GOVERNMENTAL CONFERENCE ON THE MIDDLE INCOME COUNTRIES: 
MADRID, 1-2 MARCH 2007

ROOM DOCUMENT 7

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GOVERNMENTAL CONFERENCE ON THE MIDDLE INCOME COUNTRIES
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The Spanish Ministry of Foreign Affairs wishes to inform you that next 1st and 2nd of March will take place in Madrid a governmental conference on the Middle Income Countries.

A letter from the Spanish Ministry for External Affairs Mr Miguel Angel Moratinos and Mr José Manuel Ocampo Under Secretary General of the Economic and Social Affairs Department of the United Nations Secretariat –General will be sent to every country included in the list elaborated by the DAC about the Middle Income countries (both Lower and Upper Middle Income Countries).

It is planned to have in this meeting the attendance of all the Ministers of Development of these countries as well as the representation of the main international organisations.
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THE INITIAL APPROACH

The international community has in recent years taken significant steps toward a concerted and more precise definition of its commitment to the fight against poverty. It has been possible with the Millennium Declaration and the subsequent establishment of the Millennium Development Goals to shape an agenda of basic accomplishments in the development sphere which commits the international community as a whole. That advance has been accompanied by a programme of reforms to the system of co-operation for development which has tended to ensure greater empowerment of the recipients of aid, and enhanced coordination, harmonisation and alignment of donor policies.

A first step in this direction was the use of Poverty Reduction Strategies as the programmatic framework for action by both local governments and official development agencies. This approach has been complemented by donors’ resort to more committed and ambitious intervention formulas, like those defining broad sector approaches (SWAp), and to financing formulas such as direct budget aid which allow greater donor consensus and enhance the aid recipient’s management capacity.

These major changes in thinking on development co-operation went hand in hand with greater emphasis on the need to direct resources more intensively, and focused on the social sectors and countries where shortfalls were greatest. Thus greater attention was demanded for regions such as Sub-Saharan Africa where poverty rates are higher. This is an entirely reasonable aim, not just because extreme poverty amounts to a radical denial of personal rights, but also given the need to genuinely move forward on the ways in which international aid is effective, necessarily implying a more efficient allocation of resources.

The new focus of aid may however give rise to unwanted effects, should the desirable emphasis on the fight against poverty lead to an abandonment of the comprehensive backing the international community must give to the development efforts of all the countries involved. This is a process which may essentially affect the broad and heterogeneous group which both the World Bank and OECD Development Aid Committee place under the general heading of middle income countries. This is not a purely theoretical circumstance: a variety of donors have decided to withdraw from these countries, at the same time as reducing the proportion of aid directed to them.

There are however important reasons which would justify continuing properly defined and graduated support from the international community to this group of countries, among them the five following:

i) Something more than 40% of the planet’s poor population live in these countries, on less than 2 dollars a day, according to DAC List of ODA recipients.

ii) The vulnerability of their development achievements, suffering as they do frequent declines in their material welfare as a consequence of internal crises or external shocks.
iii) These countries’ contributions to the provision of international public assets may prove decisive, so that their input must be strengthened, to the benefit of the international community as a whole.

iv) Their development successes may have inducing effects in terms of progress in regional settings in the developing world, given the significant weight of some of them.

v) A co-operation system has to be built which is incentive-compatible with development aims, avoiding the negative incentives which would arise from a clear and abrupt frontier with the countries which are the targets of international support. In short, the developing world has become increasingly complex and diverse, and the international community has to respond adequately to this diversity. That means working toward an international co-operation system with an integrated focus and which is able to accompany countries’ development efforts until they are fully consolidated, graduating aid according to a recipient’s level of development.

However, because development levels do differ from one country to another, the objectives and the interrelation of the co-operation policies and tools they need must also differ from those employed for the poorest countries. The international community’s framework of aid to the poorest countries has become increasingly refined. Part of that response is seen in the Millennium Development Goals as an agreed agenda, Poverty Reduction Strategies as the programmatic frame for action, and the use of programmatic approaches with direct budget support for the management of aid. There has however been no similar effort to define the objectives, strategies and the most appropriate tools for the international community to support middle-income countries’ development drive. It may well be that the heterogeneous nature of the countries making up this broad group does not allow single, universal responses, making this another reason for further treatment of the content and the approach most suitable in each case.

The Intergovernmental Conference on “Co-operation with Middle Income Countries” seeks to make up for this deficit, and to try to encourage some thought about fundamentals, the approaches to and instruments for co-operation with this broad group. More specifically, the Conference proposes the following aims:

a) To further the definition of the middle income countries, attempting the most comprehensive diagnosis possible of their development needs, regarding their heterogeneity, their own special characteristics and particular determining factors.

b) To define all the arguments justifying the international community’s backing to middle income countries if it is wished to reach effective targets in the field of development on an international scale.

c) To analyse those areas where international backing would be more relevant, according to diagnoses of such countries’ shortfalls and needs.

b) To examine the role of the various players in co-operation policy with the middle income countries, giving thought to the role of donors, international bodies and the developing countries involved.

e) Finally, to debate the most suitable tools for work in the field of international co-operation with this group of states.

In line with these specific goals the Conference, convened by Spain in collaboration with the Economic and Social Affairs Department of the United Nations Secretariat-General, proposes to bring together representatives of countries defined as middle income, those from International Bodies (financial and non-financial) and the donors, to move forward with the backing of expert
opinion in thinking on the international community’s response to the development needs of this group of countries.

This reflection links with the international community’s remit from the Monterrey Conference on Financing for Development, calling on it to examine those aspects of the international system requiring reform to expand the opportunities for the economic and social progress of developing countries, making the Millennium Development Goals’ achievements more secure and irrevocable.

In line with its aims, the Conference’s agenda is programmed into a structure dealing with the following aspects:

1.- The inclusion of middle income countries in trade, and their competitive advantages
   1.1.- Infrastructures and growth
   1.2.- Commercial advantages and trade rules
   1.4.- Technological development and competitive advantages
   1.5.- Regional integration processes

2.- Financial stability in middle income countries
   2.1.- Local financial markets and development
   2.2.- Contribution of migration remittances
   2.3.- Access to international financing
   2.4 - Financial stability and macroeconomic management

3.- Social cohesion and democratic governability
   3.1.- The fight against inequality and poverty: the design of social policy
   3.2.- The role of the fiscal system
   3.3.- The quality of institutions

4.- International co-operation with middle income countries
   4.1.- The role of bilateral donors
   4.2.- The role of international bodies
   4.3.- Financial and non financial Cooperation Tools: Technical Capacity Building, Budget Supports, grants and loans for projects.
   4.4.- The contribution of MICs to help providing global public goods.
   4.5.- South-South co-operation: middle income countries’ responsibility