civil code allowing change of birth gender following sex reassignment surgery), but the PAT team played a key role in successfully introducing this issue onto the project workplan and in facilitating the participation of civil society as well as international human rights expertise. For further examples about the role PAT has played in Viet Nam. For some early examples see Peerenboom and Ginsburg, *op.cit.* note 1, 321-322.

<sup>37</sup> United Nations General Assembly, Delivering as one – Report of the High-level Panel on United Nations System-wide Coherence in the areas of development, humanitarian assistance and the environment, A/61/583, 20 November 2006. The report is available at [http://www.un.org/en/ga/search/view\\_doc.asp?symbol=A/61/583](http://www.un.org/en/ga/search/view_doc.asp?symbol=A/61/583).

<sup>38</sup> The eight pilot countries were Albania, Cape Verde, Mozambique, Pakistan, Rwanda, Tanzania, Uruguay, and Viet Nam. Following a number of conferences and an independent assessment of the pilots, the 2012 Quadrennial Comprehensive Policy Review (QCPR) endorsed the approach, recognizing “the achievements and experience in the implementation of “Delivering as one” by a number of pilot programme countries on a voluntary basis as an important contribution for enhancing the coherence, relevance, effectiveness and efficiency of the United Nations development system in those countries” (see paragraph 134 of QCPR 2012 resolution, at <http://undocs.org/A/RES/67/226>) and the Secretary-General is now mandated to report on DaO in his annual report on progress in implementation of the QCPR resolution (on QCPR generally see <http://www.un.org/en/ecosoc/qcpr/>).

<sup>39</sup> It has since graduated to upper-income status.

<sup>40</sup> See SG’s report, *op.cit.* note 15, para 55-56.

## **E. The Impact of the Policy Advisory Team**

The value of the PAT was recognized by a recent independent Assessment of Development Results for UNDP Viet Nam 2006-2016, which commented:

“The work of policy advisors on PAT has been reported by many – both internal and external to UNDP – as being vital to UNDP as well as to the UN’s role in Viet Nam. Its ability to flexibly choose the scope and approaches of its work within a DIM [direct implementation modality] project framework – including open-style research and think-tank like work – has been the biggest advantage in the face of complex and fast-moving operational environment in the country. As seen in the assessment of the three thematic programmes, the role of policy advisors in each cluster has been crucial in opening and paving the way for a further engagement with national partners on often sensitive ideas and norms from international perspectives. In the area of governance, the PAT provided policy advocacy with non-project national partners, piloted new innovative initiatives, and integrated some of its ideas into project implementation.”<sup>41</sup>

These findings were echoed in other independent evaluations:

- The independent country-led evaluation of the DaO pilot in Viet Nam noted that “when stakeholders outside the UN were asked about examples of policy engagement the most frequently cited example is the work of four policy advisors in UNDP dealing with economics, climate change, and governance including the legal sector, public administration reform and anti-corruption”.<sup>42</sup>
- An evaluation of donor anti-corruption programmes in Viet Nam commissioned in 2011 by the Norwegian aid agency noted that “although this evaluation is not directly concerned with the work of UNDP, it emerges as an influential participant in the AC interaction with government”,<sup>43</sup> adding that “UNDP has ... managed to turn around [its] performance. A team of policy advisers was recruited. Working relationships have been established ... New ways of working with Government – with policy advisers building personal relationships with key decision-makers – have been developed in the process”,<sup>44</sup> concluding that “historically, bilateral donors have been more influential than the multilaterals at governance reform, but bilateral donor support to both the World Bank and UNDP has started to change that relationship.”<sup>45</sup>

A recent academic study of donor support to rule of law reform in Viet Nam is also valuable because it includes significant evidence from Vietnamese counterparts themselves, who consistently cited UNDP, as well as the Japanese International Cooperation Agency (JICA), as outstanding, as a result of their approach. A local respondent was quoted as “celebrat[ing] the UNDP approach to legal assistance, noting it had in-country advisers that came to know

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<sup>41</sup> UNDP Independent Evaluation Office “Assessment of Development Results for the Socialist Republic of Viet Nam”, draft November 2015 (copy available on file with author).

<sup>42</sup> See Derek Poate, Dang Ngoc Dung, Nguyen Hang, “Country-led evaluation, Delivering as One: UN Pilot initiative in Viet Nam”, UN Viet Nam, Final Report, May 2010, para 4.16, at [http://web.undp.org/execbrd/pdf/VNM\\_Country%20led%20Evaluation%20One%20UN%20Revised%20Report%20250510.pdf](http://web.undp.org/execbrd/pdf/VNM_Country%20led%20Evaluation%20One%20UN%20Revised%20Report%20250510.pdf).

<sup>43</sup> See Norad Evaluation Department, “Joint Evaluation of Support to Anti-Corruption Efforts 2002-2009: Viet Nam Country Report” Norad, Report 6/2011, June 2011, 29, at <https://www.norad.no/globalassets/import-2162015-80434-am/www.norad.no-ny/filarkiv/vedlegg-til-publikasjoner/joint-evaluation-of-support-to-anti-corruption-efforts-viet-nam-country-report.pdf>.

<sup>44</sup> *Ibid.* 34.

<sup>45</sup> *Ibid.* 52.

Vietnam well, as well as its language. Additionally, the UNDP was cast as beyond politics and this bolstered its image as a donor without an agenda. This was identified because of the UNDP's migration to fostering comparative research, in conjunction with the Party's Judicial Reform Steering Committee, among others, rather than court-based projects. In effect, the UNDP was seen as supporting Vietnamese knowledge acquisition, rather than pushing a particular ideological line".<sup>46</sup> Similarly, JICA's approach was praised for "long term commitment, Vietnam expertise, a genuine commitment to Vietnamese ownership of reform and a focus on teaching and informing the Vietnamese of relevant comparative experience to enable their reform choices".<sup>47</sup>

The authors conclude: "It also seems that the employment of technically qualified consultants over the long-term, who work in equivalent institutions in their own jurisdictions and/or become literate in the relevant legal system over-time is sensible practice: as JICA has done. And with some variation, the current UNDP approach employs experts in Vietnam and China to augment its local expertise, although those experts are not always based in equivalent institutions in their home countries. This counsels donors against the use of short term contract consultants, without local expertise, who also seek uncritically to instil a particular vision of the rule of law as a part of their project work".<sup>48</sup> They also noted appreciation for "the Japanese approach to the Vietnamese because it avoided the 'fly in, fly out' consultant. There was much praise for the Japanese employment of long-term experts, based within the court. There was also praise for the Japanese practice of having a stable team of experts, based in Japan, who returned regularly to Vietnam to advise on ongoing projects".<sup>49</sup>

Reflecting on these as well as our own experience I would like to suggest three critical success factors:

- **Accountability to the country office:** This is a critical element. What made PAT different was not the presence of long term international and national experts, although that was also critical to its success.<sup>50</sup> The innovation was to have them report directly to UNDP senior management and not through nationally implemented projects. This 'liberated' the advisors to make broader networks and to support research and pilots which would not have been programmed under the projects directly. Of course, some funding for these activities – under UNDP's control – was also critical to enable the advisors to play that role.
- **Integration between policy and programme work:** Projects remain essential as vehicles to engage state policy-makers and as the main channel for turning policy recommendations into actual reforms on the ground. At the same time, the freedom of the policy advisors to build broad networks, respond to emerging priorities, commission independent research, engage multiple channels (including media, civil society and academia alongside national agencies) and use the UN's convening role to bring them together enabled them to enrich the policy component of work done under projects.

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<sup>46</sup> See Nicholson and Low, *Local Accounts of Rule of Law Aid: Implications for Donors* [2013] Hague Journal of Rule of Law Vol. 5 issue 1 and [2013] UMelbLRS 8, at <http://www.austlii.edu.au/au/journals/UMelbLRS/2013/8.html#fnB224>.

<sup>47</sup> *Ibid.*

<sup>48</sup> *Ibid.*

<sup>49</sup> *Ibid.*

<sup>50</sup> Although PAT international advisors were in fact hired on annual contracts (see on this below), fortunately they have tended in practice to stay 5-7 years in the country.

Advisors recruited under single-agency-executed projects were not able to play this catalytic role in practice. It also proved necessary to design projects with enough flexibility to be able to accommodate emerging issues which the advisors were able to 'bring' to the projects.<sup>51</sup> This enabled the country office to mitigate the timing issue noted above – that politics and other externalities make it impossible to know in advance when a particular governance reform will move forward. With a continuous policy advisory presence, and a portfolio of projects designed with the flexibility to meet emerging needs, it proved possible for the country office to engage with opportunities addressing key governance issues as and when the country context allowed.

- ***Providing knowledge, not 'solutions'***: In the context of our discussion of the 'middle income trap' it is important to reflect on the 'success stories' – the countries which have successfully graduated to high-income status. In Asia and the Pacific, the countries which have done so (Japan, South Korea, Singapore and Taiwan) have each chosen quite different paths, each in its own way meeting the basic normative requirements of rule of law and democratic governance, but all of them defying the neat prescriptions of the Washington consensus or any other 'model'. This supports the wisdom of the Vietnamese respondents who, in the study discussed above, preferred to receive comparative information to guide reform choices rather than particular visions or ideologies which may be discounted as Western legal transplants. Of course, advisors must be able to draw on good comparative experiences which meet the requirements of democratic governance in line with UN standards and norms in countries of interest to national counterparts. In general, advisors are more effective when contributing to a national debate rather than being perceived as advocating a 'model' or a solution, and more persuasive when they can do so from within the region or even sub-region rather than relying on Western countries. To do this, as Nicholson and Low suggest in the study discussed above, advisors need to have both, a very good understanding of the local context, grounded in a long-term commitment, as well as a high level of knowledge about the region and the world beyond.

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<sup>51</sup> Two examples of this synergy in practice from Viet Nam: (1) A rule of law project implemented by the Ministry of Justice had a component which was broadly designed to support "bringing laws into alignment with international human rights norms". Through a series of presentations at workshops and policy dialogue fora the Policy Advisor was able to raise the issue of arbitrary detention without due process of sex workers and drug users, and to generate a demand from the substantive department in MOJ for policy advice on international standards regarding due process which was then later met through the project work plan. The resulting amended law ended detention for sex workers and introduced due process for drug users and other categories. (2) Under the same project, the Policy Advisor introduced LGBT civil society to the MOJ and National Assembly enabling the voice of LGBT communities and participatory policy research conducted by LGBT CSOs to feed into the policy debate on the rights of same-sex couples. Again, this legal reform had not been selected by the project under the work-planning process, but the project began to support it once relevant substantive departments of MOJ requested support from the project.

### III. MAKING UNDP FIT FOR PURPOSE

In the short discussion above I have aimed to highlight some of the concrete ways that UNDP in Viet Nam addressed the two key directions for UN agencies in MICs which I identified at the outset:

- **Leveraging the UN's comparative advantage:** Policy advisors in Viet Nam used their position as UN officials in numerous ways, such as using UN standards and norms as well as bringing expertise from other countries to inform presentations at conferences and policy dialogues, in articles and opinion pieces in journals and newspapers. The ability to do so depended crucially on one's own networks and access to the best possible expertise about the experience of other countries (further elaboration below).
- **Leveraging the UN's convening role:** The convening power also proved to be a critical advantage, commissioning academic research and bringing researchers and civil society to the same table as government officials to help disseminate new ideas and perspectives. This is a key UN role, leveraging the trust that government counterparts place in UN agencies, but it is important to note that the policy advisors' freedom to engage with civil society and academia and involve them in research and dialogues was essential in order to make the most of this advantage. Previously, when international advisors were 'trapped' within agency-implemented projects, they lacked this freedom and hence the UN's convening power was not exercised to the full potential.
- **Sensitivity to country context:** As noted by Nicholson and Low in the study above, the deployment of long-term experts with good access to international experiences enabled UNDP (and JICA) to develop a deeper understanding of the country context and utilize this to provide comparative information. The Vietnamese found this to be more useful in making policy choices, rather than relying on 'fly in, fly out' consultants who were unable to contextualize their expertise in the same way.

Despite the clear recognition by the UN and UNDP of the need to become fit for purpose – delivering policy advice in MICs – the business model has not yet changed to reflect this. The policy advisory team in Viet Nam is not the only example of a policy advisory project at national level<sup>52</sup> but it is still exceptional. UNDP's characteristic business model, whether in LICs or MICs, remains based on national programme officers in the country office, with technical expertise (long-term national, short and/or long-term international) deployed through nationally-implemented projects, supplemented with regional and headquarters expertise which is thinly-spread (see below).

Of course UNDP, like other UN agencies, is constantly keeping its business procedures under review to ensure that it remains fit for purpose. Recently, particular attention was paid to the need for innovation and piloting prototypes which can then be scaled up. This is a good start. As noted above, this kind of approach fits well with the way that reforms were implemented and adopted in Viet Nam (the Chinese approach of "crossing the river by feeling the stones")

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<sup>52</sup> The author is aware of other examples in China and formerly in Cambodia, although it appears that both following different models from Viet Nam. It would be interesting to research more deeply the different business models adopted in different UNDP country offices – and for that matter, by other UN agencies, bilateral donors and foundations – and reflect on their different strengths and weaknesses in the context of policy advice in MICs.

is another). Furthermore, it has led to a welcomed examination of issues such as providing financial and programming flexibility in country programmes to allow innovation. However, there has not yet been specific reflections on linkages between innovation and policy advice, and the particular relevance of this approach in MICs.

#### **IV. REFLECTIONS FOR THE FUTURE**

Before closing, I would like to reflect on three critical issues which, I believe, need to be addressed in order for UNDP to reach its full potential as a policy advisor in MICs: people, money and knowledge.

##### ***A. People***

A strategy built upon high-quality policy advice needs excellent policy advisors: human resources are the key to success. UNDP is undertaking initiatives to map its talent and make sure it is available to the broader system, but the key challenge is a deeper one. UNDP's technical expertise is overwhelmingly contracted through fixed-term staff, typically on one-year renewable contracts, or even shorter-term consultancies. Permanent contracts are typically reserved for programme management and operations staff in national offices, and for the international senior management cadre who rotate through country offices and headquarters.

It is likely that as a result we miss out on many talented staff who would otherwise have joined UNDP. Moreover, it is certain that UNDP loses much of the valuable expertise which is acquired through projects when the experts leave the organization.<sup>53</sup> This is compounded by the lack of any system to document and share expertise before they go (as discussed under 'knowledge' below).

##### ***B. Money***

Two financial issues may be raised. Firstly, the policy advisory model, even if desirable, may be seen as too expensive. But, in fact, in many countries UNDP already has full-time international advisors deployed together with national experts under nationally-implemented projects. The cost implication of deploying this expertise under a more flexible Policy Advisory model would be neutral. In other countries, to be sure, international expertise is brought in as-needed from time to time through consultancies or through support from regional headquarters. However, the argument of this paper is that this approach – described above as “fly in, fly out consultants” – is unlikely to be able to deliver policy advice of the quality which serious MICs need and demand.<sup>54</sup>

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<sup>53</sup> Similar considerations led the UN Department of Peacekeeping Operations in 2008 to create long-term career perspectives for civilian advisors in peacekeeping missions rather than, as previously, hiring them on short-term mission-specific assignments.

<sup>54</sup> For instance, UNDP's Bangkok Regional Hub services 24 country offices (which in turn serve 36 countries) in Asia-Pacific, stretching geographically from Afghanistan and Iran in the West to Mongolia and DPRK in the North-East and the Pacific in the

Another second financial issue deserves more detailed reflection. With ODA playing a shrinking role in MICs (in Viet Nam, for instance, a relatively new entrant to the “MIC club”, ODA accounts for just 2.5% of GNI<sup>55</sup>), UNDP will need to rely on government cost-sharing to fund its country programmes, as has long been the case in Latin America. There are many examples of successful government/UNDP cost-sharing, for instance in relation to procurement, although some academic research has questioned whether the move to government cost-sharing may have moved UNDP away from its policy advisory role.<sup>56</sup>

There is no reason in principle why governance policy advice could not successfully be delivered under a government-funded project – after all, government ownership and commitment is necessary for a successful outcome to any development project. And in some MICs UNDP already finds itself increasingly in a competitive market with management consultancy firms offering development services to governments. This indicates that governments can and will pay for policy advice – as long as it is good enough – and if UNDP maximizes its competitive advantage, it should be able to hold its own.

However, as noted above, the success of the Policy Advisory model in Viet Nam depended upon supplementing the government-implemented project portfolio with a project implemented by UNDP (using DIM, to use the UNDP jargon), which is the exception within UNDP. While UNDP was successful in obtaining Government agreement to this modality, it is another question whether it would agree to fund a project over whose activities and funding it has no direct control.

### **C. Knowledge**

Perhaps the most critical issue is knowledge. This should be a key comparative advantage of the UN system – UNDP alone has programmes covering more than 170 countries and territories, and in theory we should have access to an incomparable depth of development knowledge which can be deployed for the benefit of the countries where we work.

Currently we rely on online demand-driven networks such as Teamworks<sup>57</sup> (once described as “Facebook for UNDP”) to share information among ourselves and with our development partners. However, it is another question whether the value of what is shared is meeting the higher needs for policy advice in MICs. There is an increasingly rich literature questioning how much we know about what works in rule of law development and other governance fields.<sup>58</sup> It is one thing to share what has been done in each country, but much harder to have an objective sense of what has really worked and why, and what would enable it to be adapted successfully to other contexts. Particularly in country offices which have relied on external

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South-East as well as everything else in between. Two advisors in Bangkok (of whom I am one) are expected to meet the demand for advice on conflict prevention, access to justice and human rights across all of these countries.

<sup>55</sup> See chart at <http://data.worldbank.org/indicator/DT.ODA.ODAT.GN.ZS>.

<sup>56</sup> See for instance Galvani and Morse, “Institutional Sustainability: At What Price? UNDP and the New Cost-Sharing Model in Brazil”, *Development in Practice*, Vol. 14, No. 3 (Apr., 2004), pp. 311-327, at <http://academic.udayton.edu/richardqhere/IGO%20NGO%20research/Galvani.pdf>.

<sup>57</sup> Teamworks is currently in the process of transitioning to Yammer. More information at <https://undp.unteamworks.org/>.

<sup>58</sup> See Thomas Carothers (ed.) *Promoting the Rule of Law Abroad: in search of knowledge* (2006, Carnegie Endowment for International Peace, Washington D.C.); David M. Trubek and Alvaro Santos (eds.), *The new Law and Economic Development* (2006, Cambridge University Press, Cambridge); Michael J. Trebilcock and Ronald J. Daniels, *Rule of Law Reform and Development, Charting the Fragile Path of Progress* (2006, Edward Elgar Publishing, Cheltenham).

consultants for technical expertise, it is even more questionable whether we can rely on the generalist project management staff as the source for real insights into what we did and why it worked.

One urgent priority is to introduce systems to capture, document and make accessible the knowledge generated through projects. At present, as each project ends, so do the contracts of the technical experts, and there is a real risk that much of the knowledge about the project goes with them. There is no UNDP-wide policy to capture and retain that knowledge within the country office, and without the necessary expertise in the country office itself it is hard to know how that could be done. Even if project evaluations were routinely conducted and published (and neither of these conditions hold true), the format of many evaluations does not lend itself to the kind of knowledge and reflection needed for the purposes of knowledge-sharing.

There is also a need for more efforts to extract, compare and reflect on this knowledge comparatively. At headquarters level, UNDP should strengthen its partnerships with research institutes and think tanks to enrich the knowledge base, and indeed contribute to the discipline of governance and rule of law development as a whole. We are beginning to do more of this<sup>59</sup> which is a positive trend.

## V. CONCLUSION

In this paper I have sought to argue the case for the UN as a strong partner for delivering policy advice to MICs, based on the UN's global perspective; large network of offices and institutes around the world; access to world-class expertise, data and knowledge; wide recognition and credibility; neutrality/impartiality and convening power.

UNDP's experience in Viet Nam suggests that placing policy advisory expertise outside – but working with – nationally-executed projects, accountable to UNDP itself and with its own source of funding, can leverage these comparative advantages, and deserves consideration for wider adoption – at least in relation to governance in UNDP, and at least in MICs.

But a number of further reforms are likely to be equally necessary, requiring a more proactive approach to knowledge management, more engagement outside UNDP and more investment in research, more flexible programming and procurement modalities, and a real career track for policy expertise within UNDP. And some – but not all – of these reforms have financial implications, which are all the harder to meet as dwindling amounts of ODA are spread ever more thinly over a growing number of MICs.

Leveraging the UN's potential to be a key policy advisor to MICs is therefore challenging, no doubt, and we should not underestimate the political will, money and effort it would take to achieve it. But doing so, I argue, is more urgent than ever before, as an increasingly MIC-dominated world prepares to take on the challenges of ending poverty, reversing the global trend towards ever-greater inequality and making good the pledge to leave no one behind, which is at the heart of the most ambitious development agenda in human history.

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<sup>59</sup> For instance, our developing partnerships in the area of conflict prevention and mediation with the Clingendael and Folke Bernadotte Academies.

# UNFPA Upstream Engagement in Middle Income Countries in Support of National Governments<sup>1</sup>

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## **Abstract**

Most of current programme countries of the United Nations Population Fund (UNFPA) are Middle Income Countries (MICs), which reflects the general shift of countries from the Low Income category (LICs) to MICs. Sexual and reproductive health and reproductive rights is a core area of UNFPA programmes across all categories of countries, with the focus on most vulnerable groups, poor women and adolescents in particular. In upper MICs, UNFPA programmes channel relatively more resources towards gender equality and youth empowerment. In addition, there is an increased demand in MICs to address broader priorities related to population dynamics, including demographic dividend, ageing, urbanization, migration and climate change, especially with respect to data collection and analysis and support of population policies.

UNFPA recognizes the diverse needs of countries and population groups and their different abilities to finance development. The UNFPA pioneering business model (launched in 2014) recommends greater upstream engagement—associated with the delivery of thinking, not things—across all countries, while prioritizing service delivery to countries with higher needs and lower financing abilities.<sup>2</sup> Promoting careful contextualization and sharp focus, this model encourages increasing emphasis on advocacy and policy dialogue/advice and knowledge management in support of national governments in MICs, upper MICs in particular. At the same time, responsiveness to local demands calls for reasonable flexibility in modalities of engagement, especially accounting for increasing humanitarian situations.

Judging by the budget-based data for 2014 (which is the first year of alignment to the new business model), UNFPA programmes in upper MICs tend to invest relatively more in upstream engagement, compared to programmes in LICs and lower MICs. This refers to both advocacy/policy support and knowledge management. But upstream work is balanced by other modes of engagement (and capacity development in particular) in all categories of countries, with strongest emphasis on service delivery in LICs and on capacity development in lower MICs. There are significant variations among UNFPA operations in MIC contexts in different regions. Conflict, fragility and humanitarian situations are major factors behind these variations, increasing the demand for service delivery.

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<sup>1</sup> This paper is prepared at the invitation of the United Nations System Staff College for the UN Reflection Series 2016 titled “Development Cooperation, Policy Advice and Middle-Income Countries”. Special thanks go to Oscar Sandino, and Wilfred Iyekolo as well as Yulia Polonskaya for help with data collection, analysis and presentation.

<sup>2</sup> In the United Nations, upstream engagement is associated with a policy advisory role of the organization. The metaphor “upstream” suggests a flow to the source/origin of the potential action outcome—in order to maximize opportunities or benefits and minimize risks or costs.

UNFPA has successfully supported MICs as well as other countries in adoption of evidence-based population and youth policies and strategies; strengthening policy and regulatory frameworks related to universal access to high-quality sexual and reproductive health care and fulfilment of reproductive rights; and better balancing policy development and delivery in empowerment of women and adolescent girls in particular. The Fund's increasing emphasis on upstream engagement in all programme countries, but especially MICs, has entailed greater attention to scanning political positions and policy analysis, diplomacy and partnerships, including South-South and triangular cooperation, to ensure sustainability of the Fund's programmes through greater national ownership.

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## I. MANDATE

The United Nations Population Fund (UNFPA) is an operational agency with a normative role. It is involved in all categories of normative work as defined by the UN Evaluation Group, including support to governments in integrating the international norms and standards into legislation, policies and development plans.<sup>3</sup>

The Fund plays a unique role as the lead UN agency to support UN member states to implement the 1994 International Conference on Population and Development (ICPD) agenda. The ICPD institutionalized the right to sexual and reproductive health (SRH) as a global norm. It positioned the promotion of women's empowerment, including reproductive rights (RR), as a means to achieve socioeconomic development. The mandate given to UNFPA by the UN Economic and Social Council (ECOSOC) is universal, incorporating policy and national capacity development as well as advocacy and service delivery.

At a special session of the UN General Assembly held in September 2014, Member States reaffirmed their commitment to the ICPD agenda and signed up to a new Framework for Action. This Framework would deliver the ICPD vision of universal access to high-quality SRH, fulfilment of RR, and empowerment of women and young people. These are critical pathways to dignity, fulfilment of human rights, sustainable development, and ending poverty, inequality and inequity worldwide. Further endorsing the ICPD vision, the 2030 Agenda for Sustainable Development commits to “accelerating the progress made to date in reducing new-born, child and maternal mortality by ending all such preventable deaths before 2030”; “ensuring universal access to SRH-care services, including for family planning, information and education”; and “the integration of RH into national strategies and programmes”.<sup>4</sup>

## II. UNFPA IN MICs

Most of current UNFPA programme countries are MICs (Graph 1),<sup>5</sup> which reflects the general shift of countries from LICs to MICs. In 2014, UNFPA operated in 45 lower MIC contexts (defined by the World Bank as economies with a GNI per capita of more than \$1,045 but less than \$4,125) and 35 upper MIC contexts (economies with a GNI per capita of more than \$4,125 but less than \$12,736).<sup>6</sup> Although UNFPA per country expenditure and staff numbers are still considerably higher in LICs than in MICs, MICs account for more than one-half of all UNFPA expenditures (Graph 2).

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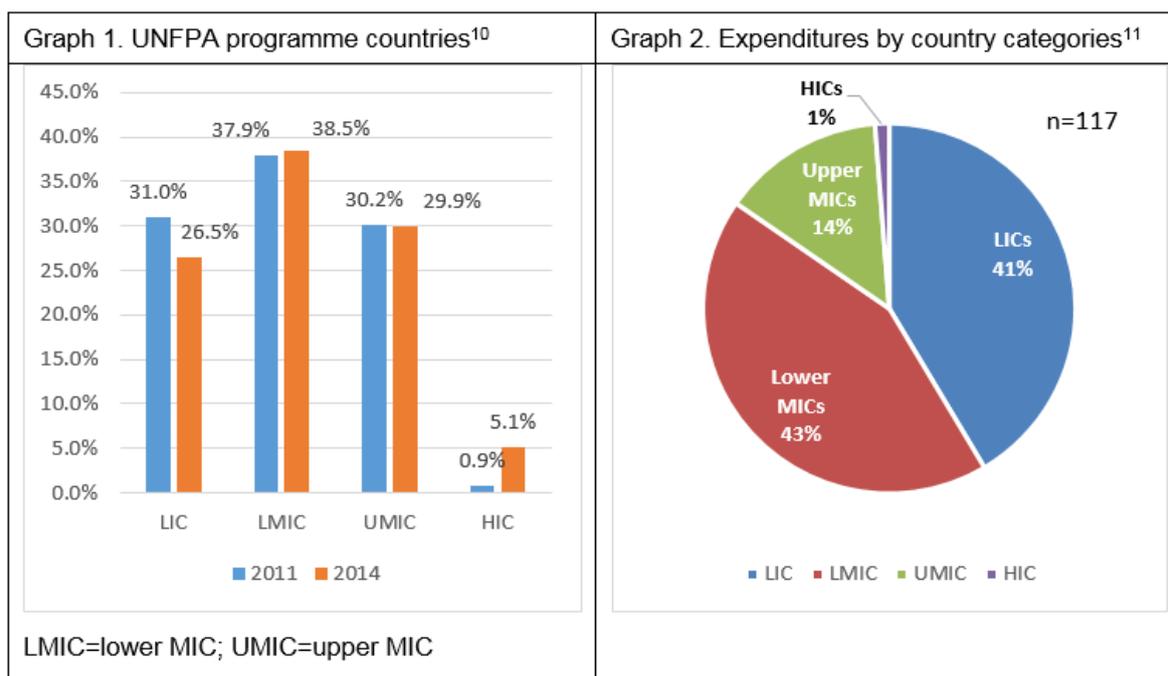
<sup>3</sup> UNEG Task Force and Mark Stiles, *UNEG Handbook for Conducting Evaluations of Normative Work in the UN System*, (United Nations Evaluation Group, November 2013), 5.

<sup>4</sup> United Nations General Assembly, *Transforming Our World: The 2030 Agenda for Sustainable Development*, A/RES/70/1, 21 October 2015, 6 – 14.

<sup>5</sup> This paper uses World Bank's classification of countries for fiscal year 2015 because the analysis is based on the UNFPA data for 2014.

<sup>6</sup> Updated Income Classifications, The World Bank, July 2014. UNFPA Sub-Regional Office in Jamaica covers several independent states in the Caribbean. For the purpose of this paper, they are counted as a single MIC context. The same refers to the UNFPA Sub-Regional Office in Fiji.

Despite the 44% decline in maternal mortality worldwide since 1990,<sup>7</sup> the progress made so far falls far short of the global goals and targets. According to the 2015 Millennium Development Goals (MDGs) Report, averages at the global, regional and even country level mask profound health disparities among subgroups because of their level of education, place of residence, economic status or age; and large inequities remain in maternal health, along with gaps in access to and use of SRH services.<sup>8</sup> The 2030 Agenda for Sustainable Development recognizes that the MDGs related to maternal, new-born and child health, and RH, remained off-track. The new Agenda has recommitted to the full realization of all the MDGs, in particular the off-track ones.<sup>9</sup>



The 2014 operational review of the ICPD noted that MICs continue to face inequalities and “development traps”, which disproportionately disadvantage the most vulnerable groups, poor women and adolescents in particular.<sup>10</sup> The 2030 Agenda for Sustainable Development also recognizes “significant challenges” still facing MICs and calls for their “better and focused support [from] the United Nations Development System”.<sup>11</sup>

The achievement of universal access to SRH, the realization of RR, and the reduction in maternal mortality remain the core UNFPA business referred to as the “bull’s eye” in the UNFPA strategic plan 2014-2017,<sup>12</sup> and the focus on SRH&RR is critical in the MICs. This is especially true with respect to excluded and marginalized groups, such as young people, adolescent girls in particular, and migrants. In 2014, judging by the aggregate budget-based data provided by the newly established UNFPA corporate programming and management

<sup>7</sup> World Health Organization, *Trends in Maternal Mortality: 1990 to 2015, Executive Summary*, WHO, UNICEF, UNFPA and The World Bank Estimates (Geneva, 2015), 2.

<sup>8</sup> United Nations, *The Millennium Development Goals Report 2015* (New York, 2015), 43.

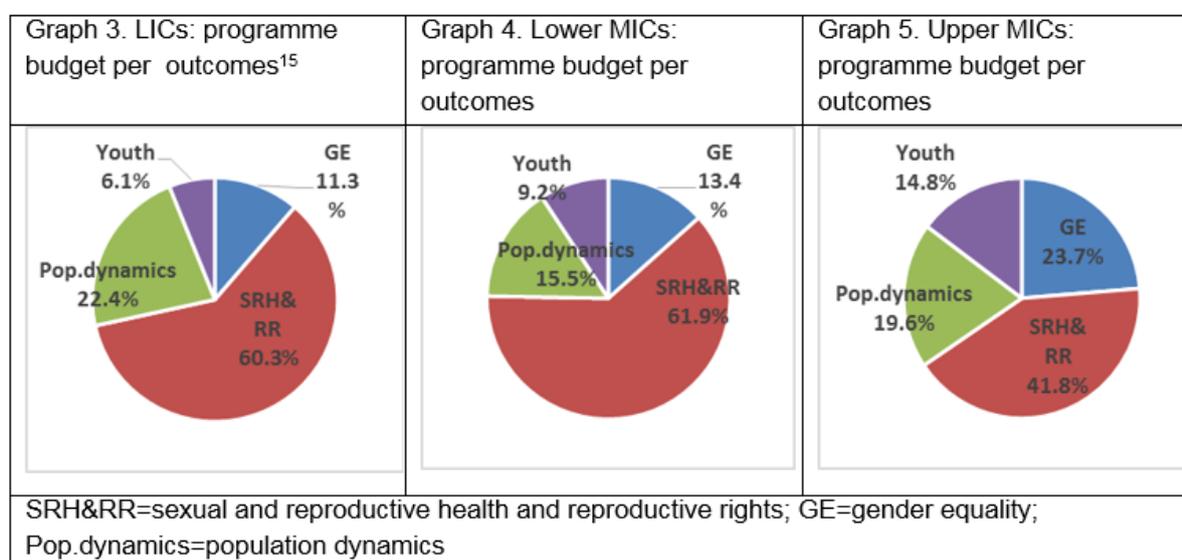
<sup>9</sup> United Nations General Assembly, *op.cit.* note 3, 5.

<sup>10</sup> United Nations, *Framework of Actions for the Follow-up to the Programme of Action of the International Conference on Population and Development Beyond 2014*, A/69/62, 12 February 2014.

<sup>11</sup> United Nations General Assembly, *op.cit.* note 3, 24.

<sup>12</sup> UNFPA, *The UNFPA Strategic Plan for 2014-2017*, DP/FPA/2013/12, September 2013, 4.

tool<sup>13</sup> (Graphs 3-5), the area of SRH&RR was central to UNFPA programming across all categories of countries.<sup>14</sup> In upper MICs—compared to both LICs and lower MICs—country programmes channelled relatively more resources towards advancing gender equality and prioritizing youth issues.



In Sub-Saharan Africa, maternal mortality ratio (MMR) remains high in many countries regardless of their income status. For example, Angola, which statistically belongs to the upper MIC category,<sup>15</sup> still has an MMR ratio (460 deaths per 100,000 live births) that significantly exceeds the similar indicator in such African LICs as Benin, Comoros, Rwanda and Uganda.<sup>16</sup> Consequently, 73.3% of the budget of UNFPA-Angola went in 2014 towards achieving the outcome on SRH&RR.<sup>17</sup> In contrast, in another MIC in Sub-Saharan Africa—Gabon, which has a lower MMR (240 deaths per 100,000 live births)—only 52.9% of the UNFPA budget was channelled towards the outcome on SRH&RR. UNFPA invested relatively greater proportion of its budget in prioritizing youth (outcome 2) and advancing gender equality (outcome 3) in the MICs of Latin America and the Caribbean (LAC) and Arab States (AS), respectively.

In addition to the continuous UNFPA focus on SRH&RR, there is an increased demand to address broader ICPD priorities related to population dynamics, including demographic dividend, ageing, urbanization, migration and climate change, especially with respect to data collection and analysis and support of population policies. For example, no country has achieved an MIC status without urbanizing. Upper MICs have experienced the fastest pace of urbanization since 1950, while the pace of urbanization in lower MICs is expected to

<sup>13</sup> These budget-based data include only programme resources (with trust funds) and exclude institutional budgets.

<sup>14</sup> The graphs indicate the proportion of budget channelled towards a particular strategic plan outcome vis-à-vis the budget for achieving all outcomes. Please note that resources directed towards the organizational effectiveness and efficiency (OEE) section of the UNFPA integrated results framework are left out of this analysis.

<sup>15</sup> Oil sector overwhelmingly drives Angola's economy, but high corruption undermines the benefits of economic growth. Transparency International rates Angola among the most corrupt countries on its Corruption Perceptions Index, and Angola's score worsened in 2014 compared to 2013. See Transparency International, *Corruption Perceptions Index 2014: Results*, at <http://www.transparency.org/cpi2014/results>.

<sup>16</sup> UNFPA, *MDG 5b+ Info* (MMR 2013 data), at <http://www.devinfo.org/mdg5b/libraries/asp/asp/Home.aspx>.

<sup>17</sup> Calculated as a proportion of the budget for outcome 1 (SRH&RR) towards the total budget for outcomes 1-4.

accelerate in the coming decades.<sup>18</sup> Reflecting this trend, sustainable development challenges will be increasingly concentrated in cities of the lower MICs, where the capacity to address the challenges of urbanization is still insufficient. Similar to urbanization, international migration is associated with both opportunities and challenges. This is very relevant for MICs: studies show that a growing share of international migrants was born in the countries of this category,<sup>19</sup> and the share of all remittances received by today's MICs has risen to an estimated 71% in 2013 from 57% in 2000.<sup>20</sup>

MICs are, however, a very heterogeneous group. Some MICs see rising proportions of young working-age populations due to recent declines in fertility, and can harness a short-term demographic dividend, which could accelerate economic growth and improve the quality of life—if governments make effective investments in health, education and employment opportunities. Other MICs, particularly those with below-replacement fertility levels, increasingly face population ageing, which calls for a lifelong approach to education and investment in skills and health. In any case, national governments in these countries seek UNFPA support with accurate, consistent and timely demographic data, advice on integrating population issues into development planning, and monitoring progress towards sustainable development and human rights for all.

As reflected in the strategic plan outputs, UNFPA assists national governments at the different phases of the national programming cycle that goes from data, to evidence, to policy and programme design and implementation, to monitoring and evaluation and back to data. Due to the limited national capacity for data generation especially in LICs but also in lower MICs, the bulk of the programme resources related to population dynamics goes in these contexts towards strengthening national capacity for production and dissemination of quality disaggregated data on population and development issues (Graphs 6 and 7). This also refers to data for monitoring and evaluation of policies and programmes, which is a high priority in lower MICs. Since national statistical systems are more solid in upper MICs, UNFPA largely invests there in support of evidence through cutting-edge in-depth analysis on population dynamics and integration of this evidence into rights-based policies (Graph 8).

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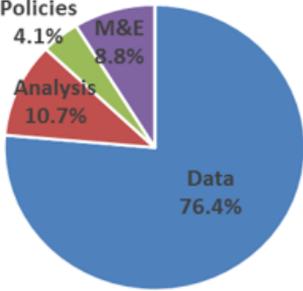
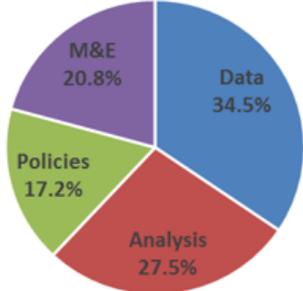
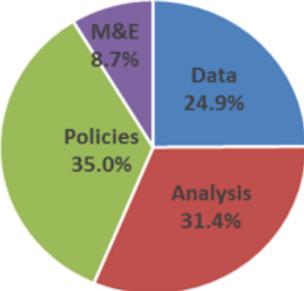
<sup>18</sup> United Nations, *World Urbanization Prospects: The 2014 Revision, Highlights* (UN Department of Economic and Social Affairs, New York, 2014), 10.

<sup>19</sup> Dilip Ratha, et.al., "Migration and Remittances: Recent Developments and Outlook. Special Topic: Financing for Development", 24 *The World Bank's Migration and Development Brief* (2015).

<sup>20</sup> Phillip Connor et.al., *Changing Patterns of Global Migration and Remittances*, (Pew Research Center, 2013), 20.

### III. BUSINESS MODEL: GREATER UPSTREAM ENGAGEMENT IN MICs

UNFPA recognizes the diverse needs of countries and population groups in achieving the ICPD objectives and their different abilities to finance development. Based on extensive analytical work and pilot initiatives, the UNFPA pioneering business model (launched in 2014) has taken a differentiated programming approach. It recommends greater upstream engagement—associated with the delivery of *thinking*, not *things*—across all countries, while prioritizing service delivery to countries with higher ICPD-related needs and lower financing abilities.<sup>21</sup> Promoting careful contextualization and sharp focus, this model encourages increasing emphasis on advocacy and policy dialogue/advice and knowledge management in support of national governments in MICs, upper MICs in particular (Table 1).

Graph 6. LICs: budget per outputs on population dynamics <sup>22</sup>	Graph 7. Lower MICs: budget per outputs on population dynamics	Graph 8. Upper MICs: budget per outputs on population dynamics																														
 <table border="1"> <caption>Data for Graph 6: LICs</caption> <thead> <tr> <th>Output</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Data</td> <td>76.4%</td> </tr> <tr> <td>Analysis</td> <td>10.7%</td> </tr> <tr> <td>M&amp;E</td> <td>8.8%</td> </tr> <tr> <td>Policies</td> <td>4.1%</td> </tr> </tbody> </table>	Output	Percentage	Data	76.4%	Analysis	10.7%	M&E	8.8%	Policies	4.1%	 <table border="1"> <caption>Data for Graph 7: Lower MICs</caption> <thead> <tr> <th>Output</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Data</td> <td>34.5%</td> </tr> <tr> <td>Analysis</td> <td>27.5%</td> </tr> <tr> <td>M&amp;E</td> <td>20.8%</td> </tr> <tr> <td>Policies</td> <td>17.2%</td> </tr> </tbody> </table>	Output	Percentage	Data	34.5%	Analysis	27.5%	M&E	20.8%	Policies	17.2%	 <table border="1"> <caption>Data for Graph 8: Upper MICs</caption> <thead> <tr> <th>Output</th> <th>Percentage</th> </tr> </thead> <tbody> <tr> <td>Data</td> <td>24.9%</td> </tr> <tr> <td>Analysis</td> <td>31.4%</td> </tr> <tr> <td>Policies</td> <td>35.0%</td> </tr> <tr> <td>M&amp;E</td> <td>8.7%</td> </tr> </tbody> </table>	Output	Percentage	Data	24.9%	Analysis	31.4%	Policies	35.0%	M&E	8.7%
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<p>M&amp;E=monitoring and evaluation</p>																																

<sup>21</sup> In the United Nations, upstream engagement is associated with a policy advisory role of the organization. The metaphor “upstream” suggests a flow to the source/origin of the potential action outcome—in order to maximize opportunities or benefits and minimize risks or costs.

Table 1: Modes of Engagement by Setting<sup>22</sup>

	<i>Need</i>			
<i>Ability to finance</i>	Highest	High	Medium	Low
Low	A/P, KM, CD, SD	A/P, KM, CD, SD	A/P, KM, CD	A/P, KM
Lower-middle	A/P, KM, CD, SD	A/P, KM, CD	A/P, KM	A/P
Upper-middle	A/P, KM, CD	A/P, KM	A/P	A/P*
High	A/P*	A/P*	A/P*	A/P*

A/P = Advocacy and policy dialogue/advice

CD = Capacity development

KM = Knowledge management

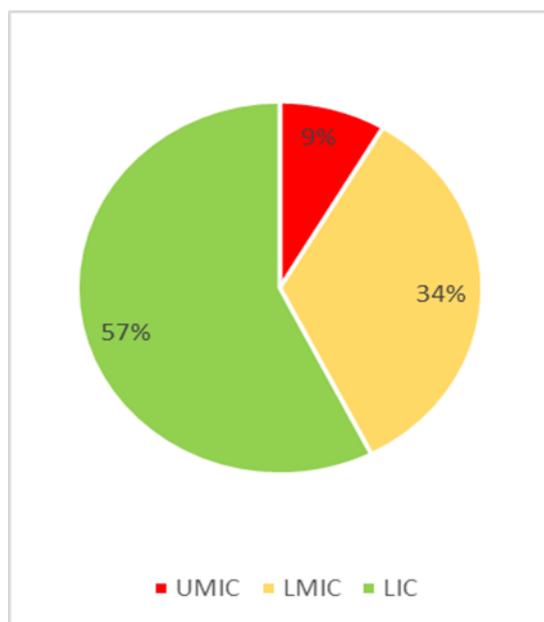
SD = Service delivery

\* Physical presence only in selected countries

There are several reasons behind prioritization of upstream engagement over service delivery in MICs:

- Strong demand in these countries for highly specialized and high-quality technical and policy expertise from the UN: the increased capacities of many MICs mean less need for support with service delivery, while enhanced requirements entail demand for state-of-the-art technical assistance and policy advice of high quality and utility.
- The need to ensure sustainability of development interventions through their institutionalization, capacity development and greater national ownership, which is feasible only through upstream engagement.
- The need for UN/UNFPA proactive, more coherent, inclusive and influential outreach, which can be accomplished only by building on national frameworks, mechanisms and processes and by jointly supporting consequential policy changes.
- The need for UNFPA to focus on supporting major national priorities by engaging a broad range of partnerships because the Fund cannot “do everything everywhere”.

<sup>22</sup> *Ibid.* 13.

Graph 9. Fragile states by income category<sup>23</sup>

At the same time, UNFPA recognizes that one-size programming does not fit all MICs. Contextualization of programmes and responsiveness to local demands call for reasonable flexibility in modalities of engagement. As MICs account for more than 40% of all fragile contexts according to OECD (Graph 9), such contexts still require capacity development and/or service delivery support. The balance between upstream and downstream work then depends on countries' specific profiles in the broader sense, not only based on income, and the ability to grasp and meet national and sub-national challenges and requirements.

#### IV. SUPPORT OF NATIONAL GOVERNMENTS IN ADDRESSING DIFFERENTIAL NEEDS

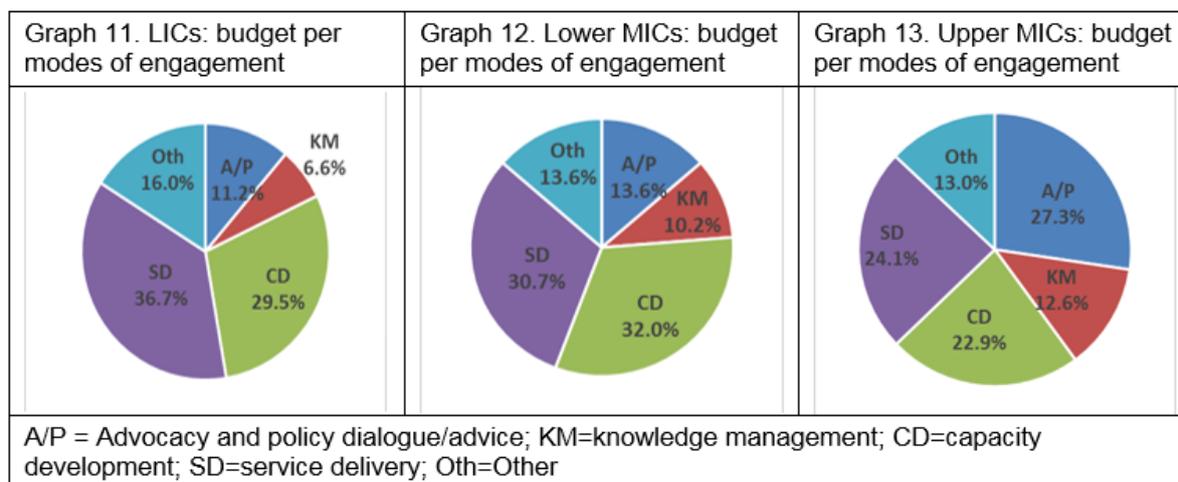
##### A. Aggregate Analysis

Analysis of the aggregate budget-based data available through the corporate programming and management has revealed that UNFPA programmes in upper MICs (Graphs 11-13) tend to invest relatively more in upstream engagement, compared to programmes in LICs and lower MICs. This refers to both advocacy/policy support (27.3% of the overall budget in upper MICs) and knowledge management (12.6%). The analysis has also shown that in terms of funding, upstream work is balanced by other modes of engagement (and capacity development in particular) in all categories of countries, with strongest emphasis on service delivery in LICs and on capacity development in lower MICs (Graphs 11-12).

However, these figures need to be taken with caution. The year 2014 was the first year for alignment of country programmes with the UNFPA strategic plan 2014-2017. It is expected that the trend towards greater upstream engagement in all countries and in MICs in particular will become more prominent as the alignment progresses. The allocation of the significant part

<sup>23</sup> OECD, *States of Fragility 2015: Meeting Post-2015 Ambitions*, Revised Edition (OECD Publishing, Paris, 2015), 32-33.

of the budget to “other” modes of engagement also suggests a current transitional stage in operationalization of the new business model and calls for further updates.



### B. Advocacy/Policy Support Around the World

UNFPA has successfully supported MICs as well as other countries in adoption of evidence-based population and youth policies and strategies; strengthening policy and regulatory frameworks related to universal access to high-quality SRH care and fulfilment of RR; and better balancing policy development and delivery in empowerment of women and adolescent girls in particular.

For instance, in Eastern Europe and Central Asia (EECA), the government of Armenia recognized contribution of UNFPA to the reform of the social protection sector and awarded it a gold medal for “great input in analytical work and development of evidence-based policies”.<sup>24</sup> UNFPA-Kazakhstan supported the country’s efforts to align national legislation and implementation mechanisms with the international human rights instruments and policy frameworks, such as the European policy framework for health and wellbeing, “Health 2020”.<sup>25</sup>

In the LAC region, UNFPA has contributed to progress in policies and legislation related to SRH&RR. Recent examples include progress in introduction of new programmes for the prevention and reduction of adolescent pregnancy (in Bolivia, Honduras, and Mexico), prevention of and protection against violence against women (in Nicaragua), and introduction of comprehensive sexuality education in the educational systems (in Argentina and Panama).<sup>26</sup>

In the Asia and the Pacific (AP) region, the UNFPA country programme (2013-2017) for Sri Lanka exemplifies the general trend towards greater upstream engagement. In the case of Sri Lanka, such engagement involves support of the national government in policy development, advocacy and an increase in the knowledge base in the areas of SRH&RR, gender-based violence and women’s participation in peace and security, and prioritization of youth and youth

<sup>24</sup> “UNFPA Armenia country office in focus,” *Voices*, UNFPA, 2014.

<sup>25</sup> Kazakhstan United Nations Country Team. *Kazakhstan: Roadmap for CCA/UNDAF formulation process*, unpublished planning document, 20 March 2014.

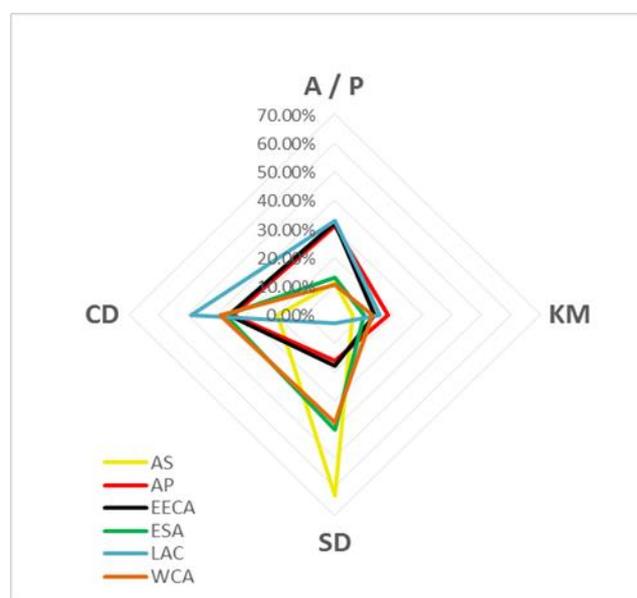
<sup>26</sup> As reported by the UNFPA Latin America and the Caribbean regional office, June 2015.

participation.<sup>27</sup> In 2015, UNFPA-Sri Lanka has started to integrate social entrepreneurship in its programmes to ensure their sustainability.<sup>28</sup>

### C. Regional Dimension

There are significant variations among UNFPA operations in MIC contexts in different regions. As shown in Graph 14, investments in various modes of engagement are similarly balanced in EECA as well as AP. While upstream engagement (advocacy/policy support and knowledge management) in the LAC region is almost on par with that in EECA and AP, capacity development is relatively more emphasized there. Operations in Africa—both in Eastern and Southern (ESA) and Western and Central (WCA)—also display much commonality, with a relatively greater attention given to service delivery. Due to conflict, fragility and humanitarian situations in many countries of AS, service delivery dominates operations in that region.

Graph 14. Configuration of regional budgets for modes of engagement (summary data: country and regional offices)



A/P=Advocacy and policy dialogue/advice; KM=knowledge management;  
CD=capacity development;  
SD=service delivery.

“Other” category is excluded.

AS=Arab States;

AP=Asia & Pacific;

EECA=Eastern Europe & Central Asia;

ESA=Eastern & Southern Africa;

LAC=Latin America & the Caribbean;

WCA=Western & Central Africa

The reliance on all modes of engagement, and service delivery in particular, refers in the Arab MICs to the L3 emergencies, which include Iraq (an upper MIC) and Syria (a lower MIC),<sup>29</sup> and countries in protracted humanitarian crises/situations with large numbers of refugees and

<sup>27</sup> UNFPA Sri Lanka Country Programme Document, CPD Sri Lanka 2013-2017, 7 August 2012.

<sup>28</sup> “UNFPA Sri-Lanka country office in focus,” *Voices*, UNFPA, 2015.

<sup>29</sup> United Nations Office for the Coordination of Human Affairs (OCHA), *UN Emergencies*, at <http://www.unocha.org/where-we-work/emergencies>.

internally displaced persons (IDPs), such as Palestine and Sudan (both lower MICs). Some lower MICs of Sub-Saharan Africa, such as Kenya, Mauritania and Nigeria receive UNFPA support across all modes of engagement both due to their development needs (that is, poor ICPD indicators) and humanitarian situations.

#### ***D. Context Specificity***

UNFPA Resource Allocation System uses a streamlined set of six ICPD-related indicators.<sup>30</sup> These indicators represent directly the work that the organization does and serve for better contextualization of programming than any aggregate multidimensional development indicators. Indeed, statistical analysis using the entire set of the corporate programming and management tool data has not shown significant correlations between UNFPA investments in various modes of engagement and such aggregate indicators of country development as the Human Development Index (HDI), Gender Inequality Index (GII) or receipts of the Official Development Assistance (ODA). This suggests that numerous ICPD-related factors are in play, while the regional dimension has an impact.

In the lower MICs of the LAC region, there is, however, a strong negative 0.96 correlation between the HDI values, on the one hand, and the proportion of budget allocated to capacity development. The similar correlation for the lower MICs in the EECA region is 0.84. These numbers make sense: lower development naturally calls for more capacity development. Thus, as a reflection of insufficient human development, MICs of Central Asia have significant cultural barriers in common, which prevent some groups, especially women and youth, from active participation in the economic and social arenas. Even though these countries have attained high indicators of secondary education among women, UNFPA support in addressing gender imbalances helps to advance national capacities and inclusive development.

Persistent inequalities and the need to close the remaining gaps in institutional and human capacity also demand capacity-development programmes. Notably, such programmes are a way to break through the roadblocks on the path to advocacy/policy support. The weakness of the institutional capacity can lead to the slow implementation of the reform agenda and deficiencies of public administration. Raising this capacity is therefore a precondition of effective policy formulation and implementation. Meanwhile, capacity development is not an end in itself. It should rather be an integral part of an overall vision for embracing policies intended to improve the lives of people in specific contexts.

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<sup>30</sup> UNFPA, *op.cit.* note 13, 20.

## V. SUSTAINABILITY OF UNFPA SUPPORT

### A. *National Ownership of ICPD*

National ownership is crucial for success and sustainability of UNFPA programmes. Profound contextualization of UNFPA support of national governments reflects this central principle. Only strong national ownership can prevent fragmentation of development policies and interventions, and avert duplication of efforts.

National ownership or “giving away” the ICPD agenda is particularly important in MICs because of the higher capacity and ambition of national actors as well as increasing UNFPA emphasis on upstream engagement. It calls for demand-driven UNFPA programming with a sharp focus on country needs and promotion of ICPD values and norms at both national and sub-national levels. This approach accounts for the existing policy gaps and builds on UNFPA comparative advantage vis-à-vis other development organizations.

Sustainability of UNFPA support of ICPD priorities relies on their close integration into national development mechanisms, which tend to be rather advanced in MICs. Building on national mechanisms and processes allows replicating innovative pilots and institutionalizing them at a national level; ensuring a continuum of systematically designed and implemented training programmes, which would qualify for formative rather than remedial action; and integrating SRH and population issues into broad national agendas. Given that a policy change does not happen overnight but requires a long-term multi-step and multifaceted strategy, it is important to carefully select and clearly articulate advocacy/policy goals and conceive the inter-linkages, sequence, and mutual reinforcement among various strategic interventions—always with an eye on influencing national policies, and envisaging a chain of events. To track incremental progress in implementing long-term policy change, UNFPA has introduced the concept of a milestone as “an intermediate result on the way to achieving established targets of an output indicator”, which should help monitoring and evaluation of results.

### B. *Partnerships*

The 2030 Agenda for Sustainable Development has highlighted partnership as one of the five areas of critical importance for humanity and the planet.<sup>31</sup> Broad, inclusive, non-hierarchical partnerships are essential for successful upstream engagement. As noted by the UNFPA strategic plan 2014-2017, the organization “needs to create a broader constituency for the ICPD agenda” and help “others internalize the relevant aspects of the ICPD agenda and embrace them fully”.<sup>32</sup> The MICs context demands high agility in employing traditional and new forms of partnership. It also calls for well-coordinated UN response to national priorities.

The Fund’s civil society network includes more than 1,100 organizations at the global and regional level, and the strategic plan 2014-2017 mandates reinforcing traditional and launching new, results-oriented innovative partnerships. UNFPA is committed to widening its strategic partnerships with the private sector, civil society organizations, philanthropic organizations, parliamentarians, the general public, international financial institutions and

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<sup>31</sup> United Nations General Assembly, *op.cit.* note 3, 2.

<sup>32</sup> UNFPA, *op.cit.* note 13, 15.

global public-private alliances in a coordinated manner.<sup>33</sup> In moving forward, the Fund builds on the achieved progress as well as new approaches, such as launching in September 2014 of an innovation fund that promotes opportunities for experimentation and creativity.

In MICs, partnerships are especially meaningful because of greater opportunities to utilize partner expertise and operations to increase the impact of UNFPA programmes, and to integrate local (including private-sector) innovation and creativity to resolve development challenges. To scale up its strategic partnerships, each UNFPA global, regional and country programme has drafted a partnerships strategy, which will be implemented over the duration of the strategic plan 2014-2017.<sup>34</sup> Many MICs are actively engaged in the 'Every Woman Every Child' global movement. Spearheaded by the UN Secretary-General Ban Ki-moon, this inclusive transformative movement cuts across mandates of UN agencies and other development partners (both national and international), breaking silos in development assistance.

In the EECA region, where all UNFPA country programmes are implemented now in the MIC context,<sup>35</sup> the Fund largely relies on multi-sectoral and multi-partnership approach to position and promote the ICPD agenda. This approach involves maintaining partnership platforms in the thematic areas (such as the Central Asia Partnership Platform on Women's and Children's Health) and expanding the partnership base by engaging key strategic players such as parliamentarian networks, faith-based organizations, EU General Directorates on Accession and Eastern Partnership, and Commonwealth of Independent States and Eurasian frameworks. It also requires strengthening the synergies between country-based and regional partnerships, and substantial cooperation and coordination with multiple UN agencies in the framework of the regional UN Development Group Peer Support Group (PSG).<sup>36</sup>

In the LAC region, where only one UNFPA country programme is implemented in an LIC (Haiti), UNFPA attributes much importance to working with think tanks, universities and other centres of excellence to document state-of-the-art technologies and experiences and, once evaluated positively, support their roll-out within the region. Increased attention is given to policy dialogue and advice and support for regional and sub-regional institutions as well as national and local governments, with emphasis on reaching the most excluded and marginalized populations.<sup>37</sup>

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<sup>33</sup> UN, UNFPA Resource Mobilization Strategy, DP/FPA/2015/11, 30 June 2015, 10.

<sup>34</sup> UN, *Progress Made in Implementation of the UNFPA Strategic Plan 2014-2017*, Report of the Executive Director, DP/FPA/2015/5 (Part I), 21 April 2015.

<sup>35</sup> Tajikistan was the last country whose status changed from LIC to upper MIC in fiscal 2016. The World Bank, *Country and Lending Groups*, at <http://data.worldbank.org/about/country-and-lending-groups>.

<sup>36</sup> UNFPA, *Regional Interventions Action Plan for Eastern Europe and Central Asia 2014-2017* (Istanbul, August 2013), 7, 14, 25, 43-44.

<sup>37</sup> UNFPA, *Regional Programme Action Plan for Latin America and the Caribbean, 2014-2017* (Panama, August 2013), 15.

### **C. South-South and Triangular Cooperation**

Many MICs consider South-South and triangular cooperation to be an important vehicle for addressing regional and country/local challenges, and have become active proponents of such cooperation as a critical mechanism for convening global actors and governments, assuming global leadership on particular issues, and transmitting best practices between countries. Implications of increased South-South and triangular cooperation for field-based UN agencies, such as UNFPA, include the rise of new potential sources of support for programme activities in countries, and the establishment of additional programme-related initiatives and broad-based partnerships.

For instance, the intergovernmental organization, *Partners in Population and Development (PPD)* was created specifically for the purpose of expanding and improving South-South cooperation in the field of RH, population, and development. This organization currently consists of 26 member states, including representatives of 17 MICs.<sup>38</sup> China has assumed global leadership as Chair of PPD; India holds a PPD Vice-Chair post.

UNFPA interventions across the regions heavily rely on South-South Cooperation (SSC) platforms as important facilitators.<sup>39</sup> Building on the experiences gained at both the regional and country levels, UNFPA has stepped up its efforts to strengthen its work in this area through the establishment in January 2015 of a corporate project on SSC under the Executive Office. This project develops a mechanism for mainstreaming SSC and Triangular Cooperation (TrCo) as an integral part of UNFPA work at all levels of the organization. In 2014, UNFPA supported around 100 SSC and TrCo initiatives in all regions as a means to mobilize resources and facilitate collaboration with a variety of development partners.

UNFPA's increasing emphasis on upstream engagement in MICs has entailed greater attention to scanning of political positions and policy analysis, diplomacy and partnerships to invigorate the human rights-based ICPD agenda, and to ensure sustainability of this agenda through greater national ownership. It is by brokering and promoting partnerships and SSC that UNFPA successfully supports and jointly implements systemic and sustainable solutions to national challenges. It is by cultivating ICPD champions across the globe that a critical mass of action needed for far-reaching impact is being attained.

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<sup>38</sup> Partners in Population and Development: an Intergovernmental Organization for Promoting South-South Cooperation, at <http://www.partners-popdev.org/>.

<sup>39</sup> The LAC region has developed its own platform. UNFPA, *op.cit.* note 36, 15.

## **APPENDIX: UNFPA STRATEGIC DIRECTION: OUTCOMES AND OUTPUTS**

### ***A. Outcomes of the UNFPA Strategic Plan 2014-2017***

Outcome 1: Increased availability and use of integrated sexual and reproductive health services (including family planning, maternal health and HIV) that are gender-responsive and meet human rights standards for quality of care and equity in access (SRH&RR).

Outcome 2: Increased priority on adolescents, especially on very young adolescent girls, in national development policies and programmes, particularly increased availability of comprehensive sexuality education and sexual and reproductive health services (Youth).

Outcome 3: Advanced gender equality, women's and girls' empowerment, and reproductive rights, including for the most vulnerable and marginalized women, adolescents and youth (GE).

Outcome 4: Strengthened national policies and international development agendas through integration of evidence-based analysis on population dynamics and their links to sustainable development, sexual and reproductive health and reproductive rights, HIV and gender equality (Pop.dynamics).

### ***B. Outputs of Outcome 4: The UNFPA Strategic Plan 2014-2017, Annex 2, Outcome Theories of Change***

Output 12: Strengthened national capacity for production and dissemination of quality disaggregated data on population and development issues that allows for mapping of demographic disparities and socioeconomic inequalities, and for programming in humanitarian settings (Data).

Output 13: Increased availability of evidence through cutting-edge in-depth analysis on population dynamics, sexual and reproductive health, HIV and their linkages to poverty eradication and sustainable development (Analysis).

Output 14: Strengthened capacity for the formulation and implementation of rights-based policies (global, regional and country) that integrate evidence on population dynamics, sexual and reproductive health, HIV, and their links to sustainable development (Policies).

Output 15: Strengthened national capacity for using data and evidence to monitor and evaluate national policies and programmes in the areas of population dynamics, sexual and reproductive health and reproductive rights, HIV, adolescents and youth and gender equality, including in humanitarian settings (M&E).

## **New MIC on the Block: Reconfiguring the Role of the Sri Lankan Civil Society**

***Dr Udan Fernando***

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*Centre for Poverty Analysis*

### **Abstract**

After struggling for many years as a poor country, Sri Lanka finally scraped its way to the Middle Income Country (MIC) status in 2010. Sri Lanka is not only new to the MIC-ness but also it is placed just at the very threshold of it. While on the one hand, the MIC status that the country desperately tries to cling on to does not allow it to exploit the low wage advantage, on the other Sri Lanka also finds it impossible to compete in the high-tech domain against a global backdrop that is characterized by stiff competition and recovery from economic downturn.

In its pre-MIC phase, Sri Lanka was a donor-darling. However, this is no longer the case since Sri Lanka gained MIC status. The development cooperation to Sri Lanka, in its traditional sense, with a high emphasis on aid and soft loans, is in gradual decline. The new emphasis is on Foreign Direct Investments and Commercial Loans. This trend is significantly changing the configuration of the bilateral and multilateral development cooperation policy on Sri Lanka. Development Cooperation is gradually aligning itself with trade, strengthening the markets and enabling the marginalized sections of society to be integrated with the market.

This condition also affects non-state actors such as civil society organizations and NGOs that are addressing issues of poverty, exclusion, inequality and vulnerability at a micro level. While the Sri Lankan poverty level at a macro/national level has decreased from 22% (1995) to 6.7% (2009), the regional disparities and inequalities have risen considerably. In addition, governance and post-conflict development remain formidable challenges; not addressing such challenges will impede economic progress.

Historically, Sri Lankan civil society and the NGOs pursued political advocacy and economic interventions considering the low income level of the country. The MIC status of Sri Lanka has changed the nature of economic realities. However, what is so particular about the MIC status in the Sri Lankan context? What are the opportunities and challenges of such a context? Can a sudden shift from aid-to-trade address the challenges while banking on the opportunities? What then is the role left for civil society actors? What are the implications on the traditional roles they have been playing before? Can they renew themselves under the MIC condition?

This essay argues that civil society actors should make a gradual shift from its traditional role in the realm of economic development and venture into economic issues at a different level. However, the essay also argues that the civil society also has 'unfinished' businesses<sup>1</sup> in the political realm that needs to be continued under the MIC condition. The paper discusses the above, drawing on an analysis of the specificity and particularity of the Sri Lankan MIC status. The paper contends that the role traditionally played by the civil society in Sri Lanka could limit an attempt to carve out a new niche. However, at the same time the paper also acknowledges the potential that civil society has to adapt itself to the new realities.

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<sup>1</sup> Civil society has yet to successfully contribute to issues of governance, human rights, addressing inequalities, etc.

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## I. INTRODUCTION

After struggling for many years as a Low Income Country, Sri Lanka finally scraped its way to the Middle Income Country (MIC) status in 2010. Sri Lanka is not only new to the MIC-ness but it is also placed just at the very threshold of it. While on the one hand, the MIC status does not allow it to exploit its low wage advantage, on the other hand Sri Lanka also finds it impossible to compete in the high-tech domain against a global backdrop that is characterized by stiff competition and recovery from economic downturn.

Historically, Sri Lankan civil society and the NGOs pursued political advocacy and economic interventions considering the low income level of the country. The MIC status of Sri Lanka has changed the nature of economic realities. However, what is so particular about the MIC status in the Sri Lankan context? What are the opportunities and challenges of such a context? Can a sudden shift from aid-to-trade address the challenges while banking on the opportunities? What then is the role left for civil society actors? What are the implications on the traditional roles they have been playing before? Can they renew themselves under the MIC condition?

This essay argues that civil society actors should make a gradual shift from its traditional role in the realm of economic development and venture into economic issues at a different level. However, the essay also argues that the civil society also has 'unfinished' businesses<sup>2</sup> in the political realm that needs to be continued under the MIC condition. The paper discusses the above, drawing on an analysis of the specificity and particularity of the Sri Lankan MIC status. The paper contends that the role traditionally played by the civil society in Sri Lanka could limit an attempt to carve out a new niche. However, at the same time the paper also acknowledges the potential that civil society has to adapt itself to the new realities.

## II. THE IMPORTANCE OF BEING A MIC

The classification of a country's economy as low, middle or high income comes from the World Bank.<sup>3</sup> The per capita Gross National Income (GNI) is taken as the basis for the classification. Countries with a per capita income lower than \$ 1036 are considered low income while countries with a per capita income higher than 12,615 are considered high income. Those national economies whose per capita income is between \$ 1,036 and \$ 12,615 are classified as MICs. MICs economies are divided into two sub-categories: low MIC (USD1,026 – USD 4,035) and high MIC (USD4,036-USD 12,475). As of 2014, there were 103 MICs in the world: 63 were low MICs and 40 were high MICs<sup>4</sup>.

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<sup>2</sup> Civil society has yet to successfully contribute to issues of governance, human rights, addressing inequalities, etc.

<sup>3</sup>Jonathan Glennie, "The role of aid to middle-income countries: a contribution to evolving EU development policy", Overseas Development Institute, Working Paper No 331, June 2011, 3, at <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7189.pdf>.

<sup>4</sup> Investopedia, *Middle Income Countries*, at <http://www.investopedia.com/terms/m/middle-income-countries.asp#ixzz3fYY5oMvG>.

In the general aid lexicon, both low income and MICs are treated as developing countries.<sup>5</sup> In the United Nations' system, the category of MICs is often used to refer to developing and transition economies not categorized as Least Developed Countries. While often used to measure the growth and prosperity of a country on average, these classifications may be inadequate for actually describing MICs' complexities, including those linked to the uneven distribution of wealth, sustainability and connectedness. To date, the international community has not agreed upon a universally valid classification. In addition, the MICs are also a highly diverse set in regard to their sizes and populations. The MIC classification encapsulates China, India and Brazil on the one hand and the Marshall Islands on the other.<sup>6</sup>

Why are MICs considered important? MICs are significant in terms of demographics and size. For the World Bank, MICs contribute to global economic growth and stability by way of the "positive spill-overs to the rest of the world through effective poverty reduction, international financial stability and cross-border global issues including climate change, sustainable energy development, food and water security and international trade."<sup>7</sup> However, there seems to be a paradox in this assertion. MICs are also the home of 73% of world's poor.<sup>8</sup> In absolute terms, 900 million people whose income is less than USD 1.25 a day live in MICs. If we considered USD 2 a day to be the income of the poorest people on earth, this figure goes up to 1.8 billion. Therefore, what MIC-ness means remains a question to be probed further.

### III. SRI LANKA AS A MIC

The International Monetary Fund (IMF) listed Sri Lanka in its Middle Income Emerging Markets in January 2010. This meant that IMF graduated Sri Lanka from the list of Poverty Reduction and Growth Trust (PRGT)<sup>9</sup>. From the Sri Lankan Central Bank's perspective, this upgrade would make it possible for Sri Lanka to project itself strongly in international financial and capital markets. A country graduates from PRGT only if it (i) has enjoyed income per capita well above the International Development Association (IDA) threshold for a number of years; (ii) has the capacity for durable and substantial access to international financial markets; and (iii) does not face serious short-term vulnerabilities.

Sri Lanka's graduation to a MIC was understood as that the reflection of what happened under the 'most propitious set of circumstances for the country for 50 years':

"The late- 50's, there was a dramatic and secular decline in the terms of trade for about 25 years. Tea and rubber prices fell almost on a continuous basis. In The World

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<sup>5</sup> A developing country is one in which the majority of people live on far less money—with far fewer basic public services—than the population from highly industrialized countries. Five million of the world's 6 billion people live in developing countries, where incomes are usually under USD 2 per day and a significant portion of the population lives in extreme poverty (under USD 1.25 per day). The World Bank financing for debt relief, technical assistance and advisory services, and special initiatives categorizes developing countries as [Heavily Indebted Poor Countries \(HIPC\)](#), [Middle-Income Countries \(MIC\)](#), [Low-Income Countries Under Stress \(LICUS\)](#) and [Small States](#). See: The World Bank, *About Development*, at <http://web.worldbank.org/WBSITE/EXTERNAL/EXTSITETOOLS/0,,contentMDK:20147486~menuPK:344190~pagePK:98400~pPK:98424~theSitePK:95474,00.html>.

<sup>6</sup>Charts Bin, *World Bank Country Classification*, at <http://chartsbin.com/view/2438>.

<sup>7</sup>Investopedia, *Middle-Income Countries (MICs)*, at <http://www.investopedia.com/terms/m/middle-income-countries.asp>.

<sup>8</sup>IFAD, "IFAD's Engagement in Middle-income Countries Evaluation Synthesis", Report No. 3422, June 2014, at

[http://www.ifad.org/evaluation/public\\_html/eksyst/doc/syn/2014/mics/full\\_report.pdf](http://www.ifad.org/evaluation/public_html/eksyst/doc/syn/2014/mics/full_report.pdf).

<sup>9</sup> Press release, The Central Bank, Colombo, dated 11 January 2010.

Development Report of 1982, there is a box on Sri Lanka where it is cited as a country that had experienced devastating terms of trade decline. So that was a major drag on the development prospects of the country for 25 years starting from the late-50s. At the same time, there was a demographic surge. This meant the surpluses were coming down in the economy at a time when the population was rising quickly. Clearly, those were a set of problems that were very challenging for policy-makers at that time. In addition, those problems were amplified by the inward-looking policies that were followed at that time. Then there was the liberalization of the economy in the late-70s. However, the country didn't get the pay-off it might have got, due to the onset of the conflict. If you look at the period from the late-50's right through to 2009, there were major drags that were holding back the development prospects of the country.<sup>10</sup>

Such optimistic arguments on Sri Lanka's MIC attainment were further strengthened by the drastic drop in poverty levels from 22% (2002) to 6.5% (2012). However, a high level of inequality of income distribution<sup>11</sup> and the prevalence of pockets of poverty including regional disparities challenge the optimistic arguments on MICs. The poverty levels have been considerably higher than the national average in many districts in the country. The notable outliers are Mannar, Mullaitivu, Kilinochchi, Batticaloa, Badulla, Monaragala, and Ratnapura with poverty levels of 20.1%, 28.8%, 12.7%, 19.4%, 12.3%, 20.8% and 10.4%, respectively.<sup>12</sup> This means that, out of the 25 districts, 16 remain at poverty levels above the national average of 6.5%<sup>13</sup>. On the other hand, poverty level in the capital city of Colombo has been 1.4% and hence, the national average of poverty level is misleading about the country's overall situation.

#### IV. CIVIL SOCIETY IN SRI LANKA<sup>14</sup>

##### A. Nature and Orientation<sup>15</sup>

Sri Lanka maintained a robust welfare system from the pre-independence period. The state was the custodian and deliverer of the welfare system. Later, this welfare system was closely linked to electoral politics through a system of patronage. Therefore, successive governments could not afford to abandon their role as the deliverer of welfare and development. The

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<sup>10</sup>SAPRI, *Lecture by Dr. Indrajit Coomaraswamy "Prospects for Middle Income Sri Lanka: Challenges & Opportunities"*, at <http://www.thesapri.org/2014/03/24/lecture-by-dr-indrajit-coomaraswamy-prospects-for-middle-income-sri-lanka-challenges-opportunities/>.

<sup>11</sup>Gini Co-efficient figures in Sri Lanka: 1980/1: 0.43, 1985/6: 0.46, 1990/1: 0.43, 2001: 0.47, 2006/7: 0.49, 2009/10: 0.49, 2012/13: 0.48 See Department of Census and Statistics Sri Lanka, "Household Income and Expenditure Surveys", various years, at <http://www.statistics.gov.lk/page.asp?page=Income%20and%20Expenditure>.

<sup>12</sup>Department of Census and Statistics, "Household Income and Expenditure Survey (HIES) for 2012-13", Preliminary Report, December 2013, at <http://www.statistics.gov.lk/HIES/HIES2012PreliminaryReport.pdf>.

<sup>13</sup> *Ibid.*

<sup>14</sup> Literature on Sri Lanka and by Sri Lankan authors use terms such as Voluntary Organizations, Civil Society Organizations (CSOs), Non-Governmental Organizations (NGOs), and Community Based Organizations (CBOs) to denote various forms and manifestations of civil society actors. These terms are often used loosely and interchangeably.

<sup>15</sup> The section on civil society is heavily drawn from the author's own previous writings, presentations and publications, particularly from Udan Fernando, *NGOs in Sri Lanka: History and Trends*, (Wasala Publications, Kohuwala, 2003); and Udan Fernando, "Uneasy Encounters: Relationships between Dutch Donors and Sri Lankan NGOs", Thesis filed at Amsterdam Institute for Social Science Research (2007).

experience of major poverty alleviation schemes since the 1990s—Janasaviya<sup>16</sup> and Samurdhi<sup>17</sup>—, which changed the mode of delivery of welfare system, showed the sheer reluctance of the respective governments to allow the NGOs to get involved in the poverty-alleviation programme funded by the World Bank. On the other hand, Sri Lanka's relatively satisfactory health and education systems required no additional players to run such services as in countries such as Bangladesh and Nepal where NGOs played a major role. All these conditions and situations left a limited scope for non-state actors to enter the domain of development as deliverers or implementers. Even massive development initiatives such as Mahaweli<sup>18</sup> were an exclusive preserve of the state. Hence, development NGOs in Sri Lanka did not emerge as a major force compared to NGOs in countries mentioned above. This experience runs counter to the common argument that liberalisation policies would diminish the welfare role of the state and NGOs would fill the void. The above feature of Sri Lankan NGOs suggests that they have very little control and influence over what is considered 'development' work. Their scope of influence has been in the area of political rights.

The dominant Civil Society/NGO identity in Sri Lanka has been more close to the political – in its wider meaning – domain. Social action and voluntary organizations have been in the forefront of social and political reforms since the pre-independence era.<sup>19</sup> These efforts were intensified when NGOs dealing with rights issues proliferated in the seventies and eighties. Thus the cutting edge of Sri Lankan NGOs is not so much 'development' NGOs but 'rights' NGOs. Arguably, the ethnic issue has been the area where Sri Lankan rights-oriented NGOs have made a lasting impact. Their impact has been high on the fronts of lobbying and advocacy, human rights issues and the promotion of concepts such as pluralism, devolution, federalism, etc. The political orientation of Sri Lankan NGOs means that they invariably capture the political realm as part of their environment. This means that Sri Lankan NGOs are highly sensitive towards the shifts happening in the political realm.

The link between Sri Lankan NGOs and the Left is a special feature. The pioneer justice-oriented groups had close links with the old Left. The entrance of the New Left activists (JVP and others) to NGOs in the post-1977 period, and trade union activists in the post-1980 period, has given Sri Lankan NGOs a strong political identity. This generation of Left political activists dominated the NGO scene in the eighties and early nineties. In a way, the NGO activism in the eighties and the early nineties partially replaced the void created by the decline of the Left and trade unionism. In this regard, some NGOs have played the role of gap fillers for a moribund Left and trade unions. Hence, the terms Non-Party Political Formations<sup>20</sup> or Non-

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<sup>16</sup> This programme was introduced by the United National Party (UNP) government under President Premadasa, from 1991-1994, which coincided with the Structural Adjustment Programme (SAP).

<sup>17</sup> This scheme was introduced in 1994 under the Peoples' Alliance (PA) government, which was established after a 17-year rule by the United National Party (UNP).

<sup>18</sup> The Mahaweli Development Programme (MDP) is considered the most ambitious development initiative undertaken in Sri Lanka in the recent past. Five major dams constructed on the largest river "Mahaweli" supplied irrigation water to an area of 144,000 ha, deemed unproductive due to lack of water. Nearly 125,000 families were settled in the downstream areas during the early and mid '80s – many of them poor, landless peasants who left their homelands and journeyed to the "promised land" with the dream of becoming proud owners of a plot of irrigated paddy land. Each settler family was entitled to 1 ha irrigated lowland and 0.2 ha. Rain-fed highland for a homestead. See Chesha Wettasinha *Scaling up participatory development in agricultural settlements*, at <http://www.agriculturesnetwork.org/magazines/global/lessons-in-scaling-up/scaling-up-participatory-development-in>.

<sup>19</sup> Temperance Movement is a prominent example.

<sup>20</sup> Kothari, Rajni, "The Non-Party Political Processes", *Economic and Political Weekly*, 19(5), 216-24.

Party Left Formations<sup>21</sup> encapsulate the nature and character of the above cluster of Sri Lankan NGOs. However, the NGO sector in Sri Lanka should not be understood as an exclusive preserve of the Left. It is a much more diverse arena. For instance, NGOs such as the Civil Rights Movement (CRM), MARGA, International Centre for Ethnic Studies (ICES) and Law and Society Trust (LST) had a largely liberal political orientation. There are many NGOs whose leaders are closely linked to non-Left parties<sup>22</sup>. The rights NGOs that became a vociferous force in the eighties and early nineties were dominated by Leftists but accommodated the liberals. However, since the late nineties, this balance tilted towards a liberal political orientation.

### ***B. New Trends in the New Millennium***

A reverse trend of civil society and NGOs was witnessed since the mid-nineties. This trend became established firmly in the post-2002 period.<sup>23</sup> The key staff and leaders who entered the NGOs in the mid-nineties and beyond came from professional and academic backgrounds with little or no background in political activism.<sup>24</sup> Their political sympathies were mostly with liberal thinking<sup>25</sup>. Though this new breed of NGO leaders and functionaries has been able to make an impact in high-level advocacy-type interventions, the popular base and mobilizational capacity that NGOs had in the eighties and early nineties have been drastically eroded. Uyangoda goes further on the issues of these 'new kids on the block', as he says that "the politics of the Left has been appropriated – or hijacked – by a new elite of middle-class, urban, Western-educated professionals whose commitment to the goals of anti-systemic politics is non-existent, or even dubious".<sup>26</sup> The mass base and engagement at the grassroots level was part of the environment enacted by the old generation. The donors<sup>27</sup> were part of it but their financial contribution was modest. On the contrary, the donors occupy an important place in the newly enacted environments of the present generation of NGOs. A new addition in the new environment is the business sector, as the new NGOs seem to explore possibilities of collaboration with the former.

During the same period, micro credit and small and medium enterprises (SMEs) were embraced by the NGOs. Sarvodaya's micro credit arm SEEDS (now called Deshodaya Finance) expanded the scope of their work and outreach. The Federation of Thrift and Credit Cooperative Societies (FTCCS), which was the largest network of savings and credit groups (organized under the Cooperative Ordinance), formed a Development Bank in 2001. By now, it is a well-established Bank with a network of branches. Both the Sarvodaya-affiliated micro

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<sup>21</sup> Sangeeta Kamat, *Development Hegemony: NGOs and State in India* (Oxford University Press, Oxford, 2002).

<sup>22</sup> Some examples are: the former UNP parliamentarian and current provincial council member S. Velayuthan runs an NGO called POWER in Uva Province. The late Buelah Munasinghe, director of Agromart Foundation, was a member of the UNP Working Committee. The late Nissanka Wijeratne, a UNP stalwart and former minister of justice, was the patron of the Law & Society Trust. K.M. de Silva, who heads the Kandy branch of ICES, was an advisor to President Jayewardene. The late Neelan Thiruchelvam who headed ICES and LST represented the Tamil United Liberation Front (TULF) in Parliament from 1994 to 1999.

<sup>23</sup> Udan Fernando, *op.cit.* note 13 (2007).

<sup>24</sup> *Ibid.*

<sup>25</sup> Jayadeva Uyangoda, "From Class and Trade Unions to NGOs: Sri Lanka's Left," in Rajan Philips, Kumar David and Seelan Kadigamar, (ed.), *Sri Lanka: Global Challenges and National Crisis, Proceedings of the Hector Abhayawardhana Felicitation Symposium* (Ecumenical Institute and Social Scientists Association, Colombo, 2001), 187-216.

<sup>26</sup> *Ibid.* 187.

<sup>27</sup> Largely the traditional development aid agencies.

finance operation as well as Sanasa Development Bank are self-sustained and generating profits.

### ***C. Civil Society and Government***

For most part of its history and particularly from the 1990s, Sri Lankan civil society has experienced confrontational and antagonistic relations with the respective governments. This has been the case particularly for those organizations addressing issues of human rights, ethnic conflict, devolution of power, etc. Development-NGOs were spared from this trend to a certain extent.<sup>28</sup> Government-NGO relations were severely strained in the period 2005-2014. An anti-NGO sentiment and a civil-society phobia was promoted by governments since the mid-nineties<sup>29</sup> as well as various political forces that supported these governments. Civil society groups, NGOs and individuals who held a critical view of the government became the target of government media. Ideologically, the role and legitimacy of civil society organizations was contested by the government and pro-government groups. Practically, the government prevented these organizations from carrying out its work and activities by using red tape, and empowering the military to conduct threats, arrests, surveillance, and intelligence operations. Some government officials proposed to introduce new legislation to strictly regulate the work of NGOs. This situation drastically shrunk the space for civil society organizations and groups. The space for engagement and collaboration between the government and civil society was very limited. The government welcomed engagements with civil society when their work was non-controversial work, such as the delivery of hardware-type development interventions.

The political changes that took place in January (Presidential election) and August (General elections) 2015 witnessed a gradual shift from the above trend. The overarching political slogan during these elections was 'good governance' which was hitherto raised by civil society. It is still premature to predict the nature of government-civil society relations in the current context. By now, the relative strength of the NGOs – in terms of numbers, geographical spread, staff and funding has drastically eroded due to the reasons explained before. The anti-NGO environment, particularly in the period of 2005-2014, compelled certain INGOs to withdraw or phase out from Sri Lanka. The strict control and surveillance paralysed many local NGOs. Related to the theme of this paper, Sri Lanka's MIC status resulted in a gradual drop in donor support to NGOs.

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<sup>28</sup> Sarvodaya and Seva Lanka are examples. These NGOs carry out a variety of work but they are largely classified as Development NGOs.

<sup>29</sup> With exceptions in some periods such as 1994 and 2002.

## V. SRI LANKAN CIVIL SOCIETY IN A MIC CONTEXT – CHALLENGES AND OPPORTUNITIES

What are the implications of the historical particularities of Sri Lankan civil society *vis-à-vis* their interface in a MIC context? Do the new circumstances of a MIC condition allow them to play a creative role? What can civil society actors in a country like Sri Lanka do given its attributes explained before? This section, discusses the above questions.

### ***A. Addressing Inequality and Poverty Disparities***

The traditional poverty alleviation interventions, in terms of subsidies and support, will continue to be within the government's domain because of the nature of the way electoral politics and patronage system is organized. This leaves civil society with little or no role to play in terms of direct interventions. One could also argue that it is a positive situation that the role of civil society is not to be a substitute or a sub-contractor. The logical role civil society should play in such a situation then will be advocacy. The advocacy role entails probing and raising the issues of inequality, regional disparities, and hidden and new forms of vulnerabilities, exclusion and discrimination.

Can the current civil society actors in Sri Lanka live up to the above expectation? As explained before, the current civil society actors have a heavy political orientation. Their experience, expertise and skills are formed around politically inclined themes such as reconciliation, devolution of power, constitutional reforms, etc. The NGO-type organizations and activist organizations are made of such traits. Therefore, they will not be in a position to address economic issues with the same level of skills and expertise as they would do in the domain of political interventions. The economic-advocacy work is a lacuna in the Sri Lankan civil society at the moment. This is not to say that there are no such actors within the Sri Lankan NGOs. They are very few in numbers, informal and small in nature.

'Think tanks' carry out research analysis and policy changes. Again, the number of think tanks is relatively small but they are as not as small and informal in the case of economic-advocacy groups. However, think tanks are yet to emerge as a civil society actor. As of now, think tanks profile themselves as professional advisory and policy influencing groups. In fact, some of them are semi-government<sup>30</sup> while others are private companies.<sup>31</sup> Their policy interventions are becoming visible and even impactful. However, the economic analysis and ideology of many think tanks remain mainstream. Such position has relegated them to be close to the corporate sector or government itself. What is needed is a set of organizations with strong economic-advocacy orientation, skills and expertise together with a critical analysis to address the new realities created by MIC conditions. As of now, there is a lacuna of such organizations and the development NGOs will not be able to fill that gap in the short run. Think tanks will have the basic skills but their analyses and perspectives need to be sharpened.

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<sup>30</sup> An example of this is Institute of Policy Studies.

<sup>31</sup> An example of this is Verite Research.

## ***B. Political Emphasis To Be Continued***

The MIC indicator is all about income. But the MIC condition should not be treated in isolation from social and political dimensions. The MIC's economic dimension does not guarantee a corresponding quality and degree of socio-political realms. Within the large contingent of MICs in the world are fragile states such as Nigeria and Pakistan. Some countries such as Malaysia and Indonesia followed near-authoritarian styles of governance. As explained before, the political realm has always been the preoccupation of civil society actors in Sri Lanka partly because of the nature of political crises that demanded attention. Until recently, Sri Lankan politics were clouded by a civil war that lasted three decades. Although the physical war came to an end in 2009, its root cause (a legitimate ethnic conflict) is yet to be fully addressed. In general, issues of governance need to be addressed, such as the rule of law, human rights, freedom of expression, and media freedom. Currently, there seems to be a certain degree of optimism on such issues. However, consolidation of such rights, for instance in the form of legislation on the right to Information, is yet to be realized.

A new role for civil society is to keep a close tab on the socio-political realm so that they could shed light on how unsustainable strategies to accelerate growth could negatively impact society. In its steadfast ambition to maintain the MIC status—and perhaps to step up the ladder and be recognized as an Upper Middle Income Country—the Sri Lankan government might follow an aggressive growth strategy. An example is to attract foreign investments to establish operations in Sri Lanka without proper regulations to protect domestic workers. Often, investors attempt to maximize the advantage of cheap labour. This entails curtailing trade union rights, liberal hire-fire policies and deepening labour's flexibility and informality. Sri Lanka is already experiencing such trends. Trade Unions have become weak and ineffective in the midst of such an aggressive pro-investment environment. Hence alternative forms of civil society organizations need to step up and demand labour protection under new MIC circumstances.

Graduating from Low Income Country to MIC does not guarantee a corresponding improvement in the socio-political dimensions. In Sri Lanka, there is a great deal of political issues that need to be addressed. A new breed of social and political issues will be generated by the very MIC condition, for example the violation of labour rights. Hence, civil society actors should renew their role to address sophisticated forms of social and political issues created under a MIC condition. The current rights-based advocacy groups in Sri Lanka will be equipped with their traditional advocacy skills. But in the new MIC context, they will be required to acquire new skills and expertise to critically analyse and advocate for positive changes.

## ***C. Micro-credit and Enterprise Development***

The system of direct poverty alleviation—subsidy and support for the section of those under the poverty line—will continue be under the monopoly of the government. As a MIC, there is constant pressure on the Sri Lankan government to ease its burden on such subsidies, which in turn exerts pressure on the government's fiscal policy. The common policy recommendation and strategy is to promote microcredit and enterprise development among the poorest segments of society, so that they can graduate from their status below the poverty line. The graduation process is a problem in Sri Lanka partly because the government's poverty

alleviation scheme is heavily politicized. The drastic drops in poverty levels have not reduced the number of beneficiaries of the subsidies provided by the poverty alleviation scheme.<sup>32</sup> There is pressure from international financial institutions on the Sri Lankan government to address this issue.

Already, the government is promoting microcredit as well as small and medium enterprises (SMEs). The private sector and private banks are also aggressively pursuing these strategies. The two examples of microfinance institutes mentioned before, Deshodaya Finance and Sanasa Development Bank, had their origins with development NGOs and cooperatives promoting savings and thrift. By now, these two entities have established their position well in the market and are functioning with financial viability. But the critique is that these credit institutions have gradually shifted from targeting the poorest segments of society and are now serving more clients whose economic conditions are relatively better. Microfinance became the interest of the private sector in the last 10-15 years. Both the state and private banks promoted microfinance as an important component of their business portfolio. Finance companies focusing on microfinance were formed as subsidiaries of major banks. By now, these private sector companies have established themselves well in the market. Initially, microcredit expertise was among the organizations promoted by development NGOs. By now, microfinance institutes from the private sector have acquired the expertise as well as a substantive segment of the market. NGO-led microfinance operations seem to lag behind in the current business environment. There is still an opportunity for NGO-led microfinance institutes to play an important role in catering to the needs of those who are not considered credit-worthy by the private microfinance institutes.

#### ***D. Social Business, Social Enterprises and Engagement with the Private Sector***

Social Business or Social Enterprises are a new model of work that became popular in the last ten years or so. While there are different variants of such models, social businesses generally strive to address a social problem by using a business model to ensure feasibility, viability and resource mobilization. The resources are usually mobilized from individuals or private sources such as foundations or corporates. The new generation of 'change makers', as they would profile themselves, is the force behind social enterprises and social business. This model is gradually gaining ground in Sri Lanka and is increasingly popular among young people who are keen on social issues.<sup>33</sup> The traditional NGO-type organizations face a challenge of leadership succession as the older generation of leaders is ageing. A large number of these types of NGOs in Sri Lanka are in crisis partly because of the lack of succession. The younger generation seems to prefer social business model, where they can be entrepreneurs, rather than becoming an employee of an NGO.

To a certain extent there is good potential for social businesses to achieve social outcomes in Sri Lanka. At one level, such a model can mobilize the younger generation to address new social realities. At the other level, these models entail a great deal of innovation, creativity and

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<sup>32</sup> Author's interviews with the Advisor to the Ministry of Housing and Samurdhi from April-August 2015 as part of the work of the Centre for Poverty Analysis (CEPA), which facilitated a process with the senior management of the poverty alleviation programme to revise it.

<sup>33</sup> This observation is based on author's professional work with the Centre for Poverty Analysis (CEPA) and Strategic Inspirations Private Limited. The latter advises on start-ups of such organizations.

out-of-the-box solutions for social issues. The latter is important as Sri Lankan NGOs have reached a stage of stagnation in terms of idea generation and innovation. The other use of social business is the potential to mobilize private sector resources. A social business model would be more attractive for the private sector, given the business model and the kind of issues/themes addressed by social businesses. Generally, the link between civil society and private sector is relatively weak in Sri Lanka. Therefore, social business will be a useful means to bridge the gap between civil society and private sector so that financial resources as well as commitments towards ensuring Corporate Social Responsibility (CSR) can be diverted to such causes.

The critique on social businesses is that they often avoid the political dimensions of social issues or would take a narrow view and analysis of an issue. This could be partly due to the orientation and background of the promoters of social businesses. It could also be due to the resource providers or investor's attitudes and requirements. This is an area social businesses can address in order to expand their scope and depth of work. Social businesses in Sri Lanka are yet to be identified as part of the broader civil society. As of now, many social businesses function in isolation. In order to ensure synergies, social businesses should forge links with the rest of civil society organizations and groups. Despite these areas for improvement, social businesses have a great potential to function as a vibrant section of civil society under the new MIC condition.

## **VI. CONCLUSION**

A MIC cannot be understood from a universal and generic lens. Every MIC has its own unique conditions, potentials, limitations and imperfections. Therefore, understanding the specificity and particularity of the MIC condition in Sri Lanka is important. Although poverty levels have drastically come down in Sri Lanka, inequalities and regional poverty disparities remain. The relative increase of GNI – that enabled Sri Lanka to be upgraded to the MIC status – has not resulted in a corresponding improvement of socio-political concerns. A great deal of social and political issues remain unaddressed. In certain cases, they take precedence over economic challenges. The role of civil society should be discussed in such particular context.

Historically, Sri Lankan civil society and NGOs have pursued political advocacy and economic interventions. The MIC status of Sri Lanka has changed the nature of economic realities as well as the traditional aid flows to civil society. This essay contends that the role traditionally played by civil society in Sri Lanka could limit an attempt to carve out a new niche under MIC conditions. However, at the same time, this essay also acknowledges the potential that civil society has to adapt itself to the new realities.

The Sri Lankan civil society has not yet fully adapted to the new MIC conditions. This essay concludes that civil society actors should venture into new roles, emphasizing on economic advocacy and taking up new social and political realities created by the MIC status. Social businesses are identified as the new means to upgrade civil society's role in contributing to positive social outcomes. Overall, this requires that civil society actors shift their current policy approaches as well as update their skills and expertise.

## **Still in Its Infancy: UN Country-Level Support for South-South Cooperation in Middle Income Countries<sup>1</sup>**

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### **Abstract**

Large Middle Income Countries (MICs) have been positioning themselves as providers of South-South cooperation (SSC) at regional and global levels. In that context, the United Nations (UN) system has been exploring new modalities in order to expand and redesign its support to MIC governments' SSC efforts. This paper investigates two case studies in order to identify key elements of UN SSC support in large MICs and makes two contributions. First, it analyses empirical evidence on how the UN system has been supporting MIC's SSC at the country level, namely in China and Mexico. Second, based on these insights it revisits claims on the added value of UN SSC support in order to point to potentials and challenges of the UN's engagement with SSC.

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<sup>1</sup> While working with the United Nations Development Programme from 2012 to 2015, I was actively involved in processes related to South-South cooperation support. In addition to a review of relevant literature (particularly UN reports and resolutions), this paper is based on interviews and insights gathered in China and Mexico and I would like to thank colleagues working with governments and UN agencies for their support. Gaps or mistakes that the paper may contain remain my exclusive responsibility.

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## I. **FACING CHANGE: THE ROLE OF THE UN IN SUPPORTING MIC'S ENGAGEMENT WITH SOUTH-SOUTH COOPERATION**

Notwithstanding considerable domestic development challenges, large Middle Income Countries (MICs)<sup>2</sup> have been redefining and expanding their engagement abroad to position themselves at regional and global levels. This has been the case for the BRICS<sup>3</sup> and other increasingly powerful economies such as Indonesia, Mexico and Turkey.<sup>4</sup> One key component of these countries' strategies has been to expand their engagement as providers of South-South development cooperation<sup>5</sup>, generally defined as exchange of knowledge or resources between countries from the so-called 'developing world' that is directed towards individual or shared development objectives.<sup>6</sup> In both academic and policy circles there has been a growing debate on the role of these new, rising or (re-)emerging 'donors'.<sup>7</sup> In that context, the United Nations (UN) system – comprising UN Funds and Programmes, Specialized Agencies and related organizations<sup>8</sup> – has started to reflect on, redesign and expand its support for South-South cooperation (SSC) as an increasingly “central factor in international relations”.<sup>9</sup>

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<sup>2</sup> According to the World Bank, MICs “are defined as having a per capita gross national income of US\$1,046 to \$12,735”. See World Bank, “Country and Lending Groups”, July 2015, at <http://data.worldbank.org/about/country-and-lending-groups>; For a critique of and reflection on the category see Jose A. Alonso, Jonathan Glennie and Andy Sumner, “Recipients and Donors. Middle Income Countries and the Future of Development Cooperation”, GPEDC, Working Paper, April 2014, at <http://effectivecooperation.org/wordpress/wp-content/uploads/2014/04/Recipients-and-Contributors-MICs-and-the-future-of-development-cooperat...pdf>.

<sup>3</sup> Brazil, Russia, India, China and South Africa.

<sup>4</sup> Most of these countries are qualified by the World Bank as Upper-Middle-Income economies, see World Bank, *op.cit.* note 2.

<sup>5</sup> In the remainder of the paper, I will refer to South-South cooperation (or SSC) as a short form for South-South development cooperation.

<sup>6</sup> See the definition in the Operational Guidelines: “United Nations organizations may wish to define South-South cooperation for development as follows: a process whereby two or more developing countries pursue their individual and/or shared national capacity development objectives through exchanges of knowledge, skills, resources and technical know-how, and through regional and interregional collective actions, including partnerships involving Governments, regional organizations, civil society, academia and the private sector, for their individual and/or mutual benefit within and across regions.” HLCSSC, Framework of Operational Guidelines on United Nations Support to South-South and Triangular Cooperation, Note by the UN Secretary-General, SSC/17/3, 12 April 2012, para. 9.

<sup>7</sup> See Richard Manning, “Will ‘Emerging Donors’ Change the Face of International Co-operation?”, 24(4) *Development Policy Review* (2006), 371-385; Ngaire Woods, “Whose aid? Whose influence? China, Emerging Donors and the Silent Revolution in Development Assistance”, 84(6) *International Affairs* (2008), 1-17; Emma Mawdsley, *From Recipients to Donors* (Zed Books, London, 2012).

<sup>8</sup> UNSCEB, “Who We Are”, at <http://www.unsceb.org/content/who-we-are>.

<sup>9</sup> UN General Assembly, State of South-South Cooperation, Report of the Secretary General, A/69/153, 17 July 2014, 2.

Reviewing the historical trajectory of the UN as a key platform for SSC goes beyond the scope of this paper; on the UN's role in “formalizing South-South cooperation” (63), see Mawdsley, *op.cit.* note 7.

## A. The UN's Framework For Supporting South-South Cooperation

Beyond its focus on supporting MICs<sup>10</sup> in tackling their domestic development challenges, the UN system has started to explore new modalities to support MIC governments that now act themselves as providers of development cooperation to other countries of the 'South'.<sup>11</sup> The UN entity supposed to "promote, coordinate and support South-South and triangular cooperation globally and within the United Nations system" is the United Nations Office for South-South Cooperation (UNOSSC) hosted by the United Nations Development Programme (UNDP).<sup>12</sup> The UNOSSC also acts as the secretariat of the High-Level Committee on South-South Cooperation (HLCSSC), the "primary policymaking entity on South-South cooperation in the United Nations system".<sup>13</sup> The UNOSSC's activities are embedded in the general reference framework for UN SSC support, above all the guidelines and resolutions issued by the UN General Assembly or the UN Secretary-General.<sup>14</sup> The most concrete and detailed reference for UN SSC support is the *Framework of Operational Guidelines on United Nations Support to South-South and Triangular Cooperation* published in 2012 that "sets out comprehensive parameters on how to mainstream South-South and triangular cooperation in the policies and programmes of the United Nations system at all levels".<sup>15</sup>

### 1. UNDP's support for South-South cooperation and emerging development partners

UNDP is arguably one of the most prominent examples of UN entities that, based on these general UN guidelines, have established more concrete frameworks<sup>16</sup> for supporting MICs' SSC efforts.<sup>17</sup> In a context of changing funding patterns due to financial and economic crises, UNDP initiated its New Strategic Partnerships agenda in 2010 to establish stronger links with

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<sup>10</sup> According to the United Nations Industrial Development Organization (UNIDO) and the Government of Costa Rica (2013), "[i]n the United Nations system the category of middle-income countries is often utilised to refer to developing and transition economies not categorized as least developed countries". HLC-MICs, "Complexities of MICs", at <http://micconference.org/mic/complexities-of-mics/>; see also UN General Assembly, Development cooperation with middle-income countries, Report of the Secretary-General, A/64/253, 5 August 2009.

<sup>11</sup> Schulz argues that, as "South-South knowledge exchange is probably the fastest route to explore powerful forms of cooperation among equal partners", the support of entities like the UN for SSC may "improve the perception of the usefulness of multilateral platforms for many developing countries". Nils-Sjard Schulz, "The Third Wave of Development Players", FRIDE, Policy Brief No. 60, November 2010, 5.

<sup>12</sup> UNOSSC, "Background", at <http://ssc.undp.org/content/ssc/about/Background.html>; see also UN General Assembly, United Nations Conference on Technical Co-operation Among Developing Countries, 33/134, 19 December 1978.

<sup>13</sup> HLCSSC, *op.cit.* note 6, 7.

<sup>14</sup> For an overview, see UNOSSC, "Main Reports", at [http://ssc.undp.org/content/ssc/services/policy/documents\\_reports/main\\_reports.html](http://ssc.undp.org/content/ssc/services/policy/documents_reports/main_reports.html); see also UN General Assembly, *op.cit.* note 9, para 12.

<sup>15</sup> UN General Assembly, *op.cit.* note 9, 4. These 'comprehensive parameters' focus on how to integrate SSC in policies and programmes on global, regional and country levels through 'priority mainstreaming actions' and performance indicators. The detailed list of actions goes from global streamlining and regional programming to strategic planning and monitoring and evaluation on the country level (for details, see HLCSSC, *op.cit.* note 6).

<sup>16</sup> See UN General Assembly, *op.cit.* note 9, 4; see also Nils-Sjard Schulz, Paola Garcia and Sebastian Haug, "Towards A Global Partnership For Development. The United Nations and Mexico's South-South Cooperation" AMEXCID-UNDP, Cooperation Programme, 2014, 28.

<sup>17</sup> For examples including the Food and Agricultural Organization, the United Nations Environmental Programme and the World Intellectual Property Organization, see ECOSOC, Managing the Transition from the Millennium Development Goals to the Sustainable Development Goals: What It Will Take, Report by the UN Secretary-General, E/2015/68, 24 April 2015; see also UN General Assembly, *op.cit.* note 9, 6. Due to its broad and inclusive mandate, UNDP has had a particularly long trajectory in accompanying MICs (UNGA, *op.cit.* note 10, 11) and their SSC efforts. UNDP has also been hosting the UNOSSC since its creation. The UN Special Unit for SSC was created in 1978 through the Buenos Aires Plan for Action; in 2013, the Special Unit was transformed into the UNOSSC (see UN General Assembly, *op.cit.* note 9, 3; UNOSSC, *op.cit.* note 12).

emerging economies.<sup>18</sup> This agenda is a key component of a broader organizational attempt to position UNDP in a changing development cooperation context. In the same line, UNDP's 2014-2017 Strategic Plan establishes explicit links between deepening "cooperation with emerging partners on shared development priorities", on the one hand, and increasing "scale and effectiveness of UNDP's engagement with South-South and triangular cooperation", on the other.<sup>19</sup> Embedded in this corporate framework for SSC support<sup>20</sup> UNDP has signed eight Partnership Agreements<sup>21</sup> with emerging economies<sup>22</sup> to date. The implementation of each Agreement has been following context-dependent logics and dynamics related to reach, size and strategy of each country's development cooperation.<sup>23</sup>

## 2. UN coordination on South-South cooperation support

Beyond the engagement of individual UN agencies, one of the "specific actions to help to bolster the mainstreaming of South-South cooperation in United Nations policies and programmes" – according to the UN Secretary-General – is "setting up intra-agency support structures, such as a dedicated South-South and triangular cooperation unit in each agency, and focal points at all levels".<sup>24</sup> While "[i]nter-agency coordination in support of South-South cooperation happens at the global and regional levels"<sup>25</sup> there have also been attempts to coordinate SSC-related work of different parts of the UN system at the country level. The UN Secretary-General's Guidance Note offers basic guidelines for country-level mainstreaming,<sup>26</sup> focusing on SSC performance indicators for UN Country Teams and the integration of SSC components in the design of United Nations Development Assistance Frameworks

<sup>18</sup> UNDP had signed similar agreements with traditional development partners before, e.g. the European Union (UNDP, "Outcomes of the 10-year review of the Strategic Partnership Agreement between the European Union and the United Nations Development Programme", UNDP, Press Release, 25 March 2014).

<sup>19</sup> UNDP, UNDP Strategic Plan, 2014-2017: Changing with the World, DP/2013/40, 2 August 2013, 11; UNDP's Strategic Plan also explicitly highlights the importance of UNDP's "role and responsibility" (UNDP *op.cit.* note 18, 12) regarding the coordination of UN SSC support.

<sup>20</sup> Systematic reflection on the issue has also been provided through the 2013 Human Development Report 'The Rise of the South', see UNDP, *Human Development Report 2013: The Rise of the South* (UNDP, New York, 2013).

<sup>21</sup> Agreements have been signed with Brazil, China, India, Indonesia, Mexico, Russia, South Africa and Turkey; the most recent Partnership Agreement was signed with Russia in January 2015 (UNDP, "Russia-UNDP Partnership", 2015, at [http://www.eurasia.undp.org/content/rbec/en/home/about\\_us/partners/russia-undp-partnership.html](http://www.eurasia.undp.org/content/rbec/en/home/about_us/partners/russia-undp-partnership.html)).

<sup>22</sup> Except for Russia all these countries are classified as MICs by the World Bank, see World Bank, *op.cit.* note 2.

<sup>23</sup> In Brazil, for instance, UNDP has established the most far-reaching collaboration schemes in terms of operative support for Brazil's efforts abroad; in Indonesia (UNDP Indonesia, "UNDP Indonesia support the South-South and Triangular Cooperation under the Partnership Framework Agreement", Press Article, 21 April 2015, at

<http://www.id.undp.org/content/indonesia/en/home/presscenter/articles/2015/04/21/undp-indonesia-support-the-south-south-and-triangular-cooperation-under-the-partnership-framework-agreement-pfa.html>), Mexico (UNDP Mexico, "Programa de Cooperación AMEXCID-PNUD", UNDP Projects, at

[http://www.mx.undp.org/content/mexico/es/home/operations/projects/democratic\\_governance/programa-de-cooperacion-amexcid-pnud.html](http://www.mx.undp.org/content/mexico/es/home/operations/projects/democratic_governance/programa-de-cooperacion-amexcid-pnud.html)) and Turkey (UNDP Turkey, "Bridging South-South Cooperation and Emerging Donor Roles: Strengthen Turkey's Participation in international Development Cooperation", UNDP Project, at

[http://www.tr.undp.org/content/turkey/en/home/operations/projects/poverty\\_reduction/bridging\\_south\\_south\\_cooperation\\_and\\_emerging\\_donor\\_roles.html](http://www.tr.undp.org/content/turkey/en/home/operations/projects/poverty_reduction/bridging_south_south_cooperation_and_emerging_donor_roles.html)) UNDP set up capacity building initiatives for those countries' development cooperation agencies; and in Russia UNDP signed an agreement to establish a Trust Fund for Development (UNDP, "Russia and UNDP sign a funding agreement to benefit regional and global development", Press Release, 11 June 2015, at <http://www.undp.org/content/undp/en/home/presscenter/pressreleases/2015/06/11/russia-and-undp-sign-a-funding-agreement-to-benefit-regional-and-global-development.html>).

<sup>24</sup> HLCSSC, *op.cit.* note 6, 3.

<sup>25</sup> UN General Assembly, *op.cit.* note 9, 16.

<sup>26</sup> See the section on priority mainstreaming actions at the country and sectoral levels (HLCSSC, *op.cit.* note 6, X).

(UNDAF).<sup>27</sup> As chair of the UN Development Group<sup>28</sup> and host of the UNOSSC, UNDP has had a key position for coordinating joint action on SSC support<sup>29</sup> which is a potential key element of strengthening the UN's role in MICs.<sup>30</sup>

## **B. Focus and Contribution of This Paper**

Many parts of the UN system “have incorporated South-South cooperation into their strategic plans”<sup>31</sup> and the latest State of South-South Cooperation report suggests that the added value of UN SSC support is essentially based on the UN's convening power, global country-level networks, technical expertise and impartiality.<sup>32</sup> However, while reports issued by the UN General Assembly, the UN HLCSSC or the UN Secretary-General frequently highlight flagship initiatives or high-level events to showcase the UN system's support for SSC, there is hardly any systematic analysis that provides a detailed account of how UN SSC support plays out on the ground. Against this backdrop, my paper investigates two case studies in order to identify key elements of the UN's role in large MICs regarding SSC and makes two contributions. First, I analyse empiric evidence on how the UN system and, in particular, UNDP have been supporting MICs' SSC at the country level (Sections 2 and 3). Second, I use these empirical insights to reflect on the argument that the added value of UN SSC support is essentially based on convening power; global country-level networks; technical expertise; and impartiality (Section 4).

The first case study focuses on how one specific UN agency – UNDP – has been adapting its operating structures and modes of engagement regarding its cooperation with arguably the most important emerging development partner: China. The second case study investigates one of the most recent and extensive examples of how a UN Country Team has set up inter-agency mechanisms in order to expand SSC processes and strengthen links with the government of one of Latin America's key development partners: Mexico. By basing my

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<sup>27</sup> These components are (1) Strategy and programme implementation; (2) Peer-to-peer learning, capacity development and collective action; and (3) Information-sharing and awareness-raising (HLCSSC, *op.cit.* note 6, 26).

<sup>28</sup> On the UN Development Group, see UNDG, “Chair and Advisory Group”, at <https://undg.org/home/about-undg/chair-advisory-group/>.

<sup>29</sup> In China, for example, UNDP is regularly convening the 'China in the World' meetings (see UNDP China, “United Nations Theme Group on China in the World Meeting addressed by CDB”, Press Article, 18 April 2012, at <http://www.cn.undp.org/content/china/en/home/presscenter/articles/2012/04/united-nations-theme-group-on-china-in-the-world-meeting-address.html>) as a platform for exchange for the international community on issues that relate to China's role in international development and also organizes quarterly information-sharing meetings for heads of UN agencies. While there has been no particular interest from the Chinese government to set up coordination structures, several UN agencies (UNIDO, UNESCO, WTO and UNDP) together with the UNOSSC are currently engaged in setting up a regional initiative - the maritime continental silk road cities alliance (CICETE, “Launching Conference of the Maritime-Continental Silk Road Cities Alliance Held in Beijing”, 11 September 2015, at <http://www.cicete.org/article/english/SpecialFeatures/201510/20151001142870.shtml>) - as a concrete expression of an issue-specific collaboration mechanism between various parts of the UN system. In Brazil, UNDP may have the largest SSC portfolio, but the UN coordination mechanism on SSC is led by the UN Population Fund.

<sup>30</sup> See UN General Assembly, *op.cit.* note 9, 3. The most recent and wide-ranging example for a UN Country Team that has been systematically analysing the UN system's role in supporting the SSC of a particular country and establishing inter-agency coordination structures is Mexico. To the author's knowledge, there has (thus far) not been a similar attempt by a UN Country Team to map and analyse the various facets of UN SSC support, publish the results and take them as foundation for a more comprehensive coordination and collaboration process with government counterparts.

<sup>31</sup> UN General Assembly, *op.cit.* note 9, 18. For concrete examples, see UN General Assembly, *op.cit.* note 9, 4 and see Schulz, Garcia and Haug, *op.cit.* note 16, 28. The individual approaches of different parts of the UN system are not streamlined and create an additional layer of heterogeneity regarding the already diverse frameworks for both SSC and SSC support.

<sup>32</sup> See UN General Assembly, *op.cit.* note 9, 4; see also Section 4 (below).

argument on two case studies that reflect the diversity of large MICs – one a BRICS country, one an OECD member; one from Asia, one from Latin America – I hope to provide insights that can be useful to researchers and practitioners focusing on changing development cooperation patterns in different contexts.

## **II. ADAPTING ENGAGEMENT: UNDP'S SUPPORT FOR SOUTH-SOUTH COOPERATION IN CHINA**

China has arguably been the most relevant of all '(re-)emerging donors', particularly in Asia and on the African continent,<sup>33</sup> and the 2010 signature of the Partnership Agreement was thus an important step for UNDP's strategy of engaging emerging development partners. While UNDP Country Offices in all Partnership Agreement countries have initiated and/or expanded their SSC work, the UNDP Country Office in China has had perhaps the most extensive and far-reaching engagement in terms of substantive project-based and policy-related support for SSC.<sup>34</sup>

As early as 2005, UNDP was one of the founding institutions of the International Poverty Reduction Centre in China and has continued to support the institution in expanding its capacity to share China's experience and become a "global hub of knowledge and information in poverty reduction".<sup>35</sup> Beyond that ongoing work, and particularly in the follow-up of the 2010 Partnership Agreement signature, UNDP China has considerably expanded its engagement with SSC and has been engaging with all key functions of UN SSC support as outlined in the UN Secretary-General's Guidance Note.<sup>36</sup> The following subsections focus on UNDP China's record in the setup of trilateral initiatives, as well as the provision of dialogue spaces and policy-related research to provide a more detailed account of how UN SSC support operates *in situ*.

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<sup>33</sup> See, for example, Deborah Brautigam, *The Dragon's Gift: The Real Story of China in Africa* (Oxford University Press, Oxford, 2009). The 2006 Summit of the Forum for China-Africa Cooperation (see Ian Taylor, *The Forum on China-Africa Cooperation (FOCAC)* (Routledge, London, 2011) where African partner countries asked China to engage more actively with international affairs, including development cooperation, was arguably one of the key moments for the expansion of China's international development cooperation.

<sup>34</sup> See also UNDP China, "Fast Facts: China's South-South and Global Cooperation", at <http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH-Fast%20Facts%20on%20South-South.pdf> and UNDP China, "UNDP-China Partnership on South-South and Global Cooperation 2014 Highlights", UNDP China, Brochure, April 2015, at <http://www.cn.undp.org/content/dam/china/docs/Publications/UNDP-CH-SS-UNDP-China%20Partnership%20on%20South-South%20and%20Global%20Cooperation%202014%20Highlights.pdf>; compare UNDP's SSC-related work in Brazil (UNDP Brazil, "Cooperação Sul-Sul", at <http://www.pnud.org.br/cooperacaoSulSul.aspx>), Indonesia (UNDP Indonesia, *op.cit.* note 23), Mexico (UNDP Mexico, *op.cit.* note 23) and Turkey (UNDP Turkey, *op.cit.* note 23).

<sup>35</sup> UNDP China, "Strengthening the Capacity of the IPRCC for South-South Cooperation", UNDP Projects, at <http://www.cn.undp.org/content/china/en/home/operations/projects/south-south-cooperation/strengthening-the-capacity-of-iprcc-for-south-south-cooperation.html>. Inspired by China's domestic experiences regarding poverty reduction, the Centre was set up as "a platform for knowledge sharing, information exchange and international collaboration in the areas of poverty reduction and development" (IPRCC, "Mission", 7 August 2009, at <http://www.iprcc.org.cn/English/Index/skip/lid/138.html>); it has a global outlook and cooperates with a wide variety of stakeholders in and outside China.

<sup>36</sup> Key functions of UN support for SSC as outlined in the Guidance Note (HLCSSC, *op.cit.* note 6) include: (1) policy development and dialogue, (2) research and analysis, (3) knowledge-sharing, (3) capacity-building, (4) partnerships and financing and (5) monitoring and evaluation.

## **A. Towards New Modes of Engagement: Triangular Pilot Projects**

The UN Secretary-General's Guidance Note on SSC defines triangular cooperation as "Southern-driven partnerships between two or more developing countries supported by a developed country(ies)/or multilateral organization(s) to implement development cooperation programmes and projects".<sup>37</sup> Since 2011, UNDP China has supported and/or led the setup and implementation of triangular<sup>38</sup> projects – all in cooperation with the Chinese government and another developing country. Funding is provided by a traditional donor, the Chinese government or, to a limited extent, UNDP.<sup>39</sup>

It all began with a pilot project set up in 2011 – jointly financed by the Chinese Ministry of Commerce and UNDP – to strengthen the agricultural sector in Cambodia, building on Chinese cassava cultivation techniques.<sup>40</sup> Projects implemented in coordination with the Chinese Ministry of Science and Technology and with funding from Denmark have been using Chinese expertise to strengthen the capacity of Ghana and Zambia regarding renewable energy technologies.<sup>41</sup> Another triangular project – funded by the UK government and implemented with the Ministry of Commerce and other Chinese government entities – has been focusing on community-based disaster management in Bangladesh and Nepal.<sup>42</sup> Projects with Malawi and Burundi are currently in the planning stages.<sup>43</sup>

While all these projects are quite different in terms of issue areas and stakeholders involved, they are pilots that provide the opportunity for all stakeholders to explore new cooperation modalities and engage with new and old partners in different settings. Importantly, these projects also allow the Chinese government to learn from concrete initiatives and expand its development cooperation expertise<sup>44</sup> and are thus an integrated part of a wider strategy to expand international cooperation capacities. The coordination of all stakeholders – including

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<sup>37</sup> HLCSSC, *op.cit.* note 6, 5.

<sup>38</sup> Contrary to UNDP corporate terminology (UNDP, *op.cit.* note 18), UNDP China refers to 'trilateral' cooperation (see UNDP China, "Trilateral Cooperation Projects", UNDP Projects, at <http://www.cn.undp.org/content/china/en/home/operations/projects/south-south-cooperation/overview-trilateral-cooperation-projects.html>).

<sup>39</sup> Projects funded by traditional donors have had larger financial volumes than projects funded by the Chinese government (compare UNDP, *op.cit.* note 23 and UNDP, "Global Policy Centres", at <http://www.undp.org/content/undp/en/home/ourwork/global-policy-centres.html>). Increasingly, partner countries are also being asked to contribute resources to these triangular projects.

<sup>40</sup> Upon its completion in March 2015, the monitoring mission concluded that the project had "helped to increase Cambodian cassava export volume to China, improve quality of Cassava and enhance production to make Cambodian cassava more sustainable" (UNDP China, "China-Cambodia-UNDP Trilateral Cooperation on Cassava", UNDP Projects, at <http://www.cn.undp.org/content/china/en/home/operations/projects/south-south-cooperation/overview-trilateral-cooperation-projects/china-cambodia-undp-trilateral-cooperation-on-cassava.html>).

<sup>41</sup> These projects cover a range of different aspects, from policy issues to capacity building. See UNDP China, "China-Ghana-UNDP Trilateral Cooperation on Renewable Energy", UNDP Projects, at <http://www.cn.undp.org/content/china/en/home/operations/projects/south-south-cooperation/overview-trilateral-cooperation-projects/china-ghana-undp-trilateral-cooperation-on-renewable-energy.html>; UNDP China, "China- Zambia-UNDP Trilateral Cooperation on Renewable Energy", UNDP Projects, at <http://www.cn.undp.org/content/china/en/home/operations/projects/south-south-cooperation/overview-trilateral-cooperation-projects/china-zambia-undp-trilateral-cooperation.html>.

<sup>42</sup> UNDP China, "Sharing and Learning on Community Based Disaster Management in Asia", UNDP Projects, at <http://www.cn.undp.org/content/china/en/home/operations/projects/south-south-cooperation/overview-trilateral-cooperation-projects/sharing-and-learning-on-community-based-disaster-management-in-a.html>.

<sup>43</sup> UNDP China, *op.cit.* note 38.

<sup>44</sup> The Ministry of Commerce is the leading actor on development cooperation within the Chinese government; however, increasingly other line ministries are also supposed to play more active roles in providing Chinese assistance abroad (interview).

UNDP Country Offices in partner countries, particularly the UNDP office in Cambodia – has been crucial for the successful setup of these initiatives and a key task for UNDP China.

## ***B. Beyond Project-Based Technical Assistance: Dialogue Spaces and Policy-Related Research***

Regarding SSC policy development and dialogue at the global level, “UNDP plays a leading role”, particularly as host of the UNOSSC.<sup>45</sup> As the UNOSSC is not represented at regional and country levels, UNDP and its staff play an even more crucial role on the ground regarding the definition of concrete contours for SSC support. In the Chinese case, UNDP has been focusing on the creation of dialogue spaces and the dissemination of policy-related research.

### *1. Dialogue spaces*

UNDP China has been increasingly involved in creating space for dialogue on SSC and related issues. The most prominent examples are the Global Governance Forums<sup>46</sup> organized in 2012 and 2014, and workshops and conferences on development cooperation with Chinese and international experts.<sup>47</sup> A workshop in March 2014, for instance, provided a framework for experts from 11 MICs to discuss their views and standpoints regarding development effectiveness<sup>48</sup> and led to the establishment of the Network of Southern Think Tanks (NeST).<sup>49</sup> While UNDP China is still supporting the endeavour, NeST has taken up speed and momentum on its own, particularly through the active engagement of research institutions, and is currently working on a joint methodology to report on South-South development cooperation.<sup>50</sup>

### *2. Policy-related research*

The proactive preparation of research and other input for development-related issues has been particularly useful for UNDP China. While not following a demand-driven, reactive logic and thus carrying the risk of not being taken into account by government counterparts, this approach was crucial for positioning UNDP China as a reference point on foreign aid issues

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<sup>45</sup> UN General Assembly, *op.cit.* note 9, 6.

<sup>46</sup> The Forums have been organized jointly by UNDP and the China Centre for International Economic Exchanges, see Renfei Liu, Karthik Nachiappan and Sebastian Haug, “Reconfiguring Global Governance – Effectiveness, Inclusiveness, and China’s Global Role”, UNDP-CCIEE, Report, 2013.

<sup>47</sup> Experts include individuals working for Chinese and foreign governments (particularly development cooperation agencies), international organizations, universities and think tanks. While exchange in these dialogue spaces may eventually lead to more concrete projects or initiatives, they are mainly designed to foster exchange between Chinese and non-Chinese experts and decision makers.

<sup>48</sup> See UNDP China, “South-South Cooperation Providers Workshop: Preparations for the First High Level Meeting of the Global Partnership in Mexico”, UNDP-CAITEC, Conference Report, April 2014; see also UN General Assembly, *op.cit.* note 9, 7.

<sup>49</sup> NeST aims to be “a global platform for Southern Think Tanks to collaboratively generate, systematize, consolidate and share knowledge on South South Cooperation (SSC) approaches in international development”, see MultiPolar, “Network of Southern Think Tanks (NeST) in Action - How to Measure SSC Impact”, Blogpost, 2 March 2015, at <http://www.southsouth.info/profiles/blogs/network-of-southern-think-tanks-dest-in-action-measure-ssc-impact>.

<sup>50</sup> NeST had its initial meeting during the High-level Meeting of the GPEDC in Mexico City in April 2014; representatives from research institutions in India, China, Brazil, South Africa and Mexico as well as representatives from UNDP and Germany were present. In March 2015, NeST organized a meeting on “Measuring the Impact of SSC” (*Ibid.*).

and helped to establish a fluid relationship with Chinese counterparts. The concrete products developed by the UNDP China Policy and Partnerships Unit over the last few years convey an insightful idea of the dimensions of this new kind of support. Over the last two years alone, UNDP China has published discussion papers, substantive studies and conference reports drawing on a wide range of issues related to SSC, from the evaluation of MIC cooperation patterns to China's role in global development processes.<sup>51</sup> In addition, UNDP China has also prepared English translations of key Chinese policy documents on development cooperation<sup>52</sup> and has been publishing Issue Briefs on specific conjectural topics<sup>53</sup> and three regular newsletters on global issues, climate change and SSC.<sup>54</sup>

This wide range and large number of applied research pieces and policy publications clearly goes beyond the traditional focus of UNDP Country Offices and, in many ways, is similar to the output of UNDP's global policy centres.<sup>55</sup> Developing policy input has increasingly become a hallmark for UNDP's added value in the Chinese context. The fact that the Ministry of Commerce asked UNDP China to review the draft of the 2014 Second White Paper on Foreign Aid and provide comments before its publication,<sup>56</sup> can be taken as a clear indicator that UNDP has managed to establish itself as a relevant stakeholder on policy issues related to China's SSC.

### **C. Key Factors of UNDP China's Adaptation Process**

There are a variety of factors that have helped to expand UNDP China's SSC work and, at the same time, have been influenced by this expansion. Political support from UNDP Headquarters is a case in point: while Headquarters support has not dominated day-to-day activities it has been crucial to provide the backdrop for expanding UNDP's role on SSC in the Chinese context which, in turn, has led to new levels of engagement between the Chinese government and UNDP on the corporate level.<sup>57</sup> In what follows I focus on two factors that point to important lessons for other parts of the UN system and development agencies in

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<sup>51</sup> The individual studies and reports include topics like Data on Chinese development cooperation, DAC and non-DAC donors, evaluating China's development cooperation, development needs of Pacific Island Countries, MICs and South-South development cooperation, the role of civil society in foreign aid, China's role in global governance or China and the G20 (see UNDP China, "Research & Publications – South-South & Global Cooperation", at <http://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/>).

<sup>52</sup> See UNDP China, "Measures for the Administration of Foreign Aid", at <http://www.cn.undp.org/content/china/en/home/library/south-south-cooperation/measures-for-the-administration-of-foreign-aid.html>.

<sup>53</sup> From humanitarian aid to China's Africa policy, see UNDP China, *op.cit.* note 51.

<sup>54</sup> UNDP China, "Newsletters", at <http://www.cn.undp.org/content/china/en/home/library/newsletters/>.

<sup>55</sup> See, for instance, the output produced by the World Centre on Sustainable Development in Rio de Janeiro, the International Policy Centre for Inclusive Growth in Brasilia and the Singapore Centre for Excellence in Public Service (UNDP, *op.cit.* note 39).

<sup>56</sup> See UNDP China's Issue Brief on the Second White Paper (UNDP China, "China's Second White Paper on Foreign Aid", UNDP, Issue Brief No. 5, August 2014).

<sup>57</sup> Particularly high-level visits over the last few years - such as the UNDP Administrator and other UN staff in strategic positions - have time and again boosted the China-UNDP development partnership; for a recent example see Helen Clark's visit to China in May 2015 (UNDP China, "UNDP Administrator concludes official visit to China", Press Article, 5 May 2015, at <http://www.cn.undp.org/content/china/en/home/presscenter/articles/2015/05/undp-administrator-concludes-official-visit-to-china.html>).

general – office structure and resources – and briefly discuss the Chinese context as crucial conditioning factor.

### *1. Redesigning internal office structures*

Following the signature of the 2010 Partnership Agreement with the Chinese government, UNDP China began to gradually adjust its internal office structures. It started with a very small team focusing on “China outside China”<sup>58</sup>, an “appendix” to the traditional UNDP office structure.<sup>59</sup> As of August 2015, this ‘appendix’ had evolved into the Policy and Partnerships Unit. The Unit employs 15 people plus a considerable number of interns and is divided into five teams that focus on different aspects of China’s regional and global engagement: global issues and regional integration,<sup>60</sup> sustainable business abroad,<sup>61</sup> climate change, economic analysis<sup>62</sup> and – the largest team – SSC.<sup>63</sup> The head of the Unit is seconded from the UK government and holds a position at the same level as the Deputy Country Director. Compared to what the UNDP China office organogram looked like only a couple of years ago, this transformation is remarkable. UNDP China has – relatively quickly – adjusted to the increasing potential for work with Chinese counterparts beyond traditional programmes and projects,<sup>64</sup> providing considerable internal space for those emerging issues, redesigning its office structure and integrating more and more people in related workflows.

### *2. Identifying resources for staff costs, research and projects*

Resources to hire staff with relevant experience have been crucial for the continuous functioning of the Policy and Partnerships Unit. A secondment from the UK government<sup>65</sup> as well as another staff position paid by the Australian government<sup>66</sup> and a Junior Professional Officer (JPO) paid by the Finnish government<sup>67</sup> were key for expanding UNDP China’s work on SSC in the follow-up of the Partnership Agreement signature. As of August 2015, the so-called ‘South-South Policy Team’ – the heart of the Policy and Partnerships Unit – consists of six people. Another JPO from Denmark joined UNDP China in 2013 and started focusing on the role of Chinese business abroad. Since 2014, a JPO from South Korea has been supporting the team focusing on global issues and regional integration, headed by a secondment from the Chinese Ministry of Foreign Affairs. Other staff in the Unit have been paid with resources provided to the Country Office through a UNDP innovation fund, an

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<sup>58</sup> Quotes are taken from interviews with UNDP staff.

<sup>59</sup> Consisting of programme and operations areas.

<sup>60</sup> Including work on China’s role in global governance, the G20, regional integration processes and the post-2015 development agenda.

<sup>61</sup> Focusing on the role of Chinese companies abroad, particularly in development settings on the African continent.

<sup>62</sup> This team is the only one within the Policy and Partnerships Unit with a strong focus on domestic (policy) issues, working on human development as well as topics like equity and social protection.

<sup>63</sup> The South-South Policy Team is in charge of research and initiatives related to China’s foreign assistance as well as South-South and triangular cooperation.

<sup>64</sup> UNDP’s technical assistance in China is implemented through the China International Center for Economic and Technical Exchanges (see CICETE, “Who We Are”, at <http://www.cicete.org/article/english/AboutCICETE/article4.shtml>).

<sup>65</sup> This position had already been created before the signature of the Partnership Agreement.

<sup>66</sup> Australia started to support UNDP China’s work on policy research in 2012.

<sup>67</sup> The JPO joined UNDP China in 2012.

internal mechanism that has allowed to relocate limited resources to strategic country-level work.<sup>68</sup>

Identifying the necessary resources for research, the organization of events and the setup of projects and initiatives has been another crucial component for rapidly expanding and consolidating UNDP China's work on South-South related topics. In addition to Australia's funding for staff and research and UNDP's internal funds, these resources have come from bilateral donors such as Denmark and the UK, and also from the Chinese government. The current strategy foresees to increase Chinese contributions and also ensure that partner countries actively contribute to the setup and implementation of triangular projects.

### 3. *The Chinese context*

The key aspect for understanding why UNDP China's SSC engagement has turned out the way it has lies in the complex, often idiosyncratic and constantly evolving context it is embedded in, including: China's expanding role in development cooperation and global development processes; the distribution of responsibilities regarding foreign assistance within the Chinese government; individuals at key positions within the Chinese administration that are either keen on exploring new spheres of regional and global engagement or wary about the impact of external influence; and, related to all this, the survival strategy of the Country Office of a multilateral development agency trying to remain a relevant partner for the world's most populous country.

It is beyond the scope of this paper to provide a systematic analysis of all these factors, let alone an explanation of why things have turned out this way and not another. What I suggest, however, is that UNDP China's SSC engagement provides a rich array of experiences and lessons learned that may inform the development of schemes and strategies in other contexts. At the global level, for instance, one of the "specific actions to help to bolster the mainstreaming of South-South cooperation in United Nations policies and programmes" outlined by the UN Secretary-General is "developing a coherent strategy for triangular cooperation".<sup>69</sup> UNDP China's experience on triangular cooperation can be an important input for this strategy: probably no country-level entity within the UN system has had such a continuous and direct exposure to MIC entities in charge of development cooperation and, at the same time, an active role in supporting the setup and implementation of concrete triangular initiatives with MIC participation. UNDP China's experience can provide crucial input and function as an important reference point for the UN system both in China and in other settings as well as for other bilateral and multilateral actors engaging with large MICs and their SSC arrangements.<sup>70</sup>

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<sup>68</sup> See, for example, UNDP India, "Fund for Country-Level Emerging Priorities and Innovation", UNDP, Note, October 2013.

<sup>69</sup> HLCSSC, *op.cit.* note 6, 3.

<sup>70</sup> While UNDP's experience in China cannot serve as a template for SSC support schemes it provides inspiration for formulating a UN SSC support strategy that may be useful across a wide range of country settings (e.g. regarding the variety of services and venues/modalities for engagement).

### **III. TOWARDS COORDINATION: THE UN COUNTRY TEAM'S SUPPORT FOR SOUTH-SOUTH COOPERATION IN MEXICO**

“The need for coherent, effective coordination of [...] United Nations support to South-South cooperation is greater than ever”

UN Secretary-General's 2014 State of South-South Cooperation report<sup>71</sup>

While Mexico has been a provider of development cooperation since the beginning of the twentieth century,<sup>72</sup> it was only in 2011 that Mexico's International Development Cooperation Act established the formal basis for the Mexican development cooperation system.<sup>73</sup> In 2013, the first Executive Director of the Mexican Agency for International Development Cooperation (AMEXCID) was appointed and the Agency – officially created by the 2011 Act as entity within the Mexican Foreign Ministry – started to gain traction. Also in 2013, the UN Country Team finalized discussions about the new 2014-2019 UNDAF that, for the first time, included a cooperation area entirely dedicated to Mexico's role in global development processes and explicitly referred to the UN's support to South-South and triangular cooperation.<sup>74</sup> The following subsections present an overview of the 2013-2015 SSC coordination process of UN agencies in Mexico in order to trace the different strands and stages and ultimately provide insights into a relatively ambitious SSC coordination strategy.

#### **A. Positioning the UN and Mapping Evidence**

In June 2013, the UN Country Team identified UNDP as the SSC lead agency under the UNDAF's Cooperation Area VI “Global Partnership for Development”. Based on this mandate and relying on a small team within its Strategic Planning Unit, UNDP Mexico prepared the ground for UN SSC coordination following two strands. On the one hand, two roundtable discussions with UN experts on the role of the UN in supporting SSC were organized in September 2013: one for the UN Country Team with UNDP and UNOSSC representatives, the other one with Mexican stakeholders (representatives from the AMEXCID, academia and civil society organizations) as well as experts from other Southern cooperation providers and traditional donors. This first step allowed to kick off a debate on the UN's role in SSC-related issues and position the UN system as a visible actor in this field.<sup>75</sup>

On the other hand, UNDP Mexico developed templates to gather information on (1) each agency's global, regional and country-specific frameworks related to SSC and (2) details of all SSC-related concluded, ongoing and planned initiatives. The UN Resident Coordinator had asked all agencies to designate SSC focal points, and following the roundtable discussion

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<sup>71</sup> UN General Assembly, *op.cit.* note 9, 18.

<sup>72</sup> Bruno Figueroa, “Breve Historia de la Cooperación Internacional de México (1900-2000)”, *Revista Mexicana de Política Exterior* (2014) No. 102, 29-53.

<sup>73</sup> Bruno Figueroa, “El Nuevo Rostro de la Cooperación Internacional Mexicana”, *Revista Mexicana de Política Exterior* (2014) No. 102, 15-28, 7).

<sup>74</sup> UN Mexico, “Marco de Cooperación para las Naciones Unidas en México 2014-2019”, UN Mexico, United Nations Assistance Framework 2014-2019, March 2013.

<sup>75</sup> See Schulz, García and Haug, *op.cit.* note 16, 52; the support provided by the UNOSSC and regional UN experts was selective but crucial.

mentioned above, 18 agencies<sup>76</sup> participated in the mapping exercise.<sup>77</sup> This second step allowed to compile a comprehensive compendium and provide evidence, for the first time, on the extension and variety of UN support for Mexico's SSC.

### **B. Setting Up UN Coordination Mechanisms**

UNDP Mexico led the analysis of the compiled initiatives and, in February 2014, invited the SSC focal points of all agencies for the first meeting of the Inter-Agency Group on South-South Cooperation. The compendium and UNDP's draft analysis provided the basis for an in-depth debate among the UN SSC focal points on definitions, concepts and technical implications for how to report on and qualify different types of initiatives as UN support for Mexico's SSC.<sup>78</sup> This process was complemented by a series of meetings with representatives of line ministries and other parts of the Mexican government to corroborate and build on the information gathered through the inter-agency process.<sup>79</sup> Various representatives from the AMEXCID, including the Executive Director, provided input and comments, and it was agreed that the AMEXCID and UNDP would jointly publish the findings of the final analysis as a contribution to strengthening Mexico's development cooperation system.

Through a complex participatory process all stakeholders agreed on a basic conceptual structure for presenting the different facets of UN support and on the most relevant case studies to be included in the publication. In October 2014, the UNDP Administrator – together with the AMEXCID Executive Director – launched the AMEXCID-UNDP study "Towards a Global Partnership for Development: The United Nations and Mexico's South-South Cooperation"<sup>80</sup> in the presence of representatives of the UN, the Mexican government and bilateral development agencies. The publication and the compilation overview available online<sup>81</sup> directly respond to the performance indicators set out in the UN Secretary-General's Guidance Note that highlights that the UN Country Team in a given context "[m]onitors and reports on its own support to, and results achieved through, South-South and triangular cooperation".<sup>82</sup>

Beyond the mapping and coordination work that led to the publication, the Inter-Agency Group has so far been a mechanism for information-sharing, coordination and joint reflection on potential areas for future collaboration among different agencies.<sup>83</sup> In 2015, for the first time,

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<sup>76</sup> All those UN agencies that have substantive projects or programmes in Mexico.

<sup>77</sup> See UNDP Mexico, "Hacia una Alianza Global para el Desarrollo: La ONU y la Cooperación Sur-Sur de México", Annex, at <http://www.mx.undp.org/content/dam/mexico/docs/GobernabilidadDemocratica/Proyectos/ProgramaAMEXCID/UNDP-MX-CSS-HaciaAlianzaGlobalDesarrollo-ANEXOS.pdf>.

<sup>78</sup> The UN Secretary-General's Guidance Note (HLCSSC, *op.cit.* note 6) was particularly helpful in providing the basis for a systematic analysis.

<sup>79</sup> For a list of government entities that participated see Schulz, Garcia and Haug, *op.cit.* note 16.

<sup>80</sup> Based on over 100 initiatives, the analysis distinguishes between four dimensions of UN support: (1) direct support for projects, regional schemes, one-off activities and events; (2) network facilitation and brokering; (3) support for the systematisation of best practices; and (4) support for institutional capacity building (see Schulz, Garcia and Haug, *op.cit.* note 16, 37). It points to the UN's key added values regarding SSC support, such as regional and country networks, technical expertise and experience as partnership broker (Schulz, Garcia and Haug, *op. cit.* note 16, 56).

<sup>81</sup> See the publication (Schulz, Garcia and Haug, *op.cit.* note 16) in English and Spanish as well as the compilation online (UNDP Mexico, *op.cit.* note 77).

<sup>82</sup> HLCSSC, *op.cit.* note 6, 27.

<sup>83</sup> One potential area is joint work on the environment-health nexus, e.g. between the World Health Organization and the UN Environment Programme.

AMEXCID representatives were invited to the Inter-Agency Group meetings. This is a crucial step that increases the coordination between the UN system and the Mexican government. As the coordinating entity of Mexico's international development cooperation, the AMEXCID is still facing challenges in gathering all relevant information on cooperation partnerships between Mexican institutions, bilateral agencies and multilateral actors. Ensuring that all UN activities in the country<sup>84</sup> are being registered and streamlined is arguably the first step of effective UN support for any kind of nationally owned development cooperation of which SSC is an increasingly important component.

Overall, the UN Country Team in Mexico – led by UNDP – has started to become a true “partnership builder” as envisioned by the HLCSSC, supposed to “[r]ally development partners; organize forums, meetings and events to forge inclusive partnerships and strategic alliances; mobilize resources and expertise; and coordinate United Nations support”.<sup>85</sup> Some agencies already have substantive experience in setting up and expanding South-South initiatives;<sup>86</sup> others – particularly smaller agencies – still struggle in identifying the resources and partnerships necessary for the setup of support schemes that go beyond one-off study tours or events.<sup>87</sup> While the Inter-Agency Group might provide a useful framework for bringing UN agencies closer together in their quest for more sustainable, long-term SSC support and might, eventually, help to create joint projects or programmes in the future, as for now there is no concrete arrangement in sight that might help to lead the inter-agency coordination of UN SSC support to the next stage. The mobilization of resources – a crucial component to ensure the sustainability of UN engagement – probably remains the most contentious issue.

#### **IV. WELL POSITIONED? POTENTIALS AND CHALLENGES**

“[T]he United Nations system is well positioned to help strengthen collaborative relations among developing countries, owing to its convening power, global reach, country presence, technical expertise and impartiality”

UN Secretary-General's 2014 State of South-South Cooperation report<sup>88</sup>

In this final section I draw on both the China and Mexico case studies in order to reflect on the above-quoted statement from the UN Secretary-General's 2014 State of South-South Cooperation report that suggests that the added value of UN SSC support is essentially based on convening power, global country-level networks, technical expertise and impartiality. I also highlight additional insights from the discussed case studies and point to current challenges for effective UN SSC support. Overcoming these challenges might be one of the UN system's key contributions to implementing the 2030 Agenda for Sustainable Development that refers to SSC as a key modality under Sustainable Development Goal 17, set up to “[s]trengthen the

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<sup>84</sup> Regarding both incoming and outgoing development cooperation.

<sup>85</sup> HLCSSC, *op.cit.* note 6, 8.

<sup>86</sup> Such as the Food and Agricultural Organization, the United Nations Office on Drugs and Crime or UNDP.

<sup>87</sup> An initiative led by the Mexican government – 'Mesoamerica Without Hunger' – has been aiming at uniting several UN agencies under a sub-regional umbrella programme; the AMEXCID and FAO have already signed a Memorandum of Understanding in that regard (see Schulz, Garcia and Haug, *op.cit.* note 16, 44).

<sup>88</sup> UN General Assembly, *op.cit.* note 9, 4.

means of implementation and revitalize the Global Partnership for Sustainable Development”.<sup>89</sup>

### *1. Convening power*

The two case studies discussed in this paper suggest that the UN system – in many cases led by UNDP – has indeed convening power for issues related to SSC: conferences, workshops, joint publications and coordination mechanisms involving national governments provide more than just selective evidence. However, the ‘what for?’ question looms above many of the often shiny forums or platforms established with UN support. The Inter-Agency Group in Mexico, for instance, while certainly a useful mechanism, will at some point need to show results, e.g. in the form of joint initiatives or a more formal monitoring mechanism. If convening power is not used to create added value it will probably sooner or later lose momentum and ultimately disappear.

For both individual agencies and the UN system as such, it will be crucial to go beyond one-off events such as conferences and study tours and explore concrete options for projects and programmes. Under that premise, UNDP China has made the first steps in the right direction. Its NeST example shows how UN agencies can help new initiatives see the light of day and then step back in order to let immediately affected stakeholders take the reins. This is particularly relevant in the context of SSC where the ownership of ‘Southern’ actors is supposed to be an integral part of the very core of the relationship.

### *2. Impartiality*

Evidence from the Chinese context suggests that UNDP’s position as a trusted, relatively impartial partner has been an important factor for expanding UNDP China’s SSC work. In theory, Denmark and the UK could engage directly with China and provide joint assistance to Ghana and Zambia without including a multilateral agency... but they don’t. The fact that traditional donors support the UNDP Country Office with secondments and financial resources stems from their assessment that it is still not as easy as in other contexts to directly work with the Chinese government.<sup>90</sup> The perception of impartiality has helped to establish UNDP as a convener and trusted partner for both China and traditional donors. As all stakeholders get to know each other better over time and engage in socialization processes, the need for UNDP’s present role may thus gradually disappear. In the Mexican context, for instance, UN agencies

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<sup>89</sup> UN General Assembly, Transforming Our World: The 2030 Agenda for Sustainable Development, A/RES/70/1, 25 September 2015, 26. As the outcome document of another process feeding into the Agenda 2030, the Addis Ababa Action Agenda recognizes SSC as “an important element of international cooperation for development as a complement, not a substitute, to North-South cooperation” (UN General Assembly, Addis Ababa Action Agenda of the Third International Conference on Financing for Development (Addis Ababa Action Agenda) A/RES/69/313, 17 August 2015, 17).

<sup>90</sup> In Mexico, for instance, staff seconded from the UK government works directly at the Foreign Ministry and all traditional donors interested in working with the government on strengthening Mexico’s development cooperation – such as Germany (GIZ, “Institutional Strengthening Project for the AMEXCID”, GIZ Projects, at <https://www.giz.de/en/worldwide/23682.html>) and Japan (JICA, “Japan-Mexico Partnership Programme”, JICA Projects, at <http://www.jica.go.jp/mexico/espanol/activities/jmpp.html>) – engage directly with the AMEXCID.

are increasingly becoming service providers that need to compete for resources and strategic alliances at the same level as other bilateral and multilateral actors.<sup>91</sup>

### 3. *Global country-level networks*

Regarding both dialogue forums and triangular cooperation initiatives, UNDP China has been taking advantage of the global UNDP network, e.g. with UNDP Cambodia in the setup and implementation of the triangular cassava project and with UNDP Country Offices in other MICs for the preparation and follow-up of development policy workshops. Their global presence and direct link with local expertise all around the world is a key aspect of the added value of UN agencies in South-South support schemes. In the case of smaller UN agencies in the Mexican context, for instance, this might be an important – still untapped – resource to position themselves as relevant SSC supporters. Individual UN agencies should strengthen the (often rudimentary) links between their offices, as country-level networks are one of their unique contributions to effectively supporting SSC schemes,<sup>92</sup> particularly in settings where they have lost their traditional supremacy and are now competing with other actors for space and resources.

### 4. *Technical expertise*

The example of UNDP China has a lot to tell about how technical expertise can be redirected and expanded in order to adapt to emerging needs and changing national priorities. Particularly the proactive-policy-input approach might be a starting point for UN Country Offices that have not yet established stable working relationships with their national counterparts on South-South policy issues and processes. The Mexican case, in turn, provides impressive insights into the wide variety of schemes through which the UN system already supports SSC in an array of issues as diverse as the mandates of the different UN agencies. Making the first step to map and analyse what is already there might well lead to surprising results in other contexts as well. As the focus on SSC is still relatively new for most agencies socialization is an important issue, within UN Country Teams and also regarding collaboration with national counterparts.

### 5. *Leaving Headquarters*

Convening power, global country-level networks, technical expertise and impartiality are important factors for UN SSC support. However, in many cases they are not just aspects of ready-to-use institutional setups – as implied by the 2014 State of South-South Cooperation report quoted above – but complex dimensions that need detailed analysis and change over time. Beyond these four factors, the case of UNDP China exemplifies how adapting and redesigning operational structures may accompany and condition the expansion of new lines

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<sup>91</sup> This process can be observed in many MICs and may eventually have an impact on the extent to which the UN is perceived as an impartial actor.

<sup>92</sup> The key task of UN Country Offices in partner countries often focuses on liaising with the partner country government and providing *in situ* support for the implementation of projects and initiatives.

of work. Funding for staff and project costs also remains a crucial issue, in terms of both the initial setup as well as the mid-term sustainability of SSC support as a new priority area.

While political action from Headquarters has been crucial to set the tone and provide the (very broad) framework for engagement in both the Mexican and the Chinese cases, there is more that could be done at regional and global levels to support and learn from country-level processes: nearly two years into the 2014-2017 UNDP Strategic Plan, for instance, there is no corporate UNDP strategy on SSC support. For the entire UN system, the implementation of SSC strategies and guidance notes follows a rather “experimental” logic.<sup>93</sup> UN support to SSC is still in its infancy and innovative schemes are being developed – more or less successfully – mainly on the ground. This is why it might be crucial for UN SSC strategists to once in a while leave Headquarters in order to have a look around.

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<sup>93</sup> UN General Assembly, *op.cit.* note 9, 18.

## **Empowering Civil Society to Become a Real Actor of Change in Middle Income Countries**

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### **Abstract**

This paper will focus on the need to re-think the current way bilateral and multilateral donors engage with civil society as well as to analyse the changing nature of civil society in Middle-Income Countries (MICs).

The growing complexity of MICs leads to profound shifts in democratic governance, higher levels of human development and a more active citizenry. Rising inequalities have often provoked a widening democratic deficit. A higher educated and better informed middle class is emerging in most MICs and is increasingly ready to expose political or social exclusion as well as human rights violations. The Arab Spring is just one illustration of this phenomenon.

Meanwhile, civil society has taken on the role of bridging the gap between the citizens and the government in several MICs, evolving from a service delivery approach towards a more advocacy-driven agenda. In parallel, a shift within civil society has also taken place as more civil society organizations have a growing domestic constituency in MICs and have become less dependent from support, including financial, from the global North.

Yet, the current engagement of bilateral and multi-lateral donors towards supporting civil society in MICs has not sufficiently evolved to tackle these new realities. Development partners have shown innovation regarding their financial and operational frameworks, including by increasing engagement at country level and refining their tools to measure the impact of their interventions. However, a more profound political understanding is needed to effectively support the changed role of civil society in MICs.

Ownership has been at the forefront of the aid effectiveness agenda, but development partners are still too focused on ownership by the government, rather than embracing the broader concept of inclusive national ownership. Civil society, not limited to non-governmental organizations only, has the potential to be the vehicle to offer that missing link and take on the crucial role of influencing and monitoring socio-economic and political developments at national level.

Where some donors have shown a deeper understanding of this evolving context, it has been rather limited to a restrictive interpretation of the concept of the 'enabling environment'. Or to put it in more concrete terms: more attention has been given to the shrinking space of civil society and human rights defenders at risk, a laudable evolution without doubt, but most efforts failed to truly recognize the variety and political importance of civil society in MICs. A project mentality still prevails over a more policy driven and upstream approach regarding civil society in MICs.

As more and more MICs are struggling to transform their governance institutions to adapt to an increasingly complex landscape and citizens demand more inclusive political systems, the time has come to better grasp the new role of civil society in MICs. More support should be provided to civil society as watchdog of national policies and promoter of social change. The question then also arises if civil society itself is ready to take on its new role in this changed landscape?

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## I. INTRODUCTION

This article focuses on the need to re-think the current way bilateral and multilateral donors engage with civil society in Middle Income Countries (MICs).

As several MICs face shifts in democratic governance, higher levels of human development and a more active citizenry, non-governmental organizations (NGOs) are rapidly stepping up their engagement to hold governments accountable as duty bearers, denouncing corruption and human rights abuses.

However, the co-existence between civil society and national governments has been often uneasy, in some cases provoking very drastic reactions – including measures to limit foreign funding for NGOs or restrictions to the freedom of peaceful assembly and association. This trend has drawn the attention of bilateral and multilateral agencies and donors, which started to refer to it as the '*shrinking space for civil society*'.<sup>1</sup>

While development partners have been quite vocal in denouncing the phenomenon, it can be questioned if their approach to counter it has been effective to date. Development partners have largely embraced the concept of national ownership, but too often interpreted it narrowly as ownership of programmes and reform strategies by governments only, rather than by the broader national society. Moreover, civil society engagement is not yet seen as a distinct policy field but interpreted through the lens of supporting NGOs, often treated exclusively as project implementers.

The time has come to leave behind the project mentality and shift towards a more policy-driven and proactive approach regarding civil society in MICs. Only then will development partners be able to counter the phenomenon of the shrinking space for civil society and support it in its key role of monitoring and influencing political and socio-economic developments.

Additionally, the question arises if civil society itself is ready to take on its new role in this changed landscape.

## II. CONCEPTUAL FRAMEWORK: WHAT IS CIVIL SOCIETY?

Civil society is one of those terms that is feared by some, embraced by many, and generally ambiguous to most. A universally accepted definition of a concept is not a prerequisite for it to be effective. An open-ended conceptual view can offer both flexibility and strength. At the same time, tracing back the historic origins of the concept of civil society can offer a useful insight in order to delineate the subject of this article.<sup>2</sup>

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<sup>1</sup> See Sarah E. Mendelson, "Why governments target civil society and what can be done in response – A new agenda", Centre for Strategic and International Studies, April 2015, at [http://csis.org/files/publication/150422\\_Mendelson\\_GovTargetCivilSociety\\_Web.pdf](http://csis.org/files/publication/150422_Mendelson_GovTargetCivilSociety_Web.pdf).

<sup>2</sup> The author aligns himself with the definition of MICs as put forward by the organizers of the UN Reflection Series 2015, which in turn refers to the current World Bank definition. For an excellent analysis on the limitations of the threshold of the GNI per capita average income, see Andy Summer "Where Do the World's Poor Live? - A New Update", Institute of Development Studies, Working Paper, volume 2012 No 393, June 2012, at <https://www.ids.ac.uk/files/dmfile/Wp393.pdf>.

While the term 'civil society' first emerged as a Latin translation of Aristotle's concept of *politike koinonia*,<sup>3</sup> the modern concept resurfaced at the dawn of the liberal doctrines in the eighteenth and nineteenth centuries. In line with the political theories of Thomas Hobbes and John Locke, civil society was viewed as a rather uniform and pre-existing social space within which different types of associations could pursue their activities freely without the interference of the state. Spurred by Hegelian thinking, a second strand of thought defined civil society more as the expression of multiple individual's interests, beliefs and institutions separated from the state, while also acknowledging the continued and often antagonistic interaction between the two, including through legislative action. A third school of thought, which included Adam Smith, described civil society primarily as the product of the interaction between an independent commercial order, underpinned by individual entrepreneurship, and the nascent emergence of the public sphere focusing on the common interests of the society.<sup>4</sup>

After these philosophical debates, the concept of civil society remained relatively dormant until its revival in the 1970s, 1980s and 1990s, particularly in relation to the end of military regimes in Latin America, the emerging resistance against neo-liberal policies and the fall of the Berlin Wall. During this period, civil society was often equated with grass-roots movements, the growing sector of NGOs, and associated with the notion of social capital. In contemporary thinking, civil society has often been defined as "the arena, outside of the family, the state, and the market where people associate to advance common interests".<sup>5</sup> Recently, terms such as 'civic engagement' or 'civic space' have gained popularity but do not offer major conceptual shifts.

We have witnessed an explosive growth of NGOs, both at the international and national level in recent times. There are no comprehensive figures available globally, but the mere fact that over four thousand NGOs have acquired consultative status with the UN Economic and Social Council is just one illustration of the presence and relevance of the NGO sector.<sup>6</sup>

While NGOs became the most visible actor of civil society, the concept encompasses so much more ranging from other formal organizations, such as cooperatives, philanthropic foundations and trade unions, to individuals and the broader societal space. All these organizations can perform a broad range of functions, such as adopting a watchdog role, implementing social and development programmes as contractors, and even acting as substitutes of the state in situations of extreme fragility.

Following this brief – and far from exhausting – overview, a number of key elements can be underlined. Since the concept of civil society emerged and evolved throughout time, it has been characterized by an inherent conceptual ambiguity and it has meant different things to different people. However, one needs to be aware that the understanding of the concept is

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<sup>3</sup> It is commonly accepted that the first Latin author who coined the term '*societas civilis*' was Cicero. During Roman times, the term referred to a political space or community which was underpinned by the rule of law and characterized by a degree of urbanity. This concept was understood in contrast to non-civilized or so-called 'barbarian' peoples, see also [www.britannica.com](http://www.britannica.com).

<sup>4</sup> See Michael W. Foley and Bob Edwards, "Beyond Tocqueville: Civil Society and Social Capital in Comparative Perspective: Editors introduction", 42 *American Behavioral Scientist* (1998), 5-20, at 9.

<sup>5</sup> CIVICUS World Alliance for Citizen Participation, "CIVICUS Civil Society Index (CSI) - Summary of conceptual framework and research methodology", August 2008, 15, at [http://www.civicus.org/new/media/CSI\\_Methodology\\_and\\_conceptual\\_framework.pdf](http://www.civicus.org/new/media/CSI_Methodology_and_conceptual_framework.pdf).

<sup>6</sup> The latest figures of the UN NGO Branch, Office for ECOSOC Support and Coordination, UN DESA date back to September 2014, at <http://csonet.org/content/documents/E-2014-INF-5%20Issued.pdf>.

often rooted in political theories, such as those mentioned above. Ultimately, the concept of civil society is traditionally embedded in a (post-)Westphalian view of the world and in the history of Western societies. The role and interaction between civil society and the state, with different levels of intensity and autonomy, has always been a significant factor.<sup>7</sup>

### III. CIVIL SOCIETY AND MICs: AN UNEASY ALLIANCE

The process of Low Income Countries (LICs) towards becoming MICs has been very diverse. The group of MICs contains a vast number of countries and is all but a monolithic bloc in terms of political evolution, governance institutions, socio-cultural context and civil society, but overall trends can be identified. In addition to common features, such as economic growth, many MICs are characterized by profound shifts in democratic governance, higher levels of human development and a more active citizenry.

The strong economic performance of several MICs was often combined with a renewed assertion of the state's authority, as countries entered into a longer period of stability leaving, in some cases, civil wars and major natural disasters behind them. At the very same time, MICs are confronted with new challenges, such as building up a social security system or dealing with rapid urbanization and environmental pollution, hyper-connected economies and technological revolutions. All these issues can no longer be solved by state action only but call for more regional and international cooperation as well as increased engagement with, and space for, civil society and the private sector.<sup>8</sup> Striking this right balance has been a challenge for many MICs.

It can be argued that economic growth in MICs has not been matched by an equal growth of vibrant and liberal democracies, at least not at the same speed.<sup>9</sup> The concrete path of the economic growth in MICs is also an important dimension to look at. In Western countries, industrialization processes often led to mass social movements, which in turn contributed to increasing demands for democratization and the creation of mass political parties. However, more and more MICs are reaching their new status based on a diffuse but limited range of services industries, export of raw materials and small enterprises, particularly in sub-Saharan countries. Such developments often took place in the absence of the mass social movements traditionally linked to industrialization processes. This big jump forward has been coined as 'premature industrialization' by Dani Rodrik, who also pointed to important political consequences of this phenomenon, as it would less likely lead to the consolidation and further advancement of democratization processes.<sup>10</sup>

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<sup>7</sup> However, the Anglophone conception of civil society is still influenced by the Hobbesian view and tends to emphasize its independent sphere and autonomy from the state.

<sup>8</sup> Report of the Commission on Global Security, Justice and Governance, *Confronting the crisis of global governance* (The Hague Institute for Global Justice, June 2015), 18 at <http://www.globalsecurityjusticegovernance.org/publications-resources/report/>.

<sup>9</sup> However, it should be noted that the number of formal democracies increased from 1/3 in the 1970s to 3/5 in 2008, UNDP, *Human Development Report 2010 -The Real Wealth of Nations: Pathways to Human Development* (UNDP, New York, 2010), 6.

<sup>10</sup> See Dani Rodrik, "Premature Deindustrialization", National Bureau of Economic Research, Working Paper 20935, February 2015, 23, at <http://www.nber.org/papers/w20935>.

The rising inequalities in MICs<sup>11</sup> have often contributed to a widening democratic deficit. A higher educated and better informed middle class is emerging in most MICs and is increasingly ready to expose political or social exclusion as well as human rights violations. The Arab Spring, anti-corruption mass rallies in India, or street protests in Turkey are just some illustrations of this phenomenon. As a response, donors and MICs have started to devote more attention to political decentralization processes, increased parliamentary and judiciary support trying to overcome these difficulties by adapting governance structures to the new realities.<sup>12</sup>

The increased economic prosperity in MICs also meant that states have more means available to deliver basic services to the population and depend far less on interventions of NGOs. Several governments in MICs have not been very effective to use these additional means in the fight against poverty, as the absolute number of poor people living in MICs is still enormous. Cognizant of this evolution, civil society in several MICs has shown innovation by evolving from a service-delivery approach towards a more advocacy-driven agenda. Encouraged by several multilateral and bilateral donors to embrace a human rights-based approach, civil society organizations are rapidly stepping up their engagement to hold governments more accountable as duty bearers, rather than focusing exclusively on implementing projects themselves. This is not always a linear process, but the growing engagement of NGOs in human rights fora, such as the UN Human Rights Council, can be seen as an important indicator.<sup>13</sup>

As governments and civil society in MICs are re-discovering their respective new roles, the interaction between the two has been bumpy at times. In line with its new watchdog role, civil society has been better equipped to expose the shortcomings of governments in terms of providing social services, or in denouncing corruption and human rights abuses. However, it has to be recognized that at times civil society in MICs also lacked critical mass and struggled to formulate precise policy alternatives for reasons elaborated upon in section V.

In many MICs, government officials are not yet used to consult civil society or view it with a certain scepticism. On the contrary, several MICs introduced new legislation to increase the oversight role of the state on civil society, to limit foreign funding for NGOs or to more broadly restrict freedom of assembly and association, often invoking security interests and inspired by rising nationalism. A growing number of human rights activists in MICs are being put behind bars as the space continues to close in.<sup>14</sup>

At the national level, these actions might have had some chilling effect in the short term, but have also drawn more attention to the shortcomings of the state. In the medium to long term, such policies could mobilize rather than weaken political opposition. At this point in time, it is also clear that civil society is not a temporary phenomenon which can be cracked down for good.

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<sup>11</sup> Compared to the 1980s, more countries now have a higher GINI coefficient. UNDP, *op.cit.* note 8, 72.

<sup>12</sup> Allan Rosenbaum, "Decentralization and Local Governance: Comparing US and Global Perspectives" 14 (1) *Halduskultuur – Administrative Culture* (2013), 11-17, at 13.

<sup>13</sup> Thomas Carothers and Saskia Brechenmacher, "Accountability, Transparency, Participation and Inclusion: A New Development Consensus?", Carnegie Endowment for International Peace, October 2014, 14, at [http://carnegieendowment.org/files/new\\_development\\_consensus.pdf](http://carnegieendowment.org/files/new_development_consensus.pdf).

<sup>14</sup> Thomas Carothers, "The Closing Space Challenge – How Are Funders Responding?" Carnegie Endowment for Peace, November 2015, 6, at [http://carnegieendowment.org/files/CP\\_258\\_Carothers\\_Closing\\_Space\\_Final.pdf](http://carnegieendowment.org/files/CP_258_Carothers_Closing_Space_Final.pdf).

This uneasy co-existence has drawn the attention of bilateral and multilateral agencies and donors, which have started to refer to this phenomenon as the '*shrinking space for civil society*'. As UN Secretary-General Ban Ki-moon put it: "Some governments have twisted the term 'civil society' to make it code for foreign conspiracies and subversion. Whatever the perceptions, the pressure is too real."<sup>15</sup> Rather worryingly, this trend is shared by both democratic governments as well as more authoritarian regimes.<sup>16</sup> While donors have been good observers, it can be questioned if their approach to counter this trend has been effective to date.

#### **IV. THE NEED FOR A MORE PROACTIVE APPROACH BY BILATERAL AND MULTILATERAL DEVELOPMENT PARTNERS**

Bilateral and multilateral donors have realized that their Official Development Assistance (ODA) in MICs might still get them a seat at the table, but certainly no longer the necessary leverage to support effective change by their sole contribution. Too often, the very high ODA percentage of national budgets in LICs blinded the donor community, as it thought for too long it could continue to steer the overall development of a recipient country.

When ODA accounts for less than 1% of the national budget, as is the case in several MICs, money alone will clearly provide little leverage. The fact that the Outcome Document of the Third International Conference on Financing for Development (Addis Ababa, 13 -16 July 2015) refers to domestic public resources and domestic and international private business and finance as the first two sources of financing before international development assistance is significant in this regard.

In recent years, the relevance and legitimacy of institutional donors is also being challenged by the spectacular rise of philanthropic private foundations, whose interventions are often welcomed by MICs as they can act more quickly and have less stringent conditions.<sup>17</sup> Realizing their collective weight, philanthropic foundations are also getting more and more organized. For example, the Oak Foundation, Open Society Foundations and the Fund for Global Human Rights set up a working group which brings together over 40 foundations which are concerned about the shrinking space for civil society.<sup>18</sup>

Development partners have embraced the idea of national ownership and have acknowledged that MICs are in the driving seat, in line with the principles of the development effectiveness agenda.<sup>19</sup> While still adapting to this new context, several bilateral and multilateral donors adopted specific strategies to outline their engagement in MICs. For example, the Belgian

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<sup>15</sup> UN Secretary-General Ban Ki-moon's remarks upon receiving the Tipperary International Peace Award, Tipperary, Ireland, 24 May 2015, at <http://www.un.org/sg/statements/index.asp?nid=8664>.

<sup>16</sup> See also the Banyan, "Who's afraid of the activists? – Democratic Asian Governments as well as authoritarian ones crack down on NGOs", *The Economist*, 9 May 2015, 49.

<sup>17</sup> In 2013, the top ten charity foundations together donated about 5 billion USD, or more or less the same amount as the ODA from countries such as the Netherlands, the United Arab Emirates, and Canada, which are among the top ten ODA contributing states. See Commission on Global Security, Justice and Governance, *op.cit.* note 7, 16.

<sup>18</sup> Carothers, *op.cit.* note 13, 10.

<sup>19</sup> The objective of the development effectiveness agenda is to better coordinate official development aid delivery and to reorient it more to the priorities of the recipient countries. High-Level Political Fora provided the strategic political orientation and took place in Rome, Paris, Accra and Busan. For a detailed overview, please see <http://www.oecd.org/dac/effectiveness>.

Development Cooperation calls for “a shift from financial help and service provision to a transfer of knowledge, technology and skills, to the support of societal power that work for fairer social-political power relations and for more supranational cooperation”.<sup>20</sup>

Confronted with this new situation, development partners were obliged to have a more realistic view of the real impact of their interventions. It has led to a more integrated and coherent approach incorporating foreign policy, development cooperation and trade. Bilateral donors have more easily adapted to this context, as their organizational structures are better intertwined and political responsibility is more centralized. Most multilateral organizations have struggled to step into this new landscape, with the exception of the EU, which has the most integrated mandate among multilateral organizations.

Despite this broader view, donors so far have shown limited understanding of the political importance and role of civil society in MICs. Very few strategy papers by donors exist on the subject, compared to the very rich literature and policies on themes, such as education, agriculture, or rule of law. When development partners did develop specific policies to strengthen civil society, it has been limited to civil society more generally<sup>21</sup> or to Southern countries<sup>22</sup> and not specifically to MICs.

Overall, civil society engagement is still not seen as a distinct policy field despite some good attempts in the past to renew the thinking, such as the 2004 Cardoso report.<sup>23</sup> The predominant conception still views civil society through the narrow lens of NGOs only, and often exclusively as development cooperation actors. Remarkable little South-South cooperation (SSC) and triangular cooperation (TrCo) on civil society has been supported by donors as those concepts emerged largely in an intergovernmental context. If SSC and TrCo are to achieve meaningful results in the long term and not just be projects to implement, such partnership need to be inclusive involving not only government but also civil society, the private sector and academia.<sup>24</sup>

One of the reasons why donors’ engagement on civil society has not been on an equal footing compared to other policy areas might also lie in the trend towards scaling up the interventions, and focusing more on impact. Confronted with austerity measures at home and growing scepticism by the general public, donors started to embrace a more results-based

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<sup>20</sup> See The Belgian Development Cooperation, “Strategy Paper: the Belgian Development Cooperation in middle-income countries”, Belgium Federal Public Service Foreign Affairs, Foreign Trade and Development Cooperation, June 2013, 2, at [http://diplomatie.belgium.be/en/binaries/note\\_MIC\\_en\\_tcm312-243803.pdf](http://diplomatie.belgium.be/en/binaries/note_MIC_en_tcm312-243803.pdf).

<sup>21</sup> See for example UNDP Strategy on Civil Society and Civic Engagement (1 October 2012), at [http://www.undp.org/content/dam/undp/documents/partners/civil\\_society/publications/2012\\_UNDP\\_Strategy-on-Civil-Society-and-Civic-Engagement\\_EN\\_final.pdf](http://www.undp.org/content/dam/undp/documents/partners/civil_society/publications/2012_UNDP_Strategy-on-Civil-Society-and-Civic-Engagement_EN_final.pdf). The EU Action Plan on Human Rights and Democracy adopted on 20 July 2015 by the Council of the European Union, contains a specific provision (action 7) and reflects a broad view ‘to promoting stronger partnership with third countries’ civil society organizations, including social partners and between authorities, parliaments and CSO’. At the same time, it also foresees a specific action (10) to ‘addressing threats to civil society space’ which illustrates a more reactive approach and oddly not part of the more generic provision in previously mentioned action (7), at <http://data.consilium.europa.eu/doc/document/ST-10897-2015-INIT/en/pdf>.

<sup>22</sup> Denmark, Netherlands, Norway and Sweden have more explicit goals to specifically reinforce civil society. See Janice Giffen and Ruth Judge, “Civil Society Policy and Practice in Donor Agencies”, International NGO Training and Research Centre, May 2010, 10, at <http://www.intrac.org/data/files/resources/681/Civil-Society-Policy-and-Practice-in-Donor-Agencies.pdf>.

<sup>23</sup> Report of Panel of Eminent Persons on United Nations–Civil Society Relations, We the peoples: civil society, the United Nations and global governance, A/58/817, June 2004, at [http://www.unog.ch/80256EDD006B8954/\(httpAssets\)/09916F545454357BC1256F5C005D4352/\\$file/A-58-817.pdf](http://www.unog.ch/80256EDD006B8954/(httpAssets)/09916F545454357BC1256F5C005D4352/$file/A-58-817.pdf).

<sup>24</sup> Jorge Balbis Pérez, “Civil Society Organizations and Inclusive Partnerships for South-South Cooperation in Latin America”, 17 (36) *Journal of the Institute for the Integration of Latin America and the Caribbean* (2013), 54 -63, at 59.

management agenda, which is of course a laudable evolution *per se*. However, measuring the impact of working with civil society outside the role of service delivery contractors is inherently difficult, and most likely to be only tangible in the long term. Attributing the impact of a specific donor intervention to a more active civil society is a very difficult task, but not impossible. Clearly defining the scope of an NGO intervention and embedding a monitoring and evaluation strategy right from the beginning are two possible ways to overcome this challenge.

Positive steps have been taken in recent years, including a more active engagement at the country level of MICs by development partners. Keeping in mind the decreased financial weight of their interventions, several donors successfully joined their efforts by creating basket funds for civil society, often managed by a multilateral actor, such as the UN Development Programme. Creating and managing these basket funds has been a well-chosen strategy by the donor community to scale up intervention and stay relevant. It should be noted that, whereas national governments in MICs – including those with doubtful human rights records – are entrusted to manage vast sums of development assistance in different sectors, they are only very rarely entrusted to manage a basket fund to support civil society.

The new decentralized *modus operandi* of most donors has been effective to a large extent as it allowed for a more country-specific tailored approach. The lack of global and disaggregated data on the expenditure on civil society is the other side of that coin. No clear picture exists in terms of financial engagement on civil society in MICs, despite several mapping exercises undertaken by development partners.

On the political front, bilateral partners have stepped up their engagement to focus more on the above-mentioned shrinking space of civil society,<sup>25</sup> which resulted in more political demarches, statements, and UN resolutions. This went hand in hand with the rise of the concept of human rights defenders. Restrictive legislative initiatives introduced by MICs often led to high-level political engagement. The speech of US President Obama to the African Union illustrates that concerns about civil society have risen to the highest political echelons: “When journalists are put behind bars for doing their jobs, or activists are threatened as governments crack down on civil society – then you may have democracy in name, but not in substance.”<sup>26</sup>

These are very positive steps, illustrating that human rights concerns are emerging more at the forefront of foreign policies. At the same time, it has to be acknowledged that the consensus still prevails that the space for civil society continues to shrink. Debates on civil society in multilateral fora became more antagonized and even quite entrenched. Confronted with the active policies of several MICs to continue reducing the space for civil society, including by repression, bilateral and multilateral development partners have not yet been able to counter this trend. In absence of a comprehensive policy and still struggling to fully unify their efforts, donors’ engagement continue to be *ad hoc* and reactive, rather than proactive. Approaches are still narrow-focused and efforts often failed to truly recognize the variety and political importance of civil society in MICs. However, the 2013 *Stand with Civil Society*

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<sup>25</sup> The annual reports of the UN Special Rapporteur on the rights to freedom of peaceful assembly and of association provide a good overview of this worldwide trends, at

<http://www.ohchr.org/EN/Issues/AssemblyAssociation/Pages/SRFreedomAssemblyAssociationIndex.aspx>.

<sup>26</sup> Remarks by President Obama to the People of Africa, 28 July 2015, at <https://www.whitehouse.gov/the-press-office/2015/07/28/remarks-president-obama-people-africa>.

initiative which was launched by US President Obama is a good example of how a comprehensive and high-level political strategy could look like. It is “a global call to action to support, defend, and sustain civil society” endorsed at the highest political level and offers a partnership with other governments, the philanthropic community, and multilateral organizations.<sup>27</sup>

As with other concepts, such as the notion of a formal democracy, the concept of civil society also needs time to take root in different contexts and people’s thinking. When development partners and MICs are not sufficiently aware of each other’s pre-existing notions and attitudes, their dialogue can lead to misunderstandings, frustrations and at times, a stumbling block. In the long run, both sides should not shy away from engaging with clear positions on this subject while fully realizing there is no clear-cut and universally recognized definition. By its very nature, civil society constantly evolves and is never static. There is no room for entrenched positions.

Additionally, the question arises if civil society itself has shown enough innovation and resilience to stay above water in MICs.

## **V. QUO VADIS: IS CIVIL SOCIETY ITSELF READY TO TAKE ON A NEW ROLE?**

Civil society should be viewed as a broad concept encompassing the societal space where social interactions take place. More and more empirical evidence suggest that a well-functioning and pluralistic civil society does generate the necessary social basis for democracy, contributes to political accountability and leads to increased civic engagement.<sup>28</sup> However, one should not equate civil society *per se* with these characteristics, as some organizations are rather a collection of a very specific set of interests of certain groups. Crucially, civil society needs to have a bridging role not only between the state and people (*vertical dimension*) but equally important, amongst the people (*horizontal dimension*) for it be accredited with its positive role. Some NGOs are aligned to divisions that run deep in societies and might cause more harm than good.

As civil society became more powerful, it has also been called upon more and more to justify its role and status. Conscious about some growing scepticism, CIVICUS, the world’s largest alliance of NGOs, offers a remarkable level of self-criticism in a 2014 open letter: “[The people] criticize how much we look up to those in power rather than see the world through the eyes of our own people. Many of them, sometimes rightfully, feel we have become just another layer of the system and development industry that perpetuates injustice. [...] Our primary accountability cannot be donors. [...] This means re-balancing power dynamics towards the less resourced sections of civil society and away from large international civil society

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<sup>27</sup> See Fact Sheet: U.S. Support for Civil Society, at <https://www.whitehouse.gov/the-press-office/2014/09/23/fact-sheet-us-support-civil-society>.

<sup>28</sup> Shantayanan Devarajan, Stuti Khemani and Michael Walton, “Civil Society, Public Action and Accountability in Africa”, The World Bank, Policy Research Working Paper 5733, July 2011, 37, at <http://elibrary.worldbank.org/doi/abs/10.1596/1813-9450-5733>.

organizations. It also means recognizing the power and importance of informal networks and associations.”<sup>29</sup>

The letter acknowledges the need for civil society to innovate internal governance structures, as decision-making procedures are sometimes not transparent. It also illustrates how many NGOs are no longer in touch with their respective constituencies. As the sector professionalized and offices were often moved to capitals, some NGOs lost track of the local communities they were supposed to represent, blurring the line with private consultancies. Donor funding evolved more into project based funding rather than core funding, which meant that vast amounts of time were invested in proposal writing rather than ensuring proximity to beneficiaries. It is also ironic to note how many NGOs are being led by the same leadership for a very long time.

The relations and power dynamics between international and national NGOs are changing very quickly in most MICs. Several international NGOs evolved into donors themselves, handing out micro grants to national NGOs. In some instances, international NGOs fostered some dependency for their national counterparts in MICs rather than focusing on their self-reliance. However, it is no longer the case that national NGOs in MICs are always smaller than their more longstanding partners from developed countries, far from it. For example, BRAC is a national NGO operating in Bangladesh which secured a budget of over 50 million USD in 1998. In less than fifteen years, its annual expenditure rose to a staggering amount of 845 million USD in 2014.<sup>30</sup>

Many NGOs from developed countries are in a process of soul searching as questions arise about their legitimacy and efficiency, particularly in a context where poverty is rising in many developed countries after the financial crisis of 2008 and the refugee crisis emerged. New spontaneous social movements and individual initiatives, facilitated by the technological possibilities to quickly get organized, can also undermine organized civil society in developed countries.<sup>31</sup>

On the one hand, the mantra of ‘capacity building partnership’ led by international NGOs is being increasingly challenged by their local counterparts in MICs, who reached excellent education and capacity levels and are better rooted into local societies. On the other hand, many international NGOs from developed countries have shown great innovation, such as OXFAM’s research into financial tax havens, which was an area largely unexplored by civil society until recently. They still have a key role to play, particularly in the forthcoming era of the Sustainable Development Goals where domestic resource mobilization, including ODA commitments, will be more important than ever. At the same time, it shows leadership to dare to let go when others have taken over. Often, it is the hardest part.

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<sup>29</sup> CIVICUS, “An open letter to our fellow activists across the globe: Building from below and beyond borders”, August 2014, at <http://blogs.civicus.org/civicus/2014/08/06/an-open-letter-to-our-fellow-activists-across-the-globe-building-from-below-and-beyond-borders/>.

<sup>30</sup> David Lewis, “Development NGOs and the Challenge of Partnership: Changing Relations between North and South. *Social Policy & Administration*”, 32 *Social Policy and Administration* (1998), 501–512, at 510. See also <http://www.brac.net/index.php/partnership#financial>.

<sup>31</sup> World Economic Forum, “The Future Role of Civil Society”, World Scenario Series (facilitated by KPMG International), January 2013, 5, at [http://www3.weforum.org/docs/WEF\\_FutureRoleCivilSociety\\_Report\\_2013.pdf](http://www3.weforum.org/docs/WEF_FutureRoleCivilSociety_Report_2013.pdf).

Bilateral donors have always had stronger links with international NGOs, which might exercise great influence in the public debates. Not being constrained by the national sphere of politics, multilateral donors moved on faster to support national NGOs in MICs.

The increasing privatization of social welfare in a number of MICs poses challenges to the rising role of national NGOs, too. It might push them back to a role of service delivery as sub-contractor of the state, at the expenses of advocacy and human rights monitoring activities.

Furthermore, national civil society in MICs is far from being a monolithic bloc. Tensions exist between so-called 'umbrella' structures and individual organizations. The first group is often more likely to have higher capacity and hence can more easily access donor funding. These funding streams might not always trickle down to the organizations' individual members, who sometimes feel used like a fig leaf instead of being empowered. Generally risk averse and very concerned with potential financial mismanagement, donors often still introduce too high financial ceilings and complicated procedures for their grants, which fail to reach grass-roots organizations.

National and grass-roots NGOs in MICs have a big potential, still very much untapped. More and more funding from multilateral, and increasingly bilateral, partners has become available. However, national civil society is not safe either from falling into the trap of donor dependency. The corporate sector, academia and the emerging middle class in MICs are key stakeholders in the process of empowering NGOs, even beyond potential funding.<sup>32</sup> Such broader alliances could be critical and more home grown to strengthen national civil society in the broad sense, offering some protection and resilience against an increasingly hostile political environment.

## **VI. CONCLUSIONS AND WAY FORWARD**

Interaction between the state and civil society has always existed: it is utopian to conceptualize civil society as a space void of any state action. The interesting question is how the right balance can be struck between these two spheres of society. A country-specific and incremental approach can be the answer.

Development partners should fully embrace the concept of inclusive national ownership, which means that engagement cannot be limited to governments only. A genuine consultation with civil society should be a continuous, two-way form of communication. Civil society should not be equated with NGOs only as such vision fails to acknowledge its complexity and political importance.

No comprehensive financial data regarding civil support exist at global and, only rarely, at the local level. Entering the era of the Sustainable Development Goals, which call for a data revolution, the time has come to embed support to civil society into national statistics systems as a separate category to make more informed choices. More investments should be made in structural impact assessments rather than donor-specific or project-specific evaluations.

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<sup>32</sup> See Lucy Dubochet, "The Changing Role of Civil Society in a Middle-Income Country – A Case Study from India", Oxfam India, Working Paper Series XI, December 2011, 8, at <https://www.oxfamindia.org/sites/default/files/XI%20The%20Changing%20Role%20of%20Civil%20Society%20in%20a%20Middle-Income%20Country.pdf>.

Bilateral and multilateral donors should regard civil society as a distinct policy field and embrace its complexity, rather than reducing it to the role of development actors. More integrated, high-level and proactive policies linking foreign policy and development cooperation are needed. Donors' engagement with MICs needs to be uplifted to a more political level, particularly as the influence of their development assistance decreases. The gap between an *ad hoc* demarche for a high profile human rights defender and long term development priorities needs to be closed. Development partners need to be more coordinated and set up dedicated structures to this extent, following the example of philanthropic foundations.

Reducing the space for civil society is not a sustainable strategy for MICs, as it creates political unrest, reputational damages for governments and can increase international isolation. National ownership of MICs on civil society is desirable, but only if it adheres to the human rights obligations of the state. Rather than labelling donor funding as 'foreign' and heavily restrict, MIC governments should take up their own responsibility and allocate a portion of the national budget to support national civil society.

National civil society organizations will likely emerge more and more at the forefront of the debate. This evolution should be encouraged and supported by all partners including international NGOs, which played an instrumental role in empowering them. At the same time, national NGOs need to reach out more actively to their constituencies, the private sector, academia and the emerging middle class, which can play an important role in the process of strengthening national civil society in MICs.

Only then will civil society have the necessary space to flourish and be able to reach its full potential.

## **New Approaches to Development Cooperation in Middle Income Countries: Brokering Collective Action for Global Sustainable Development**

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### **Abstract**

In June 2013, the High-Level Conference of Middle Income Countries (MICs) held in Costa Rica, organized by the United Nations Industrial Development Organization (UNIDO), ventured an intriguing look into the future of development. In particular, the conference highlighted the role of networks in overcoming challenges for sustainable development and reshaping international cooperation in and with MICs. With the choice of this topic, the conference has connected two issues that now figure prominently (and often separately) in the discussion on how to implement the new 2030 Agenda for Sustainable Development: networks and partnerships, on the one hand, and cooperation with MICs, on the other. As modes of governance, networks can be expected to become more important in MICs as their state bureaucracies and societies become more functionally differentiated. Similarly, the transformative change called for in the Agenda 2030 requires collective action among a broad range of public and private actors, within countries and across borders. Therefore, networks and partnerships have emerged as a central topic in the debate on “means of implementation” and a “revitalized global partnership”. Failure to meet this growing demand for collective action can lead to substantial implementation gaps. “Orchestration” has been advanced as a potential strategy to address collective action problems and support networks in various areas of sustainable development. This paper draws on the concept of orchestration to advance ideas for new approaches to cooperation in MICs. Orchestration can be used to broker collective action in and with MICs to support domestic reforms and global engagement in view of implementing the Agenda 2030.

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## I. INTRODUCTION

In June 2013, the High-Level Conference of Middle Income Countries (MICs), organized by the United Nations Industrial Development Organization (UNIDO) in Costa Rica, ventured an intriguing look into the future of development. In particular, the conference highlighted the role of networks in overcoming challenges for sustainable development and reshaping international cooperation in and with MICs.<sup>1</sup> With the choice of this topic, the conference has connected two issues that now figure prominently (and often separately) in the discussion on how to implement the new 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs): networks and partnerships, on the one hand, and cooperation with MICs, on the other.

Networks and partnerships have emerged as a central topic in the debate on “means of implementation” and a “revitalized global partnership” for the Agenda 2030.<sup>2</sup> As a generic term, networks refer to sets of stable, long-term relations through which autonomous, but interdependent actors purposefully coordinate their actions and mobilize resources to achieve shared objectives.<sup>3</sup> More specifically, networks are considered here as modes of governance that structure collective action when capabilities and resources are widely dispersed and cooperation cannot be hierarchically imposed by a central authority. In this regard, networks appear to be a suitable governance mechanism for many challenges of the new agenda.

The transformative change called for in the Agenda 2030 requires collective action among a broad range of public and private actors. This cooperation effort goes far beyond the scope of intergovernmentalism and top-down implementation by central governments. Non-state actors (civil society organizations, the private sector, research institutions, etc.), sub-state actors (local governments, cities, municipalities, etc.) and different parts of government (line ministries, specialized agencies, etc.) assume roles as full-fledged actors in policy-making and international cooperation. Therefore, the Agenda 2030 is highly demanding in terms of collective action.

Failure to meet the growing demand for collective action can lead to substantial implementation gaps. One major gap is the lack of ‘integrated’ approaches to governance that can involve diverse actors, cut across issues and provide linkages between different levels of governance from local to global. As governance mechanisms, networks have the properties to fill these gaps, provided that collective action problems are overcome. ‘Orchestration’ has been advanced as a potential strategy to address collective action problems and support networks in various areas of sustainable development.<sup>4</sup> This article draws on this concept to suggest an instrument that could be used by international development actors to support networks and close gaps in the implementation of the Agenda 2030.

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<sup>1</sup> UNIDO, “Networks for Prosperity”, Declaration of the High-Level Conference of Middle-Income Countries, San José, Costa Rica, 12-14 June 2013.

<sup>2</sup> UN Secretary General, “The Road to Dignity by 2030: Ending Poverty, Transforming All Lives and Protecting the Planet”, Synthesis Report of the Secretary General on the Post-2015 Agenda (UN, New York, 2014); UN, “Addis Ababa Action Agenda of the Third International Conference on Financing for Development”, UN, New York, 2015; OECD, *Development Co-operation Report 2015: Making Partnerships Effective Coalitions for Action* (OECD Publishing, Paris, 2015).

<sup>3</sup> On the definition of networks see for example: Tanja A. Börzel, “Organizing Babylon: on the Different Conceptions of Policy Networks”, 76(2) *Public Administration* (1998), 253-273.

<sup>4</sup> Kenneth W. Abbott and Thomas Hale, “Orchestrating Global Solution Networks: A Guide for Organizational Entrepreneurs”, 9(1-2) *Innovations, Technology, Governance, Globalization* (2014), 195-212.

The article argues that a special focus of such an instrument should be on MICs. MICs are in a phase of their development in which networks can be expected to become more important as part of domestic policy-making and their participation in global governance. They face complex social, economic and political transformations that are deeply intertwined with transboundary and global challenges such as global public goods (GPGs). Overcoming these challenges will depend on how effectively actors from MICs engage in networks. International development actors, such as bilateral development agencies and multilateral organizations, could use orchestration as part of future cooperation approaches in MICs. To this end, they need to progressively move from a role as providers of resources, advice and technical solutions to one as brokers of collective action.

This article first explains why a network perspective is especially relevant for MICs. Second, the article draws on the concept of orchestration to introduce the outline of an instrument that can support networks as part of the implementation of the Agenda 2030. Third, the article presents examples of bilateral providers of development cooperation and multilateral organizations that have already started to test similar approaches in MICs. Finally, the article draws conclusions for the future of development cooperation in MICs.

## II. MIDDLE INCOME COUNTRIES AND NETWORKS

The Connectedness Index of UNIDO's "Networks for Prosperity"-initiative shows a correlation between income level and connectedness of countries via networks (within countries and across borders).<sup>5</sup> MICs rank on average lower than High Income Countries, but above Low Income Countries. However, the spread of MICs in terms of connectedness is wide given the diversity within this income group. After all, MICs include regional and global powers belonging to the BRICS and the Group of 20 (G20), populous countries such as China and India next to small-island states such as Tuvalu, states in fragile and conflict situations (e.g. Iraq, Syria, Nigeria) and Least Developed Countries (LDCs) (e.g. Yemen, Bangladesh). GDP per capita in MICs starts slightly above USD 1,000 in Djibouti and Senegal and goes up to over USD 10,000 in Brazil and Turkey.

Public policy analysis and global governance research also support a link between the level of development and the expansion of networks as modes of governance.<sup>6</sup> Public policy analysis has found that societies become more functionally differentiated in the process of their development leading to the emergence of various policy subsystems. Similarly, the state apparatus becomes more fragmented in order to be able to better engage with other actors in different subsystems. Complexity of policy-making increases as policy resources are more widely dispersed within and outside of the politico-administrative system. Governments have to cooperate in policy networks with actors outside of their direct hierarchical control to formulate and implement policies.<sup>7</sup> Connectedness to transnational and transgovernmental

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<sup>5</sup> UNIDO, *Networks for Prosperity: Advancing Sustainability through Partnerships* (UNIDO, Vienna, 2015).

<sup>6</sup> Renate Mayntz, "Von der Steuerungstheorie zu Global Governance", in Gunnar Folke Schuppert and Michael Zürn (eds.), *Governance in einer sich wandelnden Welt*, 41 *Politische Vierteljahresschrift* (2008), 43-61.

<sup>7</sup> Patrick Kenis and Volker Schneider, "Policy Networks and Policy Analysis: Scrutinizing a New Analytical Toolbox", in Renate Mayntz and Bernd Marin, *Policy Networks: Empirical Evidence and Theoretical Considerations* (Campus, Frankfurt/M, 1991), 25-59.

networks also tends to increase with development as formerly domestic policy areas globalize and public and private actors acquire sufficient capacity to engage in these forms of cooperation.

Research on the role of networks as modes of governance has been strongly influenced by experiences in Western pluralistic societies. However, research on policy-making in developing countries supports the view that networks also play an important role in MICs. Although the state is clearly central to concepts such as the ‘developmental state’ or ‘state-led development’, the picture of policy-making provided by this literature is far from exclusively dominated by top-down governmental steering.<sup>8</sup> In particular, the ability of governments to engage with societal actors has been found to be a key element for successful development. Policy-making in MICs has shown several innovations in state-society relations and public-private cooperation.<sup>9</sup> For instance, non-governmental organizations (NGOs) are increasingly relevant, though substantial variations exist depending on the domestic context. Moreover, countries such as China and India are adopting alternative governance mechanisms, such as public-private partnerships, domestically, forging their own versions of these modes of governance in that process.<sup>10</sup>

Accommodating a more complex reality of policy-making seems crucial to achieving successful transition to high-income status. To be sure, challenges in MICs vary considerably according to domestic and local contexts. The extreme poverty and basic needs agenda has not yet become obsolete as MICs are still home to most of the people living in extreme poverty worldwide.<sup>11</sup> Development challenges in MICs cover the whole range of the SDGs, from state fragility and weak governance to urbanization and climate change. In this regard, MICs have problems in common with poor as well as rich countries. Some of these challenges result from “gaps” that need to be addressed by transfers of finance, technology and knowledge (e.g. poverty, infrastructure, climate adaptation). Other characteristic challenges in MICs are often referred to as “traps”.<sup>12</sup> These transition challenges are political in nature, rather than predominantly a problem of insufficient resources.<sup>13</sup> This is, for instance, the case for the ‘middle income trap’, i.e. the difficulty of countries at a certain level of development to further increase productivity based on the upgrading of human skills, technological development, innovation and other reforms.<sup>14</sup> Similar challenges for policy-making include reconciling economic growth with green transformation or creating institutions to manage a more developed economy and to respond to a more demanding society (e.g. the “rising middle

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<sup>8</sup> Peter B. Evans, *Embedded Autonomy: States and Industrial Transformation* (Princeton, NJ, Princeton University Press, 1995); Meredith Woo-Cumings (ed.), *The Developmental State* (Ithaca, London, Cornell University Press, 1999).

<sup>9</sup> Surain Subramaniam, “When Does ‘Politics’ Get in the Way of Development? The Developmental State, Good Governance, and Liberal Democratic Change in Malaysia and Singapore”, in Randall Peerenboom and Tom Ginsburg (eds.), *Law and Development in Middle-Income Countries: Avoiding the Middle-Income Trap* (New York, Cambridge University Press, 2014), 36-55.

<sup>10</sup> Sander Chan, “Partnerships for Sustainable Development Beyond the OECD World: Comparing China and India”, in Philipp Pattberg et al. (eds.), *Public-Private Partnerships for Sustainable Development: Emergence, Influence and Legitimacy*, (Edward Elgar, Cheltenham/UK, Northampton, MA/USA, 2012), 115-136.

<sup>11</sup> Andy Sumner, “Where Do the Poor Live?”, 40(5) *World Development* (2012), 865-877.

<sup>12</sup> José Antonio Alonso, Jonathan Glennie and Andy Sumner, “Recipients and Contributors: Middle Income Countries and the Future of Development Cooperation”, DESA Working Paper No. 135, ST/ESA/2014/DWP/135, July 2014, 5, at [http://www.un.org/esa/desa/papers/2014/wp135\\_2014.pdf](http://www.un.org/esa/desa/papers/2014/wp135_2014.pdf).

<sup>13</sup> Tom Ginsburg, “The Politics of Law and Development in Middle-Income Countries”, in Peerenboom and Ginsburg, *op.cit.*, note 9, 21-35.

<sup>14</sup> Homi Kharas and Harinder Kohli, “What is the Middle Income Trap, Why Do Countries Fall into It, and How Can It Be Avoided”, 3(3) *Global Journal of Emerging Market Economies* (2011), 281-289.

class”).<sup>15</sup> Such problems require negotiated solutions between different interests (e.g. early growth industries versus ‘reformers’). Networks are governance mechanisms in which such solutions can be produced, provided that the relevant actors overcome obstacles to collective action.

The domestic transformation of MICs is closely intertwined with regional or global development challenges. The interdependence of MICs with the rest of the world is increasing and their development trajectories have consequences for other countries and the provision of GPGs. In return, global framework conditions such as the international financial architecture, the trade system and the climate regime influence the ability of MICs to overcome domestic challenges. Different types of networks, such as private governance networks, multistakeholder partnerships, transnational public-private partnerships and transgovernmental networks, have become an essential part of the fabric of international cooperation that manages these interdependencies and addresses related challenges.<sup>16</sup> In these networks, actors, whose primary function is often at the local or domestic level, assume a role in international cooperation. This type of cooperation is an important complement to formal international institutions, such as the multilateral system, that have been slow to adapt to the changing global context.

Many global governance networks perform functions related to global sustainable development.<sup>17</sup> The C40 Cities, for instance, is a knowledge network in which cities exchange knowledge on climate change. The Extractive Industries Transparency Initiative (EITI) and the Forest Stewardship Council (FSC) are examples of transnational multistakeholder partnerships setting standards for resource extraction and use. The Financial Stability Board (FSB) provides an example of a transgovernmental network composed of central bankers, financial supervisors and ministerial officials in the area of financial supervision and regulation. The Global Vaccine Alliance (Gavi) is a transnational public-private partnership mobilizing finance for global vaccination and immunization programmes. Finally, the Global Outbreak Alert and Response Network (GOARN) is a platform linking experts and technical institutions to share information and coordinate responses to outbreaks of diseases.

Research has started to analyse the role of actors from developing and emerging countries in such networks.<sup>18</sup> Rising powers from the G20, for instance, have become more systematically integrated into transgovernmental networks in the field of financial regulation and supervision (the Financial Stability Board and the Basel Committee) in the wake of the global financial crisis. Rising powers also play an increasing role in transnational private governance, for

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<sup>15</sup> Alonso, Glennie and Sumner, *op.cit.*, note 12, 5-6.

<sup>16</sup> On these different types of global governance networks see, for example, Tim Büthe and Walter Mattli, *The New Global Rulers: the Privatization of Regulation in the World Economy* (Princeton University Press, Princeton, NJ, 2011); Liliana B. Andanova, “Public-Private Partnerships for the Earth: Politics and Patterns of Hybrid Authority in the Multilateral System”, 10(2) *Global Environmental Politics* (2010); Anne-Marie Slaughter, *A New World Order* (Princeton University Press, Princeton, NJ, 2004).

<sup>17</sup> For these and other examples see: Thomas Hale and David Held (eds.), *The Handbook of Transnational Governance: Institutions and Innovations* (Polity Press, Cambridge, 2011).

<sup>18</sup> Klaus Dingwerth, “Private Transnational Governance and the Developing World: a Comparative Perspective”, 52(3) *International Studies Quarterly* (2008), 607-634; Ngaire Woods and Leonardo Martinez-Diaz (eds.), *Networks of Influence? Developing Countries in a Networked Global Order* (Oxford University Press, Oxford, 2009); Anne-Marie Slaughter and Thomas Hale, “Transgovernmental Networks and Emerging Powers”, in Alan S. Alexandroff and Andrew F. Cooper (eds.), *Rising States, Rising Institutions: Can the World Be Governed?*, (Brookings Press, Washington, 2010), 48-62.

instance the International Accounting Standards Board.<sup>19</sup> However, MICs are in general still associated with a conservative, state-centred, sovereignty-sensitive view on international cooperation. Much of the discussion on 'rising powers' in international relations has centred on their role in formal, intergovernmental organizations (i.e. quotas, seats and voting shares) and informal intergovernmental arrangements, such as clubs (G20, BRICs, etc.). In contrast, their relationship with regard to networks is "ambivalent [...] even as their own civil societies have grown and become more engaged beyond their national borders".<sup>20</sup>

Overall, the literature sees opportunities but also obstacles for MICs with regard to stronger involvement in global governance networks. On the one hand, alternative modes of governance lend themselves to accommodate actors from MICs. Decision-making by consensus, common in most networks, is more sensitive to concerns about sovereignty. Networks can provide knowledge and solutions to specific problems in which MICs have an interest. They offer flexibility, a low level of legalization and allow for easy exit options.<sup>21</sup> On the other hand, actors from MICs also face obstacles. Seats at the table do not immediately translate into influence. Power asymmetries and informal hierarchies in such networks favour incumbent actors. Influence stems from professional expertise and relationships developed over long periods of time.<sup>22</sup> Moreover, the high levels of trust necessary to engage in networked cooperation might also be a barrier for newcomers. In many cases, the benefits of network membership might be unclear. Finally, insufficient capacity is still a major obstacle for actors from MICs. "The sheer demand placed on the international sectors of national government, INGOs, and multinational corporations continues to challenge the resources" even of the big three rising powers China, India and Brazil.<sup>23</sup>

In sum, networks grow in importance in policy-making and international cooperation for global sustainable development. In particular, MICs are at a stage of their development process that is usually characterized by an expansion in the use of networks as modes of governance. However, networks are also prone to collective action problems that reduce their effectiveness or prevent their creation altogether. Especially actors from MICs face a number of additional obstacles to their engagement in networks. The next sections look into a potential role for international development actors in supporting networks in and with MICs by drawing on the term of orchestration.

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<sup>19</sup> Andreas Nölke, "Rising Powers and Transnational Private Governance: The International Accounting Standards Board", in Dries Lesage and Thijs Van de Graaf (eds.), *Rising Powers and Multilateral Institutions* (Palgrave Macmillan, Basingstoke, New York, 2015), 96-116.

<sup>20</sup> Miles Kahler, "Rising Powers and Alternative Modes of Global Governance", APSA 2013 Annual Meeting Paper, at <http://ssrn.com/abstract=2300097>.

<sup>21</sup> *Ibid.* 10.

<sup>22</sup> Nölke, *op.cit.*, note 19, 114.

<sup>23</sup> Kahler, *op.cit.*, note 20, 20.

### III. ORCHESTRATION: BROKERING COLLECTIVE ACTION FOR SUSTAINABLE DEVELOPMENT

Orchestration originally refers to a strategy by which international organizations enlist or work through intermediaries in order to bridge gaps between insufficient means and ambitious objectives.<sup>24</sup> Formulated more generally, orchestration is a mode of governance by which “one actor (or set of actors), the orchestrator, works through a second actor (or set of actors), the intermediary, to govern a third actor (or set of actors), the target”.<sup>25</sup> The orchestrator has no direct hierarchical control over the intermediaries nor does the orchestrator establish a principal-agent relationship through delegation. The orchestrator uses “soft” influence through facilitative measures to deal with collective action problems among intermediaries and to orient their action towards the achievement of shared goals.<sup>26</sup>

Thinking on a larger scale, the underlying idea of orchestration is highly relevant for the implementation challenges of the Agenda 2030. As the introduction has pointed out, transformative change in states, societies and economies requires collective action across sectors and levels of governance among a wide range of (sub-)state and non-state actors. The primary role of many of these actors might not be related to either sustainable development or international cooperation. In contrast, most actors are likely to have a sector-specific, local or domestic role. In the parlance of the orchestration literature, these actors are crucial intermediaries for the implementation of the Agenda 2030. At the same time, collective action among these diverse actors is also a big challenge. International development actors, such as multilateral organizations (e.g. the UN system) or bilateral providers of development cooperation, could act as orchestrators to broker collective action in networks. In this regard, this article applies a simplified understanding of orchestration to the context of the Agenda 2030, focusing on how orchestrators promote networks among intermediaries. The notion of ‘targets’ is replaced here by a more general reference to contributions to the implementation of the Agenda 2030 that should result from collective action among intermediaries.

Several multilateral organizations and bilateral development actors have already orchestrated networks in climate, environmental, health or development policy.<sup>27</sup> The Global Reporting Initiative (GRI) is a typical example. The United Nations Environmental Programme (UNEP) supported the formation of the GRI in 1997. The initiative functions as a network of actors from civil society, the private sector, public authorities and international organizations. As an intermediary, the network has developed guidelines for sustainability reports to be applied by companies, non-governmental and public organizations. UNEP chaired the GRI's planning committee and strengthened the acceptance of the guidelines in the start-up phase. UNEP also provided financial support. Many of the above mentioned prominent global networks have also been orchestrated by international organizations or governments (e.g. GOARN by the World Health Organization, EITI by the British Department for International Development/DFID). The

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<sup>24</sup> Kenneth W. Abbott and Duncan Snidal, “International Regulation without International Government: Improving IO Performance through Orchestration”, 5(3) *Review of International Organizations* (2010), 315-344.

<sup>25</sup> Kenneth W. Abbott *et al.*, “Orchestration: Global Governance through Intermediaries”, in Kenneth W. Abbott *et al.* (eds.), *International Organizations as Orchestrators* (Cambridge University Press, 2015), 3-36, at 4.

<sup>26</sup> Thomas Hale and Charles Roger, “Orchestration and Transnational Climate Governance”, 9(1) *Revue of International Organizations* (2014), 59-82, at 63-64.

<sup>27</sup> Abbott and Hale, *op.cit.*, note 4.

instrument suggested here could build on these experiences and apply orchestration more systematically to the Agenda 2030.

The literature on orchestration has tested hypotheses on conditions for successful orchestration, e.g. related to the characteristics that successful orchestrators should have and the context that is most conducive to orchestration.<sup>28</sup> Similarly, a growing literature on the effectiveness of transnational cooperation initiatives has identified conditions of success for networks.<sup>29</sup> Drawing on some of these insights, the following paragraphs present five key elements that could serve as a general outline of an orchestration instrument for the Agenda 2030.

The starting point for the identification of potential activities is to ask if progress in an area of the Agenda 2030 is blocked by a collective action problem among actors holding essential policy resources and capabilities. The answer would also include the identification of relevant intermediaries. Moreover, the quality of the collective action problem would have to be defined in order to establish whether, and how, facilitative measures can contribute to overcome it. Collective action problems might stem from flawed network designs (e.g. too high start-up or transaction costs, lack of incentives, free-riding behaviour) or problems related to individual actors (e.g. lack of expertise). From a social capital perspective, problems might also stem from a lack of trust, problems of communication or a negative track record of interaction among the intermediaries.

Moreover, the match between an orchestrator and the identified area of activity must be right. Hypotheses on conditions and criteria for successful orchestration can give orientation. Main characteristics that orchestrators should have in the area of activity include, for example, legitimacy (e.g. moral authority, expertise, track record of success) and focality (e.g. convening power and influence as 'hub' in the issue in question). The orchestrator must also dedicate appropriate resources to the task (financial, technical, administrative and normative). Moreover, the context must be conducive, e.g. intermediaries, which have the means to achieve the expected results, must exist and their goals must be broadly aligned with those of the orchestrator. In addition, the orchestrator should have an organizational culture that is open to innovative forms of cooperation among a diverse set of actors.<sup>30</sup>

Second, the intended results should be clear. The general goal of this instrument would be to broker collective action in order to build or support effective networks that promote sustainable development. The most immediate goal would be to enable contributions in the form of financing, knowledge sharing, standards, or other explicitly defined contributions. More indirectly, orchestration should also have positive systemic repercussions on policy-making and international cooperation as a whole. For instance, orchestrated networks can lay important foundations to build trust and a common culture of cooperation among diverse actors. Moreover, networks are well positioned to function as interface between different levels of governance and

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<sup>28</sup> Hale and Roger, *op.cit.*, note 26; Abbott and Hale, *op.cit.*, note 4; Kenneth W. Abbott *et al.*, "Orchestrating Global Governance: from Empirical Findings to Theoretical Implications", in Abbott *et al.*, *op.cit.*, note 25, 349-379.

<sup>29</sup> For instance, a summary of research on the effectiveness of 'multistakeholder partnerships' can be found in Philipp Pattberg and Oscar Widerberg, "Transnational Multistakeholder Partnerships for Sustainable Development: Conditions for Success", in *Ambio* (2015), published online before print at <http://link.springer.com/article/10.1007%2Fs13280-015-0684-2#page-1>. They identify nine criteria for success: optimal partner mix, effective leadership, stringent goal setting, sustained funding, professional process management, regular monitoring, reporting, and evaluation to support organizational learning, active meta-governance, favourable political and social context, and fit to problem structure.

<sup>30</sup> Abbott and Hale, *op.cit.*, note 4.

improve the linkages between these levels. Orchestration should also reduce or coordinate fragmentation, for instance, by strengthening the legitimacy of certain networks (as participants, through political endorsement or legal recognition). In short, the orchestration instrument should not focus on the effectiveness of individual networks in isolation, but should also strengthen existing formal institutions of policy-making and international cooperation, for example by providing impetus for reforms.

Third, the orchestrator needs to choose and apply the appropriate measures to overcome the identified collective action problem. The orchestration literature differentiates between five general orchestration techniques: convening, agenda setting, assistance, endorsement and coordination.<sup>31</sup> The relevance of these techniques differs depending on the stage of the network building process. Orchestration techniques can be used to influence the above mentioned criteria for effective networks (e.g. convening in order to achieve optimal partner mix, agenda-setting to promote stringent goal setting, assistance to ensure sustained funding and professional process management). More generally, the orchestrator would use facilitative measures to overcome the identified collective action problems, e.g. by tipping incentives or increasing trust among the intermediaries. Examples of such measures are, for instance, paying for start-up costs, reducing transaction costs by setting up or consolidating administrative structures such as secretariats, providing expertise and financing pilot projects.

Fourth, orchestrators need to monitor and evaluate their activities in order to adapt and improve the instrument. As orchestration is an indirect approach, evaluation requires a two-phase approach. The first question is whether orchestration has initiated, supported and/or shaped networks according to best practices for effective networks. The second question is whether networks have achieved the expected results as intermediaries. Ideally, orchestration should achieve a high 'multiplier effect', i.e. the ratio between results achieved by the intermediaries and means employed by the orchestrator. Orchestrators should collect data and build information systems to map demand for orchestration and share knowledge on best practices.

Finally, an orchestration instrument for the Agenda 2030 requires meta-governance. Meta-governance refers to the regulation and coordination of orchestrators. A body charged with meta-governance could oversee how orchestrated networks fit into the broader governance architectures of existing formal institutions and other networks. Moreover, meta-governance would also look into the systemic impacts of orchestration (e.g. conflictive fragmentation). One possible institution to assume such a role would be the UN's High-level Political Forum on Sustainable Development.<sup>32</sup>

The five elements presented in this section constitute a rough outline of an instrument that could support the implementation of the Agenda 2030 globally. The next section looks more specifically into how such an instrument could be used as part of new cooperation approaches in MICs.

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<sup>31</sup> Abbott *et al.*, *op.cit.*, note 25, at 14-16.

<sup>32</sup> Kenneth W. Abbott and Steven Bernstein, "The High-level Political Forum on Sustainable Development: Orchestration by Default or Design", 6(3) *Global Policy* (2015), 222-233.

#### IV. INTERNATIONAL DEVELOPMENT ACTORS AS BROKERS OF COLLECTIVE ACTION IN MICs

Development cooperation is under pressure to adapt to a changing global context. This is especially true with regard to the role of bilateral providers of development cooperation and multilateral organizations in MICs. Given the vast range of development challenges in MICs, including persistent extreme poverty, international development cooperation remains relevant for this group of countries. However, the traditional role of international actors as providers of aid in combination with technical advice is decreasing. MICs are, on average, less dependent on aid than poorer countries and bilateral providers of development cooperation are phasing out their programmes in MICs. The diversity of MICs also makes it difficult to identify a single formula for future approaches to development cooperation in MICs.<sup>33</sup>

As part of a new mix of cooperation approaches in MICs, international development actors are increasingly assuming the role of ‘mediators’ or ‘brokers’. Some of these new cooperation formats could be interpreted in terms of orchestration (although this terminology is not used by the respective organizations). This section briefly presents examples from the UN Development Programme (UNDP), the EU and DFID that illustrate how international cooperation actors could act as orchestrators in MICs.

In Vietnam, UNDP has introduced a Policy Advisory Team (PAT) to influence reforms in various areas (rule of law/access to justice, anticorruption/public administrative reform, climate change and economics).<sup>34</sup> International policy advisors are more independent and flexible than project staff. They can respond quickly to emerging priorities and use the UN’s convening role to work with various actors (e.g. civil society, academia, the media, national agencies). Expressed in the terminology of orchestration, policy advisors use facilitative measures to exercise influence on these actors (e.g. commission independent research, establish connections between local and international expertise and provide practical demonstrations of success through pilots). The main idea is to build relationships with key governmental decision-makers and to shape broader “partnerships with those stakeholders in-country who are able and willing to take issues forward” and support them with international expertise.<sup>35</sup> UNDP’s PAT in Vietnam, as broker of collective action for reforms, can be interpreted in terms of orchestration.

Another example is the partnership instrument (PI) introduced by the EU in its ‘Multiannual Financial Framework 2014–2020’.<sup>36</sup> The instrument has a global reach and addresses

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<sup>33</sup> On the debate about development cooperation in MICs: Jonathan Glennie, “The Role of Aid to Middle-Income Countries: a Contribution to Evolving EU Development Policy”, ODI, Working Paper No. 331, June 2011, at <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7189.pdf>; Andy Sumner, “Global Poverty, Aid, and Middle-Income Countries: Are the Country Classifications Moribund or is Global Poverty in the Process of ‘Nationalizing’?”, UNU-WIDER, Working Paper No. 2013/062, June 2013, at <https://www.wider.unu.edu/sites/default/files/WP2013-062.pdf>; Niels Keijzer, Florian Krätke and Jeske van Seters, “Meeting in the Middle? Challenges and Opportunities for EU Cooperation with Middle-Income Countries”, ECDPM, Discussion Paper No. 140, February 2013, at <http://ecdpm.org/wp-content/uploads/2013/10/DP-140-Challenges-Opportunities-EU-Cooperation-Middle-Income-Countries-2013.pdf>; Alonso, Glennie and Sumner, *op.cit.*, note 12.

<sup>34</sup> Nicholas Booth, “The United Nations and Governance in Middle-Income Countries: A Vietnam Case Study”, in Peerenboom and Ginsburg, *op.cit.*, note 9, 309-334.

<sup>35</sup> *Ibid.* 326.

<sup>36</sup> European Parliament and Council of the European Union, Regulation establishing a Partnership Instrument for Cooperation with Third Countries, EU Regulation No. 234/2014, at <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014R0234&from=EN>.

challenges such as climate change, environmental protection and energy security. With the PI, the EU aims to respond to the “fast-changing nature of partner countries and global challenges” and underpin relations with those countries that are no longer eligible for bilateral development aid. The goal is to foster new cooperation approaches with these countries (e.g. coalitions of like-minded countries, international organizations and non-governmental organizations). Programming is thematic and classification of expenditure as official development assistance (ODA) not mandatory.

The annual action programme of the PI (2015) contains activities that can be seen in terms of the orchestration of networks in and with MICs.<sup>37</sup> Activities support policy dialogues, partnerships and platforms between the EU and one MIC (e.g. Resources Efficiency Initiative in India) or with a greater number of MICs and industrialized countries (e.g. International Urban Cooperation: Sustainable and Innovative Cities and Regions in Asia and the Americas). Similar to the idea of orchestration, these activities rely on small-scale facilitative measures to promote collective action among (sub-)state and non-state actors, for example, by identifying and convening actors, improving communication and providing limited financial assistance (e.g. for the creation of online platforms and pilot projects).

Finally, DFID has introduced new partnership programmes with MICs. These programmes aim, for instance, to increase China's contribution to global health governance and to reduce greenhouse gas emissions in Indonesia.<sup>38</sup> In China, DFID has maintained an in-country presence with dedicated staff and resources, even after phasing out bilateral aid programmes. Programme managers are given a high degree of flexibility to exert influence on key public actors. Main objectives are the support of domestic reform processes and the engagement of MICs for GPGs and development in other developing countries. Similar to the idea of orchestration, DFID uses facilitative measures (e.g. short-term expertise, funding and organization of trips to international workshops, secondments to international organizations) to build relationships and networks. DFID also supports networks with actors from civil society and academia. One example is the China International Development Research Network (CIDRN).<sup>39</sup> This network of Chinese research institutions advises the Chinese government on its cooperation with developing countries.

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<sup>37</sup> Annex of European Commission, Commission Implementing Decision on the 2015 Partnership Instrument Annual Action Programme for Cooperation with Third Countries to be Financed from the General Budget of the European Union, C(20205)4109, Brussels, 22 June 2015, at <http://www.gtai.de/GTAI/Content/DE/Trade/Fachdaten/PRO/2015/07/Anlagen/PRO201507285003.pdf?v=2>.

<sup>38</sup> DFID, Business Case and Intervention Summary of the “China UK Global Health Support Programme”, September 2015; DFID, Intervention Summary of the “Rapid Response Facility on Climate Change”, October 2012, at <https://devtracker.dfid.gov.uk/>.

<sup>39</sup> Website of the CIDRN [http://rcid.cau.edu.cn/art/2013/3/5/art\\_11130\\_157890.html](http://rcid.cau.edu.cn/art/2013/3/5/art_11130_157890.html).

## V. IMPLICATIONS FOR INTERNATIONAL DEVELOPMENT ACTORS

The cases of UNDP, the EU and the UK underline that brokering collective action for sustainable development is central to current innovations in the cooperation with MICs. Orchestration therefore provides a useful perspective to frame ideas for the future of development cooperation in MICs. In view of the challenges involved in the implementation of the Agenda 2030 and the situation of MICs, demand for orchestration is likely to increase.

Bilateral and multilateral development cooperation actors are well positioned to act as orchestrators in MICs. They possess a number of assets to be successful orchestrators, including financial resources, a strong record as focal points for development issues, previous experience with orchestration, and in-country presence in MICs. Moreover, transforming bilateral aid programmes in MICs into such a new approach would be preferable to terminating bilateral aid programmes altogether. Replacing bilateral programmes with an alternative, development-oriented approach to cooperation would guarantee a global and comprehensive outlook on sustainable development in MICs. This integrated perspective would be lost, if aid programmes were simply replaced by sector-specific cooperation in other policy areas. In this case, fostering the type of integrated approaches among diverse actors, across sectors and levels of governance that is crucial for the Agenda 2030 would become more difficult. In contrast, a new approach to development cooperation with an orchestration component, as suggested in this article, could strengthen integrated problem-solving at the interface of domestic challenges in MICs and transboundary or global challenges.

At the same time, the use of orchestration as part of a new approach to cooperation with MICs also requires fundamental changes on the part of development cooperation actors. Above all, strategies towards MICs must be clarified. Currently, this is not entirely the case as cooperation strategies towards MICs are predominantly discussed in terms of 'exit strategies'. However, a long-term perspective for cooperation and dedicated resources are crucial for the success of orchestration in MICs. Brokering collective action requires investment in relationships and in-depth knowledge of policy-making in MICs.

There are good reasons to focus ODA on the poorest and most fragile countries with the least access to other forms of development finance. Such an allocation choice would not preclude new cooperation approaches with MICs. In any case, the orchestration instrument suggested in this article would require different resources and skills than those needed in the core business of managing aid portfolios to transfer money and technical expertise. Cooperation in and with MICs stretches current limits of bi- and multilateral development cooperation. ODA-eligibility, the need to use specific implementation mechanisms, skills and competences of staff: new cooperation approaches with MICs raise numerous practical questions. In the process of modifying their role in MICs, development cooperation actors will have to progressively become part of a broader system of international cooperation in support of global sustainable development.<sup>40</sup>

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<sup>40</sup> Heiner Janus, Stephan Klingebiel and Sebastian Paulo, "Beyond Aid: A Conceptual Perspective on the Transformation of Development Cooperation", 27(2) *Journal of International Development*, 155-169.

## Triangular Cooperation: How Middle Income Countries Change the Landscape of Development Cooperation<sup>1</sup>

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### **Abstract**

Triangular Cooperation (TrCo) is a relatively new form of technical cooperation that consists of expert advice from donor to receiving countries. In addition to the traditional actors, the Development Assistance Committee (DAC) donor and the receiver, TrCo includes a middle-income country, the 'new provider'. The new providers are usually those middle-income countries that have recently developed at a considerable pace, such as China, India, Brazil, and Mexico, but also smaller countries like Malaysia and Costa Rica.

There are two disconcerting facts about TrCo:

- 1) After about a decade of implementation, there is still no evidence showing that this cooperation modality more effectively and/or efficiently benefits the development of the receiving country.
- 2) In many cases, the implementation of the new cooperation modality is not explicitly demanded by recipient countries. Instead, the middle-income countries and the DAC donors are the drivers behind these projects. In the aftermath of the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008) - in which the DAC donors committed to cede ownership for development projects to the recipient countries while aligning with their national development strategies - this form of implementation comes across as inappropriate.

Against this background, the puzzling question guiding this paper is why this cooperation modality has become so popular, and what is really its purpose? It will be argued that a very strong driver of TrCo is a quest for cooperation between middle-income countries and traditional DAC donors. TrCo can serve as a transitional instrument to phase-out bilateral aid programs, and the middle-income countries can start integrating themselves into the development cooperation landscape. Politically, this constitutes a great opportunity for these countries that now appear as new donors on the international stage, while expanding their strategic partnerships with the DAC donors. The drawback to this is, however, that due to the political incentive for engagement in TrCo many projects do not prioritize the receiving countries' urgent development needs. The UN, especially UNDP, as a mediator can help to assure that developing countries' voices are heard in the middle of this political struggle around power, prestige and development cooperation.

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<sup>1</sup> The paper is unrelated to the Human Development Report Office and to UNDP. All expressed opinions are my own.

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## I. INTRODUCTION

Triangular Cooperation (TrCo) is a relatively new form of technical cooperation that consists of expert advice from donors to recipients. Traditionally, cooperative arrangements have included the Development Assistance Committee (DAC) donors or a multilateral organization such as the UN and the recipient, a developing country. TrCo constitutes an innovation in so far as it also includes a Middle Income Country (MIC), commonly known as the 'new provider'. The new providers are those MICs that have recently developed at a considerable pace, such as China, India, Brazil, and Mexico, but also smaller countries like Malaysia and Costa Rica. They participate in TrCo as development experts, providing advice and, on some occasions, part of the economic resources for the technical cooperation project.

There are two disconcerting facts about TrCo:

- 1) After about a decade of implementation, there is still no evidence showing that this cooperation modality benefits more effectively and/or efficiently the receiving country than bilateral cooperation.
- 2) In many cases, the new cooperation modality is not explicitly demanded by recipient countries. Instead, MICs and the DAC donors are the driving forces behind these projects. In the aftermath of the Paris Declaration on Aid Effectiveness (2005) and the Accra Agenda for Action (2008) –in which the DAC donors committed to cede ownership of development projects to the recipient countries while aligning with their national development strategies–this way of implementing a new cooperation modality comes across as inappropriate.

Against this background, the puzzling question guiding this paper is *why has this cooperation modality become so popular, and what is really its purpose?* This paper argues that a very strong driver of TrCo is a quest for cooperation between MICs and traditional DAC donors. TrCo can serve as a transitional instrument to phase-out bilateral aid programs, and the MICs can start integrating themselves into the development cooperation landscape. Politically, this constitutes a great opportunity for these countries to appear as new donors on the international stage. For the DAC donors, TrCo constitutes an opportunity to expand strategic partnerships with these important newcomers. The drawback to this is, however, that due to the political incentive for engagement in TrCo, many projects do not prioritize the receiving countries' urgent development needs. This impairs development effectiveness. The UN, especially the UNDP, as a mediator can help to assure that developing countries' voices are heard in the middle of this political struggle around power, prestige and development cooperation.

## II. WHO ARE THE NEW PROVIDERS?

Out of the universe of 104 MICs<sup>2</sup>, only around 20 are actively involved in TrCo as new providers: Argentina, Brazil, Chile, China, Colombia, Costa Rica, Egypt, India, Indonesia, Malaysia, Morocco, Mexico, Philippines, Russia, South Africa, Sri Lanka, Thailand, Tunisia, Turkey, and Vietnam.<sup>3</sup> What do these MICs have in common that makes them participate in TrCo?

This question will be addressed in the following using the typology of the German Development Institute (DIE, for its acronyms in German) of anchor and emerging countries.<sup>4</sup> According to the DIE, anchor and emerging countries have become increasingly important in international relations during the last two decades. All of them are newly emerging economies, which the literature has long struggled to define and categorize. The typology helps to understand the phenomenon of TrCo because it embraces not only large powers, but also small countries that have enjoyed consistent economic growth and development during the last decade. Both types of MICs are involved in TrCo.

Technically, the members of the group of anchor countries are identified according to their economic size relative to other countries of the same region.<sup>5</sup> They include China, Indonesia, Thailand, Argentina, Brazil, Mexico, Russia, Turkey, Egypt, Iran, Saudi Arabia, Pakistan, South Africa, and Nigeria. Most of these large economies are relatively "poor but influential", taking leading positions in their respective region.<sup>6</sup> Even though they have established industrial centres of growth and innovation generating wealth, poverty remains severe in some regions of these countries. The ambivalence of economic growth and poverty is often reflected in unequal income distribution. With respect to security, some anchor countries play key roles for maintaining peace and stability in their regions because they take mediating positions in situations of conflict and are diplomatically highly influential.<sup>7</sup> They assume responsibility for regional peace missions and integration processes. However, in case of conflict, their importance means they can also destabilize the whole region. Many anchor countries also constitute powerful trading partners due to their strong economic growth.

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<sup>2</sup> The paper draws from a larger research project published in Christina Lengfelder 2016, "Why Triangular Cooperation? Germany and the Emerging Powers", German Politics Vol. 25, Issue 1; and Christina Lengfelder 2016, "Triangular Development Cooperation: Another Option for South-South Cooperation?" in: Hany Besada, Leah Mcmillan and Evren Tok, South-South Cooperation: Challenges, Modalities and Policies, (University of Ottawa Press, Ottawa, forthcoming).

<sup>3</sup> Author's database and Talita Yamashiro Fordelone, "Triangular Co-operation and aid effectiveness", paper prepared for OECD's Policy Dialogue on Development Cooperation, 28-29 September 2009, Mexico City, at [http://www.oecd.org/document/9/0,3343,en\\_2649\\_33721\\_43703753\\_1\\_1\\_1\\_1,00](http://www.oecd.org/document/9/0,3343,en_2649_33721_43703753_1_1_1_1,00).

<sup>4</sup> Andreas Stamm, "Schwellen- und Ankerländer als Akteure einer globalen Partnerschaft - Überlegungen zu einer Positionsbestimmung aus deutscher entwicklungspolitischer Sicht", Discussion paper edited by DIE, November 2004, at <https://www.die-gdi.de/uploads/media/1-2004.pdf>.

<sup>5</sup> First, GDP (not per capita!) of the largest country relative to the total GDP of the region is measured in order to estimate relative economic importance. After subtracting the largest GDP from the total GDP of the region, every country with a fraction of at least 20% of regional GDP qualifies as an anchor country.

<sup>6</sup> Joerg Faust and Dirk Messner, "Arm, aber einflussreich: Ankerländer als aussenpolitische Herausforderung", *Politik und Zeitgeschichte* (2008), 43, at 28-34.

<sup>7</sup> Ingrid-Gabriela Hoven, "Anchor countries- partners for global development", Bundesministerium für wirtschaftliche Zusammenarbeit und Entwicklung, Power Point Presentation, May 2007, at [http://www.iddri.org/Evenements/Seminaires-reguliers/070529\\_Hoven\\_partnersforglobaldvpt.pdf](http://www.iddri.org/Evenements/Seminaires-reguliers/070529_Hoven_partnersforglobaldvpt.pdf); Carlo Masala, "Neuorientierung Deutscher Aussen- und Sicherheitspolitik", *Aus Politik und Zeitgeschichte* (2008), 43, at 22-27.

Emerging countries are those that have reached relatively high levels of overall development (measured by the Human Development Index (HDI)), which they are expected to maintain or elevate even after the phase-out of official development assistance (ODA).<sup>8</sup> This expectation is based on the assessment of four additional indicators: The Growth Competitiveness Index, the Business Competitiveness Index, the Freedom House Index, and the Pilot Environmental Index.<sup>9</sup> A sufficiently high score on all of these indicators qualifies a country as an emerging country, currently including Brazil, Chile, Costa Rica, Mauritius, Mexico, Uruguay, Malaysia, and Trinidad & Tobago.<sup>10</sup>

Table 1 shows that all but three new providers engaged in TrCo are either anchor or emerging countries, or both. The characteristics of the other three countries are similar to those of anchor and emerging countries. Colombia actually qualified as emerging country, but was eliminated due to enduring security concerns. Morocco and Tunisia, even though not as large as anchor countries, have constituted important brokers in the conflict between radical Muslim and Western regimes. In spite of their smaller size, they have taken decisive functions for regional politics as is typical for anchor countries.

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<sup>8</sup> Andreas Stamm, *op.cit.* note 4.

<sup>9</sup> The first two indicators measure the economy's capability of maintaining economic growth. The Freedom House Index, which measures political rights and civil liberty, estimates the sustainability of the political system. Finally, the Pilot Environmental Index for Air and Water Quality identifies environmental degradation, which is seen as an additional measure for sustainable development.

<sup>10</sup> The cases of Brazil and Mexico demonstrate that the two groups – anchor and emerging countries - are not exclusive. Both are large and influential countries that have achieved sufficient of a score on the above indicators. They thus qualify for both groups.

**Table 1: New Providers as Anchor and Emerging Countries<sup>11</sup>**

New provider	Anchor country	Emerging country
Argentina	✓	
Brazil	✓	✓
Chile		✓
China	✓	
Colombia	No	No
Costa Rica		✓
Egypt	✓	
India	✓	
Indonesia	✓	
Malaysia		✓
Morocco	No	No
Mexico	✓	✓
Russia	✓	
South Africa	✓	
Thailand	✓	
Tunisia	No	No
Turkey	✓	

The fact that most new providers belong to the newly influential anchor or emerging countries is important for the analysis of donors' motivations for TrCo. These have remained a puzzle because so far, there is no evidence that TrCo more effectively fosters the development of the receiving countries than traditional cooperation modalities. There is a continued lack of evaluation studies, especially of those projects that include DAC donors instead of multilateral organizations.

The website of the *Task Team on South-South Cooperation* synthesizes case studies on triangular cooperation, without, however, properly evaluating the impact of the projects.<sup>12</sup> Rather, it constitutes an overview of areas of cooperation, and actors and institutions involved, providing some limited information on the outcomes of the projects. And, most importantly, the case studies hardly reflect the perspective of the receiving countries.

The report *Boosting South-South Cooperation in the Context of Aid Effectiveness* explains the dearth of evaluation with a "lack of time, experience, and expertise" of the new providers. "Most countries [...] still struggle with building monitoring and evaluation systems and generating transparent, regular, and timely information. Learning how to be an effective Southern provider is still incipient".<sup>13</sup> While this argument may explain a lack of evaluations from the new providers, it does not explain why the DAC donors have not properly evaluated the TrCo projects. The effectiveness and efficiency of TrCo vis-à-vis traditional forms of

<sup>11</sup> The Philippines, Sri Lanka, and Vietnam are not considered typical new providers of TrCo because they only participate in one single TrCo project administrated by Japan. They are therefore left out of the table. This table is the author's elaboration based on classification from DIE published in Stamm, *op.cit.* note 4.

<sup>12</sup> Task Team on South-South Cooperation, "Triangular Cooperation", at <http://www.southsouthcases.info/casostriangular/>.

<sup>13</sup> Task Team on South-South Cooperation, "Boosting South-South Cooperation in the Context of Aid Effectiveness", Synthesis Report, March 2010, 19, at [http://www.southsouth.org/uploads/pdf/Boosting\\_SS\\_Cooperation\\_in\\_the\\_Context\\_of\\_Aid\\_Effectiveness.pdf](http://www.southsouth.org/uploads/pdf/Boosting_SS_Cooperation_in_the_Context_of_Aid_Effectiveness.pdf).

technical cooperation remains an open question to be addressed by the development cooperation community.

### III. TRIANGULAR COOPERATION: EFFECTIVE AND/OR EFFICIENT?

In view of the missing evidence on the effectiveness and efficiency of TrCo, the present section will assess both, based on current practitioners' literature and interviews that the author conducted with policy-makers and analysts in four different countries in 2010. For this assessment, effectiveness will be considered as the degree of achievement of the desired or planned outcome of an endeavour. In turn, efficiency strictly points at the relationship between costs and benefits of the development cooperation initiative. It is defined as the relation between the outcome and the costs to achieve it. Both, effectiveness and efficiency of TrCo are largely debated in the literature and among practitioners. No consensus has so far been formed.

#### A. Effectiveness

Many practitioners argue that the effectiveness of TrCo compared to other cooperation modalities depends, among others, on the degree of perceived legitimacy of the new providers.<sup>14</sup> For example, when Costa Rican experts travel to Bolivia in order to share their experience of a successful housing programme, and advise Bolivian policy-makers how to implement such programme, it is essential that the Costa Rican experts are perceived by the Bolivians as legitimate experts on this subject.

A common assumption is that the experience the new providers have gained on their just recent way to development legitimizes their advice. They have vast experience in developing and implementing social and economic development policies, poverty reduction programs, and in managing international cooperation funds. They can also contribute lessons learned from projects or programs that have not worked as expected, and may be able to improve their shortcomings. Additionally, the new providers usually share the recipients' regional background, often speak the same language, and most are familiar with local circumstances. Therefore, they can adjust projects and programs to local social, economic, political, climatic, and geographic conditions, providing assistance that is tailored to the needs of the recipient country.

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<sup>14</sup> See for example Guido Ashoff, "Cooperación triangular de Alemania en América Latina: contexto, enfoque, perfil y experiencias", prepared for European-Latin American Forum's Workshop, 6 March 2009, Bogotá, at [http://www.fride.org/uploads/Ponencia\\_Ashoff\\_esp\\_feb09.pdf](http://www.fride.org/uploads/Ponencia_Ashoff_esp_feb09.pdf); ECOSOC, "Trends in south-south and triangular DC", Background Study for the Development Cooperation Forum at United Nations Economic and Social Council (2008); Talita Yamashiro Fordelone, *op.cit.* note 3.; Edien Pantoja, "Triangular cooperation: New paths to development", Summary Report of the discussions and experiences presented in the 1st International Symposium on Triangular Cooperation, July 2009, at <http://www.oecd.org/dataoecd/63/32/43705278.pdf>; Nagesh Kumar, "South-South and Triangular Cooperation in Asia-Pacific, Towards a new paradigm in DC", Research and information system for developing countries", presented as a keynote address at the Asia-Pacific Development Cooperation Forum: Regional Workshop on Trends and Progress in Triangular and South-South Cooperation, 21-22 October 2008, Bangkok, at <http://www.un.org/en/ecosoc/newfunct/pdf/background%20study%20final.pdf>.

Another way that may make TrCo more effective than traditional technical cooperation is the recycling of former bilateral projects. The new providers can apply specific knowledge gained during bilateral projects with DAC donors, and make use of established institutions and networks. One example is the TrCo project on youth labour between Germany, Chile, and the Dominican Republic. Assistance to integrate young vulnerable people living in rural areas of the Dominican Republic in the labour market was based on Chile's experience with a similar bilateral project with Germany. The intervention strategy, consisting of a methodology to train youth in entrepreneurship which had been developed by the bilateral project, could be replicated in the Dominican Republic. The established institutional network in Chile, which included the National Solidarity Fund FOSIS, the National Youth Institute INJUV, and the National Service of Vocational Training and Employment SENCE, could be used to provide expert advice to their counterparts in the Dominican Republic.<sup>15</sup> That way, Chilean capacities that had been developed during the bilateral project could be used and the Dominican Republicans could benefit from Latin American expertise within a relatively similar cultural setting and without losing technical details in translation.

The assumption that TrCo is more effective is, however, largely contested among practitioners, and there are some who argue exactly the opposite. They forward that antique (territorial) conflicts or current issues, such as large flows of economic migration that have caused distrust and antipathy, can hinder smooth cooperation processes and diminish effectiveness. Common examples include conflicts between Mexico and Guatemala, Chile and Peru, Indonesia and East Timor, and South Africa and some of its neighbours. Sometimes when the new provider is an anchor country, technical cooperation projects may be seen as an attempt to expand regional dominance, which can hinder productive cooperation (for example China and its Asian partners). Another possible obstacle to effectiveness is the lack of trust in regional capacities, especially in skills and institutions. It is assumed that some receiving countries prefer advice from the DAC donors because of their long history of successful economic performance and relatively well-functioning social and political institutions.<sup>16</sup>

Regarding the receiving countries' preferences, it is also striking that - as revealed by the interviews with policymakers engaged in TrCo - the modality of TrCo is not necessarily demanded by receiving countries. The projects are usually rather an initiative of the DAC donors or the new providers. This form of implementation is not in accordance with what is recommended in the Paris Declaration for Aid Effectiveness and the Accra Agenda for Action, and can thus be expected not to contribute to increasing effectiveness. Table 2 summarizes the debate around the effectiveness of TrCo.

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<sup>15</sup> Task Team on South-South Cooperation, *op.cit.* note 12.

<sup>16</sup> Nils-Sjard Schulz and Guido Ashoff, "Triangular cooperation in the context of aid effectiveness - Experiences and views of EU donors", Workshop Report and Concept Note for the Workshop The European Union's Triangular Cooperation in the context of aid effectiveness organized by the Spanish Agency for International Development Cooperation (AECID), 8 March, 2010, Madrid; Ashoff, *op.cit.* note 15; Guido Ashoff, personal communication, Santiago de Chile, 21 July 2010; Pradeep S Mehta and Nitya Nanda, "Trilateral DC, An emerging trend", Centre for International Trade, Economics and Environment, Briefing Paper No. 1, 2005, at <http://www.cuts-international.org/pdf/BP1-2005.pdf>.

**Table 2: Debate about Effectiveness of TrCo<sup>17</sup>**

Ineffective	Effective
Lack of trust in regional skills and institutions	New providers are perceived as legitimate actors (recent experience in development, regional expertise, shared culture and language)
Anchor countries perceived as regional vanguards	
Antipathies between direct neighbours due to historical and/ or current conflicts	Repetition of projects and accumulation of experience through former bilateral projects
Cooperation modality is often initiated by DAC donors and/ or new providers	
New providers' lack of experience with development cooperation	

### ***B. Efficiency***

The second part of the debate is on whether TrCo is more or less cost-efficient than traditional technical cooperation projects. Some practitioners argue that the repetition of projects reduces the cost of design and implementation. When bilateral projects between DAC donors and receiving countries (today new providers) are replicated by TrCo planning, know-how, and infrastructure can be recycled, which reduces the overall project costs.<sup>18</sup> This can be illustrated by the above described project on youth entrepreneurship. The development of the methodology had been financed by the bilateral project between Germany and Chile. The same methodology could then be applied for the TrCo project benefitting the Dominican Republic.

Another argument states that costs for the actual operation of the projects are lower. Given lower average wages in their home countries, experts from the new provider countries are expected to charge less than experts from the DAC countries, which reduces personnel costs, and, thus, the operational costs of the project. Moreover, shorter distances between new provider and recipient countries are assumed to reduce travel costs. In the cases in which the new provider speaks the same language as the receiver, costs for translation can be saved.<sup>19</sup>

As above, the argument has been contested. The counterargument suggests that there are international market prices for international expertise, so that personnel costs are unlikely to

<sup>17</sup> Author's elaboration.

<sup>18</sup> The idea of repeating the same projects is contested. In an echo of the criticism of the World Bank's Structural Adjustment Programmes, the recycling of projects implies the risk of applying the same strategy for very different countries ("one-size fits it all"). This runs counter to the principles of the Paris Declaration on Aid Effectiveness because it takes away ownership from the receiving countries. Only if circumstances are very similar in both countries, or projects are adapted to the receiving countries, can these projects be effective. Receiving countries should always be consulted about necessary adjustments of the projects.

<sup>19</sup> Guido Ashoff, *op.cit.* note 15; Pradeep S. Mehta and Nitya Nanda, *op.cit.* note 17; Johannes Emmerling, "Metrology for the natural gas sector – Trilateral cooperation with Latin America", Report prepared for the PTB, Braunschweig and the OAS, September 2006, Washington D.C.; Peter Rosseel, Erik De Corte, Jan Blommaert, and Elke Verniers, "Approaches to North-South, South-South, and North-South-South Collaboration", Policy document, MCR-BVBA, 2008, at <http://www.mcr-bvba.be/documents/approaches-tonorth-south-s-s-and-n-s-s-collaboration-a-policy-document-for-the-vlir.pdf>.

be lower, while most DAC experts have learned, or naturally speak the language of the recipient countries. Moreover, regional flights are often almost as expensive as overseas flights, at least in Africa and most parts of Asia.

The decisive counter-argument, however, is an increase in transaction costs when integrating an additional actor. Since cooperation between three actors is more time and labour consuming than bilateral cooperation, transaction costs for TrCo are assumed extraordinarily high. Additional costs arise when establishing procedures and standards that are to be applied by three parties with different organizational structures. Unclear divisions of roles and responsibilities at the beginning of a project require additional coordinative efforts. Finally, negotiation processes are said to be long and cumbersome. Table 3 summarizes the debate around the efficiency of TrCo.

**Table 3: Debate about Efficiency of TrCo<sup>20</sup>**

Inefficient	Efficient
Long negotiation processes	Possible savings for translations
Unclear division of roles and responsibilities	Lower travel costs
Processes that have to be applicable by three parties with different organizational structures	Savings in design and implementation when projects are repeated
Excessive coordination efforts	Lower salaries for experts from new provider countries

The conducted interviews reveal that most practitioners agree that, due to the inevitably high transaction costs in cooperative arrangements including three countries instead of two, TrCo is most probably less cost efficient than traditional technical cooperation projects. Under certain circumstances, the benefits of integrating a third actor may compensate for its higher costs. Whether this is the case depends on the projects' effectiveness, which – as shown above - is not always given but stands and falls with the careful selection of partner countries and areas of cooperation.<sup>21</sup>

#### **IV. OTHER POSSIBLE DRIVERS FOR TRIANGULAR COOPERATION**

Against the background of the summarized debates on effectiveness and efficiency, the puzzling question around TrCo is why has this cooperation modality become so popular among DAC donors? The finding that neither effectiveness nor efficiency of TrCo is evident, together with the fact that most TrCo projects are initiated by the DAC donors and/ or the new

<sup>20</sup> Author's elaboration.

<sup>21</sup> For a list of selection criteria for potentially effective projects, see Christina Lengfelder, *op.cit.* note 14.

providers, but not by the recipient countries, let assume that there may be other motivations for TrCo than just the development of the recipient country.

The above identified characteristics of the MICs that are involved in TrCo are important for understanding these motivations. Given the countries' large economic size—in the case of anchor countries—and their substantial development—in the case of emerging countries—, these countries have become politically and economically powerful during the past two decades. This, together with global interdependence has significantly changed the structures of International Relations.<sup>22</sup> Anchor and emerging countries have become key actors on the international stage, with whom many DAC members seek to expand strategic partnerships. The integration of these crucial actors into development cooperation projects may thus be a strategic act. Apart from fostering development in the receiving countries, DAC donors may have the following intentions with TrCo projects:

- 1) Anchor and emerging countries have become increasingly important for the provision of global public goods (e.g. environmental protection, international security, public health, financial stability).<sup>23</sup> TrCo projects constitute a platform for cooperation and exchange in these areas, which matches one of many DAC members' strongest political interests.
- 2) Anchor and emerging countries have recently expanded their independent aid programmes, which have, however, been considered as insufficiently aligned with sustainability standards by traditional donors.<sup>24</sup> TrCo provides opportunities for mutual learning and renegotiation of international aid standards.
- 3) Due to the recent progress of anchor and emerging countries, many of the bilateral aid programs with these countries are phasing out. It can be argued that TrCo is implemented in order to orderly phase-out aid to anchor and emerging countries, while maintaining cooperative partnerships.<sup>25</sup>
- 4) International relations literature often suggests that development cooperation fosters trade.<sup>26</sup> DAC donors may expect TrCo to enhance trade relations with anchor and emerging countries that have grown to be major traders on international markets.

For the case of Germany, these motives have been identified as relevant for the country's engagement in TrCo.<sup>27</sup> More research is needed to confirm whether they also explain other

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<sup>22</sup> Joerg Faust and Dirk Messner, *op.cit.* note 6; Carlo Masala, *op.cit.* note 7; Andreas Stamm, *op.cit.* note 4; Andreas Stamm and Tilmann Altenburg, "Ein Fuss in der Tuer", 10 *Zeitschrift für Entwicklung und Zusammenarbeit* (2005).

<sup>23</sup> See Inge Kaul, Isabelle Grunberg, and Marc Stern, *Global public goods : international cooperation in the 21st century*, (Oxford University Press, New York, 2009).

<sup>24</sup> Moisés Naim, "Rogue aid. Foreign Policy", *Foreign Policy*, 2007, 96; Chahoud, Tatjana, "Talking of rogue aid: mirrow, mirrow on the wall.... Moisés Naim and the new donors", 3 *World Economy and Development In brief* (2007).

<sup>25</sup> Guido Ashoff, *op.cit.* note 15; Guido Ashoff, *op.cit.* note 17.

<sup>26</sup> Jean-Claude Berthelemy, "Bilateral donors' interest vs. recipients' development motives in aid allocation: Do all donors behave the same?", 10 (2) *Review of Development Economics* (2006), 179-194; Jean-Claude Berthelemy and Ariane Tichit, "Bilateral Donors' Aid Allocation Decisions, A Three-dimensional Panel Analysis", United Nations University and UN World Institute for development economic research WIDER, Discussion Paper No.2002/123, December 2002, Helsinki; Michael Klein and Tim Harford, "The market for aid", World Bank Group, Policy Note No. 293, June 2005, Washington D.C.; Steven Hook John Spanier, *American Foreign Policy since World War II*, (CQ Press, Washington D.C., 1998); Rubin Patterson *Foreign aid after the cold war: the dynamics of multipolar economic competition*, (Africa World Press, Trenton, 1997).

<sup>27</sup> Christina Lengfelder, *op.cit.* note 14.

donors' engagement, but it can be assumed that at least some of these motives are partially relevant for most DAC donors.

Although all of the above mentioned motives for TrCo are understandable from a political standpoint, TrCo's development effectiveness can be tarnished when projects and partner countries are selected according to political interests rather than developmental criteria. What is more, this form of selection undermines the principles of the Paris Declaration and the Accra Agenda for Action that state that the receiving countries should take ownership of development cooperation projects while areas of cooperation should be aligned with national development strategies.<sup>28</sup> Many TrCo's projects may thus not be as effective in helping receiving countries as they could be.

## V. POTENTIALLY EFFECTIVE ALTERNATIVES

A feasible way out of this dilemma of power politics is to engage multilateral institutions such as UN agencies into triangular cooperation agreements. Due to their specialized knowledge and large networks in the receiving countries, they can help with the selection of appropriate partner countries and areas of cooperation that are most urgent for the receiving countries. They can take the role of an advocate for the receiving countries, assuring that their voice is heard during negotiation processes. If there are efficiency concerns, the multilateral institution can replace the DAC donor in many functions as has been the case with UNDP's South-South Cooperation (SSC) arrangements. A recent report from UNDP's Independent Evaluation Office suggests that UNDP has a strong comparative advantage in supporting and facilitating both cooperation modalities due to the following characteristics of the agency:

- An extended country presence and decentralized structure with the operation of the country offices and regional service centres
- Extensive technical know-how in the focus areas, a strong portfolio of good practices as well as research information and connections
- Neutrality and absence of political bias
- Emphasis on capacity-development and demand led approach
- Strategic positioning within the UN system
- Flexibility to respond at country level.<sup>29</sup>

Most importantly, the report states that the demand for UNDP's support and/ or facilitation of SSC and TrCo's activities among partners is very high. The fact that recipient countries request this support is the best evidence for the activities' alignment with standards of aid effectiveness as suggested in Paris and Accra. UNDP's engagement in SSC and TrCo is thus

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<sup>28</sup> OECD, "The Paris Declaration on Aid Effectiveness and the Accra Agenda for Action", 2005/2008, at <http://www.oecd.org/dac/effectiveness/34428351.pdf>.

<sup>29</sup> UNDP Evaluation Office, "Evaluation of UNDP Contribution to South-South and Triangular Cooperation (2008-2011)", UNDP Evaluation Office, Report, December 2013, 28-30, at <http://ssc.undp.org/content/dam/ssc/documents/Evaluation%20Reports/Evaluation%20of%20UNDP%20contribution%20to%20SSC%202008.pdf>.

a promising way to counteract political motivations other than the development of the recipient countries and take advantage of the praised benefits of TrCo.

## **VI. OUTLOOK: CHANGE IN THE LANDSCAPE OF DEVELOPMENT COOPERATION**

Most probably the world will see more cooperative arrangements similar to TrCo in the near future. Given the changing power structures of International Relations that have resulted from the substantial progress of some MICs, the traditional aid structure has been considerably modified. TrCo is only one example for these modifications. In future scenarios, cooperation will most likely be more horizontal, including several governmental, multilateral and civil society actors. As suggested by the Sustainable Development Goals (SDGs) (Goal 17, targets 17.6 and 17.9), traditional aid structures of donor and receiving countries need to be complemented by cooperative arrangements of mutual learning and shared funding in order to advance research on technology and innovation, build global capacities, and effectively provide global public goods.

In this context, it is time to rethink the financial structure of ODA. Until now, the DAC donors have been financing TrCo with ODA resources. An alternative proposal to this structure would be to finance those endeavours that provide global public goods for example by general cooperation funds. In this new financial structure, ODA should mainly cover humanitarian aid and development cooperation programs and projects that are targeted to help the poorest of the poor by means of projects suggested or initiated by receiving countries. For other activities including the provision of global public goods, research and innovation, and technological exchange, there should be a separate budget for international cooperation and global governance.

Provided that donors aim to fulfil their ODA targets of 0.7 percent of GNI as stipulated by the SGD target 17.2, i.e. there is no budget re-allocation, this would prevent a resource competition between activities that alleviate poverty and suffering, and other endeavours that are mutually beneficial for donor and receiving countries. A separation of funds would also ensure transparency regarding amounts of spending for each field, which - assuming that reputation matters in international politics - in turn could increase the amount of financial resources available for projects that benefit the poorest of the poor.

## **Embracing Complexity in the UN Development System: Facilitating Middle Income Countries to Break the Middle Income Trap<sup>1</sup>**

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### **Abstract**

Addressing the development needs of Middle Income Countries (MICs) requires a revitalized strategy from the UN development system (UNDS). This paper first considers the validity of the Middle Income Trap (MIT) as an economic concept, and then applies two relatively new strands in development thinking; complex adaptive systems, the theory that development processes are holistic, and; behavioural science in development, which controversially announced itself into the mainstream with the flagship 2015 World Bank publication, *Mind, Society and Behavior*.

The paper then considers the policy and operational dimensions for the UNDS and finds both these innovations in thinking and approach could have implications for the future role and positioning of the UNDS. In the final section, the paper provides modest proposals as food for thought for policymakers, describing selected examples of how the system could adapt. The extent to which such models will form part of the economic settlement to the poor in MICs will ultimately depend on the perceived value of such models by recipients and donors alike. This paper aims to shed light on such value.

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<sup>1</sup> The views and opinions expressed in this paper are those of the author and do not necessarily represent those of the United Nations.

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## I. INTRODUCTON

The challenge of what the United Nations development system (UNDS) should do in Middle Income Countries (MICs) offers no scarcity of opinions, views, and agendas. The Agenda 2030 has reopened the debate on how traditional and emerging global actors build consensus and cooperate to solve problems in response to the rise of MICs.<sup>2</sup> Development cooperation efforts since the millennium have tended to focus not on MICs but on states that are prefixed with adjectives – fragile, failed, collapsed – with an increasing number of people now living within the borders of such labels. At the same time, a growing number of people living in poverty are within MICs, an increasing number of which are considered fragile themselves<sup>3</sup> and stuck in what some call the Middle Income Trap (MIT).<sup>4</sup>

Addressing the development needs of MICs needs a revitalized strategy, but the Member States of the UN have yet to develop it. In the 2011 report of the Secretary-General on development cooperation, the lack of a well-defined coherent strategic framework for providing advocacy and policy advice to MICs is described as the “principal strategic constraint facing the UN system”.<sup>5</sup> As a contribution to the issue, this paper will consider the policy and operational implications of two relatively new strands in development thinking; complex adaptive systems, the theory that development processes are holistic, largely credited to Eric Beinhocker and more recently Ben Ramalingam,<sup>6</sup> and behavioural science in development, which seeks to influence choices to improve people’s lives (in way defined by themselves), which controversially announced itself into the mainstream of development with the flagship 2015 World Bank publication, *Mind, Society and Behavior*.<sup>7</sup> This paper finds that both these innovations in thinking and approach could have implications for the future role and positioning of the UNDS, both in terms of policy formulation and implementation, and for monitoring and evaluation. Should such innovations become mainstreamed within development, this paper offers a selection of modest proposals on how to begin alignment of the UNDS with such thinking. The extent to which such changes could be implemented will ultimately depend on the perceived value of such innovations by the UNDS, recipients, and donors alike.

### A. Middle Income Countries

For the 104 MICs that are the subject of heated debate, development cooperation must focus on the real issues that constrain their pursuit of achieving sustainable development. In recognizing the diversity of MICs, this paper will primarily be of relevance to operations in countries that are not prefixed with the adjectives mentioned earlier. The presence of the

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<sup>2</sup> Barbara Adams and Jens Martens, *Fit for whose purpose? Private funding and corporate influence in the United Nations* (Global Policy Forum, New York and Bonn, 2015).

<sup>3</sup> Bruce Jenks and Bruce Jones, *United Nations Development at a Crossroads*, (Center on International Cooperation, New York 2013).

<sup>4</sup> World Bank and the Development Research Center of the State Council, P. R. China, *China 2030: Building a Modern, Harmonious, and Creative Society* (World Bank, Washington, DC, 2013).

<sup>5</sup> UN General Assembly, 2011, Report of the Secretary-General Development cooperation with middle-income countries, A/66/220, para 33.

<sup>6</sup> Eric Beinhocker, *Origin of Wealth: Evolution, Complexity, and the Radical Remaking of Economics* (Random House Business, London, 2007); Ben Ramalingam, *Aid on the edge of Chaos* (Oxford University Press, 2013).

<sup>7</sup> World Bank, *World Development Report 2015: Mind, Society, and Behavior* (World Bank, Washington, DC, 2015).

UNDS in such MICs is both uneven and disproportionate - it is largely thought of, rightly or wrongly, as a politicized endeavour - thus opening itself up to uncomfortable accusations of handpicking winners. Furthermore, such a pursuit arguably leads to the crowding out of other relevant actors, running counter to the universal principles of the 2030 Agenda for Sustainable Development. With non-core resources forming the bulk of operational activities for development, this process is likely to remain politicized. Notwithstanding this context, in an environment of constrained resources, it is to be expected that the expenditure of the UN in all MICs is put under the microscope, as funding could be redirected to the 30 or so most fragile countries, where it could be argued are the locations where the reputation of the UNDS will be won or lost. But this would ignore the unique challenges faced by MICs, as well as intergovernmental proclamations on development assistance to MICs.<sup>8</sup> They have the enormous task of strengthening the capacity of existing institutions so that they can implement their laws justly, fairly, and efficiently, while simultaneously expanding their regulatory architecture and financial resilience. They are confronted with a wide range of challenges at once: economic, social, environmental, legal, political and geopolitical. They must adopt appropriate economic policies and create a business environment that is supportive and effective; create institutions needed for a market economy; promote Research and Development; build an efficient and effective administrative system; train thousands (in some cases hundreds of thousands) of civil servants, judiciaries, notaries, tax collectors, and police (amongst many others); build a social safety net; create conditions for productive employment (including for a burgeoning youth demographic), improve education and health care systems; manage a rapid urbanization process; all whilst tending to the rising demands of growing middle classes.<sup>9</sup> It is not surprising that many MICs are struggling with their current challenges. This complexity is the driving force for the strong demand for an agile UNDS that can provide integrated and sequenced policy advice.

## ***B. The Middle Income Trap***

The 'Middle Income Trap' (MIT), coined by World Bank economists and the subject of academic curiosity since, was popularized by the disquieting fact that of the 101 MICs in 1960, just 13 had gone on to become high-income states by 2008, while the rest are either trapped in the middle-income group or have even regressed to the low-income level.<sup>10</sup> Economists typically refer to a country in the MIT as one that has, *inter alia*, lost its competitive edge. They

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<sup>8</sup> The United Nations General Assembly has acknowledged that official development assistance is still essential for a number of MICs and that the UN development system has a role to play in targeted areas. UN General Assembly, 2014 Resolution on Development cooperation with middle-income countries, A/RES/68/222, dated 7 February 2014, para 11.

<sup>9</sup> Randall Peerenboom, *Law and Development of Middle-Income Countries: Avoiding the Middle-Income Trap*, (Cambridge University Press, Cambridge, 2014, 337); J. Allister McGregor and Andy Summer, "After 2015: '3D Human Wellbeing'", Institute of Development Studies, In Focus Policy Briefing Issue 9, June 2009; UNDP Seoul Policy Centre (ed.), *Challenges of the Middle-Income Countries – Seoul Debates 2013* (UNDP, Seoul, 2013); Jeske van Seters and Henrike Klavert, "EU Development Cooperation after the Lisbon Treaty: People, Institutions and Global Trends", European Centre for Development Policy Management, Discussion Paper 123, December 2011; Mark Furness, Imme Scholz and Alejandro Guarin, "History Repeats? The Rise of the New Middle Classes in the Developing World", German Development Institute, Briefing Paper 19/2012, 2012; Samuel Drabble *et al.*, *The rise of a global middle class Global societal trends to 2030: Thematic report 6* (RAND Corporation, Santa Monica & Cambridge, 2015); R-UNDG for ESA & WCA, "Strategy of Support to Middle Income Countries in Africa", summary of key actions at the R-UNDG Meeting, 29-31 July 2015, Eden Island; Selim Jahan, *Human Development Report 2015: Work for Human Development* (UNDP, NewYork, 2015).

<sup>10</sup> World Bank and the Development Research Center of the State Council, P. R. China, *op.cit.* note 4.

suffer from low investment, slow growth in value-added industries, limited industrial diversification and poor labour market conditions.<sup>11</sup> To graduate to high-income status, MICs have to do much more than combine foreign technology with cheap labour. As their wages increase, they must move up the value chain and increase productivity. That entails a whole new way of operating. Instead of simply assembling goods designed by others, with imported technology, firms must innovate to turn their products or services into profits.<sup>12</sup>

Conventional approaches deployed to break the trap involve a strictly linear process of building inclusive institutions and finding new markets to increase and maintain export growth. This is followed by policies aimed at bolstering domestic demand to expand the middle class, with heavy investments in infrastructure and human resources, in the hope of spurring innovative product growth and ultimately breaking the MIT.<sup>13</sup> The traditional model has theoretical basis but has experienced less demonstrable and attributable success in facilitating the shift from extraction-driven growth (that is dependent on low-cost labour) to sustainable growth (based on high productivity and innovation). There is some evidence that industrial policy becomes increasingly important in MICs in managing the transition to greater technological sophistication. It helps explain how different policy choices can have different impacts depending on a country's initial conditions.<sup>14</sup>

An illuminating manifestation of the traditional model being applied to development programming is the Millennium Villages Project. It consisted of a series of comprehensive interventions ranging from provision of mosquito nets to water and sanitation to building schools, in an effort to build a scalable model by demonstrating its success in 12 pilot villages. In spite of the hope inspired by the publication of Jeffrey Sachs' bestselling book, *The End of Poverty*<sup>15</sup>, many consider the project to have generally not met its aims.<sup>16</sup> That is not to say living conditions for the people involved were not improved, but that the project did not lead to self-fulfilling development. This is an important distinction to draw. It is empirically well-known that development interventions lead to better outcomes (whether when fighting extreme poverty as in the Millennium Villages, or in other programming within MICs), but it is also observed that the relevance of development cooperation for achieving an intervention outcome (e.g. reducing malaria) has decreased.<sup>17</sup> What is less clear is the link between development cooperation efforts and catalysing sustainable development itself,<sup>18</sup> which ultimately, is the desired outcome.

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<sup>11</sup> Erinc Yeldan *et al.*, *Escape from the Middle Income Trap: Which Turkey?* (Turkonfed, Istanbul, 2012); Homi Kharas, "Developing Asia and the Middle-Income Trap", *Brookings Institute*, 5 August 2013, at <http://www.brookings.edu/research/opinions/2013/08/13-developing-asia-middle-income-kharas>.

<sup>12</sup> Matthew Eyring, Mark W. Johnson and Hari Nair, "New Business Models in Emerging Markets", *Harvard Business Review* (2011) Issue January-February 2011, at <https://hbr.org/2011/01/new-business-models-in-emerging-markets>.

<sup>13</sup> Asian Development Bank, *Asia 2050: Realizing the Asian Century* (Asian Development Bank, 2011).

<sup>14</sup> Indermit S. Gill and Homi Kharas, "The Middle-Income Trap Turns Ten", *World Bank Group Policy Research Working Paper 7403* (2015).

<sup>15</sup> Jeffrey Sachs, *The End of Poverty: Economic Possibilities for Our Time*, (Penguin Books, 2006).

<sup>16</sup> Nina Munk, *The Idealist: Jeffrey Sachs and the Quest to End Poverty*, (Anchor, 2014).

<sup>17</sup> Heiner Janus, Stephan Klingebiel and Sebastian Paulo, "Beyond Aid: A Conceptual Perspective on the Transformation of Development Cooperation", 27(2) *Journal of International Development* (2014), 155-169, Jean Michel Severino and Olivier Ray, *The End of ODA: Death and Rebirth of a Global Public Policy*, *Center for Global Development*, (Working Paper Number 167, 2009).

<sup>18</sup> Roger C. Riddell, "Aiding the World's Poor: New Challenges for Donors States", in Patricia Illingworth, Thomas Pogge and Leif Wenar (Eds), *Giving Well: The Ethics of Philanthropy* (Oxford University Press, 2011), 84-103.

In summary, the concept of the MIT is relatively new in development literature and is the subject of academic division. No consensus among economists or at the intergovernmental level exists on the validity of the term, while others prefer the notion of slowing growth as oppose to no growth.<sup>19</sup> A 2015 UN DESA working paper builds on a further dimension, “the inequality trap”, which is common in MICs.<sup>20</sup> It concludes that policy coherence in line with broader development cooperation efforts should support MICs to overcome the constraints that affect their own development processes. The debate on the validity of the MIT will no doubt rumble on. A sober assessment of the literature would suggest that there are various traps,, or more precisely, challenges, for MICs.<sup>21</sup>

## II. INNOVATIONS IN DEVELOPMENT THINKING

Since the birth of development cooperation efforts, academics have attempted to find the missing ingredient in developing countries (presented in the forthcoming brackets), and development practitioners have subsequently tried to fill the gap with the missing element. This began in earnest in the 1950s, starting with the Harrod-Domar model (capital); and followed by the Rostow model (savings); the financing gap model (development aid); the Solow model (technology), the Washington Consensus (market policies); post-Washington Consensus (institutions); Millennium Development Villages (comprehensive interventions); and most recently from the theories of Acemoglu and Robinson in their 2013 book, *Why Nations Fail* (good governance).<sup>22</sup> Each time, practitioners seek to externally boost the absent element in a quest to bring about development.<sup>23</sup>

A relatively new school of thinking, *complexity*, suggests that perhaps what is needed cannot be provided from the outside. It puts more weight on the structures of the system and how it is shaped by society and our responses to incentives. Ultimately, it concludes that development is an endogenous characteristic of the system itself. This chapter briefly outlines its basis in theory,<sup>24</sup> with the following chapter distilling the implications with some modest proposals for the UNDS.

### A. Complex Adaptive Systems

*“The curious task of economics is to demonstrate to men how little they really know about what they imagine they can design.”* – Friedrich von Hayek<sup>25</sup>

Complexity theory involves the study of complex systems which are characterized by non-linear interactions between many elements. It reveals how such interactions can bring about

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<sup>19</sup> UN General Assembly, *op.cit.* note 5.

<sup>20</sup> Nazrul Islam, “Will Inequality Lead China to the Middle Income Trap?”, UN Department of Economic and Social Affairs, Working Paper No. 142, June 2015, at [http://www.un.org/esa/desa/papers/2015/wp142\\_2015.pdf](http://www.un.org/esa/desa/papers/2015/wp142_2015.pdf).

<sup>21</sup> Peerenboom, *op.cit.* note 9.

<sup>22</sup> Daron Acemoglu and James Robinson, *Why Nations Fail: The Origins of Power, Prosperity, and Poverty*, (Crown Business, 2013).

<sup>23</sup> Owen Barder, “The Implications of Complexity for Development”, Center for Global Development, 15 August 2012, at <http://www.cgdev.org/media/implications-complexity-development-owen-barder>.

<sup>24</sup> For a more complete history of complexity in development, see Ramalingam, *op.cit.* note 6.

<sup>25</sup> Friedrich von Hayek, *The Fatal Conceit: The Errors of Socialism* (University of Chicago Press, 1988), 76.

qualitatively new structures and how the whole is related to and different from its individual components.<sup>26</sup> This contrasts to the traditional view between cause and effect, where simple rules imply simple behaviours and, therefore, complicated behaviour must arise from complicated rules.

When applied to sustainable development, it centres on the notion that such processes are holistic and that development is not a series of individual successes, but a property of a system as a whole. It is the emergence of self-organizing complexity.<sup>27</sup> Ramalingam uses the example of education to compare the traditional model with complexity, stating that traditional models begin with “spending cash on building schools and providing textbooks, to increased enrolment and engagement, to positive societal effects...”.<sup>28</sup> It is presented as a linear step-by-step progression, yet there is limited evidence of attributable success. Complexity theory, on the other hand, has great appeal in its ability to explain why some countries break out of the MIT. Typically, there is greater emphasis on creating a complex education system to ensure the students are well taught, as oppose to merely getting children into the classroom.<sup>29</sup> In order to confirm results in complex systems, Randomized Controlled Trials (RCTs)<sup>30</sup> are often emphasized.<sup>31</sup>

Moreover, complexity theorists define development broadly (as opposed to income), adopting definitions such as that from famed economist and pioneer of UNDP’s Human Development Report, Mahbub UI Haq:

“The basic purpose of development is to enlarge people’s choices [...] People often value achievements that do not show up at all, or not immediately, in income or growth figures: greater access to knowledge, better nutrition and health services, more secure livelihoods [...] The objective of development is to create an enabling environment for people to enjoy long, healthy and creative lives”.<sup>32</sup>

In summary, the theory states that what brings about development is not individual successes built on top of each other, but complex adaptive systems with emergent properties<sup>33</sup> evolving to their societal system. This is what underscores the difference between fragile and robust states; the development and natures of their social systems. The most successful states (with *relatively* good systems) are those with local practices intact, and have been used historically to promote development. The least successful are often those where colonization or other

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<sup>26</sup> Warren Weaver, “Science and complexity”, 36 *American Scientist* (1948); Peter Schuster, “Stochastic Phenomena and Chaotic Behaviour in Complex Systems - Proceedings of the Fourth Meeting of the UNESCO Working Group on Systems”, Springer-Verlag, Springer Series in Synergetics Vol 21, 1984).

<sup>27</sup> Owen Barder, “Complexity, Adaptation, and Results”, Center for Global Development, Blog, 9 July 2012, at <http://www.cgdev.org/blog/complexity-adaptation-and-results>.

<sup>28</sup> Ramalingam, *op.cit.* note 6, 60.

<sup>29</sup> Barder, *op.cit.* note 23.

<sup>30</sup> For example, RCTs performed in Kenya over 3 years have shown that de-worming programmes have more impact on student attainment than textbooks or other school spending. The best results were attained when the de-worming tablets and textbooks were sequenced in that order. (Source: Jacques van der Gaag and Vidya Putcha, “From Enrollment to Learnings: The way Forward”, *Brookings Institute*, 28 January 2013, at <http://www.brookings.edu/research/papers/2013/01/enrollment-learning-van-der-gaag>).

<sup>31</sup> Tim Harford, *Adapt: Why success always starts with failure*, (Abacus, London, 2012).

<sup>32</sup> Mahbub ul Haq, *Reflections on Human Development* (Oxford University Press, 1995), 14.

<sup>33</sup> Complex Adaptive Systems are described as a variation of similar and partially connected micro-structures formed in order to adapt to the changing environment, and increase its survivability as a macro-structure. Emergent structures are patterns that emerge via collective actions of many individual entities.

outside force created multiple societal systems together in a way that undermined them and the social capital underlying it. Add to this ethnic and religious diversity, geography, linear international development cooperation efforts, natural resources, and competition for the spoils of state control and you have the societal complex patterns that predominate in many states that fail to reach sustainable development. Adaptive systems, however, are deeply rooted in local societies, as they depend on the knowledge and values of local peoples.<sup>34</sup>

## **B. Behavioural Science**

The study of human behaviours in development is relatively new and has only recently entered the mainstream in development policy. This is perhaps most notable by the publication of the World Bank's World Development Report 2015 (WDR), *Mind, Society and Behavior*. It has been widely commended, yet controversial, for breaking with the traditional mould of development policy. The report captures the idea that focusing on how humans think (the processes of mind) and how history and context shape thinking (the influence of society) can improve the design and implementation of development policies and interventions that target human choice and action (behaviour).

One central tenet of the report, also supported widely throughout academia, is the idea that poverty consumes cognitive resources.<sup>35</sup> The preoccupation of surviving the daily grind results in the depletion of the cognitive resources required for important decisions, which leads to a self-enforcing low self-image and dulls aspirations. When applied to development, modifications to the process of delivering products and services that take the cognitive taxes of poverty into account could make existing interventions more effective. Recognizing the cognitive and social dimensions of poverty could also alter estimates of cost-benefit ratios of policy instruments, such as cash transfers and development of infrastructure, institutions, and markets that could serve to lessen the distractions and cognitive burdens of poverty.<sup>36</sup>

One example of how the science can be used in practice comes from the domain of health. In a study in Ghana, the non-profit Innovations for Poverty Action ran a RCT testing whether a text message reminder to take malaria medication helped people follow through with a medical regimen. Not only did they find these texts to be effective but they also found that the most effective messages were brief; it was the reminder, not any additional information, which mattered.<sup>37</sup> The objective here is to influence choices in a way that will make choosers better off, as judged by themselves.<sup>38</sup> In Guatemala, such practices have been put to use to improve tax compliance. At just 12% of gross domestic product, the country's tax revenue is among the lowest in the world. A simple message, contained within a standard letter that makes clear that non-declaration was a choice rather than an oversight and referred to the 65% of

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<sup>34</sup> Seth Kaplan, "Horizontal Versus Vertical Social Cohesion: Why the Differences Matter", *Fragile States*, 4 July 2015, at <http://www.fragilestates.org/2012/03/12/horizontal-versus-vertical-social-cohesion-why-the-differences-matter/>.

<sup>35</sup> Esther Duflo, "Poor but Rational?" in Abhijit Banerjee, Dilip Mookherjee and Roland Benabou (Eds), *Understanding Poverty* (Oxford University Press, 2006); Daniel Kahneman, *Thinking, Fast and Slow* (Farrar, Straus and Giroux, New York, 2013); Richard Thaler, *Misbehaving* (Norton & Company, New York, 2015).

<sup>36</sup> World Bank, *op.cit.* note 7.

<sup>37</sup> Thaler, *op.cit.* note 31.

<sup>38</sup> Harford, *op.cit.* note 27.

taxpayers who had paid their taxes on time, was enough to triple tax receipts.<sup>39</sup> A RCT showed it was the emphasis on presenting paying tax to be a “social norm” that was most effective.<sup>40</sup>

Behavioural science substantiates complexity theory in that they both reinforce the idea that development is a non-linear process that relies on the endogenous properties of the system itself. Caution should be applied as there are inherent difficulties when using income-based classifications and at the same time considering poverty to be multi-dimensional in nature. Moreover, while the academic work published in both fields has frequent abstract merit, its potential application in practice could be constrained by a plethora of factors, ranging from political inertia to information asymmetries. That being said, both schools of thinking value local experience and feedback loops, and call for diverse solutions that do not assume that what is needed is initially known. Arguably, they are self-humbling theories of development.

### III. THE UN DEVELOPMENT SYSTEM

In the emerging development landscape, we can surmise that some of the MICs in question possess relatively robust financial and administrative capacities to promote national development and are also able to mobilize additional funding (both nationally as well as internationally) from sources other than ODA.<sup>41</sup> Furthermore, the UNDS in MICs is characterized by a decreasing donor engagement, high transaction costs for operations, increasing ratio of non-resident agencies and a fragmented approach to resource mobilization.<sup>42</sup>

As explored in section 2, new thinking suggests that development emerges through systemic change, rather than solely external project-based interventions. Given this, it is pertinent to explore what the UNDS can and should do, or even should not do, in MICs. We start from the assumption that sustainable development efforts aim to bring about graduation to High Income Country (HIC) status and a reduction in all dimensions of poverty, while recognizing that the institutions, rules and regulatory structures seen in most HICs took decades, if not centuries, to develop. With many MICs simply overwhelmed by their current challenges, it is apparent that real space exists for integrated policy advice that the UNDS is well placed to provide. That said, the plethora of toolkits and policy suggestions on offer often contain precious little advice on how to prioritize and sequence reforms.<sup>43</sup> Most advice is heavy on the content and substance of reforms and light on the process and methodology.<sup>44</sup> It is worthwhile to reflect on UNDP’s founding strength, namely that it considered the needs of the recipient country as a whole, rather than a specific project.<sup>45</sup> At the time, it represented a challenge to more traditional views about economic growth and development; the current chapter is meant as a

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<sup>39</sup> Sarah Neville, “‘Nudge unit’ defies sceptics to change Whitehall thinking”, *The Financial Times*, 22 July 2015, at <http://www.ft.com/cms/s/0/8e6a38ae-306d-11e5-8873-775ba7c2ea3d.html#axzz3j9iE7Ncg>.

<sup>40</sup> Thaler, *op.cit.* note 31.

<sup>41</sup> Romilly Greenhill and Annalisa Prizzon, “Who foots the bill after 2015? What new trends in development finance mean for the post-MDGs”, Overseas Development Institute, Working Paper 360, October 2012.

<sup>42</sup> R-UNDG for ESA & WCA, *op.cit.* note 9.

<sup>43</sup> Ramalingam, *op.cit.* note 6.

<sup>44</sup> Peerenboom, *op.cit.* note 9.

<sup>45</sup> Paul Kennedy, *The Parliament of Man: The past, present, and future of the United Nations* (Vintage, 2007).

contribution to the evolution of such thinking – food for thought and modest proposals for those interested in complexity and behaviours, and their practical applications within the UNDS.

### ***A. Embracing Complexity***

Roger Riddell, speaking of development cooperation efforts more generally, summed up the ambiguity of the mixed results of sustained development efforts by stating there are three options for communicating a lack of progress: (a) to say it works sometimes or slowly; (b) to say we are doing our best to improve it and speed up progress; or (c) to admit that development is a complex endeavour in which some degree of failure is inevitable.<sup>46</sup> It is clear that complexity theory supports the notion that efforts should be communicated as described in (c) above, something that would require a changing of current mindsets in how we view and communicate development cooperation efforts.

Firstly, the current incentive structures are result of the funding context that is driving the behaviour and functions of the system itself.<sup>47</sup> The environment of constrained resources puts UNDS entities in competition with each other, as they try to compete (one way being through the minimization of the perception of failure) for the same pool of voluntary funding. One way to incentivize more innovation would be through increasing the amount of core resources available. A strong foundation for the UNDS is critical given the enormous development challenges towards meeting the Sustainable Development Goals (SDGs) and the innovations in programming and financing needed to meet them. Re-establishing a base of core funding would optimize its use by stimulating innovation, including through trial and error. The Agenda 2030 will see an increasingly complex international development cooperation environment, with more diverse funding sources and actors in the field. In establishing trust, it is critical that the UNDS is fully accountable and transparent at all times with its various constituencies. For it to be entrusted with more core resources must go hand-in-hand with accurate and complete information on all activities to demonstrate accountability, stewardship, and reinforce credibility.<sup>48</sup>

Secondly, a taboo exists in the world of development cooperation around the word ‘failure’, much contrasted to that of other successful industries such as Silicon Valley, where failure is often viewed as a rite of passage. Certainly, “mainstreaming failure” is unlikely to be the next buzzwords in UN circles replacing “fit for purpose”, yet there could be considerable space for the UNDS, in collaboration with programme countries, to embrace the idea of experimentation as an essential component of the development process. The World Bank has in fact already taken steps in this regard. Programme Directors are mandated to report on failures and the learning outcome. Such a step requires refocusing institutional mental models and increasing Member States tolerance for failure and experimentation. It should be framed that penalizing experiments gone wrong, or burying uncomfortable findings, are the real failures as learning from experience does not happen.

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<sup>46</sup> Roger C. Riddell, “Does Foreign Aid Really Work?”, Keynote address to the Australasian Aid and International Development Workshop, 13 February 2013, Canberra.

<sup>47</sup> ECOSOC Dialogue on the longer-term positioning of the UN development system in the context of the post-2015 development agenda, “Summary by the Vice President of ECOSOC: Workshop 2: Funding”, at [http://www.un.org/en/ecosoc/qcpr/pdf/funding\\_workshop\\_summary.pdf](http://www.un.org/en/ecosoc/qcpr/pdf/funding_workshop_summary.pdf).

<sup>48</sup> Romesh Muttukumaru, “Towards enhancing core (unrestricted) funding to the UN Development system in the post-2015 era”, Working paper, forthcoming 2016.

Thirdly, there is a desire on the part of those involved in development cooperation efforts to oversimplify, and thereby create the illusion of one coherent and manageable problem which often disregards the complex details of the existing geographical, cultural and socio-economic divisions. This representation ignores the complex details unique to each development challenge, and can often compound problems through a lack of interest in understanding and working with, rather than against, complexity. The most challenging aspect is to translate complexity into quantified and time-bound domestic results at the country level.<sup>49</sup>

Such a shift would be an acknowledgement of the economics in the previous chapter: there is not a simple, replicable prescription for development that in isolation consists of market friendly policies, outward orientation, social policy, that builds human capital and good government or any other combination. The UNDS should not be aiming to design better development outcomes but better feedback loops (that assist with learning through evaluation), recognizing development is emergent and not predictable as traditionally thought. Andrews *et al* took to this problem and designed the Problem-Driven Iterative Adaptation framework, which solves locally nominated and defined problems by embedding experimentation in tight feedback loops that facilitate rapid experiential learning.<sup>50</sup> Pritchett *et al* built on this further, introducing the idea of “structured experiential learning”, which allows implementing agencies to actively and rigorously search across alternative project designs using monitoring data.<sup>51</sup> This provides real-time performance information with direct feedback into the decision loops of project design and implementation allowing for adaptation to the project sequentially based on the results.

The implications of Pritchett’s work for the UNDS is that its results-based management efforts must work in support to the capacity development of MICs. This must go beyond ongoing reorientation of UNDS staff, to adopting a systems approach to capacity development. The UNDS must ensure its capacity building efforts are *feedback-based* to the extent that it provides sequenced policy advice that accounts for complexity and local conditions. In MICs specifically, there should be a specific focus on leveraging its role as knowledge broker and intermediary in South-South cooperation efforts among MICs.<sup>52</sup>

We can also look to steps taken by the UNDS itself to embrace complexity. The World Food Programme (WFP) has made progress and is perhaps the most innovative within the UNDS with respect to its pre-intervention assessment. It has been credited for focusing on *the way* it intervenes as part of the solution that it provides, precisely as complexity theory would prescribe.<sup>53</sup> By combining its strong capacity for handling logistics in humanitarian emergencies with its field-based assessments of the political, military and humanitarian

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<sup>49</sup> Alejandro Guarín, Imme Scholz, et al, “Post 2015: Reconsidering Sustainable Development Goals: Is the Environment Merely a Dimension?” *German Development Institute*, Briefing Paper 4/2013, 2013.

<sup>50</sup> Matt Andrews, Lant Pritchett and Michael Woolcock, “Escaping Capability Traps through Problem-Driven Iterative Adaptation (PDIA)”, Center for Global Development, Working Paper 299, June 2012.

<sup>51</sup> Lant Pritchett, Salimah Samji and Jeffret Hammer, “It’s All About MeE: Using Structured Experiential Learning (“e”) to Crawl the Design Space”, Center for Global Development, Working Paper 322, April 2013.

<sup>52</sup> Angela Bester, “Capacity development: A report prepared for the United Nations Department of Economic and Social Affairs, for the 2016 Quadrennial Comprehensive Policy Review”, Working paper, forthcoming 2016.

<sup>53</sup> Ramalingam, *op.cit.* note 6.

situation, the WFP will likely be a good case study for potential future exploration of the benefits of incorporating complexity into organizational posture.<sup>54</sup>

One oft-heard criticism of complexity theory in development is that the link with policy is ill-defined. Simply stating that development policy should not look for missing ingredients, or try to engineer poverty reduction is not necessarily helpful without a corresponding prescription. For the UNDS in MICs, one reading of the evidence from complexity theory is that to harness the strength of adaptation, the UNDS must embrace experimentation and look for ways to nurture and shape evolution of the goals of MIC governments, and then to support them using local knowledge and capacities, with an open mind and tolerance to failure.

The term “UN Country Team”, could be more adequately renamed as a “UN Country Support Team”, to amplify that the role of the UN lies in supporting endogenous development (as recognized by the 2030 Agenda for Sustainable Development), not bringing development in from the outside. Such symbolic changes, while important, must also go hand-in-hand with operational change. The size and presence of such teams in MICs remains an open question, but if some consolidation were forthcoming, these teams might even be “UN Regional Support Teams”. Given the focus on local knowledge in complexity theory, this would suggest that such teams should be grouped to cover ethnically, culturally and socially similar regions; should be predominantly staffed with national experts, and such staff should be retained through hiring policies competitive with other international actors. Complexity theory would prescribe that such support teams should be sufficiently decentralized with flattened hierarchy structures, and be set up to provide rewards to staff that adapt programmes to local circumstances.<sup>55</sup> Furthermore, such autonomous officials “can and should provide essential inputs into UN discussions, activities, advocacy, implementation and monitoring”.<sup>56</sup> While norms should remain within the domain of intergovernmental fora, the UNDS should see itself as an articulator of the principles and goals of the United Nations, with its officials operationalising norms, symbiotically feeding back into Member State deliberations.

Another misconception of complexity and development is to argue that if development arises from dynamic and unpredictable interactions, then there is no value in trying to measure the progress of such development interventions. In fact, complexity implies we must think differently about evaluation, accountability and results. The suspicion with which development cooperation is sometimes viewed by some donors has led to tightly managed results regimes which dis-incentivize innovation and risk taking, focusing on short rather than long-term development outcomes. Ramalingam has developed the most comprehensive results-based portfolio for a complex world, which relies on a “more flexible and differentiated approach to results” stating that “results are not an end in themselves, but are a means by which to establish trust in and within the system”.<sup>57</sup> For the UNDS in MICs, the most applicable results framework would be one that is adaptable and manages intervention, problem and context, not dissimilar to the early efforts of the WFP described above. Furthermore, donors should make funding conditional on interventions that “either generate new evidence about what

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<sup>54</sup> More information available in the *WFP Emergency Field Operations Pocketbook*, at [http://www.unicef.org/emerg/files/WFP\\_manual.pdf](http://www.unicef.org/emerg/files/WFP_manual.pdf).

<sup>55</sup> Harford, *op.cit.* note 27.

<sup>56</sup> Thomas G. Weiss, *What's Wrong with the United Nations and How to Fix It* (Polity Press, Cambridge, 2nd ed. 2013), 199.

<sup>57</sup> Ben Ramalingam, “Results 2.0: Towards a portfolio-based approach”, 30 June 2011, at <http://aidontheedge.info/2011/06/30/results-2-0-towards-a-portfolio-based-approach/>.

works, or apply solutions that have already been rigorously tested and publish the cost-efficiency of every programme in their annual accounts”.<sup>58</sup>

While it is true that the 17 SDGs are far more numerous and complex than their eight predecessor Millennium Development Goals, that very complexity has allowed them to address issues with a breadth of cooperation and intentional specificity. Moreover, the SDGs have institutionalized the idea that development cooperation efforts must include global challenges that require collective action, an area of unique advantage for the UNDS. Such normative developments show that progress is being made in embracing complexity and could provide a platform for further intergovernmental and operational cooperation. On the operational side, UNAIDS would provide a good case study for further exploration, it defines its roles and responsibilities based on the comparative advantages and the respective mandates of the 11 participating organizations and the UNAIDS secretariat. Such a division of labour ensures coherence in planning, coordination in implementation, and promotes accountability for results.<sup>59</sup>

### ***B. Embracing Behaviours***

Crucially, when considering the results framework for a programme we should measure what is important, rather than making important what is measurable. Applying the principles from Argyris, organizations such as the UNDS must foster the kind of learning which focusses not only on the means used but also the ends sought, with the strategies employed being re-examined critically.<sup>60</sup> Such an effort involves not only learning from both success and failure, but also *identification*. As Andrews *et al* aptly call for, the approach must be systematically incorporated into development frameworks.<sup>61</sup> Such an idea is also echoed in the WDR framework:

“Rather than trying to grapple with problems at higher orders of abstraction or defining problems as the absence of a solution (for example, inadequately trained teachers), decision makers instead are urged to pursue a concerted process of problem identification: the most basic step is to identify the problem correctly. Then development professionals can work incrementally with counterparts to define a problem such that it becomes both an agreed-upon binding constraint to reaching a certain set of goals and a manageable challenge that allows for some initial progress (for example, enhancing student learning in the classroom).”<sup>62</sup>

Local knowledge must be taken as the starting point, instead of development practitioners coming to each situation as if there is a “blank slate” to write. Part of the issue is that the UNDS has traditionally been much better at projects aimed at helping individuals than it is at trying to catalyse systemic change. The UNDS should institutionalize new models that works with local politics, to allow it to fully customize its approach to the local context. What is needed is a

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<sup>58</sup> David Milliband, “We need to radically rethink how we help refugees”, *The Guardian*, 7 December 2015.

<sup>59</sup> UNAIDS, “UNAIDS Division of Labor”, UNAIDS, Consolidated Guidance Note 2010, 2011.

<sup>60</sup> Chris Argyris, “Teaching Smart People How to Learn”, *Harvard Business Review* (1991), Issue May-June 1991, at <https://hbr.org/1991/05/teaching-smart-people-how-to-learn>.

<sup>61</sup> Andrews, Pritchett and Woolcock, *op.cit.* note 45.

<sup>62</sup> World Bank, *op.cit.* note 7.

paradigm shift in orientation: A UN Support Team should look further than formulating work along the SDGs and other UN priorities, further even than a recipient-driven partnership model based on priorities of line ministries. What would likely work best is a country-driven partnership based on the countries' local priorities.

For the UNDS designing and implementing development policies in MICs requires a holistic approach to policy advice. Individual countries will naturally differ in the precise set of their challenges and, hence, also their ideal policy measures.<sup>63</sup> However, this still leaves room for synergies and the transfer of experiences in the policy sphere. The experience of some East Asian countries demonstrates that with the implementation of the appropriate policies, the MIT can be avoided. There is no “one-size-fits-all” policy mix, however.

How might the UNDS practically apply behavioural science? Arguably, the set up and resources of the UNDS are currently not well positioned to provide the kind of technical advice required to test and design behavioural science approaches into programmes. Yet, lessons can be learned from an experiment in the United Kingdom. Soon after a UK coalition government was formed in 2010 and with the help of a pioneer of behavioural science, Richard Thaler, a new government department was established, named the “Behavioural Insights Team” (BIT), which became colloquially known as the “Nudge Unit”.<sup>64</sup> The official mission of the BIT was left broad. It was to, “achieve significant impact in at least two major areas of policy; to spread understanding of behavioural approaches across government; and to achieve at least tenfold return on the cost of the unit”.<sup>65</sup> What was once a two-person team, is now 52 people,<sup>66</sup> reflecting its resounding success. When the tax collection agency approached the BIT in 2010, although keen on utilizing behavioural science, they simply lacked the technical capacity to conduct a RCT. The fine-tuning of collection letters was a ‘proof-of-concept’ and the media-buzz helped build the profile of the unit across government departments.

Such a model could be explored in the UNDS. A dedicated team, for example called “UN-Insights” (UNI) for now, could replicate the role that the BIT has in the UK. There are two roles such a team could likely play. The first would be a systematic review of UN programmes, assisting UNDS entities in carrying out RCTs of existing programmes; assessing effectiveness and building better feedback loops for decision makers. It could operate in a similar way to UNOPS, acting as internal pay-to-use consultancy service. The second possibility would be directly working with programme countries to improve the work of governments, a more challenging prospect. In the current funding context, characterized by a lack of appetite to the creation of new departments and staff positions, UNI might most appropriately be founded on the same premise as the BIT; that in order to renew its mandate, it must create a return on investment for Member States of multiple times its operating cost. While the idea of UNI remains purely a thought experiment for now, it is likely an idea that could gain traction over time. In 2014, the Economic and Social Research Council found that 136 countries have already incorporated behavioural science into some aspects of public policy, with 51

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<sup>63</sup> UN General Assembly, *op.cit.* note 5.

<sup>64</sup> Thaler, *op.cit.* note 31.

<sup>65</sup> Thaler, *op.cit.* note 31.

<sup>66</sup> The Behavioural Insights Team website, “The Team”, accessed 11 August 2015, at <http://www.behaviouralinsights.co.uk/people/>.

developing centrally state-led policy initiatives.<sup>67</sup> A decision maker interested in pushing such an idea might read this as the existing underlying political will for embracing behaviours.

#### **IV. CONCLUDING REMARKS**

Member States' response to the challenge of what the UNDS should do in MICs has, for the past few decades, been subject to political inertia that has let the systemic roots of the problem go unchecked. Time and again research suggests that evidence-based development cooperation policy takes hold only when the political context, funding and governance mechanisms, networks, and knowledge are better aligned. Or put simply, the UNDS is only as good as – indeed, can only ever be as good as – the politics surrounding and enabling it. This is not to say that the UNDS must, therefore, withdraw and become a marginal player in development. Indeed, there is scant evidence to suggest that other players would succeed where the UN has failed because of the systemic, varied and complex nature of the problems facing MICs.

The support the UNDS provides can be universal – offered to all countries – differentiated according to their needs, and integrated. While the SDGs will not 'engineer' better complex systems, they will make it much more likely that such systems will evolve due to their integrated and holistic nature. The SDGs can be seen as an effort to find ways to help societies and economies co-evolve. Complexity and behaviour theory argue that we cannot design a blueprint for society to bring about sustainable development, but we can design in that direction to allow aligned interests to flourish. The case for embracing complexity and behavioural science in the UNDS and beyond will likely grow over time, and with the right political support, it could increasingly form a substantial part in building a pro-poor settlement for the future.

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<sup>67</sup> Mark Whitehead et al., "Nudging all over the world – Assessing the Global Impact of the Behavioural Sciences on Public Policy", ESRC, Research Project, September 2014.

## **Multilateral Donors, Middle Income Countries and a Shifting Development Landscape: The European Union's Evolving Development Cooperation with China**

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### **Abstract**

The year 2015 was an important landmark in the field of international development cooperation. It was the deadline of the MDGs and marked the beginning of a new development agenda. The new development policy framework – the so-called 2030 Agenda for Sustainable Development – that was adopted at the UN summit in September 2015, needs to take into account current changes in the international development system. In particular, it needs to address the rise of so-called emerging economies, a group of countries that have graduated from low-income status to that of Middle Income Countries (MICs).

Among the MICs, China plays a prominent role. Due to its unprecedented economic growth, China has started to engage in South-South Cooperation (SSC) with developing countries, in particular in Africa. At the same time, it continues to benefit from development assistance from traditional development partners and has expanded its collaboration with multilateral donors. The European Union (EU) can serve as a good example for how multilateral donors are adapting their development cooperation with China. On one hand, the EU has shifted the focus of its development cooperation with China to provide support for second generation development challenges such as green growth and sustainable development, which require global solutions. On the other hand, European policymakers have started to explore new types of development instruments, such as triangular development projects in Africa.

Against this background, this paper takes the example of the EU's development cooperation with China to examine the changing role of multilateral donors in MICs. This paper is structured around three main parts. The first section offers a brief overview of China's recent transition to a MIC and emerging donor. Part two provides an analysis of the EU's traditional development cooperation with China. Finally, the last section explores the recent shift in the EU's relations with China as a consequence of China's transformation into a MIC and the efforts of establishing a new type of EU-China development partnership.

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## I. INTRODUCTION

The year 2015 is an important landmark in the field of international development cooperation. It marks the beginning of a new development policy framework – the so-called 2030 Agenda for Sustainable Development (Agenda 2030) – that was adopted at the UN summit in September. Moreover, 2015 is the founding year of a new international financial institution, the Asian Infrastructure Investment Bank (AIIB), which is the first international organization that was initiated by a Middle Income Country (MIC). These two developments symbolize the changing nature of the international development landscape. One of the most important shifts of the international development system is the diversification of actors. Among the different development actors, MICs play a leading role in the implementation of new forms of development cooperation.

There is no commonly agreed definition of MICs and the classification remains a rather contentious issue.<sup>1</sup> The term MIC represents an income-based classification, measured according to the criteria of annual gross national income (GNI) per capita. MICs are situated between Low Income Countries (LICs) and High Income Countries (HICs).<sup>2</sup> In recent years the number of MICs has increased significantly. Whereas more than 100 countries are today qualified as MICs, this paper primarily focuses on those MICs that have witnessed an extraordinary level of economic growth, also referred to as the so-called BRICS countries or emerging economies. On the basis of their domestic development, these countries have started to act as so-called “emerging donors” and contributed to the formulation of new forms of South-South cooperation (SSC). China represents the largest country that has recently graduated from a LIC to a MIC.<sup>3</sup> In the context of its transition to a MIC, China has started to engage in SSC with various African developing countries and is also stepping up its efforts in international development cooperation more generally.

The rise of MICs bears important consequences for the global development community, composed of so-called “traditional donors”, members of the Development Assistance Committee (DAC). The DAC is a body of the Organisation for Economic Development and Cooperation (OECD), composed of 29 members.<sup>4</sup> Unlike traditional multilateral donor organizations like the World Bank, the DAC does not have its own funding to manage projects or programmes in developing countries. Instead, the DAC’s contribution to international development cooperation lies in the formulation of international development standards and practices.<sup>5</sup>

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<sup>1</sup> Niels Keijzer, Florian Krätke and Jeske van Seters, “Meeting in the Middle? Challenges and opportunities for EU cooperation with Middle-Income Countries”, European Centre for Development Policy Management (ecdpm), Discussion Paper No. 140, February 2013, at <http://www.ecdpm.org/dp140>.

<sup>2</sup> The two most prominent classification systems have been developed by the OECD and the World Bank.

<sup>3</sup> Jonathan Glennie, “The role of aid to middle-income countries: a contribution to evolving EU development policy”, Overseas Development Institute (ODI), Working Paper 331, June 2011, at <http://www.odi.org/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7189.pdf>.

China graduated to MIC status in 1999.

<sup>4</sup> The DAC counts the following 29 member members: Australia, Austria, Belgium, Canada, Czech Republic, Denmark, EU, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Japan, Luxembourg, Netherlands, New Zealand, Norway, Poland, Portugal, Slovakia, Slovenia, South Korean, Spain, Sweden, Switzerland, United Kingdom, United States.

<sup>5</sup> Morten Boas and Desmond McNeill, *Global Institutions and Development: Framing the world?* (Routledge, London and New York, 2004).

Among the DAC members, the European Union (EU) represents a particularly interesting case as it is the only multilateral donor member of the DAC. Other multilateral donors like the World Bank, the International Monetary Fund, the UN Development Programme (UNDP) or regional development banks only have observer status. This shows the preeminent role of the EU in the area of development policy-making.

Against the current changes of the international development landscape, the EU has started to adapt its relationship with MICs in general and China more specifically. In the past, the relations between the EU and MICs was largely centred on development aid and, therefore, characterized by a rather unequal “donor-recipient exchange”. Yet, due to their unprecedented economic growth, the EU has modified its approach towards these so-called emerging countries. This paper takes the example of the EU’s development cooperation with China to examine the changing approach of multilateral donors regarding MICs. It shows that the EU has terminated most of its bilateral development programmes with MICs in order to concentrate its development assistance on countries and regions where it is most needed, namely sub-Saharan Africa. At the same time, the EU is in the process of building new types of development partnerships with MICs that have graduated from bilateral development assistance. The case of China is a good example for how the EU has shifted from a bilateral development cooperation aimed at conventional poverty eradication to a new type of partnership focused on second-generation development challenges such as environmental protection, energy security or urbanization.

This paper<sup>6</sup> is structured around three main parts. The first section provides a brief overview of China’s recent transition to a MIC and emerging donor. Part two provides an analysis of the EU’s traditional development cooperation with China. Finally, the last section explores the recent shift in the EU’s relations with China as a consequence of China’s transformation into a MIC and the efforts of establishing a new type of EU-China development partnership.

## **II. CHINA’S TRANSITION TO A MIDDLE INCOME COUNTRY (MIC) AND EMERGING DONOR**

Among the countries that have recently transitioned from LICs to MICs, China plays a prominent role. Since the turn of the century, China has become one of the world’s largest suppliers of finance to developing countries.<sup>7</sup> Moreover, China is starting to play a more active role in international development cooperation by increasing its engagement in existing development finance institutions, such as the World Bank. Whereas China has been a large borrower from the World Bank, it has started to collaborate with the World Bank as a co-donor.<sup>8</sup> In 2007, China became for the first time a donor in the World Bank’s International Development

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<sup>6</sup> Parts of this paper are based on the book manuscript “EU-China-Africa Trilateral Relations in a Multipolar World: Hic Sunt Dracones” to be published in the Book Series, *The EU in International Affairs* (Palgrave, forthcoming 2016).

<sup>7</sup> Gregory T. Chin, “China as ‘net donor’: tracking dollars and sense”, 25(4) *Cambridge Review of International Affairs* (2012), 579-603.

<sup>8</sup> Gregory T. Chin, “Two-Way Socialization: China, the World Bank, and Hegemonic Weakening”, XIX(I) *Brown Journal of World Affairs* (2012), 211-230.

Association (IDA) that offers concessional loans and grants to developing countries.<sup>9</sup> However, the collaboration between the World Bank and China as a co-donor remains rather limited due to the fact that China is reluctant to follow the World Bank's existing rules but rather wants to formulate new operational procedure.<sup>10</sup>

In addition to strengthening its collaboration with international organizations, China has also started to initiate new international development strategies and institutions. Only recently, the Chinese government announced its so-called "New Silk Road" initiative, which represents a grand strategy that will shape China's interaction with the world in the coming decade. China's new foreign policy strategy – also known as "One Belt, One Road" is composed of a "Silk Road Economic Belt" and a "Maritime Silk Road". The Maritime Silk Road reaches from the Indian Ocean to developing countries in Africa. In order to finance the projects initiated under China's New Silk Road Initiative a specific Silk Road Fund was established by the Chinese government.<sup>11</sup> Moreover, China has contributed to the establishment of the AIIB to support infrastructure projects in countries along the New Silk Road. In the future, the AIIB might compete with the World Bank in providing infrastructure finance to Asian developing countries.

China's growing role as an emerging donor is largely influenced by its own development experience.<sup>12</sup> Under the leadership of Deng Xiaoping in the 1970s, China started a transition away from a centrally planned economy towards a more market-oriented system. In the context of the so-called "open door policy", key economic reforms were introduced in the 1970s, contributing to China's domestic development. With China's economy opening up to the world, the country started receiving a growing amount of foreign aid in the 1980s from traditional donors. In the 1990s, China eventually became one of the largest aid recipients.<sup>13</sup> As part of its economic reforms of the 1980s, the Chinese government increased the scale of China's economic activities abroad, in particular in developing countries in Asia and Africa. During the mid-1990s a number of Chinese public banks were established in order to fund joint ventures and development projects abroad.<sup>14</sup> This shows that China's foreign aid policy is largely driven by its own economic and trade interests. Chinese leaders argue that Chinese development projects should allow for mutual economic benefits both to China and the recipient countries.<sup>15</sup>

China's role as emerging donor is particularly visible in Africa. Figure 1 shows that most of China's foreign assistance goes to Africa. China is generally described as an "emerging" donor in Africa, as it does not share the same historical legacy with Africa as most traditional donors.

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<sup>9</sup> Jennifer Constantine and Marcio Pontual, "Understanding the Rising Powers' Contribution to the Sustainable Development Goals", Institute of Development Studies, Rapid Response Briefing, Issue 09, March 2015, at <http://www.ids.ac.uk/publication/understanding-the-rising-powers-contribution-to-the-sustainable-development-goals>.

<sup>10</sup> Chin, *op.cit.* note 8.

<sup>11</sup> Anna Katharina Stahl, "China's New Silk Road Diplomacy: Implications for China's relations with Europe and Africa", *EU-China Observer*, Issue 1/2015, 16-19, at <https://www.coleurope.eu/page-ref/eu-china-observer>.

<sup>12</sup> Deborah Bräutigam, *The Dragon's Gift. The Real Story of China in Africa* (Oxford University Press, Oxford, 2009).

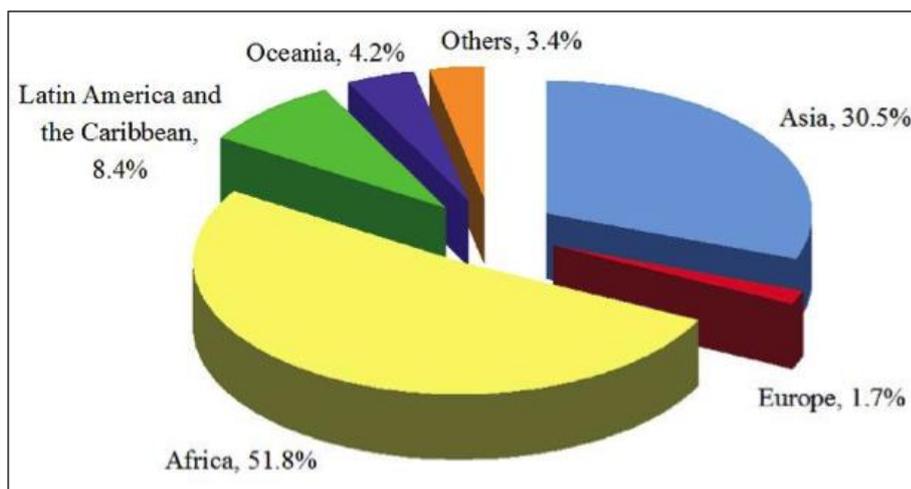
<sup>13</sup> Zhou Hong, "China's Evolving Aid Landscape: Crossing The River By Feeling the Stones", in C. Sachin, T. Fues and E. Sidiropulos (eds.), *Development Cooperation and Emerging Powers: New Partners or old Patterns?* (Zed Books, London and New York, 2012), 134-168.

<sup>14</sup> Li Xiaoyun and Richard Carey, "The BRIC and the International Development System: Challenge and Convergence", Institute of Development Studies, Evidence Report No. 58, March 2014, at <http://www.ids.ac.uk/publication/the-brics-and-the-international-development-system-challenge-and-convergence>.

<sup>15</sup> Sven Grimm and Wenping He, "Emerging Partners and Their Impact on African Development", in E. Lundsgaarde (eds.), *Africa Toward 2013: Challenges For Development Policy* (Palgrave Macmillan, Basingstoke and New York, 2012).

Yet, China is not a completely “new” player in the region.<sup>16</sup> During the Cold War period, the Chinese leader Mao Zedong actively supported national independent movements in Africa through development and technical assistance.<sup>17</sup> An important symbol of China’s presence in Africa during this period was the construction of the Tazara or TanZam railway, linking Zambia to the port of Dar es Salaam in Tanzania and, thereby, eliminating Zambia’s economic dependence on the apartheid regimes of South Africa and Rhodesia (now Zimbabwe).<sup>18</sup>

**Figure 1: Geographical Distribution of Chinese Aid (period 2010-2011)**



**Source: (Chinese State Council 2014)**

In the context of China’s current development cooperation with Africa, the Chinese government has created a specific institutional structure and elaborated policy guidelines to foster cooperation with Africa. In 2000, the Forum on China-Africa Cooperation (FOCAC) was established as a high-level platform of exchange between China and African countries.<sup>19</sup> The FOCAC represents mechanisms for multi-level interaction between China and Africa, which is organized around two main levels. The core of the FOCAC is the direct interaction between the Chinese and African heads of state and government through ministerial conferences. The senior officials meetings represent the second level.<sup>20</sup> The FOCAC ministerial conferences are held every three years, alternating between Africa and China. Apart from heads of state and government, the ministerial conferences are also open to ministers of foreign affairs, international cooperation and financial and economic affairs. In addition to the gatherings at the ministerial level, the FOCAC foresees senior officials meetings at the level of directors or equivalent. Recently, a China-Africa Think Tanks Forum was established within the framework of the FOCAC, bringing together Chinese and African academics, experts, as well as civil society and business representatives fostering dialogue and exchanging knowledge.

<sup>16</sup> Thomas Lum *et al.*, "China's Foreign Aid Activities in Africa, Latin America, and Southeast Asia", Congressional Research Service, Report, 25 February 2009, at <http://www.fas.org/sqp/crs/row/R40361.pdf>.

<sup>17</sup> Emma Mawdsley, "China and Africa: Emerging Challenges to the Geographies of Power", 1(3) *Geography Compass* (2007), 405-421.

<sup>18</sup> Philip Snow, *The Star Raft: China's Encounter With Africa* (Weidenfeld and Nicolson, London, 1988).

<sup>19</sup> Ian Taylor, *The Forum on China-Africa Cooperation (FOCAC)* (Routledge, New York, 2011).

<sup>20</sup> Anshan Li *et al.*, "The Forum on China-Africa Cooperation: From a Sustainable Perspective", Centre for African Studies, Peking University and World Wide Fund for Nature (WWF), Beijing, at [http://awsassets.panda.org/downloads/the\\_forum\\_on\\_china\\_africa\\_cooperation\\_1.pdf](http://awsassets.panda.org/downloads/the_forum_on_china_africa_cooperation_1.pdf).

In addition to the establishment of institutions such as the FOCAC, the growing priority attributed by China to the African region was also symbolized by the publication of a specific White Paper on China's African Policy by the Chinese leadership in 2006.<sup>21</sup> The policy document shows that China's emerging development assistance to Africa is driven by a fundamentally different set of norms and principles as compared to traditional donors.<sup>22</sup>

The core principles guiding China's engagement as an emerging donor are laid down in the Chinese White Papers on Foreign Aid. The first White Paper on China's Foreign Aid was published in 2011 as a response to massive international criticism regarding Chinese aid practices in Africa.<sup>23</sup> Through the publication of the 2011 White Paper the Chinese leadership wanted to send a sign of increased openness and transparency on its development cooperation with Africa.<sup>24</sup> More recently, the Chinese authorities released a second White Paper related to China's development cooperation that provides an update of Chinese development assistance.<sup>25</sup> According to the latest data, China provided 14.41 billion USD in foreign aid in the period between 2010 and 2012. The fundamental difference between Chinese development cooperation and traditional development assistance is reflected in the fact that Chinese policy documents do not refer to the notion of Official Development Assistance (ODA) as defined by the OECD DAC. Instead, the two Chinese White Papers use the term of "foreign aid" and are centred around the concept of SSC. Moreover, the two policy documents highlight that China's current development approach is guided by a paradigm set forth by Chinese leaders during the 1950s and 1960s, namely the *Five Principles of Peaceful Coexistence* and the *Eight Principles for Economic Aid and Technical Assistance to Other Countries*.

The Five Principles of Peaceful Coexistence were formulated by the Chinese Premier Zhou Enlai in the wake of the Afro-Asian conference in Bandung in 1955. They present guiding principles for China's relations with other countries and are enshrined in the constitution of the People's Republic of China.

**Table 1: China's Five Principles of Peaceful Coexistence**

<b>Five Principles of Peaceful Coexistence (1954)</b>
1. Mutual respect for each other's territorial integrity and sovereignty
2. Mutual non-aggression
3. Mutual non-interference in each other's internal affairs
4. Equality and cooperation for mutual benefit
5. Peaceful co-existence

<sup>21</sup> Chinese State Council, "White Paper on China's African Policy", Information Office, Beijing, 2006.

<sup>22</sup> Sarah Grauls and Anna Stahl, "European development policy towards Sub-Saharan Africa: Challenges of the growing Chinese presence", 7 *émulations* (2010), 71-83; Uwe Wissenbach, "China-Africa relations and the European Union: ideology, conditionality, *realpolitik* and what is new in South-South cooperation", in Christopher M. Dent (eds.), *China and Africa Development Relations* (Routledge, Oxon and New York, 2011), 21-41.

<sup>23</sup> Chinese State Council, "White Paper on China's Foreign Aid", Information Office, Beijing, April 2011.

<sup>24</sup> Clare Castillejo, "Engaging China on development", FRIDE, Policy Brief n° 151, March 2013, at [http://fride.org/download/PB\\_151\\_Engaging\\_China\\_on\\_development.pdf](http://fride.org/download/PB_151_Engaging_China_on_development.pdf).

<sup>25</sup> Chinese State Council, "White Paper on China's Foreign Aid", Information Office, Beijing, July 2014.

On the basis of these five principles, the Chinese government adopted a set of more specific norms to guide Chinese aid and technical assistance to developing countries, known as the *Eight Principles for Economic Aid and Technical Assistance*. Although these *Eight Principles* were put forward by then Premier Zhou Enlai during his visit to several Asian and African countries in 1964, they continue to guide China's behaviour as a donor today.

**Table 2: China's Eight Principles of Foreign Aid**

<b>Eight Principles for Economic Aid and Technical Assistance (1963)</b>
<ol style="list-style-type: none"> <li>1. Respect the principle of equality and mutual benefits</li> <li>2. Respect the sovereignty of recipient countries and never attach any conditions or ask for any privileges</li> <li>3. Provide economic aid in the form of interest-free or low-interest loans and extend the time limit for the repayment when necessary</li> <li>4. Help recipient countries embark step-by-step on the road of self-reliance and independent economic development</li> <li>5. Help recipient countries complete projects which require less investment but yield quick results</li> <li>6. Provide the best quality equipment and materials manufactured by China at international market prices</li> <li>7. Ensure that the personnel of the recipient country fully master the technology being transferred</li> <li>8. Chinese experts will have the same standard of living as the experts of the recipient country</li> </ol>

According to the *Eight Principles for Economic Aid and Technical Assistance to Other Countries*, China's relations with developing countries are based on *equality* and *mutual benefit*, as well as on *respect of the sovereignty* of the recipient countries. Consequently, China's development cooperation with Africa does not rely on any particular political conditions.<sup>26</sup> Unlike traditional donors, China does not rely on the tool of aid conditionality.<sup>27</sup> In fact, Chinese leaders have repeatedly stressed that the practice of aid conditionality advocated by DAC donors stands in contrast to China's principle of non-interference. China's refusal to attach political conditions to its aid also explains why the Chinese leadership is uncomfortable with the concept of good governance. Chinese leaders argue that a certain

<sup>26</sup> Hong, *op.cit.* note 13.

<sup>27</sup> John Humphrey, "Chinese Development Cooperation and the EU", EDC2020, Policy Brief No. 17, March 2011, at [http://www.edc2020.eu/fileadmin/publications/EDC2020 - Policy Brief No. 17 - Chinese Development Cooperation and the EU v4.pdf](http://www.edc2020.eu/fileadmin/publications/EDC2020_-_Policy_Brief_No_17_-_Chinese_Development_Cooperation_and_the_EU_v4.pdf).

level of economic development is needed in order to implement specific governance standards.<sup>28</sup>

### III. THE EUROPEAN UNION'S TRADITIONAL DEVELOPMENT COOPERATION WITH CHINA

The transformation of China into a MIC and emerging donor bears important implications for the traditional donor community. The European Union can serve as a good example for how traditional development actors, and in particular multilateral donors, have started to adapt their development cooperation with China and other MICs.

Since its establishment, the EU has played a key role in the area of international development cooperation.<sup>29</sup> Over the years, the EU's development activities have been expanding continuously. This has been symbolized by the fact that 2015 marks the first European year for development. On a global scale, the EU represents the second largest donor. Development policy represents a so-called shared EU competence, which implies that both EU institutions and single European member states act in parallel as donors to third countries. Table 3 shows that EU aid combined with the ODA distributed by the three "big" EU member states accounted for 38,010 million USD in 2011, which was almost 40% more than the aid from the United States. According to different sources, EU aid added to the ODA delivered by all 27 EU member states<sup>30</sup> accounts for more than 50% of global aid.<sup>31</sup>

EU aid is primarily managed by the European Commission. It originates from two separate sources: the EU budget and the European Development Fund. Development assistance accounts for around 9% of the total annual EU budget.<sup>32</sup> The EU budget is based on the Multiannual Financial Framework (MFF) agreed between the European Parliament, the Council and the Commission. The MFF is a multi-annual spending plan, which translates the EU's policy priorities for at least five years into financial terms. It sets annual maximum amounts for EU expenditure as a whole and for the main categories of expenditure (so-called headings). In terms of development aid, the MFF for the period 2007 to 2013 foresaw under the budget heading "The EU as a global partner" a set of specific geographic<sup>33</sup> and thematic<sup>34</sup> financial instruments.<sup>35</sup>

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<sup>28</sup> Xinghui Zhang, "China's Aid to Africa: A Challenge to the EU", in J. Men and B. Barton (eds.), *China and the European Union in Africa* (Ashgate, Farnham and Burlington, 2011), 209-223.

<sup>29</sup> Andrew Mold, *EU Development Policy in a Changing World: Challenges for the 21st Century* (Amsterdam University Press, Amsterdam, 2007).

<sup>30</sup> Croatia as the 28<sup>th</sup> EU member state is not taken into account as it joined the EU only in July 2013.

<sup>31</sup> Maurizio Carbone, *The European Union and International Development - The politics of foreign aid* (Routledge, London and New York, 2007).

<sup>32</sup> European Commission, "Better, Faster, More - Implementing EC External Aid 2004-2009", EuropeAid Cooperation Office, Brussels, August 2009, at [http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/europeaid\\_better-faster-more\\_en.pdf](http://ec.europa.eu/europeaid/infopoint/publications/europeaid/documents/europeaid_better-faster-more_en.pdf).

<sup>33</sup> For example, the European Neighbourhood and Partnership Instrument (ENPI), the Development Cooperation Instrument (DCI) and the European Development Fund (EDF).

<sup>34</sup> For example, the European Instrument for Democracy and Human Rights (EIDHR), the Instrument for Stability, the DCI environment and sustainable management of natural resources, DCI Non-State actors and local authorities in development and the DCI migration and asylum.

<sup>35</sup> Development Assistance Committee (DAC), *European Union Peer Review 2012* (OECD, Paris, 2012), 59.

In the past, the EU's cooperation with China was mostly development-centred.<sup>36</sup> In fact, EU-China relations were "characterized by cooperation agreements designed to assist China's development".<sup>37</sup> The EU has distributed bilateral aid to China mostly through the geographic financial instrument known as the Development Cooperation Instrument (DCI). The DCI was launched in 2007 and is funded through the general budget of the EU. Through the DCI the EU supports development programmes in Latin America, Asia, the Gulf region and South Africa. In addition to the DCI, China also received assistance coming from thematic financial instruments.

The European Commission was responsible both for designing/programming and implementing aid projects and programmes in China.<sup>38</sup> Prior to 2009, the Commission's Directorate General (DG) RELEX was responsible for the overall EU development cooperation strategy with China, while the EuropeAid Cooperation Office managed the implementation of external assistance.

The programming of the EU's bilateral development aid to China is based on so-called Country Strategy Papers. Country Strategy Papers were introduced by the Commission in 2001 as a tool for formulating the EU's aid strategy to third countries.<sup>39</sup> In general, Country Strategy Papers are drafted by the Commission in coordination with the recipient country, EU member states and other donors. They are usually accompanied by a multi-annual planning document – the Multi-Annual Indicative Programme (MIP) – that spells out specific development projects and programmes. In March 2002, the Commission issued the first Country Strategy Paper for China with an aid budget of 250 million Euro for the five-year period from 2002 to 2006.<sup>40</sup> The first Country Strategy Paper for China was followed by a second one for the period 2007-2013. The second Country Strategy Paper underlines that China "is increasingly moving away from the status of a traditional ODA recipient towards that of a strategic partner with whom the EU engages on a wide range of policy issues".<sup>41</sup>

The actual execution of the financial and technical programmes funded through the DCI in China was carried out by the EuropeAid Cooperation Office and the Commission delegation in Beijing. Prior to the Lisbon Treaty, Commission delegations were mostly in charge of technical issues and only a few delegations had a political officer.<sup>42</sup> Although the delegation in Beijing was one of the few Commission delegations with a political officer, before 2009, more than 50% of the delegation staff in Beijing was in charge of development cooperation projects.<sup>43</sup>

Despite the fact that the EU's relations with China were mostly development-centred, the EU's development cooperation with China cannot be examined without taking into account

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<sup>36</sup> May-Britt Stumbaum, *The European Union and China: Decision-Making in EU Foreign and Security Policy towards the People's Republic of China* (Nomos, Baden-Baden, 2009), 116.

<sup>37</sup> Etienne Reuter, "China-EU: a new agenda", 5(2) *Asia Europe Journal* (2007), 171-179.

<sup>38</sup> Carbone, *op.cit.* note 31, 12.

<sup>39</sup> European Commission, "Commission Staff Working Paper, Community Co-operation: Framework for Country Strategy Papers", SEC (2000)1049, Brussels, November 2000.

<sup>40</sup> European Commission, "Country Strategy Paper China 2002-2006" Commission Working Document, Brussels, 2002.

<sup>41</sup> European Commission, "China Strategy Paper 2007-2013", Brussels, September 2007, 4.

<sup>42</sup> Michele Cornelli and Raffaello Matarazzo, "Rehashed Commission Delegations or Real Embassies? EU Delegations Post-Lisbon", Istituto Affari Internazionali, Working Papers 11|23, July 2011, at <http://www.iai.it/en/pubblicazioni/rehashed-commission-delegations-or-real-embassies>.

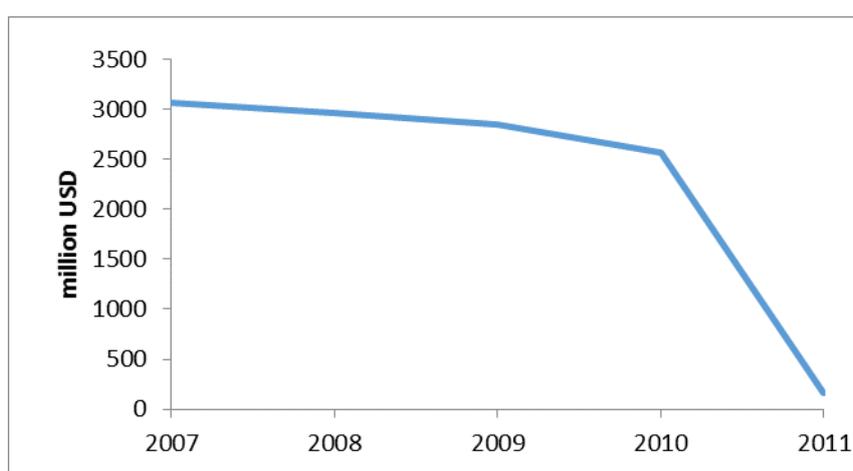
<sup>43</sup> Stumbaum, *op.cit.* note 36, 116.

European economic interests. In fact, the EU's development policy in China was closely intertwined with economic and trade interests. For instance, the EU used development aid as a tool to boost trade with the assumption that "China's development would open vast markets for European goods and services".<sup>44</sup>

The close relationship between the EU's development cooperation and economic interests in China, as well as China's domestic development – moving from the status of a LIC to an Upper MIC – has provoked a fundamental shift in the EU's development agenda with China. Although China still accounts for a large number of poor people in the world, many European policymakers have argued that as a MIC, China generates sufficient resources for its own domestic development and, therefore, does not need any further development assistance. This has translated into a general decrease of ODA to China over the past years (2007-2011), highlighted by Figure 2.

Figure 2 shows that – while China has long been one of the largest recipients of international development assistance – in the period from 2010 to 2011, all major donors have substantially decreased their aid to China, contributing to a global downward trend of ODA to China. According to recent data, EU aid declined by about 15%, ODA from France by 18% and that from the UK by 57%.<sup>45</sup>

**Figure 2: Trend in Gross ODA to China in the period from 2007 to 2011**



**Source: Compiled by the author based on OECD Statistics.**

Alongside the decrease in foreign assistance, China has started to act as an "emerging donor", increasing its development assistance to developing countries in Asia and Africa. Hence, China witnessed a transition from a net recipient to a net donor. In 2011, China became for the first time, a net ODA donor by 739 million USD, amounting to about half of the net ODA that China received in the previous decade of the 2000s.

On the basis of China's economic and political transformation, the EU has started to adapt its development cooperation with China. Most importantly, the EU has started to build a strategic partnership with China to address global public goods (GPGs) and to assist China in addressing second-generation development challenges such as urbanization and

<sup>44</sup> Reuter, *op.cit.* note 37, 173.

<sup>45</sup> European Commission, *op.cit.* note 40; European Commission, *op.cit.* note 41.

environmental protection. This change is particularly visible when comparing the EU's first Country Strategy Paper for China for the period 2002-2006 with the second one for the period 2007-2013. The comparison between both documents shows that the EU's aid programmes initially focused primarily on fostering China's economic infrastructure and rural development.<sup>46</sup> Yet, in recent years, the EU has moved away from an agenda of conventional poverty eradication to attributing greater attention to sectors such as environmental protection, energy security, legal and judicial assistance, social and welfare services, as well as civil aviation.<sup>47</sup> The following section will further explore the changes in the EU's development cooperation with China.

#### **IV. TOWARDS A NEW EU-CHINA DEVELOPMENT PARTNERSHIP**

This last section examines the transformation of the EU's development cooperation with China in response to China's recent graduation as a MIC. Sub-section A explores how the EU is reforming its development policy considering the growing role played by MICs and has started to develop new instruments of development cooperation. On the other hand, sub-section B shows how the EU is trying to include MICs in international development frameworks, formulated in the context of international institutions, such as the UN. These two case studies can serve as examples for the EU's attempts to replace the traditional donor-recipient paradigm by a new type of development partnership, driven by win-win relations with China.

##### ***A. The Agenda for Change and the EU's Evolving Development Cooperation with Middle Income Countries***

In 2010, the EU initiated a debate on the future of its development policy, in which China played a crucial role. After extensive consultations, the European Commission issued a policy proposal in 2011 titled "Increasing the Impact of EU Development Policy: an Agenda for Change" known as the "Agenda for Change".<sup>48</sup> The most important modifications put forward by the new EU development strategy are the so-called "differentiated EU development approach" and the concentration of EU aid where it is most needed.<sup>49</sup> According to the "differentiated EU development approach" traditional EU grant aid to MICs will be phased out in order to increase the proportion of aid going to LICs, in particular in Africa.<sup>50</sup>

In this context, the EU adopted a new regulation that amends the rules of the DCI. According to the revised DCI criteria, starting in 2014, MICs will no longer be eligible for traditional bilateral development aid under the DCI.<sup>51</sup> The new governing rules of the DCI explicitly

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<sup>46</sup> Evan S. Medeiros, *China's International Behavior: Activism, Opportunism, and Diversification* (RAND, 2009), 119, at [http://www.rand.org/pubs/monographs/2009/RAND\\_MG850.pdf](http://www.rand.org/pubs/monographs/2009/RAND_MG850.pdf).

<sup>47</sup> European Commission, *op.cit.* note 41; Stumbaum, *op.cit.* note 36.

<sup>48</sup> European Commission, "Increasing the impact of EU Development Policy: an Agenda for Change", COM(2011)637 final, October 2011.

<sup>49</sup> Siân Herbert, "Reassessing aid to middle-income countries: the implications of the European Commission's policy of differentiation for developing countries", ODI, Working Paper., June 2012, at <http://www.odi.org.uk/sites/odi.org.uk/files/odi-assets/publications-opinion-files/7710.pdf>.

<sup>50</sup> Glennie, *op.cit.* note 3.

<sup>51</sup> European Commission, "Proposal for a regulation establishing a financing instrument for development cooperation", COM(2011)840 final, December 2011.

mention China as one of the 19 countries<sup>52</sup> that will no longer be eligible for bilateral aid under the DCI.<sup>53</sup>

In addition to terminating bilateral ODA to China, the EU has also started to explore how it could continue to collaborate with China and other MICs by focusing on global challenges in a variety of different policy areas such as trade, energy, environment and security. In this context, the EU has started shifting the focus of its development cooperation with China to provide support for second-generation development challenges such as green growth and sustainable development.

In the context of the negotiations of the EU's budget for 2014-2020, several new financial instruments for development cooperation were proposed. Among instruments included in the Multiannual Financial Framework (MFF) 2014-2020, the Partnership Instrument (PI) lays the foundation for a new development partnership with China and other MICs.<sup>54</sup> The PI is the EU's first instrument specifically designed to address major global challenges beyond traditional development cooperation such as energy security, climate change and environmental protection in collaboration with MICs.<sup>55</sup> Its budget for 2014-2020 amounts to 954.8 million Euro.<sup>56</sup> Hence, through the PI MICs like China that graduated from traditional bilateral ODA, can still receive EU funding. However, in contrast to forms of traditional development aid (namely ODA), the EU development assistance devoted to building new development partnerships with MICs is based on loans, technical cooperation and the support for trilateral cooperation.<sup>57</sup>

### ***B. The EU, China and the Agenda 2030***

In parallel to the current reforms of the EU development policy and changes in the EU's bilateral financing instruments dedicated to China and other MICs, European policymakers have also started to engage China and other MICs as so-called emerging donors and rising actors of the international development community. The negotiations leading up to the Agenda 2030 within the UN are a prominent example of the EU's efforts to integrate China and other MICs into international development frameworks.

In the past, China has been rather reluctant to take part in multilateral development initiatives. China mostly participated in internal development finance institutions in its capacity as a recipient of aid, rather than as a donor. However, as China is increasing its development activities in Africa, it is starting to contribute to international development initiatives. This is particularly visible within the UN and the negotiations over the Agenda 2030.

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<sup>52</sup> Of which 17 are upper-MICs: Argentina, Brazil, Chile, China, Colombia, Costa Rica, Ecuador, Iran, Uruguay, Malaysia, Maldives, Mexico, Panama, Peru, Thailand, Kazakhstan, Venezuela.

<sup>53</sup> European Commission, *op.cit.* note 51.

<sup>54</sup> European Commission, "Proposal for a regulation of the European Parliament and of the Council establishing a Partnership Instrument for cooperation with third countries", COM(2011) 843 final, December 2011.

<sup>55</sup> European Parliament and the Council, "Regulation No 234/2014 of the European Parliament and of the Council establishing a Partnership Instrument for cooperation with third countries", *Official Journal of the European Union* March 2014.

<sup>56</sup> European Commission, Service for Foreign Policy Instruments, "The Partnership Instrument, advancing the EU's core interests", 23.6.2015, at [http://ec.europa.eu/dgs/fpi/what-we-do/partnership\\_instrument\\_en.htm](http://ec.europa.eu/dgs/fpi/what-we-do/partnership_instrument_en.htm).

<sup>57</sup> European Commission, *op.cit.* note 48.

The 2030 Agenda for Sustainable Development is a United Nations-led process, replacing the so-called UN Millennium Development Goals (MDGs). In 2000, the UN Millennium Summit agreed on 8 specific goals, the MDGs, which were aimed at reducing global poverty and were set to expire in 2015. As part of the post-2015 process, consultations with various stakeholders took place in different parts of the world. These negotiations culminated in the adoption of the Agenda 2030 at the UN Sustainable Development Summit that took place from 25 to 27 September 2015 in New York. The outcome document of the summit “Transforming our world: the 2030 Agenda for Sustainable Development” introduces 17 Sustainable Development Goals (SDGs) that replaced the MDGs.

The EU has been a key supporter of the UN and the MDGs. The EU’s commitment to the MDGs has been reflected in various European policy documents. For instance, the 2011 Agenda for Change states that “the EU has already done much to help reduce poverty and in particular to support the achievement of the MDGs”.<sup>58</sup> Hence, experts have stressed that the EU has been actively involved in the formulation of the Agenda 2030.<sup>59</sup> In this context, the EU has adopted several policy documents specifically targeting the EU’s participation in the post-2015 development framework. In February 2015, the European Commission issued a Communication titled a “Global Partnership for Poverty Eradication and Sustainable Development after 2015”. This policy document has been jointly prepared by various Commission representatives, namely the High Representative and Vice President Federica Mogherini, Commissioner for International Cooperation and Development Neven Mimica and Commissioner for Environment, Maritime Affairs and Fisheries Karmenu Vell.<sup>60</sup> It represents the third Communication from the Commission related to the Agenda 2030. On the basis of the recent Communication, member states adopted Council Conclusions, which served as a common EU position for the UN Summit in September.<sup>61</sup>

Unlike the EU, China has not paid much attention to the MDGs in the context of its growing assistance to developing countries. Overall, the MDGs have been absent from China’s foreign assistance framework, which explains why they only received inconsequential references in China’s 2011 White Paper on Foreign Aid. Yet, despite China’s reluctance to commit to the MDGs as a benchmark for its SSC, it is important to underline that in terms of China’s domestic development, China has reached the goals on reduction of poverty, hunger and infant mortality ahead of time.

Taking into account China’s own success story and its growing foreign aid activities, the Chinese government has adopted a more proactive role in the process leading to the formulation of the Agenda 2030.<sup>62</sup> Similarly to other MICs like India, China – with the support of UNDP – organized a national consultation on the post-2015 development framework. These

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<sup>58</sup> European Commission, *op.cit.* note 48.

<sup>59</sup> Adam Moe Fejerskov and Niels Keijzer, "Practice Makes Perfect? The European Union's Engagement in Negotiations on a Post-2015 Framework for Development", Danish Institute for International Studies, Report 2013:04, at [http://subweb.diiis.dk/graphics/Publications/Reports2013/RP2013-04-Practice-makes-perfect\\_web.pdf](http://subweb.diiis.dk/graphics/Publications/Reports2013/RP2013-04-Practice-makes-perfect_web.pdf).

<sup>60</sup> European Commission, "A Global Partnership for Poverty Eradication and Sustainable Development after 2015", COM(2015)44final, February 2015.

<sup>61</sup> Council of the EU, "Council conclusions on a New Global Partnership for Poverty Eradication and Sustainable Development after 2015", Council of the EU, Press Release 364/15, 26 May 2015.

<sup>62</sup> Chun Zhang, "On China's participation in the post-2015 international development agenda", in Thomas Fues and Jiang Ye (eds.), *The United Nations Post-2015 Agenda for Global Development: Perspectives from China and Europe* (Deutsches Institut für Entwicklungspolitik (die), Bonn, 2014), 23-40.

discussions were held in Kunming and Beijing in the period between December 2012 and March 2013 and covered six different policy areas (poverty reduction and inclusive growth, environmental and green development policy, global health, women and children, education, and international cooperation).<sup>63</sup> In addition to carrying out a national consultation, China also took part in the High-Level Panel on the Post-2015 Development Agenda established by the UN Secretary-General. The importance attributed by the current Chinese leadership to the negotiations for the Agenda 2030 was also reflected in the adoption of specific policy documents. In view of the special UN event to review the progress on the MDGs in September 2013, the Chinese government published a first Position Paper on the Development Agenda beyond 2015, outlining a series of principles that should shape the post-2015 development framework.<sup>64</sup> More recently, the Chinese government issued a second Position Paper on the Post-2015 Development Agenda clarifying its position for the UN Summit that took place in September 2015.<sup>65</sup> Both policy documents were drafted by the Ministry of Foreign Affairs (MFA) in English. This shows that they were primarily targeted at an international, rather than a domestic audience. The fact that China's involvement in the post-2015 development negotiations fell with the responsibility of the MFA and not the Ministry of Commerce (MOFCOM) also reveals that the Chinese government treats the Agenda 2030 as a "diplomatic matter", rather than an issue of development cooperation (either domestically or in terms of SSC).<sup>66</sup> Experts have stressed that the Chinese leaders saw the post-2015 development negotiations as an opportunity to challenge Western dominance in the international system.<sup>67</sup> In fact, Chinese leaders perceive China as a developing country and align their positions with other developing countries within the UN. Although China is not a member of the G77 – a coalition of developing nations designed to promote common interests in the UN – it acts as a special invitee.

At the recent UN Sustainable Development Summit, China made several commitments to support the Agenda 2030. It announced that it would establish a specific fund to help in the implementation of the SDGs in the areas of education, health care and economic development.<sup>68</sup> Moreover, China expressed support for SDG 5 on gender equality and the empowerment of women and girls, as well as gender sensitive targets in other goals. Together with UN Women, the Chinese government also organized a "Global Leaders' Meeting on Gender Equality and Women's Empowerment". On this occasion, China promised to contribute 10 million USD for the implementation of the 1995 "Beijing Declaration and Platform for Action" and other goals related to women's rights in the Agenda 2030.<sup>69</sup>

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<sup>63</sup> United Nations Development Programme (UNDP), "China, the Millennium Development Goals, and the post-2015 Development Agenda", UNDP, Discussion Paper No.2., February 2015, 4.

<sup>64</sup> Chinese Ministry of Foreign Affairs, "China's First Position Paper on the Development Agenda beyond 2015", 22 September 2013.

<sup>65</sup> Chinese Ministry of Foreign Affairs, "China's Second Position Paper on the Post-2015 Development Agenda", 13 May 2015.

<sup>66</sup> Constantine and Pontual, *op.cit.* note 9, 3.

<sup>67</sup> Zhang, *op.cit.* note 62.

<sup>68</sup> United Nations (UN), "Commitments Made at Sustainable Development Summit to Kickstart Implementation of Global Goals", UN DPI, 27 September 2015, at <http://www.un.org/sustainabledevelopment/blog/2015/09/commitments-made-at-sustainable-development-summit-to-kickstart-implementation-of-global-goals/>.

<sup>69</sup> UN Women, "Press release: World leaders agree: We must close the gap", UN Women, Press Release, 27 September 2015, at <http://www.unwomen.org/en/news/stories/2015/9/press-release-global-leaders-meeting>.

## **V. CONCLUSION**

To conclude, this paper has outlined how China's recent transformation to a MIC has significantly altered the international development landscape. More specifically, the paper has traced recent reforms in the EU's development cooperation with China and other MICs. It has provided evidence that the EU's approach towards MICs has changed from a donor-recipient relationship focused on poverty eradication to a new partnership aimed at solving global challenges.

Taking the example of the EU's development approach towards China, a set of policy recommendations for multilateral donors can be formulated. First, multilateral donors should establish new development partnerships with MICs as co-donors. Second, multilateral donors should revise their existing development norms and formulate new procedures together with MICs. Finally, MICs and multilateral donors should explore new development instruments such as triangular cooperation.

## **What Social Cash Transfer Programmes Do Not Do in Middle Income Countries: Identifying Entitlement Gaps in Basic Social Protection**

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### **Abstract**

Cash-based social assistance for poor and/or vulnerable persons has a long tradition in Western welfare states, but in developing countries these basic social protection instruments are new. Only over the past two decades social cash transfers programmes have been introduced in many countries in Latin America, Asia, and Africa. And quickly social cash transfers have turned into one of the most popular ways towards poverty reduction in Middle Income Countries (MICs) (and beyond), supported by many development actors.

Indeed, by 2013, 79% of all MICs outside of Europe had set up at least one social cash transfer programme. So at first sight, many poor and/or vulnerable people in MICs now seem to be covered somehow by basic social protection. On the other hand, it can be doubted that the MICs could establish within a few years what Western welfare states took decades. So to what extent are people in the MICs who are considered poor entitled to a social cash transfer? And which groups of persons remain excluded from any such benefit?

The issue of exclusion from basic social protection is of utmost relevance since social security is a human right, stipulated in international legal documents. And against the backdrop of notable global initiatives towards national social protection floors, which are linked to the idea of basic income security throughout the life cycle, findings regarding the exclusion from basic social protection can be a starting point for development strategies in MICs. The fact that 20% of the social cash transfer programmes in MICs are financed with donor support hints to the actual involvement and further potential of development agencies in this area.

Comparative data on the design of social cash transfer programmes for all MICs has been lacking so far. Most studies on social cash transfers focus on what one social cash transfer programme does in one particular country. And impact evaluations suggest that social cash transfers actually do contribute to poverty reduction. But there has been no large-scale comparative study on what social cash transfer programmes do not do, that is which groups of persons are excluded from the programme designs.

Based on a newly constructed dataset FLOORCASH ([www.floorgroup.de](http://www.floorgroup.de)) and a sophisticated methodological approach to map and compare social cash transfer programmes, I investigate all MICs outside of Europe in view of the designs of their social cash transfer programmes.

The analysis reveals that despite high poverty rates, many people remain excluded from any entitlement to a social cash transfer in MICs. Three key challenges and levels of exclusion are identified: First, the exclusion of all the people in a country (total exclusion of a society); second, the exclusion of entire life cycle groups within one and the same country (exclusion of life cycle stages); third, the exclusion of sections within one and the same life cycle group (hidden, fragmented exclusion).

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## I. INTRODUCTION: SOCIAL CASH TRANSFERS IN MIDDLE-INCOME COUNTRIES<sup>1</sup>

Social assistance in the form of cash has a long tradition in Western welfare states, but in most Low and Middle Income Countries (LICs and MICs) these basic social protection instruments for poor persons are new.<sup>2</sup> Only over the past two decades social cash transfer (SCT) programmes have been introduced in many countries in Latin America, Asia, and Africa.<sup>3</sup> And quickly, SCTs have turned into one of the most popular ways towards poverty reduction in MICs (and beyond), supported by many development actors.<sup>4</sup>

Indeed, the probably most famous and successful SCT programmes have been established in six MICs:<sup>5</sup> Brazil and Mexico with the conditional cash transfer programmes called *Bolsa Família* and *Oportunidades*, respectively, for poor households, in particular those with children, that require to attend school as well as regular health check-ups; India with the public employment programme *Mahatma Gandhi National Rural Employment Guarantee Scheme*; South Africa with the (originally unconditional) *Child Support Grant* as well as the *Grant for Older Persons*, a non-contributory old age pension; China with the *Minimum Living Standard Scheme* for any poor household without behavioural conditions; and Indonesia with the conditional *Hopeful Family Programme* for families with children.

A large number of impact evaluations suggest that these and other SCTs actually do reach poor people and that they do contribute to poverty reduction.<sup>6</sup> So at first sight, many poor people in MICs now seem to be covered somehow by basic social protection. On the other hand, it can be doubted that the MICs could establish within a few years what Western welfare states took decades. So to what extent are the people in MICs who are considered as poor entitled to a SCT? And which groups of persons remain excluded from any entitlement to such benefit?

The issue of exclusion from basic social protection is of utmost relevance since social security is a human right, stipulated in international legally binding documents such as in the *International Covenant on Social, Economic, and Cultural Rights* of 1966, Article 9. And actually, three notable initiatives in global social policy and in international development have most recently been making out a good case for social protection for *everyone*:

- the *UN Social Protection Floor Initiative*,<sup>7</sup> culminating in the *ILO Social Protection Floors Recommendation* in 2012,<sup>8</sup> which reaffirms that “the right to social security is a human right” and which demands access to essential health care as well as “basic income

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<sup>1</sup> I thank Lutz Leisering and Armando Barrientos for their most valuable comments on the preparatory work and on the first draft, respectively. Besides I am indebted to Daniela Cepeda Cuadrado and Marleen Schreier of the UN System Staff College for all their helpful comments. Last but not least, I thank my dear parents for their beneficial and supportive proofreading. The database used in this paper is the outcome of the research project FLOOR on social cash transfers (principal investigator: Lutz Leisering), funded by the German Research Foundation (DFG). I thank both the project and the funders very much for facilitating this research.

<sup>2</sup> Lutz Leisering, “Extending Social Security to the Excluded. Are Social Cash Transfers to the Poor an Appropriate Way of Fighting Poverty in Developing Countries?”, 9 (2) *Global Social Policy* (2009), 246–272.

<sup>3</sup> Armando Barrientos, *Social Assistance in Developing Countries* (Cambridge University Press, Cambridge, 2013).

<sup>4</sup> Moritz von Gliszczynski, *Cash Transfers and Basic Social Protection. Towards a Development Revolution?* (Palgrave Macmillan, Basingstoke, 2015).

<sup>5</sup> Joseph Hanlon, Armando Barrientos and David Hulme (eds.), *Just Give Money to the Poor. The Development Revolution from the Global South* (Kumarian Press, Sterling, VA, 2010), at 38–43.

<sup>6</sup> For an overview see Armando Barrientos, *op.cit.* note 3, 130–164.

<sup>7</sup> Social Protection Floor, *Home*, at <http://www.socialprotectionfloor-gateway.org/index.html>.

<sup>8</sup> ILO, “Social Protection Floors Recommendation”, R202, No. 202, 101st ILC Session, 14 June 2012, Geneva.

security” for children, for persons of working age “unable to earn sufficient income”, and for older persons in all countries;<sup>9</sup>

- the *World Bank Group and ILO Universal Social Protection Initiative*, launched in June 2015. It acknowledges that “[u]niversal coverage and access to social protection are central to ending poverty and boosting shared prosperity”; hence, the joint initiative strives to support the countries in delivering “universal social protection”, understood as an “integrated set of policies designed to ensure income security and support to all people across the life cycle”;<sup>10</sup>
- and finally, the *2030 Agenda for Sustainable Development*, adopted by the General Assembly of the United Nations in September 2015, including the *Sustainable Development Goals*.<sup>11</sup> The goal number one is to “[e]nd poverty in all its forms everywhere”; consequently, the target 1.3 demands to “[i]mplement nationally appropriate social protection systems and measures for all, including floors, and by 2030 achieve substantial coverage of the poor and the vulnerable”.<sup>12</sup>

These strong programmes call for action—and they require facts. This paper provides relevant data on the issue of exclusion from basic social protection. The findings can be a starting point for strategies for development and social protection in MICs. *MICs* are—according to the World Bank classification of the 2015 fiscal year—economies with a GNI per capita ranging between \$1,046 and \$12,745 in 2013, calculated using the World Bank Atlas method.<sup>13</sup>

In this paper I focus on cash-based social assistance, since this form of aid has been found to be relatively efficient and effective in poverty reduction. *Social cash transfers* are defined here as regular, non-contributory, publicly-financed payments in cash to persons considered as poor. Poverty is not defined in absolute terms here. Instead, I focus here on the poorest sections of the population in each country, whatever definition of poverty is used in the countries.<sup>14</sup> The assumption is that, at any case, the poorest groups will be assessed below any means-test threshold which may be stipulated in the programme designs. Public employment programmes are excluded from the definition of SCT since they are considered

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<sup>9</sup> Cf. Bob Deacon, “The Social Protection Floor”, Comparative Research Programme on Poverty (CROP), CROP Poverty Brief, October 2012, at <http://www.crop.org/viewfile.aspx?id=415>; on the evolution of the initiative see Bob Deacon, “The Social Protection Floor and Global Social Governance: Towards Policy Synergy and Cooperation between International Organizations”, 66 (3-4) *International Social Security Review* (2013), 45–67.

<sup>10</sup> ILO and World Bank Group, “Launch of the World Bank Group and ILO Universal Social Protection Initiative, Calling the Attention of World Leaders to the Importance of Universal Social Protection Policies and Financing”, Joint Statement by World Bank Group President Jim Yong Kim and ILO Director General Guy Ryder, 30 June 2015, Geneva, at [http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/statement/wcms\\_378989.pdf](http://www.ilo.org/wcmsp5/groups/public/---dgreports/---dcomm/documents/statement/wcms_378989.pdf).

<sup>11</sup> UN General Assembly, Transforming our World: the 2030 Agenda for Sustainable Development, A/RES/70/1, dated 25 September 2015, at <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

<sup>12</sup> See also Sustainable Development Knowledge Platform, *Topics*, at <https://sustainabledevelopment.un.org/topics>.

<sup>13</sup> I chose the classification of the 2015 fiscal year, which is based on the data of 2013 and consequently matches the data I use in this paper; see World Bank, *Country and Lending Groups*, at <http://data.worldbank.org/about/country-and-lending-groups>; see in particular the “Excel file of historical classifications by income” at World Bank, *How does the World Bank classify countries?*, at <https://datahelpdesk.worldbank.org/knowledgebase/articles/378834-how-does-the-world-bank-classify-countries>.

<sup>14</sup> The question of how poverty is defined would have implications on the (actual, empirical) number of excluded persons rather than on the entitlement gaps for particular groups as such.

to be a form of (low) wage payment for work done, created for a fixed term and basically depending on availability,<sup>15</sup> rather than as a form of regular social assistance.<sup>16</sup>

What I want to find out is:

1. Can any SCT programme for people considered as poor (however poverty is defined in a country) be identified in each MIC?
2. Which groups of poor people do the SCT programmes address in each country?
3. Which groups remain excluded from any entitlement to a SCT in MICs, despite classified as poor?

In order to investigate these questions, a systematic approach to map and compare the *designs* of the SCT programmes in each country is required (second section). By this way of analysis, entitlement gaps in the SCT systems for poor people can be identified (third section). In fact, the analysis reveals huge entitlement gaps in the SCT systems of MICs, leaving many poor people excluded from any (direct) entitlement to a SCT. These findings lead to three policy recommendations in the conclusion (fourth section): detect entitlement gaps, create strategies to close the gaps, and possibly adapt the mode of spreading SCTs.

## II. AN INNOVATIVE METHODOLOGY TO MAP, MEASURE AND COMPARE SOCIAL CASH TRANSFERS

So far, no large-scale comparative study has been published investigating *which groups* of the population considered as poor are included in and excluded from the *designs* of SCT systems in MICs.<sup>17</sup> This may seem surprising. What is more, it hints at a fundamental gap in the global knowledge of basic social protection. This knowledge, however, may be necessary to develop adequate policies. But why has no one undertaken such a large-scale comparative study so far? Most likely, the answer is that such an investigation is highly demanding. Four essentials are required: (A.) an analytical perspective which permits to make statements on the inclusion and exclusion of groups; (B.) a way to systematically map SCT programmes and their target groups; (C.) a methodology to measure and compare entire SCT systems; and finally, (D.) comprehensive data on all the SCT programmes in all MICs.

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<sup>15</sup> Moritz von Gliszczynski *op.cit.* note 4, 61 and 63.

<sup>16</sup> As exceptions, the public employment programmes in India and Bangladesh are included in the sample here since their programme designs contain a form of guarantee: the transfers are to be paid even if no employment may be provided by the local authorities.

<sup>17</sup> There are, however, attempts to measure the countries' systems of social assistance and of total social protection, respectively, by aggregate quantitative indicators. The World Bank bases the calculations on the coverage rate and benefit incidence in the poorest quintile of the population; see World Bank, *ASPIRE: The Atlas of Social Protection Indicators of Resilience and Equity*, at <http://datatopics.worldbank.org/aspire/home>. The Asian Development Bank uses the expenditure per beneficiary, see Asian Development Bank, *The Social Protection Index. Assessing Results for Asia and the Pacific* (Asian Development Bank, Mandaluyong City, Philippines, 2013).—The question of 'who is included' is not addressed by these contributions.

## **A. The Country Perspective: Rights-based Inclusion and Exclusion**

Over the past decade, a great amount of literature on SCTs throughout the globe, including MICs, has been published.<sup>18</sup> By and large the studies focus on what the SCT programmes *do*, how they *are* designed, which persons they *do* target, what impacts they *do have*, and sometimes also which shortcomings they do imply *in view of their programme objectives*. Comparative studies in particular, tend to stick to what I call the *perspective on programmes*. They deal with what(ever) the programmes *do* and, to a lesser extent, with what they *do not do*—but *with respect to the intentions of the programme*.<sup>19</sup>

However, social assistance has been interpreted as part of the human *right* to social security by the competent *Committee* with regard to the legally binding *International Covenant on Social, Economic, and Cultural Rights*.<sup>20</sup> Consequently, I argue for analysing SCT—as one form of social assistance—from the perspective of human *rights*.<sup>21</sup> According to this rights-based perspective,<sup>22</sup> *everyone* is *entitled* to a SCT in case of poverty.

Now, if you follow the rights-based approach to analyse SCTs in several countries, investigating single SCT programmes for *particular* target groups is not enough. Instead, *all the population* of a country with all their rights in case of poverty have to be taken into account. However, the world of SCT programmes can be quite confusing: single programmes may have different target groups at the same time and several programmes in a country may target the same group of the population. In order to find out which programmes address which groups of the population, *all the SCT programmes* of a country have to be taken into account.

As a result, we need a different, systematic perspective of investigation: the perspective on the *entire countries*, taking into account

1. the *entire population* of a country, in as far as defined as poor by the country
2. the entire SCT *system* of a country, consisting of all the SCT programmes in this country.

This *country perspective* has two big advantages:

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<sup>18</sup> The list of references provided by Moritz von Gliszczynski, *op.cit.* note 4, gives an overview both of reports by international organizations as well as of academic contributions.

<sup>19</sup> A few case studies and reports on single countries follow a perspective on the entire social protection system, see for example Stephen Kidd, Tareq Abu-el-Haj, Carol Watson, Jonathan Sibley, Bjorn Gelders, and Gabrielle Smith, “Child-sensitive social protection in Fiji. Assessment of the Care and Protection Allowance”, UNICEF and Fiji Ministry of Women, Children and Poverty Alleviation, Report, February 2015, at [http://www.unicef.org/pacificislands/Child-Sensitive\\_Social\\_Protection\\_in\\_Fiji.pdf](http://www.unicef.org/pacificislands/Child-Sensitive_Social_Protection_in_Fiji.pdf).

<sup>20</sup> Committee on Economic, Social and Cultural Rights, 2008 General Comment no. 19. The Right to Social Security (Art. 9), adopted on 23 November 2007.

<sup>21</sup> See also Magdalena Sepúlveda and Carly Nyst, “The Human Rights Approach to Social Protection”, Ministry for Foreign Affairs of Finland, Report, 2012, at <http://socialprotection-humanrights.org/wp-content/uploads/2015/06/HumanRightsApproachToSocialProtection3.pdf>.

<sup>22</sup> At the national level, a perspective similarly centred on rights is the sociological concept of *social citizenship* following Thomas H. Marshall; see Thomas H. Marshall, *Citizenship and Social Class and other Essays* (Cambridge University Press, Cambridge, 1950). With respect to the relationship between human rights and social citizenship see Ulrike Davy, “How Human Rights Shape Social Citizenship: On Citizenship and the Understanding of Economic and Social Rights”, 13 (2) *Washington University Global Studies Law Review* (2014), 201–263. Social citizenship has recently been developed further in the area of SCTs by Leisering and Barrientos; see Lutz Leisering and Armando Barrientos, “Social Citizenship for the Global Poor? The Worldwide Spread of Social Assistance”, 22 (Issue Supplement S1) *International Journal of Social Welfare* (2013), 50-67.

First, we can make statements on the *inclusion* of SCT systems: we can find out which groups of the population are directly addressed by at least one SCT programme and are thereby *included* in the SCT system.

Second, we can make statements on the *exclusion* of SCT systems: we can find out whether *all* persons and households, respectively, who are considered as poor are directly addressed by at least one SCT programme in a country; if not so, we are capable to determine which groups of the population are not directly entitled to any SCT and, consequently, excluded from the SCT system, despite being classified as poor.

Inclusion and exclusion both refer to a person's *direct* entitlement to a SCT, without taking into account indirect benefits through potential intra-household redistribution.

### ***B. The Life Cycle Perspective: Five Categories of Persons***

As the country perspective requires, we now have to take the *entire populations* of the MICs into account, that is all people considered as poor as potential target groups of the SCT programmes. Consequently, I created five basic categories of persons which SCT programmes can address.

The five categories of persons follow the idea of basic income security throughout the life cycle, an idea which is also promoted by the above-mentioned *UN Social Protection Floor Initiative* and *the World Bank Group and ILO Universal Social Protection Initiative*. The five categories are:

- children (from age 0 to including 17; including disabled children);
- persons of working age (18-59);
- older persons (from age 60);
- disabled adults (from age 18);
- poor people, irrespective of the life cycle stage, however poverty is defined in programme designs.<sup>23</sup>

Each SCT programme is classified into one or several of the five categories of persons, as defined by the programme designs. For the classification of a programme, I focus on that person of the target group *who justifies the entitlement*. To give an example, if a conditional cash transfer programme is designed for the target group of families with children below age 6, then I classify the programme into the category of children, irrespective of the fact that the entire household (family) is mentioned as the target group.

With the help of this classification, all the SCT programmes across MICs can be analysed with regard to the question whether these SCT programmes address each of the five basic categories of persons or not.

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<sup>23</sup> The last category of poor people refers to those SCT programmes which use a non-categorical definition of the target group and address poor persons and households, respectively, independently from the life cycle stage.

### C. Measuring the Degree of Inclusion: The Inclusion Index

Now, how can we find out *to what extent* the SCT systems of all MICs include all their populations in case of poverty? In order to map and compare all MICs in view of inclusion and exclusion, I suggest focusing on three separate dimensions for each of the five categories of persons: categoriality of the target group (entire category versus a sub-group only), age coverage, and geographical range.

All three dimensions are combined in the *inclusion index*. The inclusion index (of a SCT programme or of a SCT system) is supposed to roughly indicate the share of persons in a category who are, according to the programme design(s), directly entitled to a SCT in case of poverty. The index does not refer to the actual coverage or to the implementation of the SCT programmes, which tends to lag behind the design.<sup>24</sup>

The inclusion index enables us to map each SCT programme and SCT system, respectively, with regard to their degree of inclusion: depending on the features of the programme designs, each SCT programme is attributed a particular score in each component of the index (categoriality, age, and geographical range). The scale of the index ranges from 1 (full inclusion) to 0 (no inclusion). For the details see table 1.

**Table 1: Inclusion index**<sup>25</sup>

Component of the inclusion index	Scores	Features of the programme designs	Examples for the category of <i>children (0-17)</i>	Examples for the category of <i>poor people</i>
<b>Categoriality</b>	1	Entire category included	All children are included	poor people are generally included (consistently non-categorical design of inclusion)
	0.5	Half of the category included	Girls only are included	Some poor people are included (inconsistent or selective design of inclusion), e.g. only labour-restricted poor households with a high dependency ratio
	0.05	Sub-group of the category included	Orphans only are included	-

<sup>24</sup> Ana L. de la O, *Crafting Policies to End Poverty in Latin America. The Quiet Transformation* (Cambridge University Press, New York, 2015), 40-41.

<sup>25</sup> Author's construction.

	0.05	Sub-group of the category included	Orphans only are included	-
	0	Category is not included at all	Not any children are included	The category of <i>poor people</i> is not included
<b>Age coverage</b>	Between 1 (maximum) and 0 (no inclusion)	Ratio of the years of life within a category which are covered to the total years of life comprising the category	If a programme targets children from 0 to 2: $2/18 = 0.11$	By definition independent from age, so maximum age coverage (1)
<b>Geographical range</b>	1	Geographical range not limited, i.e. nationwide	Persons living in all areas of the country	
	0.5	Geographical range limited	Only the poorest areas of a country are covered	
	0.05	Pilot programme	A programme is tested on a very small scale in a limited number of villages or districts	
	[0]	[no SCT programme for the category anywhere]		

The first step is to calculate the inclusion score of a SCT programme in each category of persons, by multiplying the scores of the three components (separately per category of persons).

In the second step and following the country perspective, all the SCT programmes identified in each category in a country have to be aggregated. Hence, for each category of persons the inclusion scores of all SCT programmes in a country are summed up. Finally, each MIC can be mapped with one single inclusion score per category of persons.

#### ***D. The New Database: SocCit (FLOORCASH)***

Comparative data on the designs of the SCT programmes for all MICs has been lacking so far. This gap has recently been closed by the comprehensive database FLOORCASH.<sup>26</sup> FLOORCASH comprises all SCT programmes administered at the national level in all developing and threshold countries outside of Europe as of 2012/2013. This paper draws on

<sup>26</sup> FLOORCASH has been constructed by John Berten, Tobias Böger, and the author. I thank my colleagues very much for their enormous contributions. The database is the outcome of a research project on social cash transfers funded by the German Research Foundation (DFG). Principal investigator is Lutz Leisering. See FLOOR, at [www.floorgroup.de](http://www.floorgroup.de).

the dataset *SocCit*,<sup>27</sup> which has been developed on the basis of FLOORCASH. SocCit has been constructed by the author, following the sociological concept of social citizenship.<sup>28</sup>

### III. SOCIAL CASH TRANSFER SYSTEMS IN MICs: PATTERNS OF INCLUSION AND EXCLUSION

Now, who is included in the SCT systems in MICs and who remains excluded from the systems? In order to uncover patterns of exclusion, I investigate SCTs at three levels: (A.) I look at all the MICs; (B.) then I select those countries which have established SCT systems; and finally, (C.) I look at those MICs which include children in their SCT system.

#### A. MICs with and without Social Cash Transfers

In which MICs have SCTs been found? Table 2 indicates the number of countries in which at least one SCT programme was identified by 2013. The MICs are classified by world region (for the single countries, see figure 3 in section B.).

**Table 2. MICs with and without SCT programmes per world region<sup>29</sup>**

World region	MICs with at least one SCT programme	MICs without any SCT programme
<b>Africa (27 MICs)</b>	18 (67%)	9 (33%)
<b>Latin America (25 MICs)</b>	24 (96%)	1 (4%)
<b>Asia (27 MICs)</b>	25 (93%)	2 (7%)
<b>Oceania (11 MICs)</b>	4 (36%)	7 (64%)
<b>All MICs (90 MICs)</b>	71 (79%)	19 (21%)

In the table, you can observe two basic aspects. First, it becomes evident that SCTs are widely spread throughout MICs: in 4 out of 5 MICs (79%), one or more SCT programmes have been found. The second observation is related to the “other side of the coin”: in 19 out of the 90 MICs in the dataset (21 %), no single SCT programme has been identified.

Regional patterns become evident: The highest *share* of countries *per region* without any SCT programme was discovered in Oceania. 64% of these small island states such as the Solomon Islands and the Federated States of Micronesia were identified as countries without any SCT programme. The highest *absolute* number of countries without any SCT programme has been found in Africa. 9 out of 27 African countries (33%) were identified as countries without any

<sup>27</sup> Version as of 18 November 2015.

<sup>28</sup> Thomas H. Marshall, *op.cit.* note 22.

<sup>29</sup> As classified by United Nations Statistics Division, *Composition of macro geographical (continental) regions, geographical sub-regions, and selected economic and other groupings*, at <http://unstats.un.org/unsd/methods/m49/m49regin.htm>; source: SocCit.

SCT programme, in particular former French colonies in the middle and also Western African region such as Gabon and Côte d'Ivoire. When you take a closer look at these African countries without any SCT programme, you will find that these states are not classified as democracies.<sup>30</sup> Against this background, it is not surprising that in Latin America, where the countries are generally classified as democratic, only one country has been identified without a SCT programme by 2013 (Grenada).

Evidently, in roughly one fifth of the MICs, no cash-based social assistance for people considered as poor exists. We could argue that all the people considered as poor in these countries are deprived of social assistance in the form of cash. What is more, I maintain that in these 19 MICs without any SCT programme, the entire populations remain excluded from any entitlement to a SCT in case of poverty. In the context of global social protection strategies, I call these populations *excluded societies*.

### ***B. Social Cash Transfer Systems in MICs: Included and Excluded Categories of Persons***

Now let us take a closer look at those MICs which have established a SCT system. (1.) Who is addressed by the SCT systems? (2.) Who is included throughout MICs? (3.) And how can the SCT system of each MIC be mapped in view of inclusion?

#### *1. Mere frequencies: Who is addressed by the Social Cash Transfer Systems?*

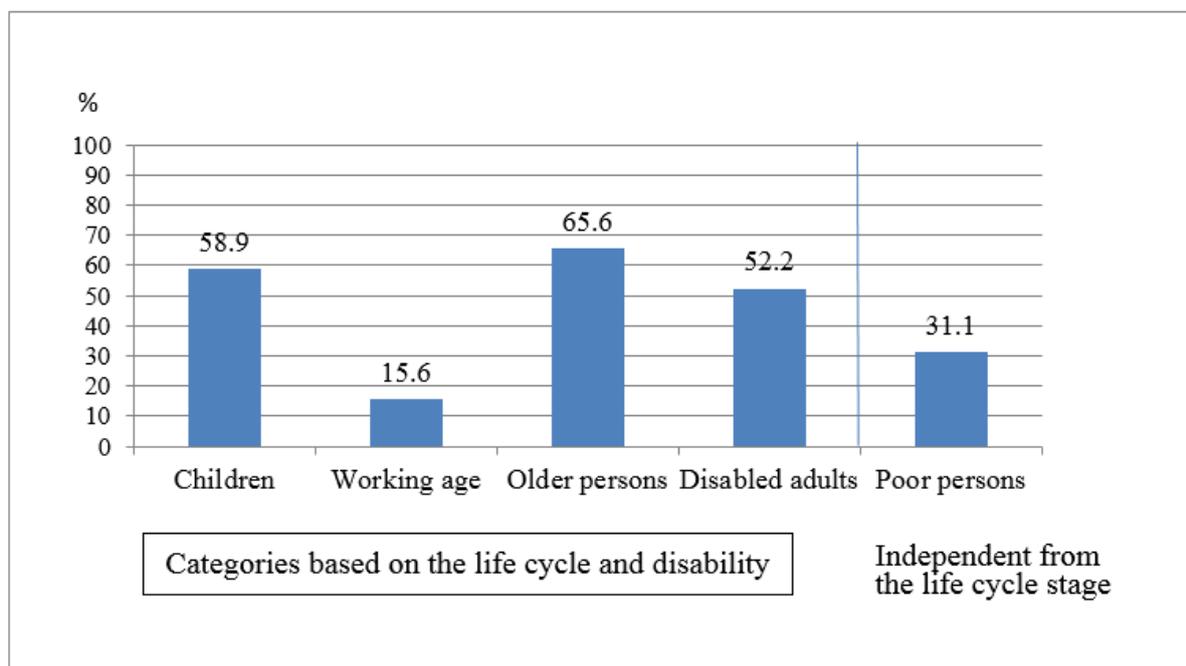
Who is addressed by the SCT systems? For which of the five categories of persons could any SCT programme be found in the MICs?

Figure 1 indicates the shares of MICs in which the SCT system directly addresses the five categories of persons *to some degree*, irrespective of the details. A country is classified as addressing a category of persons if the country's score of the inclusion index is greater than zero for this category. Each category of persons is analysed separately.

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<sup>30</sup> I refer to Polity scores lower than 5; see Polity IV Project, "Political Regime Characteristics and Transitions, 1800-2013", Center for Systemic Peace, 6 June 2014, Vienna, USA, at <http://www.systemicpeace.org/polity/polity4.htm>.

**Figure 1. Shares of MICs (in %) in which the SCT system directly addresses the five categories of persons to some degree<sup>31</sup>**



N=90

A first glance at the chart suggests that there are considerable differences between the five categories of persons. Evidently, the countries do not address the categories equally. For the category of *children*, the chart indicates that in 59% of the MICs at least one SCT programme designed for children has been identified. The highest share of countries per category was found for the category of *older persons*: 66% of the MICs target the group of older persons in their SCT systems. And in 52% of the MICs, SCT programmes target *disabled adults*. So in the majority of the MICs, SCTs designed for the categories of *children*, *older persons* and *disabled adults* have been identified. By contrast, the group of *persons of working age* is addressed in only 16% of the MICs. Evidently, only few countries do grant SCTs designed for *persons of working age*. There is, however, another category which MICs address in their SCT systems: the category of *poor people*, irrespective of the life cycle stage or disability. In nearly one third of the MICs, a SCT programme addresses this category of poor persons and households, respectively.

Interestingly, two different types of categories are addressed in MICs: one type consists of the categories based on the life cycle stage and disability; and the second type consists of a category which is independent from any life cycle stage and simply addresses poor persons and households, respectively. This has consequences for the analysis of inclusion and exclusion.

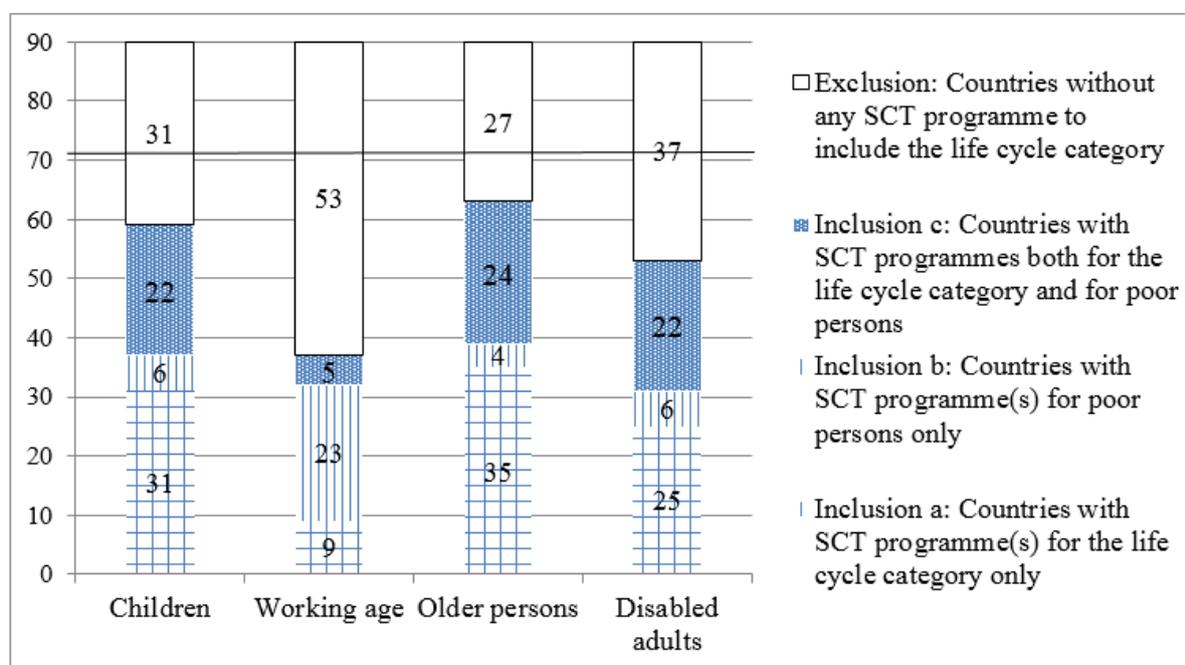
<sup>31</sup> Source: SocCit.

## 2. The Systems Perspective: Who is included? Who remains excluded?

If we want to make statements on the *inclusion* of a category into a SCT system in a country and statements on their *exclusion* from the system, respectively, we have to take into account both types of categories: the categories linked to the life cycle and disability (*children, persons of working age, older persons, disabled adults*) and the category of *poor people*, since SCT programmes designed for poor people can include children, persons of working age, older persons and disabled persons as well.

Consequently, in figure 2 both types of categories are taken into account. The chart illustrates in what way MICs include life cycle stages in their SCT systems. More precisely, the chart focuses on the four categories based on the life cycle and disability, which I call *life cycle categories*. Now the programmes designed for poor people in each country are integrated into each life cycle category.

**Figure 2: Whether and how MICs (in absolute numbers) include life cycle categories in their SCT systems in case of poverty<sup>32</sup>**



N = 90; note: in the 19 MICs located at the top of the scale (71-90) no SCT programme has been identified at all; the inclusion refers to a person's *direct* entitlement to a SCT, without taking indirect benefits through potential intra-household redistribution into account.

We find that in each life cycle category, the countries follow different strategies of inclusion: Taking the category of *persons of working age* as a striking example, only 9 countries include persons of working age in their SCT systems only through such SCT programmes which address this category in particular. The largest group of countries, which are 23, include persons of working age through SCT programmes that address *poor people*. And a tiny group of countries (5) combine both ways of inclusion. They include persons of working age in their SCT system both through programmes addressing this category in particular and through

<sup>32</sup> Source: SocCit.

programmes addressing poor people in general. However, in 53 MICs no SCT for persons of working age could be found at all. In these countries, either no SCT programme exists at all (in 19 countries, as mentioned above), or if there is a SCT system, it does not include persons of working age (in 34 countries).

We can conclude from these figures that in many MICs, the patterns of (direct) entitlements to a SCT is evidently incomplete across the life cycle categories. Even among the 71 MICs where SCT programmes have been established, these programmes do not confer entitlements to all life cycle categories. I argue that entire life cycle stages remain excluded from any entitlement to a SCT. However, the extent of exclusion varies by life cycle stage: whereas children and older persons are not entitled to any SCT in around one third of all MICs (in 31 and 27 countries, respectively, out of 90 MICs), persons of working age remain excluded from any (direct) entitlement to a SCT in 59% of all MICs (in 53 countries).<sup>33</sup> I call these excluded categories the *excluded life cycle stages*.

### 3. *Mapping the Social Cash Transfer System of each MIC*

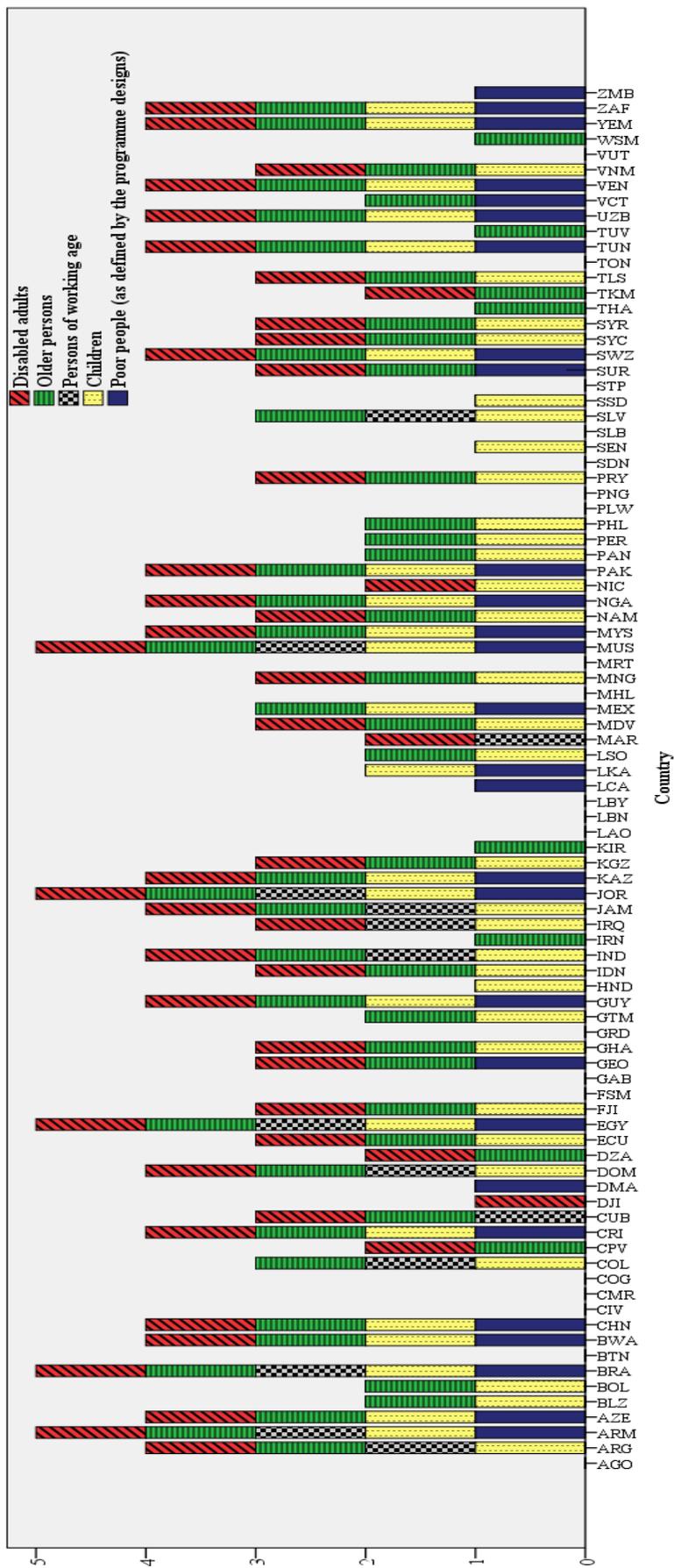
Now, which MIC includes which categories of persons in its SCT system and how? And in which countries remain which life cycle categories excluded? Figure 3<sup>34</sup> maps the SCT systems of each of the 90 MICs in one bar. Each segment of the bar represents one of the five categories of persons which the SCT systems address.

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<sup>33</sup> The finding that persons of working age are excluded to the largest extent from any entitlement to a SCT, might hint at the assumption that public employment programmes (PEPs) might be considered an “alternative model of basic social protection” (von Gliszczynski, *op.cit.* note 4, 60–63) for this particular category of persons. Yet as explained above in the introduction, public employment programmes do not have the same quality as SCT.

<sup>34</sup> Source: SocCit.

Figure 3. The social cash transfer system of each middle-income country, indicating the categories of persons addressed



Source: Database SocCit; N = 90

I cannot go into details here, but a glimpse at the graph suggests that the countries vary considerably with respect to their SCT systems. Let me just take one example to explain the graph: with respect to Bolivia (BOL), which is famous for its universal old age pension, the graph illustrates that the SCT system targets children and older persons—but the SCT system excludes persons of working age and disabled adults.

More generally, you will be able to recognize the findings of the sections A. and B. in the graph: excluded societies as well as excluded life cycle stages, above all persons of working age.

### **C. Children in MICs included in Social Cash Transfer Systems—But to what Extent?**

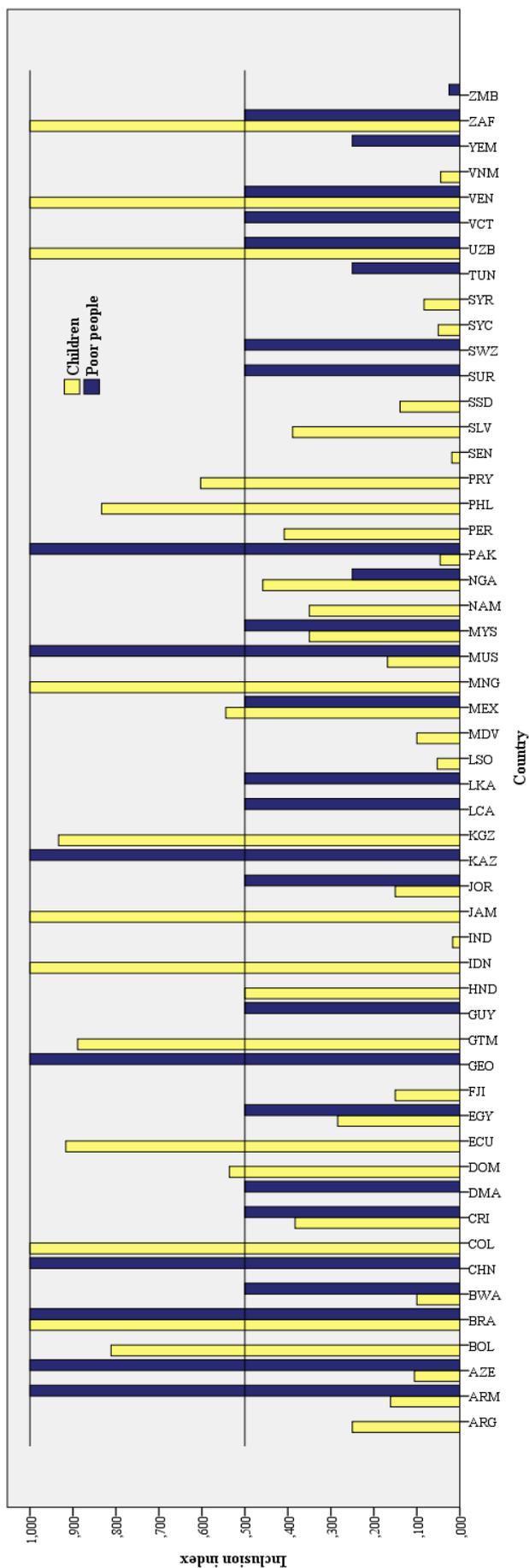
Now let us take a closer look at those MICs which have been found to (directly) include children in their SCT system. Can we assume that *all* children considered as poor are entitled to a SCT in these countries? *Which* children do the programme designs actually include? And *to what extent* do children remain excluded, despite being classified as poor? In order to answer these questions, I use the inclusion index, explained in section II. above. The inclusion index permits to measure *to what degree* a country directly includes a life cycle category in its SCT system, considering the dimensions of categoriality, the age span covered, and the geographical range of the SCT programmes.

In figure 4<sup>35</sup> the MICs are mapped according to their scores of the inclusion indices. The figure only shows those countries which do include children to some extent (inclusion score > 0). As I have explained in the section on the systems perspective (section B.), we need to take into account both relevant categories to investigate the inclusion and exclusion, respectively, of children: the countries are mapped separately for the category of *children* as well as for the category of *poor people*.

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<sup>35</sup> Source: SocCit.

Figure 4. The social cash transfer systems of middle-income countries mapped according to how and to what extent they (directly) include children



Source: Database SocCit.

Note that for some countries the values of the inclusion index for the category of children a.) are missing or b.) are incomplete.

Assuming the maximum level for the missing values, the inclusion index would score higher for the following countries by, at maximum, the following levels:

a.) missing inclusion scores: BLZ: 1; CHN: 0.05; GHA: 0.05; GUY: 0.05; IRQ: 0.15; KAZ: 0.1; LKA: 0.05; NIC: 0.05; PAN: 0.5; SWZ: 0.05; TLS: 1; TUN: 0.33; YEM: 0.03

b.) incomplete inclusion scores: AZE: 0.05; EGY: 1; KGZ: 0.15; MYS: 1; VNM: 0.15

The graph underlines that among all these MICs, of which the SCT systems do include children to *some* extent, the inclusion scores vary considerably. In 15 MICs, the inclusion scores in one of the two categories were found to be at the maximum level (1). Consequently, I assume that in countries such as Armenia (ARM), Brazil (BRA) and Indonesia (IDN), possibly all children considered as poor are included in the SCT system, at least according to the programme designs. The children classified as poor in these countries are entitled to a SCT either through programmes addressing children in particular or through programmes for poor people in general or through both. However, in 51% (30 countries) of the 59 MICs that include children to *some* extent, the inclusion scores in *each* of the categories are only at a medium level (0.5) or lower. This means that, although the SCT systems in these MICs do include children, many children remain excluded from any (direct) entitlement to a SCT, despite being classified as poor.

All three factors incorporated in the inclusion index contribute to these low levels of inclusion: In some countries the years of life covered are very limited, as in South Sudan (SSD) (babies up to 30 months). In other countries, only sub-groups of children are targeted as in Fiji (FJI) (children of female-headed households, of prisoners and of foster parents). In other countries, however, like in the Dominican Republic (DOM), only selected parts of the country are covered by the relevant SCT programme.

India (IND), as one of the BRICS countries with an emerging economy and famous for its national public employment programme, was found to combine all three factors of exclusion with respect to the life cycle category of *children*. The only SCT programme in India to include children by 2012/2013 is a pilot programme designed for the group of unmarried girls from age 6 to 17, living in selected areas. The inclusion score of 0.02 indicates that almost all children remain excluded from any (direct) entitlement to a SCT in this country.<sup>36</sup>

To sum up, it is evident that, even if the SCT systems in MICs include a life cycle category, considerable entitlement gaps remain, excluding significant shares of this life cycle category from any (direct) entitlement to a SCT. I call this the *hidden exclusion within included life cycle categories*.

#### IV. CONCLUSION: POLICY IMPLICATIONS

In this paper I introduced an innovative, rights-based perspective of comparative research on basic social protection across MICs. Basically, I asked whether persons who are considered as poor are (directly) entitled to a SCT or not, according to the programme designs. Consequently, I investigated whether—and if so to what extent—these persons are (directly) *included* into the system of SCTs in each country. Other important issues affecting the actual quality of the SCTs have been left aside here, such as the benefit level, time limits for which the transfers are granted, and the actual implementation of the programme in accordance with the design.<sup>37</sup>

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<sup>36</sup> There may be additional SCT programmes at the sub-national (state) level, which are not included in the database *SocCit*.

<sup>37</sup> For a much more detailed analysis of the social quality of a SCT system, see the case study on South Africa by Katrin Weible and Lutz Leisering, "South Africa's System of Social Cash Transfers: Assessing its Social Quality", in Hans-Jürgen Burchardt,

The analysis confirms that in most of the MICs at least one SCT programme for people who are considered as poor can be found. However, huge sections of the populations classified as poor remain excluded from the SCT systems in these countries.

Three clusters of excluded groups have been discovered who are not (directly) entitled to any SCT in case of poverty: first, the *excluded societies* of small island states (most of them in Oceania), and of non-democratic regimes (most of them in the middle African region); second, *excluded life cycle stages*, particularly working age; and third, the *hidden exclusion within included life cycle categories*, particularly among children. These results, based on empirical data, are ground-breaking. The findings reveal that basic social protection in MIC is still exclusive. However, the *UN Social Protection Floor Initiative*, the *World Bank Group and ILO Universal Social Protection Initiative*, and the *Sustainable Development Goals* demand basic social protection for every person throughout the life cycle. Against this background, it is compelling to feed the findings into topical development strategies in MICs. The insights gained in this paper have direct implications for both national governments and international development agencies involved in social protection policies:

- (1) Adequately taking stock of current basic social protection programmes is crucial. Only if *all* the population of a country *throughout the life cycle* is taken into account in case of poverty, entitlement gaps become visible. Such a *comprehensive* and *systematic* look at the designs of basic social protection policies from a human rights-based perspective to social protection makes it possible to identify patterns of exclusion. This will allow governments and international agencies to develop adequate inclusion strategies.
- (2) The huge entitlement gaps in basic social protection cry out for action. They challenge both national governments and international development agencies to develop adequate inclusion strategies urgently. 19.6% of the SCT programmes<sup>38</sup> in MICs have been financed with the support of external donors. This hints to the actual involvement and further potential of development agencies in the area of social assistance to initiate and scale up SCT programmes.<sup>39</sup>
- (3) New modes to expand SCTs may be required. The finding that huge groups are excluded from any (direct) entitlement to SCT may question current international strategies to spread SCTs. So far, these strategies have tended to push particular models of SCT programmes for particular target groups, such as conditional cash transfers and social pensions.<sup>40</sup> Although each of these programmes can make a considerable contribution to a national social protection floor, the human right to social protection requires more: shifting the focus of social protection and development strategies away from single SCT programmes towards the entire *system* of SCT programmes in MICs. In this way, national governments—supported by international

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Anne Tittor and Nico Weinmann (eds.), *Sozialpolitik in globaler Perspektive. Asien, Afrika und Lateinamerika* (Campus, Frankfurt a.M., 2012), 247–269; regarding implementation see for example Armando Barrientos 2013, *op.cit.* note 3, 141–145.

<sup>38</sup> For which data on funding is available in SocCit; N=158.

<sup>39</sup> Armando Barrientos, “Social Protection and Poverty”, 20 (3) *International Journal of Social Welfare* (2011), 240–249; the author stresses, however, that longer-term sustainability of the programmes is crucial, *ibid.* at 246.

<sup>40</sup> Mortiz von Gliszczynski, *op.cit.* note 4.

development agencies—may be able to achieve the target 1.3 of the *Sustainable Development Goals*, which is to “implement nationally appropriate social protection systems and measures *for all*”.<sup>41</sup>

From a rights-based perspective, social assistance is crucial where social insurance and public employment policies leave coverage gaps.<sup>42</sup>—And this is the case virtually everywhere, including in middle-income countries.

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<sup>41</sup> Sustainable Development Knowledge Platform, *op.cit.* note 12; emphasis by the author.

<sup>42</sup> Committee on Economic, Social and Cultural Rights, 2008 General Comment no. 19. The Right to Social Security (Art. 9), adopted on 23 November 2007, para. 4. (b).

## **Development Cooperation, Policy Advice and Middle Income Countries**

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### **Abstract**

The paper examines development challenges of lower Middle Income Countries (MICs) from a perspective of a UN practitioner who has been supporting countries' transition in Cambodia, Viet Nam and Lao People's Democratic Republic (PDR).

The paper starts with a question on the measurement of development. Development pursues the well-being of people and as such the quality of people's lives, by enhancing human capacities that enable them to pursue their full potential and enlarge their choices. The people in MICs will be more educated and expected to lead longer lives. Their values, expectations and aspirations drive economies and societies. It is pertinent to consider the way in which the quality of development is measured beyond economic indicators.

Pursuant to this principle, the paper examines the following four areas of the nexus of social and economic development and the role of governments – their systems, capacities, and accountabilities which will bring about implications for support to be provided by development partners, including the UN:

- i) A challenge to steer the upgrading of value chains: The environment in the Southeast Asian region is changing rapidly which poses a challenge for governments to seize opportunities. It requires fostering a policy environment that encourages the countries to follow a sustainable and inclusive growth path, by adding value to the economies, enhancing the skills of young workforces and investing in backward linkages. A key lies in the coordination among development strategies such as industrial policy, investment, and human capital.
- ii) A challenge to finance development sustainably: While MIC status opens up opportunities to finance development requirements, the transition needs to be managed. Official Development Assistance (ODA) will shift from grants to mainly loans. MIC status could affect access to capital, markets, and foreign direct investment (FDI). Policy and capacity development assistance is vital to build national ability to increasingly finance development from domestic sources.
- iii) A challenge to build resilience: The challenge is coordination of public policy, investment, social and market provisioning for poverty reduction and environmental management, including financing of social protection schemes and disaster risk reduction. In light of extreme weather events recently experienced, climate change presents risks of external shocks which throw fragile economies and their people back into poverty. Building resilience of institutions to manage such economic and climatic impacts and a mechanism to cooperate is important.

- iv) A challenge to foster voices of the voiceless and civil society participation: In MICs, the citizens' voices need to be reflected to strengthen mechanisms for realizing commitments to the poor, women, and the excluded segments of the population, as a means to inform policy formulation and ensure implementation. Addressing inequality and exclusion of the people underserved by the systems is needed.

MICs will face more complex policy issues in an interdependent world and will be required to respond to them swiftly. It is important for governments to build national capacities to gather evidence, share knowledge, foster policy dialogue and enhance policy design and effectiveness to produce results. Development partners will have to adjust their partnerships in accordance with emerging roles of the governments.

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## I. INTRODUCTION

In his Nobel Prize acceptance speech in 1971, Simon Kuznets, a founding father of gross domestic product, pointed out the shortcoming of the theory of national accounting, including “hidden but clearly important costs, for example, in education as capital investment, in the shift to urban life, or in the pollution and other negative results of mass production”.<sup>1</sup> Government data does not measure what really matters: our quality of life. As it is more difficult to measure happiness or fulfilment, gross national product has been serving as a key indicator to measure economic growth and general development, including a threshold for MIC status.

This paper reflects a development practitioner’s views on a quest for ‘quality of growth’ and ‘well-being of the people’, in considering second-generation development challenges in lower MICs and proposes three common approaches to these challenges: (1) measuring what matters for people-centred development, (2) institutionalization of long-term strategies; and (3) public consultations.

## II. MEASUREMENT OF WELL-BEING BEYOND INCOME GROWTH

### *A. Middle Income Country Classification*

The MIC classification process is owned and managed by the World Bank. Each July it updates analytical classification of the world's economies based on estimates of gross national income (GNI) per capita for the previous year. The updated GNI per capita estimates are also used as input to the World Bank's operational classification of economies that determines lending eligibility. As of 1 July 2015, low-income economies are defined as those with a GNI per capita, calculated using the World Bank Atlas method, of \$1,045 or less in 2014; middle-income economies are those with a GNI per capita of more than \$1,045 but less than \$12,736. High-income economies, thus, are defined as those with a GNI per capita of \$12,736 or more.<sup>2</sup>

Viet Nam, Lao PDR and Myanmar were classified as lower MICs in 2009, 2011, 2015 respectively, while Cambodia is a Low Income Country (LIC) based on its GNI per capita at \$1010 (2014) but is clearly on its way to joining the lower MIC category.

Achievement of MIC status is an indicator for the World Bank’s lending eligibility and is not considered as a development objective itself. Both the World Bank and their recipient governments aim at poverty reduction and better distribution of wealth. The World Bank’s goal is to end extreme poverty by 2030, decreasing the share of people living on less than \$1.25 a day to not more than 3%, and to promote shared prosperity by fostering income growth of the bottom 40% for every country. As for the recipient’s perspective, a similar aspiration is stated. For instance, Cambodia’s Rectangular Strategy Phase III for 2014-2018 envisions long-term sustainable development aimed at promoting “economic growth, creating jobs, equitable

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<sup>1</sup> Simon Kuznets, “Modern Economic Growth: Findings and Reflections”, Lecture to the Memory of Alfred Nobel, 11 December 1971, concluding comments, The Nobel Prize, Website, at [http://www.nobelprize.org/nobel\\_prizes/economic-sciences/laureates/1971/kuznets-lecture.html](http://www.nobelprize.org/nobel_prizes/economic-sciences/laureates/1971/kuznets-lecture.html).

<sup>2</sup> The World Bank, “New Country Classification”, 2 July 2015, The World Bank, Website, at <http://data.worldbank.org/news/new-country-classifications-2015>.

distribution of the fruits of growth, and ensuring effectiveness of public institutions and management of resources”.<sup>3</sup>

Despite the wider aspirations, GNI per capita and MIC status have been frequently used as a measurement tool of development and, consequently, ODA management.

### ***B. Measurement Beyond Income Prosperity***

With presence of more than 100 MICs in the world, it is timely to consider ‘quality of growth’ which is an ultimate goal of development, as the average GNI masks the realities of people’s well-being beyond overall economic growth.

In MICs, a middle class starts forming and increases domestic consumption. The middle class will demand and invest in the values that they believe in such as materialistic wealth, better education, new technologies, and cleaner environment; aspire to spend money on goods and services; and pursue new and diversified lifestyles based on their values such as leisure and travelling. Work is no longer a job for survival. Armed with better education they will expect higher wages to pursue their values. Their higher disposable incomes contribute to acceleration of economic activities. Income is certainly an important aspect of their lives, and at the same time they will demand higher living standards. They will pursue opportunities to enlarge their choices to lead the lives that they value.

As the middle class emerged, many Latin American and Asian countries have experienced widening income inequality, regional disparities, gender inequality, ethnic inequality and environmental degradation which affects people’s wellness. The Report by the Commission on the Measurement of Economic Performance and Social Progress shed light on many important questions on measuring our lives.<sup>4</sup> In particular, it points out the limitations in the present measuring system to understand people’s well-being. Statistics, such as average income and production and composite indices mask underlying challenges. Those challenges are pertinent to MICs and include income inequality, exclusion, gender inequality, environmental degradation, vulnerability to climate change, civil society participation in policy decisions, and sustainability of natural resources for the growth of future generations.

In reviewing these second-generation development challenges of MICs, unfinished development business emerges as key concern, especially for lower MICs. For example, despite the bright prospects after entry into lower MIC status, Cambodia is still a Least Developed Country (LDC) and is expected to remain one for the next decade. It is not well known that LDC graduation and lower MIC entry are not part of a linear progression. These two classifications are managed separately by the World Bank and the UN for different purposes. It is worthwhile to revisit the LDC classification of the UN in examining second-generation development challenges of lower MICs.

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<sup>3</sup> Royal Government of Cambodia, “Rectangular Strategy Phase III, 2014-2018”, 2 November 2013, at <http://www.cambodiainvestment.gov.kh/content/uploads/2013/11/2013-Rectangular-Strategy-III-En8.pdf>.

<sup>4</sup> Joseph E. Stiglitz, Amartya Sen, and Jean-Paul Fitoussi, *Mismeasuring Our Lives: Why GDP Doesn’t Add up - The Report by the Commission on the Measurement of Economic Performance and Social Progress* (The New Press, New York, 2010), 11-22.

### **C. Least Developed Country Classification**

The LDC classification is managed by the UN.<sup>5</sup> It is based on three criteria of LDC indices – GNI per capita, human assets index and economic vulnerability index.

1. **Income Thresholds:** The threshold for inclusion is based on a three-year average of the level of GNI per capita, which the World Bank uses for identifying LICs. The threshold for inclusion in the LDC category will be \$1,035 in the 2015 review. The threshold for graduation is set at 20% above the inclusion threshold. It will be \$1,242 in the 2015 review.
2. **Human Asset Index:** The human asset index (HAI) is a measure of the level of human capital. It consists of four indicators, two on health and nutrition and two on education:

Percentage of population undernourished (25%)

Mortality rate (under five) (25%)

Gross secondary school enrolment ratio (25%)

Adult literacy rate (25%)

3. **Economic Vulnerability Index (EVI):** The EVI measures the structural vulnerability of countries to exogenous economic and environmental shocks. The EVI contains eight indicators, which are grouped into various sub-indices:

(a) Exposure index (50%)

Size: population (12.5%)

Location: remoteness (12.5%)

Economic structure:

(i) merchandise export concentration (6.25%)

(ii) agriculture/forest/fish share (6.25%)

Environment: population in low-elevation coastal zones (12.5%)

(b) Shock index (50%)

Trade shocks: instability of goods & services exports (25%)

Natural shocks:

(i) victims of natural disasters (12.5%)

(ii) instability of agricultural production (12.5%)

Among the CLMV countries in the region (Cambodia, Lao PDR, Myanmar and Viet Nam), only Viet Nam has achieved the lower MIC status and graduated from the LDC category. The remaining three countries, Lao PDR, Myanmar, and Cambodia are expected to remain in the UN's LDC list since they have yet to meet two out of the three criteria. Consequently, they will have the dual status of MIC and LDC. This overlap period indicates that while the economic growth measured by GNI per capita is achieved, these countries still face challenges to tackle

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<sup>5</sup> United Nations Department of Economic and Social Affairs (UNDESA), "LDC Information", UNDESA, Website, at [http://www.un.org/en/development/desa/policy/cdp/ldc\\_info.shtml](http://www.un.org/en/development/desa/policy/cdp/ldc_info.shtml).

the remaining development aspects of building up human assets and reducing economic vulnerability.

The two measurements for MICs and LDCs are administered by different institutions for different purposes – credit eligibility and UN development assistance. Kuznets' proposition as to whether we are measuring what really matters – poverty reduction, reduction in inequality and exclusion is an important entry point in considering MIC challenges. An average GNI masks underlining challenges, and even worse it masks negative costs such as lack of educational quality, damage made to the environment, and loss of natural resources for economic activities which will be counted as national product. Prof Angus Deaton who received the Nobel Memorial Prize in Economic Science in 2015 points out that “[w]ithin countries, the average rate of progress, such as the rate of growth of national income, cannot tell us whether growth is widely shared [...] or is accruing to a small group of very wealthy people – as has been the case more recently”.<sup>6</sup>

More importantly, as our attention has been focused on income and income distribution, we have overlooked causes of the challenges, including choices and opportunities for public services such as education and health. For instance, Cambodia is one of the two countries which reversed the negative trends of income distribution along with China according to the Gini coefficient; and yet the inequality-adjusted Human Development Index indicates persistent inequality in education and health, or a reduction in its HDI by 24.7%.<sup>7</sup>

In the following section, lower MICs development challenges are examined. Many challenges derive from an unfinished development agenda of LDCs in the fast changing global and regional environment. While MIC and LDC classifications are expected to remain for different purposes, what is important for development partners who make decisions on ODA is to be aware of these differences between the two classification mechanisms and their purposes, and make ODA more responsive to actual development challenges which are masked behind the national-level aggregate income and per capita average.

### III. SECOND-GENERATION DEVELOPMENT CHALLENGES OF MICs

In reviewing challenges for development trajectories, information on demographic change is a useful source. LDCs and lower MICs are going through a demographic bonus period of 20-30 years. The UN Population Fund's (UNFPA) definition of the demographic bonus is “the economic growth potential that can result from shifts in a population's age structure, mainly when the share of the working-age population (15 to 64) is larger than the non-working-age share of the population (14 and younger, and 65 and older)”.<sup>8</sup>

The demographic bonus period is considered an important period to put systems in place – public services, laws, and institutions to prepare for the later period of a greying population

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<sup>6</sup> Angus Deaton, *The Great Escape: Health, Wealth, and the Origins of Inequality* (Princeton University Press, Princeton and Oxford, 2013), 6.

<sup>7</sup> United Nations Development Programme, *Human Development Report 2015, Work for Human Development* (UNDP, New York, 2015), 219.

Inequality-adjusted HDI is HDI value adjusted for inequalities in the three basic dimensions of human development.

<sup>8</sup> UN Population Fund “Demographic Dividend”, UNFPA, Website, at <http://www.unfpa.org/demographic-dividend>.

with a higher dependency rate. This bonus period presents itself only once during a development pathway and it can provide a foundation for future development. “Most developing countries have a short window of opportunity to enact policies and promote investments that raise the human capital of young people while positioning them for greater economic productivity when they enter their working years.”<sup>9</sup> The East Asian region shows some good examples of demographic transition. For example, the Republic of Korea (ROK) recorded growth in per-capita gross domestic product of about 2,200% between 1950 and 2008.<sup>10</sup>

The demographic structures in Cambodia, Lao PDR and Myanmar show the pyramid shape in 2015, and the birth rate is expected to decline in all countries by 2030. Viet Nam, already displays a substantial decrease in the birth rate. In case of Cambodia, the demographic bonus period is expected to last up to 2038 when the dependency rate reaches 7%. The demographic bonus could be considered as an opportunity if the countries maximize this, by investing in the quality of their labour forces to move up value chains.

The following section focuses on the four development challenges of MICs among many others: (1) steer the upgrading of value chains; (2) finance development sustainably; (3) build resilience; and (4) foster inclusion of the voiceless and general civil society participation.

### ***A. Challenge to Steer the Upgrading of Value Chains***

#### ***1. Industrial Development Policy and Human Capital***

The first challenge is a well-known ‘MIC trap’ prospect. When a country's growth plateaus and eventually stagnates after reaching middle-income levels, developing economies find themselves stuck in the middle, with rising wages and declining cost competitiveness, unable to compete with advanced economies in high-skill innovations, or with low-income, low-wage economies in the cheap production of manufactured goods. Solutions to the Middle Income Trap require identifying strategies to introduce new long-term systems such as policies, plans, laws, human capital and infrastructure, finding new markets to maintain export growth as well as enhancing domestic demand – an expanding middle class that will help drive economic growth. Observing transformational challenges in the Southeast Asian region, the biggest challenge for lower MICs is moving from growth that is dependent on cheap labour and natural resources extraction to growth based on high productivity and innovation. This requires investments in human capital and infrastructure.

In Cambodia, the government launched its Industrial Development Policy in 2015 to promote the country's industrial development. This should help maintain sustainable and inclusive high economic growth through economic diversification, strengthening competitiveness and promoting productivity. A key to help the country move up the ‘value chains’ is value addition to its industry which requires better quality of human resources. Quality of education, skills

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<sup>9</sup> The World Bank, “Realizing the Demographic Dividend: Challenges and Opportunities for Ministers of Finance and Development”, The World Bank, Webcast Discussion, 24 September 2011, at <http://live.worldbank.org/realizing-demographic-dividend-challenges-and-opportunities-ministers-finance-and-development>.

<sup>10</sup> UNFPA, *op.cit.* note 8.

development, a healthy labour force and government leadership to provide decent employment opportunities in formal sectors are receiving more attention.

However, human capital will be a bottleneck for structural transformation in Cambodia unless it is urgently addressed. The completion rates of primary and secondary education are low and the mean years of schooling stands at 4.4 years in 2014.<sup>11</sup> Girls' completion rate in lower secondary education is alarmingly low, 25.5% compared to 42% of boys (2013).<sup>12</sup> The female labour participation rate is high at 78.9% (2013); this reflects the existence of employment opportunities which absorb a young labour force with lower wages. In order to undertake structural change, the country cannot be complacent with the creation of basic jobs. It rather needs to aim at the creation of high-skill jobs which will add value to the economy.

In Viet Nam, Foreign Direct Investment (FDI) has rapidly grown in the 2000s. It is dominated by the low value-added manufacturing that create employment opportunities with less wider benefits. Unless Viet Nam can attract more productive investments, it will also risk losing its competitiveness to lower-wage economies when the local wage levels move up.

Lower MICs and 'near MICs' experience the constraints of human capital due partly to historical, cultural and traditional values attached to education and also availability of labour markets which lures youth to immediate income instead of investment in their education. Without investing in human capital, countries will inevitably limit future opportunities to participate in global and regional value chains and remain stuck in the low-skill industries. A growth strategy aiming at how to add value to the current economy is required. Continuous structural change to go up the spiral of adding value to existing sectors and new sectors will create new jobs with higher wages and enhancement of knowledge and skills. The policy implication is to invest in human resources through education and skills development seizing the opportunity of value addition during the demographic dividend period. In order to achieve such inclusive growth, coordinated policy among the ministries engaged in economic growth and the ministries providing public services is necessary. The UN advised Cambodia to broaden the scope of its Industrial Development Policy to include coordination, particularly on human resource development. The following section examines institutional arrangements for such coordination, with an aim to increasing value addition to the economy as well as people's capacity and well-being.

## *2. Institutional Arrangements for Industrial Development Policy*

The challenge of upgrading value chains through human capital development leads to the challenge of establishing an institution to steer and coordinate multi-ministry collaboration in implementing the industrial development policy. A desk study conducted by UNDP's Seoul Policy Centre in the ROK points out that institutions for industrial policy are important for MICs, in particular under three dimensions: Adjusting and identifying sectors which are expected to add value to economies; coordinating policy among stakeholders in managing investment and

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<sup>11</sup> UNDP, *op.cit.* note 7, 210.

<sup>12</sup> Royal Government of Cambodia, *National Strategic Development Plan for 2014-2018* (Government of Cambodia, Phnom Penh, 2014), vi.

growth agendas, and distributing public inputs in the form of infrastructure, legislation, and research and development.<sup>13</sup>

Some examples point us to the importance of the second dimension, policy coordination and institutional arrangements for the linkage between growth and investment in human capital. In the ROK during its period as MIC, the state subsidized specialized education, technology and innovation initiatives tailored to private sector needs.<sup>14</sup> In Singapore, the Economic Development Board researches key sectors on how to move up the value chains to adjacent industries by inviting FDI and coordinating with academic institutions and polytechnics on development of human resources for prospective demand. Linkages between the labour market and FDI which required high-skill human resources helped these countries to achieve structural transformation.

Policy implications for the lower MICs' challenge of steering the upgrade of value chains include improving skills of the young work force and investing in backward linkages between the growth of an industry to the growth of the industry that supply it such as raw material producers and small and medium enterprises, thus, leveraging human capital in participating global and regional value chains. This entails coordination of sectoral policies and industrial policy, such as public investments in human capital development, FDI and trade strategies. It will require policy research on sectors and identification of technologies of adjacent industries to move up value chains. A strong central government agency capable of creating forums to interact with foreign investors and coordinating across government agencies and jurisdiction, including linkages with training and skills development, appeared to play an important role in some successful countries' transformation. Institutional reforms and building research capacity of the central institution are critical and could be supported through knowledge sharing and evidence-based research by the UN if requested.

## ***B. Challenge to Finance Development Sustainably***

### *1. External Resources: Shift in Official Development Assistance Modality*

Following the World Bank's MIC classification, many development partners shift their assistance modality from grants to concessional loans, from concessional loans to non-concessional loans, or even shift their target countries to other LDCs or LICs. Lower MICs face challenges especially when they rely on ODA grants and loans to finance development. The change in the financing landscape arrives rather suddenly after the achievement of MIC status. Consequently, the relationship with external partners shifts from a donor-recipient relationship to that of more equal trade and business partners.

Viet Nam used to be one of the top recipients of ODA in the world and by the mid-2000s it was receiving record inflows of external resources, particularly FDI and ODA in light of its potential as an emerging market as well as the sizable poor population. Yet other domestic funding sources, including revenues and public borrowing, have grown much more quickly, making

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<sup>13</sup> UNDP Seoul Policy Centre, "Desk Review: Common Challenges of the Middle-Income Countries and the Korean Development Experience", in UNDP Seoul Policy Centre (ed.), *Challenges of the Middle-Income Countries – Seoul Debates 2013* (UNDP, Seoul, 2013), 11-44, at 19-20.

<sup>14</sup> *Ibid.* 21.

ODA an increasingly minor part of the overall resources by 2007 when the UN started the 'Delivery as One (DaO)' initiative.<sup>15</sup> This financial prospects made the UN engage in its programmatic reform towards policy advisory work.

Experience suggests that countries in the Southeast Asian region continue to receive levels at or above their previous level of ODA after attaining lower MIC status. Total ODA may not necessarily decline. However, it is certain that its composition will change from grants to loans. The World Bank's Viet Nam Development Report for 2012 indicated that the initial transition was marked by "growth with limited resources", followed by "abundant resources with limited growth" in the next five years.<sup>16</sup> MICs might have abundant resources despite a decline in the proportion of ODA grants. A real challenge is not that of maximizing financing *per se*, but that of efficiency and effectiveness of development finance.

The policy implication for governments is, therefore, how to maximize best the limited ODA grants. In MICs, the use of ODA grants have to be more strategic to ensure the quality of growth; influence social development in respect of equity, sustainability and gender equality; build resilience against external shocks; and promote regional cooperation for cross-border public goods.<sup>17</sup> It is better for lower MICs to use grant aid as a catalyst rather than a resource mobilization strategy *per se*.

This will require a shift in governments' mind set from off-budget aid activities to on-budget loan-financed public investment. Effectively, governments will be in the driver's seat to steer financing decisions in choosing the most efficient and effective spending towards a self-sustaining economy. In this sense, the following two aspects should be considered by governments as they play the important role of 'state'.

## 2. *Domestic Resource Mobilization for Public Investment and Public Spending*

Domestic resource mobilization will increase in line with governments' capacity to plan, budget and implement their own development programmes. Viet Nam's experience highlights that different sources of development finance become significant considerations in calculating and managing the overall development resource envelope. Public investment in Viet Nam was, however, not well aligned to the national socio-economic development plan. Public investment could have been more efficiently managed from the centre based on the national plan. Under fiscal decentralization, 63 provinces were independently making investment decisions on infrastructure, leading to inefficient investment plans for airports, deep sea ports, provincial universities and hospitals that may have been well in excess of needs.<sup>18</sup>

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<sup>15</sup> UN Agencies in Viet Nam, the Delegation of the European Union to Viet Nam and the Ministry of Planning and Investment of Viet Nam, *Development Finance for Sustainable Development Goals in Middle-Income Viet Nam* (EU-Viet Nam Strategic Dialogue Facility, Hanoi, December 2014), VII.

<sup>16</sup> Deepak Mishra, *Viet Nam Development Report 2012: Market Economy for a Middle-Income Viet Nam* (World Bank, Washington DC, 2011), 16.

<sup>17</sup> UNESCAP, ADB, and UNDP, *Making it Happen: Technology, Finance and Statistics for Sustainable Development in Asia and the Pacific* (UNESCAP, ADB and UNDP, Bangkok, 2015), viii.

<sup>18</sup> UN Agencies in Viet Nam, the Delegation of the European Union to Viet Nam and the Ministry of Planning and Investment of Viet Nam, *op.cit.* note 16, 24.

Policy implication in this area is to improve quality of public investment and spending based on a medium to long-term strategic investment plan in line with the national development plan. Strategic infrastructure investment should be reviewed at the national level.

### *3. Public-Private Partnerships*

Managing social equity will be a challenge. In many developing countries, public services such as schools and hospitals are increasingly provided by the private sector. The middle class in these countries welcome such widened options of private schools which are perceived to provide better quality education. There are two challenges that the state faces in employing this new type of public service provision by the private sector. The first aspect is social equity. If the public services are provided by the private sector, the poor will not be able to afford such costs. In Cambodia, the price hikes of medical services are pressuring the poor's disposable income. The second challenge is quality of services provided by private schools and private hospitals. In Cambodia, there are more foreign-invested private universities offering faculties which require less initial investments. Finance, accounting and business administration are popular faculties for both students and investors, resulting in an over-abundance of human resources in one sector, consequently, creating gaps between demand and supply in the job market. In China, citizens encountered problems when private hospitals and private schools could not provide good-quality public services. Malpractice and low standards in hospitals were not dealt with by the state as they were considered off-budget private activities.

Policy considerations in this area include the government's responsibility for provision of public services for the poor, as well as the government's regulatory and monitoring functions to ensure the quality and standards of public services offered by the private sector. At the same time, checks and balances mechanisms need to be established by separating functions in order to avoid monitoring their own public service provision.

## ***C. Challenge to Build Resilience***

The development gains made in these countries are still fragile with a large percentage of the population being highly vulnerable to external shocks. The main sources of vulnerability derive from sudden sickness of family members, natural disasters and economic shocks such as major falls in commodity prices or unsustainable consumer credit. The economic vulnerability index, one of the LDC graduation criterion, considers two types of shocks: trade and natural shocks.

### *1. Economic Shocks: Vulnerability to Financial Openness*

MICs face increased vulnerability to financial openness. With regional and global integration, MICs have liberalized their financial markets in order to gain easier access to capital. The financial economic crises which hit Thailand and the ROK in 1997-98 were caused by their exposures to short-term capital from the financial market which could not be repaid. Similarly, Cambodia, a small dollarized economy, experienced an economic downturn in 2009 after the global financial and economic crisis in 2008. Overuse of unregulated micro-finance and consumer loans can be a source of vulnerability.

Policy considerations are required regarding social protection for the excluded segments of the population: the chronic poor, the disabled, HIV-infected and affected, the elderly, and the unemployed.

## *2. Natural Shocks: Natural Disasters and Vulnerability to Climate Change*

Cambodia is among the top ten countries in terms of vulnerability to climate change because of its dependence on agriculture, the high proportion of people residing in lowlands and the limited national capacity to cope with the related challenges and costs. International assistance is required to strengthen the national institutional capacity for data collection, early warning systems and recovery mechanisms in addition to humanitarian responses. In Viet Nam, the most prosperous economic centre, Ho Chi Minh City and surrounding agricultural farm lands in the Mekong River Delta, is already affected by the rising sea level, floods and salinization of lands.

A challenge for these countries is collecting data on damages after natural disasters in order to respond to the needy. National mechanisms also need to be established to focus on fostering closer coordination of public investment and social provisioning among national and sub-national authorities. This will include coordination in the rollout and financing of social protection schemes, livelihood and extension support, disaster risk reduction and early warning systems.

## *3. Natural Resources Management and the Environment*

Some developing countries rely on extractive industries to promote growth. In rural areas of Cambodia and Lao PDR, the livelihood of the people are largely dependent on forestry resources and non-timber products. The forestry areas of Southeast Asia are rapidly declining and the quality of the forest is also degrading. Economic growth is driving destruction of pristine forests in the region. While Viet Nam has banned illegal logging internally, it has crossed borders to source from neighbouring countries. Cambodia is moving in the right direction by transforming its legal framework from a primary focus on commercialization of natural resources to their more sustainable management.

During the high economic growth period, the government and the private sector plan to promote spatial integration and establish special economic zones to facilitate vertical integration and exports; this can lead to regional development planning and public investment on infrastructure. The experience of the disastrous pollution caused by rapid growth in the 1960s in Japan should be shared as a lesson learned with towns building factories and economic zones. It took a decade for Japan to recognize environmental rights and start tackling all sorts of pollution – air, water, and photochemical smog and providing social protection to the victims.

The policy implications are to take proactive measures to adapt to climate change and build the resilience of the people. These include personal savings, plans to cope with natural disasters, financing mechanisms, and climate-proofing of infrastructure.

## ***D. Fostering Voices and Participation***

### *1. Participation in Development*

The US Agency for International Development points out in a report that “over the past four decades, states with a youthful age structure have proven to be the most vulnerable to outbreaks of intra-state conflict and political instability”.<sup>19</sup> MICs which go through a demographic bonus period have more voices of the young and rising middle class demanding their rights, opportunities, clean environment and access to justice.

Governments need to conduct public consultations with the stakeholders when introducing new policies and legislation as well as in deliberations by parliaments. They need to mobilize, promote, and recognize such civic engagements in public policy. The important contribution of non-governmental and civil society organizations need to be recognized.

### *2. Gender Equality*

One of the important lessons from some advanced Asian countries shows that the number of children that a woman has in life dramatically declines when they achieve rapid economic growth. Such trends were observed in Japan, the ROK, and Singapore. This reflects the social and cultural expectations of the role of women and additional burdens that women are expected to take in supporting children and family. Gender equality policies that allow women to participate in economic, social, and political decision-making processes will guide societies towards more productive economies. The challenge is to have this long range foresight when the countries go through a demographic bonus period and have large energetic young populations. This is an important period to establish laws that ensure equal employment opportunities, invest in girls' education, facilities for working women, systems to monitor gender equality through target-setting and institutionalizing strategies, and social protection for single women households and elderly. In order to achieve these goals, equal representation of women leaders in decision-making positions across the board – in the government, parliament and private sector – is crucial.

The 2030 Agenda for Sustainable Development and Sustainable Development Goals provides an opportunity to localize national priorities for the countries in which they can start measuring what matters most.

## **IV. CONCLUSIONS**

The paper revisited the question of measurement of ‘quality of growth’ commensurate to the level of development beyond economic growth alone, and examined the four challenges that lower MICs face in steering inclusive growth through human capital formation, financing development, building resilience against economic and natural shocks, and reflecting the

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<sup>19</sup> US Department of State, The US Agency for International Development (USAID), National Defense University, Woodrow Wilson International Center for Scholars, Edited by Steven Gale and Sarah Jackson, *The Future Can't Wait: Over-the-Horizon Views on Development*, (USAID, Washington DC, September 2013), 25.

voices of citizens in development. Three common approaches to these challenges present themselves for policy considerations and partnerships:

1. Measurement of what matters for people-centred development: A fundamental challenge for countries is to define their strategic long-term vision and translate it into measurable terms that cover more than just GNI per capita. There is the need for additional measurements that gauges the society's overall well-being.

In order to pursue this goal, lower MICs require capacity building to be able to collect and analyse sets of data to monitor the quality of growth, including quality of human capital, living standards, citizen's feedback on social service provisions and the environment, as well as more specific data on the needs of those who are deprived of opportunities to participate in growth – the unemployed, poor, landless, disabled, retired and elderly.

Innovative technologies could be employed to collect data and fill information gaps. For example, satellite images of forest areas could facilitate identification of degradation of forestry and possible drivers of deforestation. With information technology, people themselves could participate in providing local information on weather impacts on agriculture, natural disaster damage, environmental impacts, gender equality, etc.

2. Institutionalization of long-term strategies: It is important to recognize the demographic dividend period as an opportunity to put public systems in place that consolidate the foundations for mature societies. Governments play an important role in institutionalizing a strategy for 'quality of growth'. Such systems include national plans and policies; institutional arrangements; legislation; and capacity building. For emerging lower MICs, establishing an institution to lead and coordinate industrial development policy with human capital formation and mobilization of investment is considered a step forward. Another area which requires multi-ministry coordination is, for instance, the environment, green growth policy and climate change challenges. As for legislation, urgent attention should be given to ensuring social and environmental safeguards, sound policies and enforceable legislation for promotion of gender equality as well as governance mechanisms to ensure checks and balances and effective rule of law.
3. Policy dialogue and public consultations: More mature societies require public participation in policy-making processes and mechanisms for lodging complaints, grievances and appeals. People, particularly youth, women, and vulnerable groups, should be enabled to actively participate in and benefit equally from growth and development that is sustainable and does not compromise the well-being or natural and cultural resources of future generations.

Lower MICs have a window of opportunity, a demographic bonus period, to address the challenges that this paper examined. By the end of the 2030 Agenda for Sustainable Development, the opportunity will have almost closed. The next 15 years are a critical period to build strong foundations for future generations and sustainable development.

## Abbreviations and Acronyms

AIIB	Asian Infrastructure Investment Bank	GPG	Global Public Goods
AMEXCID	Mexican Agency for International Development Cooperation	GRI	Global Reporting Initiative
AP	Asia and the Pacific	HAI	Human Asset Index
AS	Arab States	HDI	Human Development Index
BIT	Behavioural Insights Team	HIC	High Income Country
BRICS	Brazil, Russian Federation, India, China, South Africa	HLCSSC	High-Level Committee on South-South Cooperation
CSO	Civil Society Organization	IDA	International Development Association
CSR	Corporate Social Responsibility	ICPD	International Conference on Population and Development
DAC	Development Assistance Committee	IDP	Internally Displaced Person
DaO	Delivering as One	IDS	Institute of Development Studies
DCI	Development Cooperation Instrument	IHDI	Inequality-adjusted Human Development Index
DFID	British Department for International Development	ILO	International Labour Organization
DIE	German Development Institute (GDI)	IMF	International Monetary Fund
EECA	Eastern Europe and Central Asia	JICA	Japanese International Cooperation Agency
ECOSOC	UN Economic and Social Council	JPO	Junior Professional Officer
EITI	Extractive Industries Transparency Initiative	LAC	Latin America and the Caribbean
ESA	Eastern and Southern Africa	LDC	Least Developed Country
EVI	Economic Vulnerability Index	LIC	Low Income Country
EU	European Union	MDG	Millennium Development Goal
FDI	Foreign Direct Investment	MFF	Multiannual Financial Framework
FOCAC	Forum on China-Africa Cooperation	MIC	Middle Income Country
FSI	Failed States Index	MIT	Middle Income Trap
GCRI	Global Conflict Risk Index	MMR	Maternal Mortality Ratio
GII	Gender Inequality Index	MPI	Multi-Dimensional Poverty Index
GNI	Gross National Income	NeST	Network of Southern Think Tanks
GOARN	Global Outbreak Alert and Response Network	NGO	Non-Governmental Organizations
		ODA	Official Development Assistance
		ODI	Overseas Development Institute
		OECD	Organisation for Economic Co-operation and Development

## Abbreviations and Acronyms

PAR	Public Administration Reform (Viet Nam)	UNIDO	United Nations Industrial Development Organization
PAT	Policy Advisory Team (Viet Nam)	UNOPS	United Nations Office for Project Services
PI	Partnership Instruments	UNOSSC	United Nations Office for South-South Cooperation
PPD	Partners in Population and Development	UN Women	United Nations Entity for Gender Equality and the Empowerment of Women
PRGT	Poverty Reduction and Growth Trust	WCA	Western and Central Africa
PSG	Peer Support Group	WDR	World Development Report
RCT	Randomized Controlled Trial	WFP	World Food Programme
RR	Reproductive Rights	WGI	World Governance Index
SCT	Social Cash Transfer		
SDG	Sustainable Development Goal		
SIGI	Social Institutions and Gender Index		
SME	Small and Medium Enterprise		
SPI	Social Progress Index		
SRH	Sexual and Reproductive Health		
SSC	South-South Cooperation		
TrCo	Triangular Cooperation		
UN	United Nations		
UNEP	United Nations Environmental Programme		
UNFPA	United Nations Population Fund		
UNDAF	United Nations Development Assistance Frameworks		
UN DESA	United Nations Department of Economic and Social Affairs		
UN DOCO	United Nations Development Operations Coordination Office		
UNDP	United Nations Development Programme		
UNDS	United Nations Development System		
UNICEF	United Nations Children's Fund		

# **United Nations System Staff College and Hertie School of Governance**

The UN Reflection Series 2016 is a joint project between the United Nations System Staff College Knowledge Centre for Sustainable Development and the Hertie School of Governance. This partnership between a UN agency concentrating on sustainable development and UN policy coherence and an academic institution focusing on public policy and policy advice promises to be a stimulating and innovative endeavour.

The UNSSC is a UN system organization dedicated to offering knowledge and learning services to UN personnel. Through its programmes and services, the UNSSC assists UN organizations and their staff to develop the skills and competencies needed to meet the global challenges faced by the United Nations system. Created by the General Assembly to improve the UN system's effectiveness, the UNSSC is in the unique position to act as an agent of change and innovation from within the system itself.

With support from the Federal Government of Germany, the UNSSC opened the "Knowledge Centre for Sustainable Development" in Bonn to build the capacity of UN staff and partners in the area of sustainable development, so that they can effectively support Member States in implementing the "2030 Agenda for Sustainable Development".

The Hertie School of Governance is one of the leading professional schools for public policy and management in Europe. It prepares exceptional students for leadership positions in government, business, and civil society and offers experienced professionals the opportunity to deepen their skills in the field of public management. A renowned international faculty with expertise in economics, business, law, political and social science take an interdisciplinary, policy-oriented approach to the School's teaching and research agenda.

Through the partnership with the Hertie School of Governance, academics and development actors from outside the UN will be invited to exchange knowledge, experience and expertise with each other and with colleagues from across the UN system at the UN Reflection Series 2016.



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