

# Achieving the Millennium Development Goals: The Middle-Income Countries

A strategy for DFID: 2005–2008



## CONTENTS

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	<b>Page</b>
<b>Summary</b>	<b>2</b>
<b>1. Introduction</b>	<b>3</b>
<b>2. The Challenge</b>	<b>6</b>
<b>3. The Vision – a more effective international system</b>	<b>11</b>
<b>4. DFID's contribution</b>	<b>14</b>
<b>Annex 1. The Millennium Development Goals</b>	<b>18</b>
<b>Annex 2. List of Middle-Income Countries – as derived from the Development Assistance Committee (DAC) list of aid recipients, 2003</b>	<b>19</b>
<b>Annex 3. Middle-Income Countries ranked by Human Development Index value, 2001</b>	<b>20</b>
<b>Annex 4. DFID bilateral assistance to Middle-Income Countries (£ 000)</b>	<b>22</b>
<b>Annex 5. UK imputed share of multilateral oda expenditure delivered to Middle-Income Countries (£ 000), 2001</b>	<b>25</b>
<b>Annex 6. List of acronyms</b>	<b>28</b>

## SUMMARY

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1. Middle-Income Countries (MICs) are critical to the achievement of the Millennium Development Goals (MDGs). Nearly a third of those living on less than US\$1 a day live in MICs, and not all MICs are on target to meet the MDGs. In addition, through their role in shaping global policies, MICs have a major influence on whether the MDGs are achieved worldwide.
2. MICs face particular challenges in achieving the MDGs, such as inequality, social exclusion and economic and financial vulnerability. In many MICs this vulnerability is exacerbated by HIV and AIDS. The Low-Income / Middle-Income Country categorisation does not reflect these challenges and vulnerabilities. But it does determine donor actions and the volume and terms of lending available to MICs. There is a danger that MICs may not be able to access finance and knowledge on the right terms to achieve the MDGs.
3. Overall, MICs receive US\$17 billion of net global concessional development assistance – including 43% of bilateral official development assistance (oda). But this assistance is not achieving poverty reduction, and many MICs risk falling back into low-income country (LIC) status.
4. Aid and official flows to MICs are not as effective as they could be. There is no international agreement on the purpose of aid in MICs; no systematic approach to graduation; the MDGs are not always embedded in donors or MIC governments' development plans; grants and loans are not always applied predictably, flexibly or according to needs; and donors often treat MICs as aid recipients only – ignoring their important influence on global policies.
5. A more effective international system is needed to achieve the MDGs in MICs. This must be built on a partnership with mutual goals and accountabilities. This system should ensure that financial assistance and advice is used effectively by tailoring support to individual country needs and ensuring partners work to their comparative advantage. Donors must commit to MDG 8<sup>1</sup> including through support for trade reform and adherence to Organisation for Economic Co-operation and Development (OECD) guidelines on best practice.
6. DFID will help to achieve the MDGs in MICs by focusing on improving the effectiveness of the international system in MICs. Our aim is to secure an international consensus on the role of aid in MICs, built on partnership between MICs and donors. We will work with our international partners to improve their ability to target poverty in MICs, and support reforms in international trade and other global policies necessary to achieve MDG 8.
7. We will focus our limited bilateral assistance for MICs on countries and issues where we can add value to the wider international effort. This will include large, strategically important countries that affect the achievement of the MDGs regionally or globally; the poorest MICs (those that are eligible for concessional assistance through the International Development Association [IDA] and/or debt relief under the Heavily Indebted Poor Countries [HIPC] initiative); and MICs that are vulnerable to falling back to LIC status. Our work will build on our comparative advantage in poverty analysis, social development and governance.

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<sup>1</sup> See Annex 1: The Millennium Development Goals for more details

## I. INTRODUCTION

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**1.1** Donors should be engaged with Middle-Income Countries for two main reasons:

**1.2 Poverty reduction and achieving the Millennium**

**Development Goals:** Middle-Income Countries (MICs) are critical to the achievement of the MDGs. Nearly a third of those living on less than US\$1 a day live in MICs, and not all MICs are on target to meet the MDGs (see Box 1). MICs also have an important impact on whether the MDGs are met globally – partly through the impact MICs have on Low-Income Countries (LICs), and partly because of their increasingly influential role in global policy-making.

**1.3 Aid effectiveness:** Some US\$17 billion of net global concessional development assistance – including 43% of bilateral official development assistance (oda) – is spent in MICs.<sup>2</sup> Overall, MICs are over-aided – receiving more concessional aid than poverty and MDG-related needs imply. Yet this assistance is not achieving poverty reduction and many MICs have fallen back into LIC status (see Box 2).

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<sup>2</sup> Source: DAC, 2002

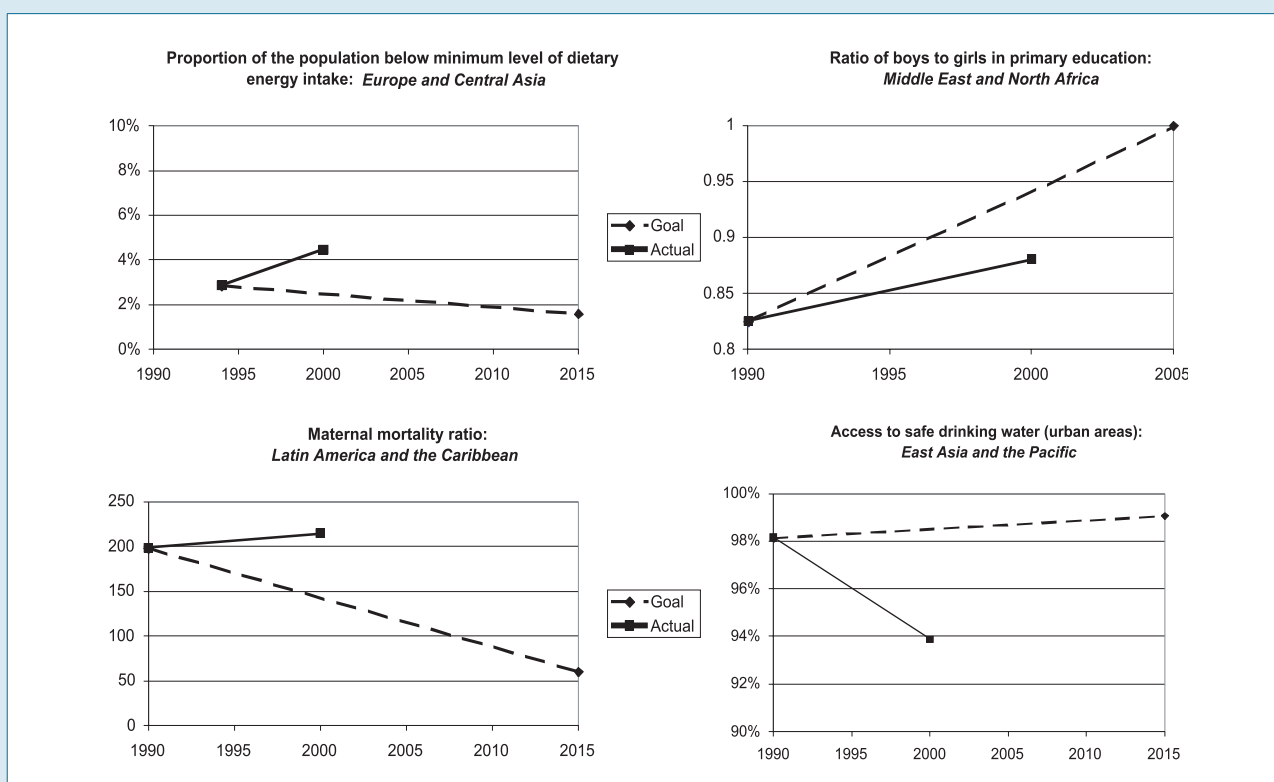
## I. INTRODUCTION

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#### BOX 1: MIDDLE-INCOME COUNTRY PROGRESS TOWARDS THE MILLENNIUM DEVELOPMENT GOALS

2.6 billion people live in 76 Middle-Income Countries.<sup>1</sup> Half of them live in China. Few – if any – of them live in a country that is likely to meet all of the development targets laid out in the Millennium Declaration. For most, progress over the next 11 years will be slow and uneven, just as it has been since 1990.

- Most of the MDG targets show mixed progress, with MICs in some regions of the world apparently 'on track', while those in other regions are falling behind. The target of eliminating gender disparity in primary education is exceptional in that it will not be met in any regional grouping of MICs.<sup>2</sup>
- Most of the regional groupings of MICs also show mixed progress, being 'on track' for some MDGs and 'off track' for others. Exceptionally, the sub-Saharan African MICs are 'off track' for all targets except – possibly – that which calls for a halving of the proportion of the population affected by food insecurity.
- Even within regions, the experience of different MICs can be heterogeneous: every region with more than one MIC, except for sub-Saharan Africa, has MICs which are 'on track' to meet the child survival goal and others which are not.
- Even within each country, there can be contrasting experiences: The MICs of the Latin America and Caribbean have made good progress improving access to safe drinking water in urban areas, but poor progress in rural areas. The opposite has occurred in the MICs of the Middle East and North Africa.
- Data is often too poor or incomplete to assess progress on entire goals (such as that which calls for the halving of the proportion of the population living on less than US\$1 per day) or for particular regions.



Sources: Original calculations using data from the World Bank (World Development Indicators, 2004); Food and Agriculture Organization (The State of Food Security in the World, 2003); UNESCO Institute for Statistics, and UNICEF ([www.childinfo.org](http://www.childinfo.org)).

1 We count as Middle-Income Countries all oda-recipient lower middle-income countries and upper middle-income countries below the threshold for World Bank Loan eligibility listed in the DAC list of aid recipients as at 1 January 2003. We also include countries in Central and Eastern European countries (including Kosova) and New Independent States of the Former Soviet Union that are in receipt of official aid.

2 The analysis of gender disparity in primary education is based on the assumption that excesses of girls in some MICs do not compensate excesses of boys in other countries. Other publicly available analyses are based on alternative assumptions.

## I. INTRODUCTION

### CONTINUED

#### BOX 2: INCOME STATUS TRANSITIONS SINCE 1980

Over the last 20 years 38 countries have fallen back from MIC to LIC status, with only 10 managing to return to MIC status in subsequent years.

CHANGE IN INCOME STATUS	NUMBER OF COUNTRIES	EXAMPLES
...fallen back to LIC status and not managed to return to MIC	21	Angola, Azerbaijan, Ghana, Kenya, Yemen, Nicaragua, Tajikistan, Nigeria, Moldova
...fallen back to LIC status, but bounced back to MIC	9	China, Egypt, Guyana, Maldives, Turkmenistan, Armenia
...fallen back to LIC status, bounced back to MIC, but fallen back to LIC	6	Georgia, Indonesia, Lesotho, Togo, Senegal
...fallen back to LIC status, bounced back to MIC, fallen back to LIC, but bounced back to MIC	1	Albania
...fallen back to LIC status, bounced back to MIC, fallen back to LIC, bounced back to MIC, but fallen back to LIC	1	Sudan

Source: World Bank

## 2. THE CHALLENGE

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**2.1 Many MICs are not on track to achieve the MDGs.** MICs show mixed progress towards the MDGs. Progress since 1990 has been slow and uneven, and few MICs are on target to meet all of the goals.

**2.2 MICs also have a major influence on whether the MDGs are achieved worldwide.** Events in MICs have implications for poverty not only within their own boundaries but also regionally and globally.<sup>3</sup> Some important MICs, such as China and Brazil, have large populations including large numbers of poor people. Gains (or losses) in these countries impact significantly on worldwide progress towards the MDGs. MICs also affect the development opportunities facing LICs: They shape global social, environmental and economic developments and have an important influence on multilateral policies. Some MICs are also donors.

**2.3 The Low-Income/ Middle-Income Country classification masks the dynamics of progress towards the MDGs.** The LIC/MIC categorisation is based on Gross National Income (GNI) per capita. But the relationship between average income and progress towards the MDGs is complex, and higher income does not automatically mean less poverty, particularly around the LIC/MIC boundary or in highly unequal countries. Income classification is an important indicator of likely development needs of a country, but tackling poverty in MICs is not only about income. To achieve the MDGs, the poor also need access to opportunities (such as productive assets and markets) and services (such as health and education). If used in isolation, the LIC/MIC classification may mask the dynamics of progress towards the MDGs and the underlying causes of poverty.

**2.4 But definitions matter as they determine donor actions.** Income classifications do, however, have significant implications for the amount and terms of aid countries can access. Income classification guides the terms of assistance available to borrowing countries from the Multilateral Development Banks. Bilateral donors also use income classification as a basis for their graduation plans. But if the LIC/MIC distinction is used without reference to countries' underlying development needs, there is a danger that countries may not be able to access both finance and knowledge on the right terms to achieve the MDGs.

**2.5 In economic terms, MICs as a group are performing well – but the gains are fragile.** Based on income criteria alone, MICs as a group have performed well over the last 30 years, experiencing higher Gross Domestic Product (GDP) growth on average than both Low and High-Income Countries.<sup>4</sup> But progress on economic growth and poverty reduction is fragile and reversible in many MICs, meaning that progress towards the MDGs may not be sustained. Over the last 20 years, 38 countries have fallen back from MIC to LIC status (see Box 2).

**2.6 Many MICs remain vulnerable to shocks.** Despite gains made in economic development, large numbers of people in MICs remain vulnerable to shocks. In many MICs, vulnerability – the extent to which individuals, households or communities are affected by shocks – has been exacerbated by the impact of HIV and AIDS (see Box 3 on the impact of HIV and AIDS in MICs). High levels of inequality in MICs worsens vulnerability, as access to key resources, such as land, is constrained by tenure systems that can work against vulnerable groups, especially women and children.

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<sup>3</sup> For example, it is estimated that South Africa contributes between 10% and 20% of Foreign Direct Investment in Africa.

<sup>4</sup> Between 1991 and 2000 MICs averaged 3.3% GDP growth; worldwide average growth was 2.6%. This strong aggregate economic performance is led by the emerging global economic powers, particularly in Asia.

## 2. THE CHALLENGE

### CONTINUED

#### BOX 3: AIDS AND MIDDLE-INCOME COUNTRIES

- HIV and AIDS rates vary significantly between different MICs. **Prevalence rates in Southern African MICs are the highest in the world** and are not receding. HIV and AIDS will also have an increasing impact on MICs with lower prevalence, particularly those with large populations where confined epidemics threaten the general population. Countries of the Former Soviet Union have some of the fastest growing HIV epidemics in the world, and high rates of other communicable diseases.
- The impact of AIDS is felt within but also between all countries, whatever their per capita income, and **there is a strong regional dimension to HIV**. For example, there are strong links between drug use and commercial sex workers, often economic migrants from poorer countries, in Latin America and the Former Soviet Union. In Southern Africa labour migration and informal business movement are important economic contributors, but they leave significant numbers, particularly women, vulnerable to HIV and AIDS.
- Strong leadership and **effective strategies in large regionally significant MICs would have positive spill over effects** on the epidemic across their respective regions. **Large MICs can also take the lead** on issues that require regional, as opposed to country, responses. For example, Russia and South Africa are encouraging the development of domestic drug manufacturing capacity. Production capacity could gain a significant boost through fast track Food and Drug Administration approval. Other important areas include capacity to monitor regional trends in resistance, and to track the impact of global initiatives upon the region (TRIPS for example).
- **Political, institutional and societal capacity to respond to the pandemic is not directly correlated with income**. The advocacy challenges, particularly maximising the incentives for politicians to take action, are critical across the per capita income range. DFID's analytical and advisory resources may be required in the field both in Low and Middle-Income Countries.
- Some of **the approaches and instruments DFID is increasingly employing in MICs can address the complexities of the pandemic**. These include working through multilateral institutions; regional approaches; joint UK Government strategies (where the FCO would take the advocacy and lobby lead); work with civil society to demand accountability, and direct technical assistance to Government. DFID has also been involved in South-to-South learning, facilitating exchanges of experience and knowledge between Russia and Brazil on HIV and AIDS.

**2.7 And political institutions may be weak.** Although most MICs have undergone political transitions, many are not well-functioning dynamic democracies. Many have some attributes of democratic political life, such as elections, but also suffer from serious governance deficits including political exclusion, poor representation of citizen's interests, low levels of confidence in state institutions<sup>5</sup> and corruption; and some, like Sri Lanka, are struggling to emerge from long periods of conflict.

The international community must recognise and help to address these diverse needs. If not, we may miss opportunities to identify and challenge problems such as weak governance, inequality and social exclusion, which perpetuate poverty even as income grows (see Box 4 on inequality).

**2.8 Aid and official finance to MICs is not as effective as it could be.** Although private flows are the main source of international finance for most MICs, the group

<sup>5</sup> Carothers, T. (2002), 'The End of the Transition Paradigm', *Journal of Democracy*, 13 (1).

## 2. THE CHALLENGE

### CONTINUED

#### BOX 4: INEQUALITY AND SOCIAL EXCLUSION HINDER LONG-TERM DEVELOPMENT IN MICs

- Overall MICs make up 10 out of the 20 countries with the highest levels of inequality in the world. Latin America is the most unequal region in the world, with Africa a close second.<sup>1</sup>
- All societies are unequal but one form of inequality, social exclusion (i.e. 'horizontal inequality'), is particularly persistent and highly damaging for economic growth, poverty reduction and social cohesion. Social exclusion, differences between groups based on e.g. gender, race or ethnicity, reflects discrimination and contravenes the global human rights agreements that most MICs have signed up to.
- High levels of inequality/social exclusion reduce the impact of economic growth upon poverty reduction. Inequality also slows the rate of growth.<sup>2</sup>
- Some MICs slip back to LIC status because of social unrest and social exclusion and inequality. Countries that experienced the sharpest drops in GDP growth after 1975 were those with the deepest social divisions and most fragile political institutions.<sup>3</sup>
- Measures of inequality (e.g. data disaggregated by race, ethnicity, gender) are needed to identify the dynamics of social exclusion.
- Positive change is possible and small decreases in inequality can reduce poverty. South Africa has reduced inequality, despite low growth, through taxation and public expenditure. The combined effect of taxation and public spending are estimated to have lowered the Gini coefficient from 0.68 to 0.44.<sup>4</sup>

1 Bouillon, C. and M. Buvinic, (2003), *Inequality, Exclusion and Poverty in Latin America and the Caribbean: Implications for Development*, Inter American Development Bank.

2 Ferranti, D., G.E. Perry, F. Ferreira and M. Walton (2004), *Inequality in Latin America: Breaking with History?*, The World Bank. Hanmer, L. and Naschold, F. (2000). 'Attaining the International Development Targets: Will Growth be Enough?' *Development Policy Review*, 18, pp.11-36. Easterly, W. (2002), 'Inequality does cause underdevelopment: new evidence', Center for Global Development, Working Paper 1.

3 Rodrik, D. (1999), 'Where did all the growth go? External shocks, social conflict, and growth collapses', *Journal of Economic Growth*, 4 (4), pp. 385-412.

4 The Gini Coefficient is the most common measure of income inequality. A Gini Coefficient of 0.4 and above is taken as an indicator of high inequality.

also receives large amounts of oda and non-concessional flows from bilateral donors and multilateral development institutions. But current development assistance to MICs is not well targeted on the MDGs and there is no international agreement on the purpose of aid in MICs (see Box 5 on aid effectiveness). The distribution of aid to MICs does not always reflect individual countries' needs – for example, too much grant assistance goes to countries which are more than able to borrow for financing needs.

#### 2.9 And uncertainty over graduation hinders effective planning.

In addition, there is no systematic

approach to graduation<sup>6</sup>, particularly by bilateral donors. For the multilaterals, graduation from concessional to non-concessional lending is usually triggered by rising GNI per capita levels and changes in creditworthiness. But this means countries may progress suddenly to more expensive instruments. The lack of in-country co-ordination frameworks<sup>7</sup> often leads to fragmented and uncoordinated decisions on graduation, and uncertainty in forward planning for MICs. MICs would benefit from clear and transparent mechanisms to prepare for graduation, which recognise countries' changing needs, acknowledge countries' long-term aims, and ensure smooth progression from more to less concessional aid.

6 Graduation in this context means a move from concessional to non-concessional assistance; including the withdrawal of grant support to a particular country by bilateral donors, and a change in the terms of multilateral development bank lending from concessional to market-based terms.

7 Identified by DFID and Spanish Asociacion Espanola de Cooperacion Internacional in 2003 and 2004.

## 2. THE CHALLENGE

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**2.10 It is not clear that we are all working towards the MDGs.** All UN Member States have signed up to the MDGs, but these are not always embedded in MICs' own development plans. The primary responsibility for addressing poverty rests with governments of Middle Income Countries and so greater Middle Income Country voice in international arenas will depend in part on evidence of commitment to tackling poverty and inequality. In addition Multilateral Development Banks' lending strategies for MICs do not always address the MDGs. And poverty reduction and the other MDGs are also not the only objective for many bilateral donors,

who may have other political or commercial priorities for their programmes in MICs.

**2.11 The international system may not have the right instruments to tackle poverty in MICs.** Most MICs are not aid dependent and the voice of donors is less influential in policy debate than in lower-income countries. Some MICs can't or won't borrow for poverty reduction. Reasons may include a belief that the returns to the economy are too low to justify new public debt; political opposition in-country; weak external debt positions and other credit constraints; mistrust of the World Bank; dislike of heavy conditionality; or cheaper

#### BOX 5: AID EFFECTIVENESS IN MIDDLE-INCOME COUNTRIES

Although MICs receive a total of 43% of total net bilateral oda<sup>1</sup>, there is no consensus amongst bilateral donors on the appropriate terms and volume of assistance to MICs, or about how to target and co-ordinate official finance most appropriately to reduce poverty and tackle inequality. Unlike the Poverty Reduction Strategy (PRS) approach in LICs, there is no standard framework at the country level to coordinate the efforts of donors or structure dialogue between donors and Government. An overall strategic framework, or basic set of rules, to guide the interaction between donors and governments is lacking in MICs.

##### DFID experience of aid effectiveness in MICs

- Poverty reduction is not the starting point either for many donors or for many governments in MICs. Ideas about stability, growth and security resonate better and provide much common ground with DFID's concerns about poverty, exclusion and inequality.
- Political and commercial interests drive much bilateral aid to MICs. These interests make long-term coordination contracts between donors fragile.
- There is limited awareness of international agreements on harmonisation (Rome 2003) or the extension of PRS-type frameworks into MICs (Evian 2003).
- Context matters, so blue print coordination mechanisms will not work. But a leadership vacuum exists at the country level for mobilising donors. The leadership responsibilities amongst donors are unclear.
- In some cases, the effort required to coordinate and harmonise outweigh the potential benefits but seeking opportunities for strategic dialogue between donors and governments and shared analysis between donors are sound objectives in most contexts.
- Disconnects between bilateral and multilateral donors at the country level mean that shareholder (of World Bank and Regional Development Banks) influence is not exploited.
- Southern Africa demonstrates the importance of aid effectiveness (often involving donors based in different countries) in dealing with cross border issues and regional institutions.

<sup>1</sup> The main bilateral donors are the US, Japan, Germany and France which together currently provide around 70% of total bilateral aid to all MICs (World Bank World Development Report 2003)

## 2. THE CHALLENGE

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alternative sources of finance from lenders without a poverty reduction mandate.

**2.12 Aid has limited influence.** Consequently, bilateral aid and non-concessional lending by Multilateral Development Banks is not always a powerful lever for change in MICs. Where aid and non-concessional flows have limited influence, donors need a deeper understanding of the strengths of different actors at country level to develop the means of promoting poverty reduction.

**2.13 Access to advice and knowledge is often constrained.** Knowledge-based partnerships can be important in leveraging change and promoting poverty reduction, at minimal financial cost to MICs. But often these knowledge services can only be provided in the context of a borrowing relationship with a Multilateral Development Bank. In addition, major providers of advice often lack the right skills to address the underlying causes of persistent poverty.

**2.14 And there is uncertainty about which types of financing instruments work best.** There is a strong case for predictable, medium-term financing for investment and recurrent cost support in MICs. But grants and loans are not always applied predictably, flexibly or according to MICs' development needs. Other concerns arise from the short-term nature of programmatic lending, how this balances with counter-cyclical and project lending and the overall impact of conditionality.

**2.15 Much greater progress is needed on the non-aid policies of donor countries which impact on MICs, and on the eighth MDG.** MICs need opportunities for sustained growth to support their own poverty reduction efforts. The international community can do a great deal to improve the broader global policy environment for achieving the MDGs in MICs by reducing barriers to trade, improving the international financial architecture and meeting commitments on global climate change. Faster progress is needed, particularly on trade reform, to reinforce aid policies and confirm donor countries' commitment to tackling global poverty. These aims are embedded in the eighth MDG.

**2.16 We need international discussion of these issues.** Finally, there is no consensus within the international donor community and MICs themselves about the nature of the challenges outlined above nor about appropriate responses and solutions. We need international debate on these issues to support poverty reduction and achievement of the MDGs in MICs.

### 3. THE VISION – A MORE EFFECTIVE INTERNATIONAL SYSTEM

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**3.1 A partnership between the international system and MICs.** The extent to which MICs achieve the MDGs depends primarily on the policy choices taken by the countries themselves. But the international community can contribute to development in MICs in a range of ways, including:

- Building a supportive international policy environment, including on issues like trade and international financial regulation;<sup>8</sup>
- providing access to finance for investment and poverty reduction;
- supporting the development of institutional capacity and;
- supporting the development of knowledge capital, including by promoting informed and inclusive debate around difficult issues of economic and social policy, and encouraging participants to include the perspectives of international experience in that debate.

**3.2 Many MICs need predictable long-term financing** to meet investment and recurrent financing needs; counter-cyclical financing to help them deal with shocks; as well as financial and technical assistance (TA) to help tackle the causes of poverty and social exclusion. In an effective international system for delivering the MDGs, advice and, where required, financial support, would be available for all of these needs.

**3.3 A system with mutual goals and accountabilities.** An effective system needs clear agreement on the objectives and roles of all actors involved, and commitment to these by all. The MDGs should be at the centre of this agreement – but translated into language that is relevant for the MICs. An effective international

system should acknowledge differences of emphasis between MIC and donor objectives, support discussion of where and how to work together to achieve these aims, and demonstrate the coherence of policies for growth, security and poverty reduction.<sup>9</sup>

**3.4 Aid to be used effectively.** In general, grants should be directed to the poorest countries (which have little access to domestic resources or international borrowing to finance development activities) and loans to richer countries (which do have access to domestic and international resources). Between these two extremes, there should be a mix of financing, reflecting varying needs and changing access to alternative sources of finance. Limited – and well-targeted – grant finance can play an important role in helping MIC governments improve the quality of their poverty reduction efforts, for example by helping to pilot new approaches or providing access to international expertise. In all contexts there may be a role for grant aid to support civil society.

**3.5 The country context matters.** As noted above, the LIC/MIC distinction can mask the true nature – and drivers – of poverty within MICs. An effective partnership between MICs and the international system would ensure that the terms, volume and focus of assistance reflects not only the income status but the MDG-related needs of each country. Policy dialogue between donors and MICs needs to acknowledge individual country contexts, allowing flexibility on the timing and exact design of important reforms. Packages of grant and loan finance should deliver a spectrum of concessionality appropriate to the domestic and external debt positions of a country. This partnership should also support the two-way transfer of knowledge between MICs and international agencies – including support for learning between developing countries.

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<sup>8</sup> DFID White Paper 'Eliminating World Poverty: Making globalisation work for the poor': December 2000:

<sup>9</sup> The Brasilia declaration: "Proposal for Implementing the Millennium Development Goals" of November 2003, which is supported by Latin American governments, UNDP, World Bank and Inter American Development Bank, is a good example of how to build political consensus on implementing the MDGs in a MIC region.

### 3. THE VISION – A MORE EFFECTIVE INTERNATIONAL SYSTEM

#### CONTINUED

**3.6 A more effective international system would help countries to deliver both the policies and the institutions necessary to support sustained growth and poverty reduction.** Donors and recipients must also acknowledge political barriers – such as opposition from elites, inequality, exclusion, racial tension – and work together to tackle these. This system should recognise the vulnerability of many MICs and the extent and pace at which MICs can fall back into LIC status. There must be careful and sequenced disengagement by development agencies from MICs.

**3.7 Different actors should work to their comparative advantage.** The International Financial Institutions (IFIs) play a primary role in this system, providing long-term financial assistance, counter-cyclical lending, and policy advice. Among the IFIs, the Regional Development Banks (RDBs) have a unique role to play in tackling region-specific barriers to achieving the MDGs such as social exclusion. The RDBs' regional ownership structures mean they are well placed to set the MDGs in the context of regional development objectives and plans, and make progress on difficult economic and political issues in member states.

**3.8 The European Commission (EC) also has a unique role to play in MICs.** Alongside its lead role in managing European trade policy, the EC should look to improve the effectiveness of its assistance in MICs by deploying grant TA and loans more appropriately to maximise the impact of its resources. It could also play a particularly important role in furthering progress in MICs situated within the Wider Europe region, where prospects of closer economic integration with the European Union (EU) should stimulate broader political, economic and institutional reforms in countries.

**3.9 Bilateral donors** should act as shareholders/members of the IFIs, RDBs and (for some) the EU, using their voice to ensure MICs' development needs are met in the most effective way. And they should target their own concessional assistance in ways which help MICs tackle poverty and social exclusion.

**3.10 The UN, MIC donors, non-governmental organisations and private donor foundations** can add to this package, providing advice and finance in accordance with MICs' needs and in line with their own comparative advantage. **The United Nations system**, for example, has near universal presence and unrivalled global legitimacy. It has a clear mandate to advocate for the MDGs in MICs. Through its development funds, programme and specialised agencies, it can provide specialist support to countries on a range of issues critical to the achievement of the MDGs – from health system strengthening to industrial development – complementing the financial support offered by other bodies. Overall, it can help ground development strategies in a rights-based approach.

**3.11 All donors must adhere to the Development Assistance Committee (DAC) guidelines on best practice.** Within a system of mutual accountability, donors must fulfil their commitment to provide aid effectively. There should be clear co-ordination frameworks in-country, and donors must adopt harmonised procedures to minimise the transaction costs for governments. Grant and loan flows should be mutually supportive, ensuring the total impact of aid is greater than the sum of its parts. And donors and other parts of the international system should not feel they have to be present everywhere – each must work to its comparative advantage.

**3.12 Mutual accountability for the MDGs – including MDG 8.** An effective international system must include

### 3. THE VISION – A MORE EFFECTIVE INTERNATIONAL SYSTEM

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commitments on the part of developed and developing countries to promote national debate on the MDGs so that all relevant actors – including civil society – will adopt the goals as their own. This should include adapting the MDGs to the specific local conditions of each country, to reflect dimensions such as equity, ethnicity, gender and local diversity. In addition, developed countries should provide an effective contribution to the eighth MDG, including through commitments in support of increased development assistance; a non-discriminatory trading regime; relief and sustainable financing of external debt and other elements of a global partnership for development. Other levers in the International System – such as trade access, security and international reputation – should be used to secure space for discussion and action on poverty.

**3.13** This improved system would provide a much-enhanced voice for developing countries in shaping the international architecture of aid, trade and global public goods.

## 4. DFID'S CONTRIBUTION

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**4.1** DFID will focus on improving the effectiveness of the international system in achieving the MDGs in MICs worldwide. This is the overarching objective for both our bilateral and multilateral resources directed towards MICs. Wherever we work, we will be part of a co-ordinated international effort.

**4.2** To achieve this we will:

### At the international level...

**4.3** Work to secure a consensus on the aid relationship with MICs:

- We will support international debate<sup>10</sup> on key aspects of this consensus including the international distribution of grant aid; the appropriateness of terms and instruments and MICs' access to policy advice.
- At the country level we will pilot coordination mechanisms with other donors and governments.
- We will help to build commitment with MIC governments by making the case for poverty reduction, for example by highlighting the links between inequality and economic growth.

**4.4** Work with the World Bank and Regional Development Banks (RDBs) to improve their ability to target poverty, including:

- Strategic use of grant finance to complement multilateral programmes and improve their poverty targeting (illustrated in the case of China in Box 6) and;
- by exploring the need for new instruments to better serve the MDG related needs of MICs.

**4.5** Strengthen our working partnerships with the RDBs by:

- Focusing on regional barriers to achieving the MDGs (e.g. social exclusion and inequality in Latin America or the social impacts of transition in Eastern Europe and the Former Soviet Union);
- building on our comparative advantage in poverty analysis, governance and social development (e.g. through secondments of skilled staff);
- supporting existing processes of institutional change that aim to enhance the overall effectiveness of the Multilateral Development Banks, including: enhancing the quality and poverty focus of Country Strategies and their alignment with national priorities; supporting better knowledge management and lesson-learning; developing a stronger focus on results; and improving the quality of monitoring and evaluation;
- furthering RDBs' coordination and harmonisation efforts with other development partners.

**4.6** Work to improve the effectiveness of EC assistance in MICs by encouraging a more appropriate deployment of grant technical assistance and loans to maximise the impact of the EC's resources.

**4.7** Support the wider environment for achieving the MDGs in MICs by continuing to push for international policies necessary for growth in all developing countries, particularly trade reform.

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<sup>10</sup> For example through the UN millennium project, G8, Multilateral Development Bank annual meetings and in partnership with MICs.

## 4. DFID'S CONTRIBUTION

### CONTINUED

#### BOX 6: HOW SHOULD THE INTERNATIONAL DONOR COMMUNITY ENGAGE WITH LARGE MIDDLE-INCOME COUNTRIES?

##### **Innovation in the use of grant finance: helping to achieve the MDGs in China.**

- China contains most of the poor living in MICs – 160 million people live on less than US\$1 a day. Poverty is concentrated regionally and among women and ethnic minorities. Donor engagement with China can help to address these issues, but there are complex choices to be made.
- Although China is creditworthy and can access market-based finance internationally, the structures for such finance to reach the poorest are missing. Bilateral grants are too small to have a significant direct impact on China's poverty.
- DFID responds to these challenges by: piloting new approaches from which the Chinese can draw lessons and scale-up nationally; working with multilaterals to enable greater geographical coverage and policy leverage; and developing SWAP-like approaches to improve the effectiveness of China's own large spending in health, education and water.
- DFID has blended grants with International Bank for Reconstruction and Development loans to support investment in social sectors, in part aiming to demonstrate that such investment has high returns and that China's policy of not using International Bank for Reconstruction and Development loans for social sectors should be changed.
- China's geopolitical role is growing. DFID's bilateral presence provides a basis for encouraging China to play a more important part in the wider international and development agenda such as the Doha development round.

##### **South Africa: A Middle-Income Country with regional reach**

- South Africa is by far the largest economy in Africa. It is the hub of private sector activity in Southern Africa, providing a gateway for investment into its neighbours, and supporting their access to international markets. Faster growth in South Africa would expand the economic opportunities of the rest of the continent.
- South Africa also plays a political leadership role across the continent, leading Africa's efforts to address conflict and policy thinking about the continent's economic challenges. It is a key player in emerging cross-regional groupings, such as the IBSA partnership between India, Brazil and South Africa.
- Since the transition to democracy in 1994, South Africa has made huge progress in establishing democracy and increasing access to basic services. But it still faces a range of challenges in meeting the MDGs. Apartheid has left a legacy of social and economic dislocation, and a poor skills base. It is one of the most unequal countries in the world. A key challenge is to join up its "two economies", so that its world-class industry and infrastructure create economic opportunities for the 5 million people who live on less than US\$1/day. South Africa has also been heavily hit by HIV and AIDS – infection rates are more than 20%.
- South Africa aims to meet its financing needs from the international markets, without borrowing from multilateral institutions. What it seeks from the international development system is primarily a supportive international policy environment, especially in trade. It also looks to access international experience and ideas. Donor assistance amounts to about 1% of the government budget, and is used primarily to build implementation capacity in government, to access expertise from a wide range of international institutions, and to support the role of civil society.
- South Africa is keen to work in partnership with the international community in pursuing its regional and continental role. It is a strong proponent of improved trade access for developing countries, increased financial flows, and strengthened mutual accountability between the international system and developing countries.

## 4. DFID'S CONTRIBUTION

### CONTINUED

#### Using our bilateral resources...

**4.8** We will prioritise our presence in MICs to focus on those sub-groups of MICs that are most important for the achievement of the MDGs and where our assistance can genuinely add value to the wider international effort. These groups are:

- Large countries that have strategic global and or regional significance;
- MICs that are IDA eligible and/or Heavily Indebted Poor Countries (HIPC) and have similar needs to LICs; and
- MICs that are vulnerable to falling back to LIC status.

**4.9** Box 7 sets out the focus of our engagement and the choice of instruments available within each of these categories.

**4.10** MICs have more policy choices than LICs and consequently DFID has a wide range of entry points to influence the MDGs in MICs. Many of these points of influence arise from MICs' relationship with other UK Ministries and we will seek to work with our UK government partners to build on this. DFID will negotiate and agree strategies for MICs across Whitehall to ensure coherence and to maximise the collective impact of the UK's engagement.

**4.11** Our bilateral engagement will be guided by the following:

- We will direct no more than 10% of our bilateral financial resources to MICs.<sup>11</sup>

- We will develop clear graduation plans for DFID bilateral assistance in all MICs, which will be negotiated and shared with governments and other bilateral donors.
- We will adhere to the DAC principles of good aid practice.
- We will actively promote coordination in-country, negotiating lead donor responsibilities on a case by case basis.
- Our programmes will support transfer of knowledge, including building trade-related capacity and South-to-South knowledge sharing.

**4.12** In many MICs, DFID's most important instrument will be its expertise, including expertise in governance, political economy and social exclusion. We will choose the most appropriate means of providing these skills on the ground, whether through secondments to international organisations or governments, through a DFID bilateral office, or through our diplomatic posts.

**4.13** Our Country Strategies will explicitly recognise and build on the global and regional roles of MICs that shape social, environmental and economic development and impact upon multilateral policy (see the cases of China and South Africa in Box 6).

<sup>11</sup> This target is from DFID's Public Service Agreement and is backed by recent work on effective bilateral resource allocation.

## 4. DFID'S CONTRIBUTION

CONTINUED

### BOX 7: DISAGGREGATED MIDDLE-INCOME COUNTRIES

Type of MIC	Sub Category	DFID and UK Government Instruments & Approaches
<b>Large MICs with regional or international significance.</b>	Regional 'hub' role.	<ul style="list-style-type: none"> <li>• Policy choice influence.</li> <li>• Multilateral aid (including strengthening capacity of RDBs/ IFIs).</li> <li>• Technical advice.</li> <li>• South-to-South learning.</li> <li>• Trade reform.</li> <li>• Counter-cyclical assistance through multilateral routes.</li> <li>• Joint UK Government country strategies.</li> <li>• Bilateral regional programmes and support to regional institutions.</li> </ul>
	Role as donor.	<ul style="list-style-type: none"> <li>• OECD DAC aid effectiveness processes.</li> <li>• Sharing Knowledge.</li> </ul>
	Influential in global institutions (trade/ security/environment).	<ul style="list-style-type: none"> <li>• Diplomacy.</li> <li>• Advocacy.</li> <li>• FCO Global Opportunities Fund.</li> </ul>
	Critical to global level progress against MDGs (e.g. poverty in China).	<ul style="list-style-type: none"> <li>• Multilateral assistance (including strengthening RDBs/IFIs).</li> <li>• Targeted bilateral assistance.</li> <li>• Blending grants with loans.</li> </ul>
<b>Per Capita Threshold MICs.</b>	IDA eligible/ Poverty Reduction Strategy Paper (PRSP).	<ul style="list-style-type: none"> <li>• For some, the range of LIC instruments (bilateral programme; PRSP; Poverty Reduction Budget Support [PRBS]; HIPC).</li> <li>• Technical Assistance.</li> <li>• Support to multilaterals.</li> </ul>
	'Gap' countries (non-IDA eligible; non-creditworthy MICS).	<ul style="list-style-type: none"> <li>• As above for IDA eligible plus.</li> <li>• Blending grants with loans.</li> <li>• Advocacy in the international system (for example concerning counter-cyclical funding).</li> </ul>
<b>MICs vulnerable to falling back.</b>	Economic fragility.	<ul style="list-style-type: none"> <li>• Trade reform.</li> <li>• Counter-cyclical instruments (RDBs/IFIs).</li> <li>• TA focus on institutional reform and regional approaches.</li> </ul>
	Fragile and post-conflict states.	<ul style="list-style-type: none"> <li>• UK Government post-conflict reconstruction unit.</li> <li>• UK Government Conflict Prevention Pools.</li> <li>• UN security system.</li> <li>• Cabinet Office Strategy Unit early warning of state failure work.</li> <li>• TA advisory support.</li> <li>• UK Government conflict prevention strategies.</li> </ul>
	Weakness relating to global public goods.	<ul style="list-style-type: none"> <li>• For International Security: Joint UK Government strategy; use G8 process; UN; UK Government Conflict Prevention Pools.</li> <li>• For HIV and AIDS: Joint UK Government strategy; G8 process; Global Fund; possible bilateral presence; South-to-South learning; improving capacity of multilateral system.</li> <li>• For the Environment: Joint UK Government strategy; G8 process; Kyoto; South-to-South learning; improving capacity of multilateral system.</li> </ul>

**THE MILLENNIUM DEVELOPMENT GOALS**

The United Nations Millennium Declaration was adopted by world leaders in September 2000. The declaration commits UN Member States to achieving the following Millennium Development Goals (MDGs) by 2015:

1. **Eradicate extreme poverty and hunger by:**
  - Reducing by half the proportion of people living on less than a dollar a day.
  - Reducing by half the proportion of people who suffer from hunger.
2. **Achieve universal primary education by:**
  - Ensuring that all boys and girls complete a full course of primary schooling.
3. **Promote gender equality and empower women by:**
  - Eliminating gender disparity in primary and secondary education preferably by 2005, at all levels by 2015.
4. **Reduce child mortality by:**
  - Reducing by two thirds the mortality rate among children under five.
5. **Improve maternal health by:**
  - Reducing by three quarters the maternal mortality ratio.
6. **Combat HIV and AIDS, malaria and other diseases by:**
  - Halting and beginning to reverse the spread of HIV and AIDS.
  - Halting and beginning to reverse the incidence of malaria and other major diseases.
7. **Ensure environmental sustainability by:**
  - Integrating the principles of sustainable development into country policies and programmes; reverse loss of environmental resources.
  - Reducing by half the proportion of people without sustainable access to safe drinking water.
8. **Develop a global partnership for development by:**
  - Achieving significant improvement in lives of at least 100 million slum dwellers, by 2020.
  - Developing further an open trading and financial system that is rule-based, predictable and non-discriminatory. Including a commitment to good governance, development and poverty reduction—nationally and internationally.
  - Addressing the least developed countries' special needs. This includes tariff- and quota-free access for their exports; enhanced debt relief for heavily indebted poor countries; cancellation of official bilateral debt; and more generous official development assistance for countries committed to poverty reduction.
  - Addressing the special needs of landlocked and small island developing States.
  - Dealing comprehensively with developing countries' debt problems through national and international measures to make debt sustainable in the long term.
  - In cooperation with the developing countries, developing decent and productive work for youth.
  - In cooperation with pharmaceutical companies, providing access to affordable essential drugs in developing countries.
  - In cooperation with the private sector, making available the benefits of new technologies—especially information and communications technologies.

## ANNEX 2

### LIST OF MIDDLE-INCOME COUNTRIES – AS DERIVED FROM THE DEVELOPMENT ASSISTANCE COMMITTEE (DAC) LIST OF AID RECIPIENTS, 2003

LATIN AMERICA AND THE CARIBBEAN	EASTERN EUROPE AND CENTRAL ASIA	MIDDLE EAST AND NORTH AFRICA
<ul style="list-style-type: none"> <li>• Anguilla*</li> <li>Antigua and Barbuda*</li> <li>Argentina*</li> <li>Barbados*</li> <li>Belize</li> <li>Bolivia</li> <li>Brazil</li> <li>Chile</li> <li>Colombia</li> <li>Costa Rica</li> <li>Cuba</li> <li>Dominica</li> <li>Dominican Republic</li> <li>Ecuador</li> <li>El Salvador</li> <li>Grenada</li> <li>Guatemala</li> <li>Guyana</li> <li>Honduras</li> <li>Jamaica</li> <li>Mexico*</li> <li>• Montserrat*</li> <li>Panama</li> <li>Paraguay</li> <li>Peru</li> <li>St. Kitts-Nevis*</li> <li>St. Lucia</li> <li>St. Vincent and Gr.</li> <li>Suriname</li> <li>Trinidad &amp; Tobago*</li> <li>• Turks &amp; Caicos Islands*</li> <li>Uruguay*</li> <li>Venezuela</li> </ul>	Albania Belarus (oa) Bosnia and Herzegovina Bulgaria (oa) Croatia Czech Republic (oa) Estonia (oa) Hungary (oa) Kazakhstan Latvia (oa) Lithuania (oa) Macedonia, FYR Poland (oa) Romania (oa) Russia (oa) Serbia & Montenegro Slovak Republic (oa) Turkey Turkmenistan Ukraine (oa)	Algeria Egypt Iran Iraq Jordan Lebanon Morocco Oman* Palestinian Territory Saudi Arabia* Syria Tunisia
	EAST ASIA AND THE PACIFIC	SOUTH ASIA
	China Cook Islands Fiji Malaysia Marshall Islands Micronesia, Fed. States Nauru Niue Palau* Philippines Thailand <ul style="list-style-type: none"> <li>• Tokelau</li> </ul> Tonga <ul style="list-style-type: none"> <li>• Wallis and Futuna</li> </ul>	Sri Lanka
		SUB-SAHARAN AFRICA
		Botswana Gabon Mauritius <ul style="list-style-type: none"> <li>• Mayotte</li> <li>Namibia</li> <li>Seychelles*</li> <li>• St. Helena</li> <li>South Africa</li> <li>Swaziland</li> </ul>

Notes: 1/ \* denotes countries above threshold for World Bank loan eligibility  
 2/ • denotes territory  
 3/ oa denotes Official Assistance

## ANNEX 3

### MIDDLE-INCOME COUNTRIES RANKED BY HUMAN DEVELOPMENT INDEX (HDI) VALUE, 2001<sup>12</sup>

	HDI VALUE	GNI PER CAPITA
HIGH HUMAN DEVELOPMENT		
Barbados	0.888	9,750
Czech Republic	0.861	5,310
Argentina	0.849	6,940
Poland	0.841	4,230
Seychelles	0.840	6,530
Hungary	0.837	4,830
Slovak Republic	0.836	3,760
Uruguay	0.834	5,710
Estonia	0.833	3,870
Costa Rica	0.832	4,060
Chile	0.831	4,590
Lithuania	0.824	3,350
Croatia	0.818	4,550
Latvia	0.811	3,230
St. Kitts and Nevis	0.808	6,630
Belarus	0.804	1,290
Trinidad and Tobago	0.802	5,960
Mexico	0.800	5,530
MEDIUM HUMAN DEVELOPMENT		
Antigua and Barbuda	0.798	9,150
Bulgaria	0.795	1,650
Malaysia	0.790	3,330
Panama	0.788	3,260
Macedonia, FYR	0.784	1,690
Mauritius	0.779	3,830
Russian Federation	0.779	1,750
Colombia	0.779	1,890
Brazil	0.777	3,070
Bosnia and Herzegovina	0.777	1,240
Belize	0.776	2,940
Dominica	0.776	3,200
Venezuela, RB	0.775	4,760
St. Lucia	0.775	3,950
Romania	0.773	1,720
Saudi Arabia	0.769	8,460

<sup>12</sup> GNI per capita is calculated using the Atlas method (current US\$). High human development is indicated by a HDI value between 0.8 and 1, medium human development a value between 0.5 and 0.799999 and low human development a value between 0 and 0.499999.

## ANNEX 3

### CONTINUED

	HDI VALUE	GNI PER CAPITA
MEDIUM HUMAN DEVELOPMENT cont...		
Thailand	0.768	1,940
Ukraine	0.766	720
Kazakhstan	0.765	1,350
Suriname	0.762	1,810
Jamaica	0.757	2,800
Oman	0.755	7,720
St. Vincent and the Grenadines	0.755	2,740
Fiji	0.754	2,150
Peru	0.752	1,980
Lebanon	0.752	4,010
Paraguay	0.751	1,350
Philippines	0.751	1,030
Turkmenistan	0.748	950
Jordan	0.743	1,750
Tunisia	0.740	2,070
Guyana	0.740	840
Grenada	0.738	3,610
Dominican Republic	0.737	2,230
Albania	0.735	1,340
Turkey	0.734	2,530
Ecuador	0.731	1,080
Palestinian Territory	0.731	1,370
Sri Lanka	0.730	880
China	0.721	890
El Salvador	0.719	2,040
Iran, Islamic Rep.	0.719	1,680
Algeria	0.704	1,650
Syrian Arab Republic	0.685	1,040
South Africa	0.684	2,820
Bolivia	0.672	950
Honduras	0.667	900
Gabon	0.653	3,160
Guatemala	0.652	1,680
Egypt, Arab Rep.	0.648	1,530
Namibia	0.627	1,960
Botswana	0.614	3,100
Morocco	0.606	1,190
Swaziland	0.547	1,300

Source: World Development Indicators 2003 (The World Bank) and the Human Development Report 2003 (UNDP)

## ANNEX 4

### DFID BILATERAL ASSISTANCE TO MIDDLE-INCOME COUNTRIES (£ 000)<sup>13</sup>

ALL MIDDLE-INCOME COUNTRIES	2002/03	2003/04
<b>Total</b>	<b>273,899</b>	<b>432,986</b>

LATIN AMERICA AND THE CARIBBEAN	2002/03	2003/04
<b>Total</b>	<b>58,219</b>	<b>48,336</b>
Belize	2,913	1,684
Bolivia	9,318	7,059
Brazil	11,241	6,862
Chile	145	351
Colombia	600	326
Costa Rica	70	122
Cuba	485	154
Dominica	1,473	1,287
Dominican Republic	75	72
Ecuador	363	193
El Salvador	338	107
Grenada	495	566
Guatemala	289	237
Guyana	12,151	17,169
Honduras	1,075	797
Jamaica	10,318	7,815
Panama	35	-
Paraguay	66	-
Peru	3,401	2,823
St. Lucia	682	441
St. Vincent and Gr.	2,686	272
Suriname	-	-
Venezuela	-	-

EASTERN EUROPE AND CENTRAL ASIA	2002/03	2003/04
<b>Total</b>	<b>73,166</b>	<b>60,831</b>
Albania	2,582	2,321
Belarus	57	49
Bosnia and Herzegovina	6,647	6,575
Bulgaria	3,548	1,868
Croatia	1,605	1,222
Czech Republic	680	176
Estonia	144	3
Hungary	1,306	81
Kazakhstan	720	1,233

<sup>13</sup> The 2002/03 figures are bilateral aid by country delivered by DFID programmes. Whereas the 2003/04 figures are provisional bilateral aid by country delivered by DFID programmes.

## ANNEX 4

### CONTINUED

EASTERN EUROPE AND CENTRAL ASIA	2002/03	2003/04
Latvia	83	12
Lithuania	78	27
Macedonia, FYR	1,791	1,440
Poland	1,487	63
Romania	6,147	4,592
Russia	27,011	24,567
Serbia & Montenegro	6,108	8,005
Slovak Republic	3,051	234
Turkey	2,069	1,866
Turkmenistan	162	36
Ukraine	7,890	6,461

EAST ASIA AND THE PACIFIC	2002/03	2003/04
<b>Total</b>	<b>44,151</b>	<b>34,832</b>
China	41,785	32,384
Cook Islands	-	-
Fiji	378	320
Malaysia	409	-
Marshall Islands	-	-
Micronesia, Fed. States	-	-
Nauru	32	2
Niue	-	-
Philippines	1,177	1,845
Thailand	333	279
Tokelau	-	-
Tonga	37	1
Wallis and Futuna	-	-

MIDDLE EAST AND NORTH AFRICA	2002/03	2003/04
<b>Total</b>	<b>42,405</b>	<b>235,566</b>
Algeria	-	324
Egypt	2,619	3,163
Iran	953	1,553
Iraq	18,853	209,313
Jordan	4,493	4,218
Lebanon	232	102
Morocco	-	-
Oman	-	-
Palestinian Territory	15,166	16,842
Syria	89	51
Tunisia	-	-

**ANNEX 4****CONTINUED**

SOUTH ASIA	2002/03	2003/04
<b>Total</b>	<b>5,731</b>	<b>8,099</b>
Sri Lanka	5,731	8,099

SUB-SAHARAN AFRICA	2002/03	2003/04
<b>Total</b>	<b>50,227</b>	<b>45,321</b>
Botswana	1,094	504
Gabon	-	-
Mauritius	167	169
Mayotte	-	-
Namibia	2,206	1,366
South Africa	36,435	42,376
St. Helena	9,555	-
Swaziland	770	907

## ANNEX 5

### UK IMPUTED SHARE OF MULTILATERAL ODA/OA EXPENDITURE DELIVERED TO MIDDLE-INCOME COUNTRIES (£ 000), 2001<sup>14</sup>

ALL MIDDLE-INCOME COUNTRIES	EC	Other	UN	WB	Total
<b>Total</b>	<b>527,717</b>	<b>27,242</b>	<b>66,180</b>	<b>50,524</b>	<b>671,662</b>

LATIN AMERICA AND THE CARIBBEAN	EC	Other	UN	WB	Total
<b>Total</b>	<b>36,916</b>	<b>5,719</b>	<b>10,958</b>	<b>18,852</b>	<b>72,445</b>
Belize	665	109	61	0	835
Bolivia	3,072	-272	662	8,170	11,631
Brazil	8,011	2,327	5,989	0	16,328
Chile	904	64	817	-63	1,722
Colombia	1,804	2,492	324	-65	4,556
Costa Rica	146	374	162	-15	666
Cuba	1,380	0	267	0	1,647
Dominica	584	368	49	72	1,073
Dominican Republic	1,605	-14	267	-60	1,798
Ecuador	656	350	263	-103	1,166
El Salvador	1,829	-48	225	-76	1,930
Grenada	10	308	6	4	328
Guatemala	2,331	68	196	0	2,596
Guyana	1,002	-1,219	140	663	586
Honduras	1,692	156	278	10,313	12,438
Jamaica	4,720	95	105	0	4,920
Panama	343	380	155	0	878
Paraguay	921	-18	154	-136	922
Peru	2,459	63	548	0	3,069
St. Lucia	1,665	10	14	58	1,748
St. Vincent and Gr.	424	137	13	91	665
Suriname	146	-2	29	0	173
Venezuela	546	-11	235	0	770

EASTERN EUROPE AND CENTRAL ASIA	EC	Other	UN	WB	Total
<b>Total</b>	<b>386,686</b>	<b>10,132</b>	<b>5,449</b>	<b>10,729</b>	<b>412,996</b>
Albania	7,566	749	284	3,116	11,715
Belarus	398	57	99	644	1,198
Bosnia and Herzegovina	17,964	813	619	5,616	25,012
Bulgaria	19,213	8	116	0	19,338
Croatia	1,592	74	261	0	1,927
Czech Republic	32,440	2	47	0	32,489
Estonia	4,847	0	19	0	4,867
Hungary	41,366	59	79	0	41,504
Kazakhstan	863	357	254	0	1,474

<sup>14</sup> These figures are estimates.

## ANNEX 5

## CONTINUED

EASTERN EUROPE AND CENTRAL ASIA	EC	Other	UN	WB	Total
Latvia	6,126	206	35	0	6,367
Lithuania	8,895	2	67	0	8,964
Macedonia, FYR	6,714	68	250	1,353	8,385
Poland	53,901	1,581	77	0	55,559
Romania	57,474	236	210	0	57,919
Russia	13,184	3,957	604	0	17,745
Serbia & Montenegro	70,787	0	1,557	0	72,344
Slovak Republic	14,780	38	60	0	14,879
Turkey	16,399	81	350	0	16,829
Turkmenistan	421	0	223	0	644
Ukraine	11,757	1,843	238	0	13,839

EAST ASIA AND THE PACIFIC	EC	Other	UN	WB	Total
<b>Total</b>	<b>6,567</b>	<b>5,912</b>	<b>4,011</b>	<b>20,431</b>	<b>36,920</b>
China	2,719	2,765	2,173	20,345	28,001
Cook Islands	0	0	27	0	27
Fiji	-145	3	162	20	40
Malaysia	41	0	149	225	416
Marshall Islands	0	0	20	0	20
Micronesia, Fed. States	0	0	25	0	25
Nauru	0	0	6	0	6
Niue	0	0	5	0	5
Philippines	2,917	2,843	976	154	6,889
Thailand	1,120	-30	426	-307	1,209
Tokelau	0	0	4	0	4
Tonga	-85	332	37	-5	279
Wallis and Futuna	0	0	0	0	0

MIDDLE EAST AND NORTH AFRICA	EC	Other	UN	WB	Total
<b>Total</b>	<b>78,204</b>	<b>3,194</b>	<b>43,378</b>	<b>-451</b>	<b>124,324</b>
Algeria	11,244	232	389	0	11,865
Egypt	8,162	1,006	944	228	10,340
Iran	178	472	975	0	1,625
Iraq	1,308	-45	421	0	1,683
Jordan	5,133	378	8,772	-232	14,050
Lebanon	1,049	469	5,299	0	6,816
Morocco	15,175	535	428	-123	16,015
Oman	0	0	0	0	0
Palestinian Territory	13,626	-257	22,862	0	36,231
Syria	506	-14	3,014	-133	3,373
Tunisia	21,823	419	275	-192	22,326

## ANNEX 5

### CONTINUED

<b>SOUTH ASIA</b>	<b>EC</b>	<b>Other</b>	<b>UN</b>	<b>WB</b>	<b>Total</b>
<b>Total</b>	<b>814</b>	<b>1,159</b>	<b>720</b>	<b>1,084</b>	<b>3,777</b>
Sri Lanka	814	1,159	720	1,084	3,777

<b>SUB-SAHARAN AFRICA</b>	<b>EC</b>	<b>Other</b>	<b>UN</b>	<b>WB</b>	<b>Total</b>
<b>Total</b>	<b>18,531</b>	<b>1,126</b>	<b>1,664</b>	<b>-122</b>	<b>21,199</b>
Botswana	-17	73	285	-44	297
Gabon	1,591	-146	169	0	1,614
Mauritius	240	614	111	-55	910
Mayotte	107	0	0	0	107
Namibia	3,030	-206	297	0	3,121
South Africa	11,410	656	641	0	12,706
St. Helena	0	0	27	0	27
Swaziland	2,170	135	136	-23	2,418

Source: Development Cooperation Directorate, OECD

## ANNEX 6

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### LIST OF ACRONYMS

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<b>DAC</b>	Development Assistance Committee of the OECD
<b>DFID</b>	Department for International Development
<b>EC</b>	European Commission
<b>EU</b>	European Union
<b>FCO</b>	Foreign & Commonwealth Office
<b>GDP</b>	Gross Domestic Product
<b>GNI</b>	Gross National Income
<b>HMG</b>	Her Majesty's Government
<b>HIPC</b>	Heavily Indebted Poor Countries
<b>HIV and AIDs</b>	Human Immunodeficiency Virus and Acquired Immune Deficiency Syndrome
<b>IBSA</b>	India, Brazil & South Africa
<b>IDA</b>	International Development Association
<b>IFIs</b>	International Financial Institutions
<b>LICs</b>	Low Income Countries
<b>MDGs</b>	Millennium Development Goals
<b>MICs</b>	Middle-Income Countries
<b>NGO</b>	Non Governmental Organisation
<b>oa</b>	Official Assistance
<b>oda</b>	Official Development Assistance
<b>OECD</b>	Organisation for Economic Co-operation and Development
<b>PRBS</b>	Poverty Reduction Budget Support
<b>PRS</b>	Poverty Reduction Strategy
<b>PRSP</b>	Poverty Reduction Strategy Paper
<b>RDBs</b>	Regional Development Banks
<b>SWAP</b>	Sector Wide Approach
<b>TA</b>	Technical Assistance
<b>TRIPS</b>	Trade-Related aspects of Intellectual Property Rights
<b>UN</b>	United Nations
<b>UNDP</b>	United Nations Development Programme
<b>UNESCO</b>	United Nations Educational, Scientific & Cultural Organisation
<b>UNICEF</b>	United Nations Children's Fund