



The Directorate-General for International Cooperation and Development of the European Commission,
the OECD Development Centre and
the Economic Commission for Latin America & the Caribbean (ECLAC)
present:

Next steps for Development in Transition

MEETING BOOKLET

Brussels, Belgium

18 May 2017

Room JENK
Charlemagne Building
Rue de la Loi, 170

MEETING FORMAT

This meeting is designed to be a dynamic and interactive discussion.

Each session will be introduced and guided by lead speakers and followed by frank conversations among participants, sharing their experiences and expertise on the issues. To promote lively exchanges, all are asked to keep their remarks brief. Breakout sessions will limit formal presentations in favour of small group dialogues on the challenges and opportunities.

The essence of these candid interactions will feed into a final written statement summarising the main discussion points and the agreed way forward.

In addition to confirmed lead speakers, other participants in this meeting include high-level European representatives, co-operation agencies, think tanks, the business community and other relevant development circles.

All are invited to participate fully.



BUILDING ON THE MOMENTUM

The European Commission's Directorate-General for International Cooperation and Development (DEVCO) is currently reviewing its international development policy in light of the 2030 Agenda with the goal to lead by example. EU Member States and the European Parliament are discussing a new European consensus on development in which the EU aims to lead the design of new development partnership tools. At the core of these partnerships and tools will be dialogue on public policy and reform, taking into account the diversity of middle-income countries and the need for tailored approaches. These partnership tools will promote best practices, technical assistance and knowledge-sharing. In addition, the EU and its Member States will engage in co-operation and dialogue with those middle-income countries that are becoming emerging donors to exchange best practices, promote South-South and triangular co-operation, and work together to support less advanced countries in implementing the 2030 Agenda.

Middle income countries have been at the heart of **the OECD's Development Centre's** efforts for many years. The Centre has analysed the changing landscape or "*shifting wealth*" process that brought many countries in the 2000s to higher income levels. In the context today of a declining "*shifting wealth*", the Centre is analysing the middle-income trap by focusing on policy options, new partnerships and tools that would support these countries in moving beyond this trap. To this end, the Centre convened a meeting on *Development in Transition* on 13-14 December 2016. The Development Centre's globally representative membership from Africa, Asia and Latin America and its policy-oriented work, particularly with low-income and middle-income countries, makes it a useful place, among others, to convene and guide this conversation. The inaugural discussion focused on the challenges countries face as they move from one income group to another, how income measures of development often misrepresent the realities in these countries, and how existing international co-operation and partnership tools have and have not responded to the challenges.

The Economic Commission for Latin America and the Caribbean (ECLAC) is constantly referenced by countries in the Latin America region as a key source for feeding the discussions around this topic. ECLAC undertakes vast efforts in gathering, interpreting and disseminating information and data relating to the economic and social development of the region. It works directly with governments by promoting development co-operation activities and projects of regional and sub-regional scope. It plays a key role in helping to bring a regional perspective to global problems and forums and introducing global concerns at the regional and sub-regional levels. All these endeavours make ECLAC a key player and an useful tool for countries in supporting and advancing this debate.

What is clear is that the conversation is just beginning. There is a strong desire to pursue this dialogue, since it helps fill the knowledge gap on the consequences of countries' *transitions* and the responses from *development co-operation* in terms of financial and nonfinancial angles. The time is now to redefine development co-operation tools and frameworks. More and more countries are profoundly interested in this topic. Thus, the European Commission's Directorate-General for International Cooperation and Development (DEVCO), the OECD Development Centre, and the Economic Commission for Latin America & the Caribbean (ECLAC) welcome the opportunity to partner in the *Next Steps for Development in Transition*. This Agenda is designed to discuss those next steps for the way forward.



DAY AT A GLANCE

9:00 to 9:30	Welcome coffee
9:30 to 9:50	Opening speech: Putting people at the centre of a changing world
9:50 to 11:15	Session 1: A New Agenda for Development
11:15 to 11:30	Coffee Break
11:30 to 13:30	Session 2: Vulnerabilities and the Blurry Middle
13:30 to 15:30	Lunch and Roundtable: Perspectives from the Development Banks
15:30 to 15:45	Coffee Break
15:45 to 17:30	Session 3: Rethinking international co-operation tools
17:30 to 18:00	Conclusion: Next steps for Development in Transition



AGENDA

9:00 to 9:30 **Welcome coffee**

9:30 to 9:50 **Opening speech: Putting people at the centre of a changing world**

- *Stefano Manservigi, Director General, International Cooperation & Development, EC*

9:50 to 11:15 **Session 1: A New Agenda for Development**

Four international agreements were signed in 2015: the 2030 Agenda for Sustainable Development with the 17 Sustainable Development Goals, the Addis Ababa Action Agenda on financing for development, the Sendai Framework on Disaster Risk Reduction and the Paris Climate Agreement. Collectively, these agreements outline a new development agenda that reflects common and interconnected priorities, eroding traditional definitions of donor and recipient countries and replacing it with an understanding that the realisation of sustainable development applies to and includes all countries. At the same time, the multidimensional character of the 2030 Agenda challenges us to reflect on an approach that takes into account several elements that influence the development of a country beyond GDP per capita. This new agenda asks development actors to rethink and redefine their roles and actions moving ahead, and it further stresses the challenge of “development” as a moving target.

Simultaneously, in 2010, the *shifting wealth* process, as described by the OECD Development Centre, exposed the underlying challenges and vulnerabilities faced by countries as they move towards higher per-capita levels of income. Recent economic developments confirm this situation and have proved the inadequacy of income-based indicators to be the sole measures of development. We need to improve our understanding of development if we want to be effective partners to countries looking for support.

This opening session looks at what it will take to align the new development agenda with the much needed redefinition of development and the subsequent roles for the global community.

Key discussion questions:

- What describes the new world economy configuration and how did we get here?
- How do development actors need to change their approaches and tools for the new development landscape?
- How can we improve our understanding of “development” as a moving target to be effective partners for countries looking for our support? How can we align traditional co-operation efforts with broader support to ensure coherence and optimal results?
- What are the best suited approaches to achieve the global development goals to advance the current cross-sectorial and universal development agenda? What role do resources, technical assistance, co-creation of policies, and the ability to transfer resources into development outcomes or norm-setting play?



Moderator: Dharmendra Kanani, Director of Strategy, Friends of Europe

Lead speakers:

- *Alicia Barcena, Executive Secretary, Economic Commission for Latin America & the Caribbean, UN-ECLAC*
- *Mario Pezzini, Director, OECD Development Centre, Special Advisor to the OECD Secretary-General on Development*
- *Christian Leffler, Deputy Director-General, DG for Development and Relations with African, Caribbean and Pacific States, European External Action Service*
- *Ibrahim Mayaki, Chief Executive Officer, New Partnership for Africa's Development (NEPAD)*

Open discussion

Notes: Session 1: A New Agenda for Development



11:15 to 11:30 *Coffee Break*

11:30 to 13:30 **Session 2: Vulnerabilities and the Blurry Middle**

Remaining poverty and inequality, vulnerable middle classes, inadequate domestic resources to fund public policies and services, lack of capacity to diversify production, or lack of integration into regional and global value chains are just some of the vulnerabilities faced by countries that manage to move into higher income levels. Indeed, the current country classifications by income often mask the development gaps that continue to persist in both lower and upper middle-income countries.

Middle-income countries (MICs) are at the forefront of a wide and uncharted territory in development. Understanding transition and MICs' development process has implications we cannot ignore. Typically, these countries grow rapidly in their early stages of development, but they tend to stagnate when they approach middle levels of per-capita income (middle-income trap). Different sources of growth become more important at this stage, and countries can struggle to prioritise the right policies to make the necessary adjustments to further growth.

As they confront these development bottlenecks on one end, MICs also are at the forefront of identifying and leveraging the positive spill-overs they can have for regional development vis-a-vis their neighbours. These include, for example, trade- and financial-related spill-overs, like technology transfers and other efficiency gains, or indirect spill-overs such as influencing confidence in neighbouring countries. Globally, they can also help build regional resilience grounded in mutually-beneficial trade, transfers of remittances, health standards and security.

This session looks at the persisting vulnerabilities MICs face as well as at the barriers these countries confront. Struggles to access affordable financing or to benefit from technology and knowledge transfers might be pushing MICs to fall backwards in their development and hampering their efforts, ultimately, for an inclusive development transformation. Simultaneously, how the donor community responds to MICs as they face their vulnerabilities is a key component of any dialogue to chart next steps for development in transition. The perspectives of donor countries, like those in Europe, will help shape the response. Additional perspectives from multilateral development banks during the lunchtime Rountable and from think tanks and the private sector in Session 3 will add to the ongoing discussion to find the best tools, practices and policies to meet the development gaps in MICs.

Key discussion questions:

- What are the remaining development challenges in key transitioning countries despite good growth performance? Do MICs share development challenges? Can different groups of countries be identified within income groups according to their development patterns and challenges?
- Why do some countries face a middle-income trap or the tendency to stagnate when they approach middle levels of per-capita income)? What different sources of growth become more important at this stage?
- Does the traditional development co-operation system hamper the further development of MICs and other countries in transition by failing to address these gaps? What are some of the consequences for countries in transition facing reduced ODA and credit benefits? What are the development gaps that remain unmet?



- How can the global community, starting with the Europeans, further support MICs and other countries in transition?

Moderator: *Mario Cimoli, Director of the Division of Production, Productivity and Management, UN-ECLAC*

Views from MICs:

- *Jaime Miranda, Vice Minister of Development Cooperation, El Salvador*
- *Baso Sangqu, Ambassador of South Africa to the Kingdom of Belgium, the Grand Duchy of Luxembourg and the Mission to the European Union*
- *Noel Gonzalez Segura, Coordinator of Multilateral and Regional Forums and Mechanisms on International Cooperation for Development, AMEXCID, Mexico*
- *Enrique O’Farrill, Head of the Bilateral and Multilateral Cooperation Department, The Chilean International Cooperation Agency (AGCID)*
- *Ana Ciuti, Development Cooperation, Ministry of Foreign Affairs, Argentina*
- *Andrea Vignolo, Head of the Cooperation Agency, Uruguay*

Open discussion

Notes: Session 2: Vulnerabilities and the Blurry Middle



13:30 to 15:30 Lunch and Roundtable: *Perspectives from Multilateral Development Banks*

Multilateral development banks are key in the search for different and innovative international co-operation tools that respond to new realities. Explore their perspectives over lunch.

Key discussion questions:

- How are multilateral development banks adapting to the new Agenda 2030? What are the volume and the focus of activities across different groups of countries, depending, for instance, on income levels?
- What is the inventory of instruments, not just loans but also technical assistance and other activities, devoted to helping MICs overcome critical and binding constraints to development?
- How do multilateral development banks respond when a country moves to higher income levels and ceases to be an ODA recipient? How does support change in terms of amounts, sectors, priorities?
- Are multilateral development banks putting in place innovative systems, approaches and partnerships for countries in transition as they face less access to concessional funding, technical assistance or knowledge transfer?

Moderator: *Mario Pezzini, Director, OECD Development Centre, Special Advisor to the OECD Secretary-General on Development*

Lead speakers:

- *German Rios, Corporate Director for Strategic Affairs, Development Bank of Latin America (CAF)*
- *Ignacio Corlazzoli, Office for Europe, Inter-American Development Bank (IDB)*
- *Sabyasachi Mitra, Deputy European Representative, Asian Development Bank (ADB)*
- *Svenja Petersen, Principal Economist, Economics, Policy & Governance, European Bank for Reconstruction and Development (EBRD)*

Open discussion

Notes: Lunch and Roundtable: *Perspectives from Multilateral Development Banks*



15:30 to 15:45 *Coffee Break*

15:45 to 17:30 **Session 3: Rethinking international co-operation tools**

The Addis Ababa Action Agenda sets a new context for development finance requiring a more holistic view of all development finance flows. First, ODA remains an important pillar of development finance, but its role is changing in the new context as we look to amplify its catalytic potential of financing and contributing to the policy agenda. Second, other means of implementation are crucial to achieving the SDGs, including domestic resources, domestic and international private business and finance, international trade, debt and debt sustainability, addressing systemic issues, and science, technology, innovation and capacity-building.

Countries' transition into higher levels of income often hide their inabilities and inexperience to address such key issues as domestic resource mobilisation (DRM), regional disparities, inequalities, and weak or dependent social expenditure frameworks. Transfers of knowledge and technology as well as exchanges of expertise and experiences on public policies are crucial for these countries to avoid falling back to lower levels of income.

At the same time, a higher level of income goes in parallel with a greater capacity to contribute to the implementation of the 2030 Agenda, both domestically and internationally by having an increasingly significant impact on global public goods and challenges, like climate change.

Countries themselves offer real-world, on the ground evidence on what is working to help transition. They are on the frontline of transforming conceptual and analytic understanding into an actionable and measurable implementation plan for successfully and sustainably transitioning. In today's 2030 Agenda, providers of development assistance, at different levels of development, have a genuine role to play in contributing to the development of partner countries in transition.

This session will provide some examples of the financial and non-financial tools, including South-South and triangular co-operation, that already exist and are being applied to achieve impact. Equally key is discussing what innovative tools and approaches still need to be designed and added to the mix, and why. Additional options need to be explored to modify and adapt existing tools and frameworks to the new reality, creating new partnerships between donors at different levels of development.

Key discussion questions:

- What is the international community's role in ensuring a successful and sustainable transitioning for countries? What new partnership modalities can be envisaged to this end? Could existing and new South-South and triangular co-operation efforts be leveraged to support these transition processes? How?
- How well do we understand transition and its implications? What are the international community's knowledge gaps? What new measures for development capacities and outcomes are needed?
- What non-financial tools could countries use to help them face evident gaps due to transition? What is the role of knowledge sharing, policy exchanges, technical assistance? Could we envision designing innovative tools and approaches and adding them to the mix?



- What degree of flexibility do current financial instruments linked to ODA have for filling the gaps during the transition period? Could tailored financial instruments for countries in transition be envisioned? Can ODA's catalytic potential be used to support these countries and how?

Moderator: *Jolita Butkeviciene, Director, Latin America and Caribbean, Directorate General for Development and International Cooperation, European Commission*

Lead Speakers :

- *Martine Durand, Director, OECD Statistics Directorate*
- *Jorge Moreira da Silva, Director, OECD Development Co-operation Directorate*
- *Jorge Chediek, UN Envoy on South-South Cooperation*
- *Patrick Child, Deputy Director General for Research and Innovation, European Commission*
- *Nadia Gallo, Associate Director European Programs, International Development Services, Mazars*

Open discussion

Notes: Session 3: Rethinking international co-operation tools



17:30 to 18:00 **Conclusion: Next steps for Development in Transition**

- *Alicia Barcena, Executive Secretary, Economic Commission for Latin America & the Caribbean, UN-ECLAC*
- *Mario Pezzini, Director, OECD Development Centre, Special Advisor to the OECD Secretary-General on Development*
- *Klaus Rudischhauser, Deputy Director-General, International Cooperation & Development, EC*