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Globalization and interdependence

Development cooperation with middle-income countries

Report of the Secretary-General

Summary

The present report, submitted pursuant to General Assembly resolution [76/215](#), presents the results of a mapping exercise that provides a detailed overview of the current support available to middle-income countries, including relevant indices, frameworks, strategies and tools. It also provides an analysis of the particular challenges that middle-income countries face in achieving sustainable development, with a focus on the environmental dimension. The report contains recommendations for better addressing the multidimensional nature of sustainable development, achieving the environmental dimension of sustainable development and facilitating coordinated and inclusive support for middle-income countries, based on their specific challenges and diverse needs.

* [A/78/150](#).



I. Introduction

1. Middle-income countries, as defined by the World Bank, currently comprise 108 countries with a gross national income per capita of between \$1,136 and \$13,845.¹ Together, they form a large and heterogeneous group that accounts for about 30 per cent of global gross domestic product (GDP) and makes up 75 per cent of the world's population, including 60 per cent of the world's poor.² Middle-income countries differ vastly not only in terms of income per capita, however, but also in other development indicators. A total of 22 least developed countries, 20 landlocked developing countries and 27 small island developing States currently belong to the group of middle-income countries. It also includes 12 countries ranked as having a "very high" Human Development Index, 44 countries ranked as "high", 42 as "medium" and 9 as "low".³ Despite their many differences, middle-income countries face a set of common challenges that require joint action.

2. The present report responds to the request of the General Assembly, in its resolution 76/215, for an analysis of the particular challenges that middle-income countries face, along with a specific set of recommendations to promote and enhance their efforts to achieve the environmental dimension of sustainable development, recognizing that the economic dimension was covered in the previous report of the Secretary-General (A/76/375 and A/76/375/Corr.1) and that the particular challenges in the social dimension will require further analysis in a subsequent report. The analysis of the environmental dimension and the pertaining recommendations are based on input from United Nations system entities, as coordinated by the United Nations Environment Programme (UNEP). They are also based on the discussions at the high-level meeting on middle-income countries, convened by the President of the General Assembly, on the theme "Accelerating the achievement of the Sustainable Development Goals in middle-income countries, with a focus on the environmental dimension", held in New York on 11 May 2023.

3. The report also presents the results of the mapping exercise, which provides a detailed overview of the current support available to middle-income countries. The mapping, which is based on financial information from the United Nations development system, information from surveys that were part of the latest quadrennial comprehensive policy review of operational activities for development of the United Nations system and other sources of information on international development cooperation, shows that the United Nations development system works closely with middle-income countries. It uses a wide range of indices, frameworks, strategies and tools to design and implement its cooperation activities with these countries. While middle-income countries receive a large share of international development cooperation funding, many face difficulties in obtaining accessing to concessional finance, including climate finance. The key recommendations for the United Nations

¹ World Bank, "World Bank country and lending groups", database. Available at <https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups> (accessed on 11 July 2023). The gross national income per capita cited in para. 1 above reflects the latest update for the World Bank fiscal year 2024, when Guinea and Zambia graduated from low-income to middle-income status and Guyana and American Samoa graduated from middle-income to high-income status. Sections II to VI of the present report are based on the World Bank fiscal year 2023.

² World Bank, World Bank Open Data. Available at <https://data.worldbank.org/> (accessed on 30 June 2023). Measured against the \$2.15 per day poverty line, as of 2019 (at 2017 purchasing power parity).

³ United Nations Development Programme, "Human development index". Available at <https://hdr.undp.org/data-center/human-development-index#/indicies/HDI> (accessed on 30 June 2023). The Human Development Index does not cover all the economies that are part of the middle-income group.

development system include: further tailoring its support to country needs and priorities; strengthening its support to middle-income countries to mobilize additional financing, especially concessional financing, for achieving the Sustainable Development Goals; and continued promotion of new measuring approaches that go beyond GDP.

4. The remainder of the present report is organized as follows: section II provides a review of recent economic trends and longer-term challenges to sustainable development in middle-income countries; section III serves to analyse the challenges and put forward recommendations for achieving the environmental dimension of sustainable development; section IV presents the results of the mapping exercise of available support; section V provides an update on multidimensional measuring approaches; and section VI provides recommendations.

II. Economic challenges in middle-income countries

A. Economic trends and challenges, 2021–2023⁴

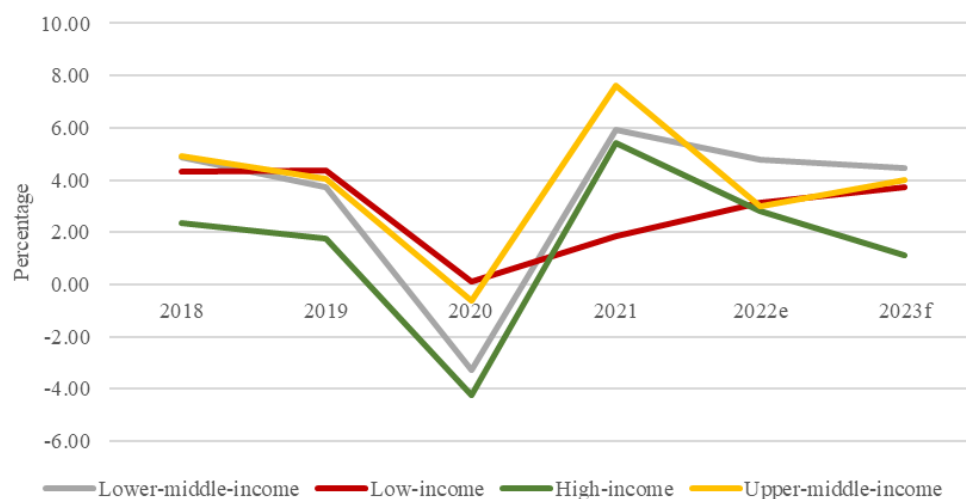
Economic growth

5. Output growth in middle-income countries in 2021–2023 was affected by several shocks that compounded each other. The impacts of the coronavirus disease (COVID-19) pandemic continued to reverberate, not least owing to inequities and delays in vaccine access. As central banks in advanced economies sought to rein in unprecedentedly high inflation through rapid interest rate hikes, commencing in the first quarter of 2022, this triggered a number of adverse impacts in developing countries. They included capital outflows and currency depreciations, which led to increasing balance of payment pressures and higher debt-servicing costs and exacerbated the risks to debt sustainability in several middle-income countries. The war in Ukraine made inflation worse and increased food insecurity in many middle-income countries. Climate change continued to take a heavy toll, with severe droughts and floods damaging crops in parts of Africa and South Asia in 2021 and 2022, pushing millions into poverty.

6. Despite external headwinds and the resulting slowdown in 2022, economic growth in lower- and upper-middle income countries in the period 2021–2022 outpaced the performance of high-income countries. This pattern is expected to be sustained in 2023 (see figure I). However, the forecasts for both groups face downside threats owing to the weaker export demand from developed economies and subdued domestic sentiment.

⁴ Section II is based on *World Economic Situation and Prospects 2023* (United Nations publication, 2023) and the mid-year update, “World economic situation and prospects as of mid-2023” (E/2023/80).

Figure I
Annual real growth in gross domestic product by country group, 2018–2023
 (Percentage)



Source: Department of Economic and Social Affairs, data set for “World economic situation and prospects as of mid-2023” (E/2023/80).

Abbreviations: e, United Nations partial estimation; f, United Nations forecast.

7. Beyond the current slowdown, investment activity in middle-income countries, excluding China, indicates a longer-term concern. After growing at an average annual rate of 2.7 per cent between 2000 and 2008, peaking at 23.8 per cent of GDP, investment as a share of GDP remained stagnant at around 23.5 per cent until 2021, which is 10 percentage points less than what it would have been if the pre-2008 growth trend had continued. The stagnation holds back future potential output, further imperilling progress in poverty eradication.

Inflation and employment

8. Many middle-income countries saw stubbornly high inflation in 2022, owing to supply bottlenecks and currency depreciations. Soaring food and energy prices and supply disruptions caused by the war in Ukraine exacerbated the situation. In some cases, country-specific factors, such as the monetization of fiscal deficits, also contributed. Argentina, Lebanon, Sri Lanka, Türkiye and Zimbabwe saw particularly high inflation rates, which are likely to continue in 2023. Although inflation is expected to slow in most middle-income countries over the course of 2023, it will remain above historical averages, in particular in Western Asia and Africa, and exceed inflation rates in advanced economies.

9. In most middle-income countries, nominal wages have not kept pace with inflation, which has triggered a cost-of-living crisis that has affected many, but has been particularly severe for low-income households. In contrast with advanced economies, most middle-income countries have seen slower post-pandemic job recovery, with unemployment rates still higher than before the pandemic and most of the recent job gains in the informal sector. Women’s employment in particular has not yet fully recovered. The forecast slowdown in economic growth means that labour market conditions will remain challenging for many middle-income countries in the near term.

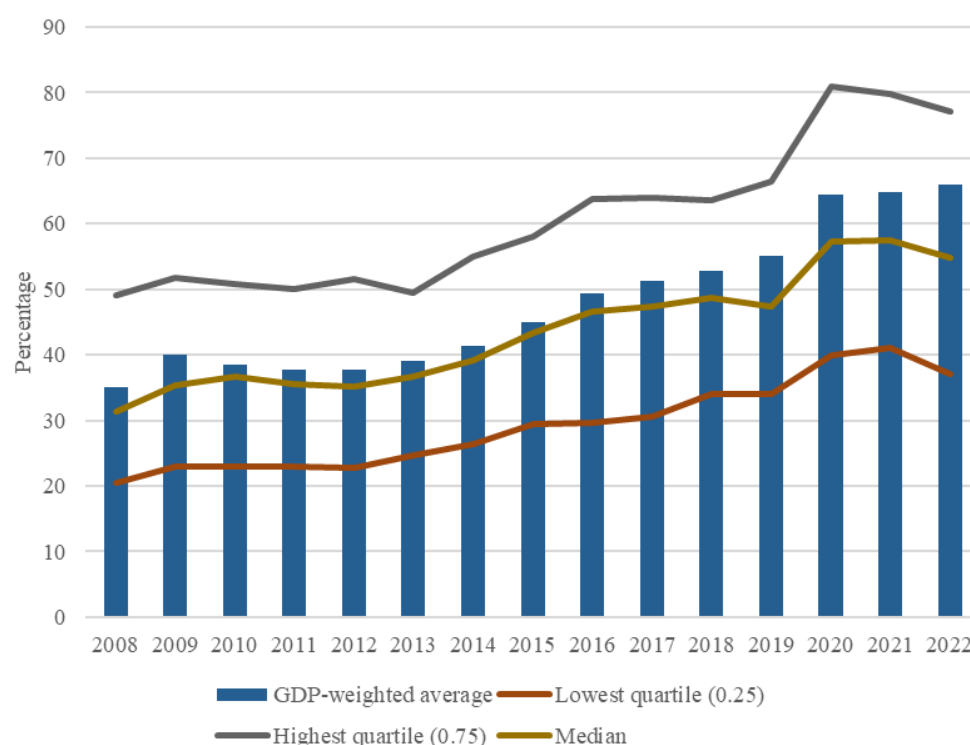
Trends in public debt

10. In 2022, debt-to-GDP ratios in most middle-income countries declined thanks to the rebound in economic activity, as well as higher inflation that eroded the real value of debt.⁵ Many countries also started to normalize their fiscal policy in 2022, after providing significant stimulus in the period 2020–2021. One exception was China, where the Government applied fiscal measures to mitigate the consequences of the COVID-19 lockdown. Governments in several other countries adopted measures to compensate for the impact of higher food and/or energy prices, causing additional fiscal pressure.⁶

Figure II

Public debt-to-GDP ratio of middle-income countries, 2008–2022

(Percentage of GDP)



Source: *Financing for Sustainable Development Report 2023*.

11. Despite reductions in debt-to-GDP ratios in many countries, on average, public debt remained above pre-pandemic levels (see figure II). In the current environment of subdued economic growth, tightening global financial conditions and currency depreciations against the United States dollar, a growing number of middle-income countries are facing a high risk of debt distress. In 2022, several defaulted on their debt, including El Salvador, Ghana and Sri Lanka.

⁵ *Financing for Sustainable Development Report 2023* (United Nations publication, 2023) and International Monetary Fund, *Fiscal Monitor: On the Path to Normalization* (Washington, D.C., April 2023).

⁶ For a list of countries and specific measures, see David Amaglobeli and others, “Policy responses to high energy and food prices”, International Monetary Fund Working Paper, No. 23/74 (Washington, D.C., International Monetary Fund, 2023).

12. Tackling the rising risks of debt distress and the high cost of debt will require immediate action, such as setting up a debt workout mechanism, for example at a multilateral development bank, to address slow progress in the Common Framework for Debt Treatments beyond the Debt Service Suspension Initiative and making greater use of debt-for-Sustainable Development Goal or debt-for-climate adaptation swaps and of risk-sharing debt instruments, such as state-contingent debt instruments. Eligibility for the Common Framework should be extended to middle-income countries that have a high level of public debt and require debt restructuring. The international community must also continue to work towards developing long-term, comprehensive structural solutions to sovereign debt challenges. This requires an improved understanding of long-term debt sustainability and long overdue reforms of the international debt architecture (see the policy brief contained in [A/77/CRP.1/Add.5](#)).

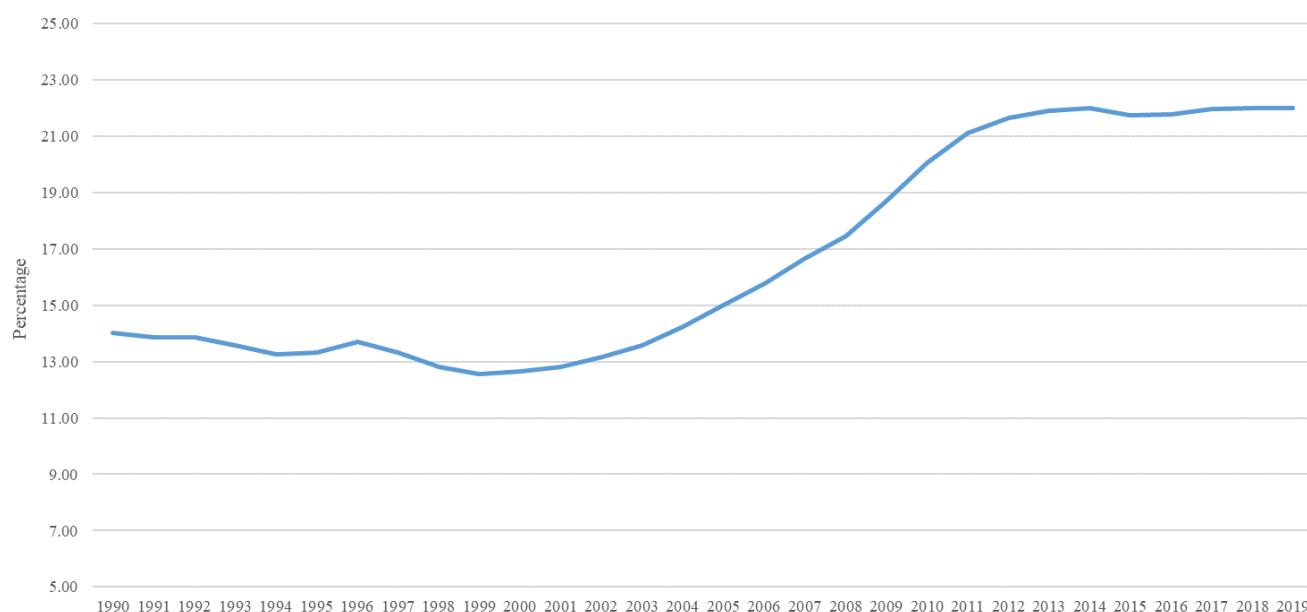
B. Longer-term challenges to sustainable development

13. Even before the COVID-19 pandemic, the growth momentum in middle-income countries had been slowing. After a period of rapid convergence with high-income countries, starting in the early 2000s and driven by a few fast-growing upper-middle income countries, the growth drivers began to run out of steam from 2010 onward (see figure III). The lack of a steady convergence has been attributed to difficulties in switching growth models as countries move up the income ladder, from one that is based on cheap labour, increased capital accumulation and basic technology catch-up to one that is driven by innovation and productivity growth. The concept of a “middle-income trap” has been useful for analysing the underlying growth barriers and assessing policy options to help to achieve sustainable development.

Figure III

Evolution of GDP per capita of middle-income countries relative to high-income countries, 1990–2019

(Percentage)



Source: Department of Economic and Social Affairs, based on data from the Penn World Table version 10.01, available at www.rug.nl/ggdc/productivity/pwt/.

Note: For comparison purposes, high-income countries equal 100 per cent. GDP per capita is measured on the basis of the purchasing power parity in international dollars at 2017 constant prices.

14. If international development partners only use income per capita as a means for measuring countries' development achievements and needs, this does not take into account their multidimensional needs and different capabilities to mobilize resources. Middle-income countries differ not only in terms of income per capita, but also across a broad range of development indicators, such as multidimensional poverty, income inequality, gender and the environment. For instance, within the subgroup of 54 lower-middle income countries, the Multidimensional Poverty Index values range from less than 0.01 to 0.37, with an average of 0.15. The Multidimensional Poverty Index average is lower in the 54 upper-middle income countries, at 0.03, but the highest value in that group is 0.19, which is higher than the average in the lower-middle income group (see table 1).

Table 1
Middle-income countries: social, economic and environmental indicators, 2011–2021
(Average)

Indicator	Lower-middle income countries			Upper-middle income countries		
	Minimum	Maximum	Average	Minimum	Maximum	Average
Multidimensional Poverty Index	0.004	0.37	0.15	0	0.19	0.03
Gini Index of Income Inequality	25.3	54.6	38.5	25.9	63	40.3
Human Development Index	0.50	0.78	0.62	0.60	0.85	0.75
Gender Inequality Index	0.26	0.68	0.48	0.13	0.56	0.34
Greenhouse gas emissions ^a	99	3 060 791	156 358	22	11 903 384	380 577
PM2.5 mean annual exposure ^b	9.5	86.6	35.0	5.7	55.1	22.8
Economic and environmental vulnerability index ^c	16.7	55.5	34.3	19.1	60.2	33.7

Source: Department of Economic and Social Affairs, based on data from the World Bank, World Development Indicators database.

^a Kilotonnes of carbon dioxide equivalent.

^b Results for fine particulate matter (PM2.5) annual exposure are averages from 2011 to 2019 in micrograms per cubic metre.

^c Calculated as equal shares of four economic vulnerability indicators and four environmental vulnerability indicators. Values closer to 100 reflect higher vulnerability levels and values closer to 0 reflect lower vulnerability levels.

15. The heterogeneity across the indicators reflects different development gaps that are rooted in countries' individual circumstances. A careful analysis of these gaps should form the basis for both domestic policy choices and international cooperation. At the same time, the slowing growth convergence and rising debt challenges make it harder to mobilize the necessary investments for sustainable development.

16. Additional indicators for development progress that go beyond GDP and that capture multidimensional vulnerabilities and development needs could help to inform domestic policymaking and guide international support (see section V).

III. Challenges to middle-income countries' efforts to achieve the environmental dimension of sustainable development

17. Even as middle-income countries grapple with advancing the well-being of their populations and societies, the adverse effects of climate change, biodiversity loss and growing pollution from a range of sources present additional challenges. In order to take stock of these challenges, identify solutions and review support by the United Nations system and other partners, the President of the General Assembly convened a high-level meeting on the theme "Accelerating the achievement of the Sustainable

Development Goals in middle-income countries, with a focus on the environmental dimension”, held on 11 May 2023.

18. The conclusions of the high-level meeting include the following: the need for country-led green transitions that must include social justice considerations and ensure that no one is left behind; the importance of international support, including through financing, technology transfer and capacity-building; the need to tailor support from the United Nations system and other partners to the specific development needs of middle-income countries, including around climate change, food security and resource mobilization; and the important role of indicators beyond GDP to guide policies and cooperation. Several of these issues are also covered in the present report.

A. Status of middle-income countries in the environmental dimension of sustainable development

19. Just as all countries, middle-income countries are confronted with the impacts of climate change, biodiversity loss and pollution, all of which are caused by human activity. While the specific effects are determined by country specific factors, such as location, geography and natural resource endowment, among others, all middle-income countries must contend with having to make up their development shortfalls while containing or reducing their environmental footprint.

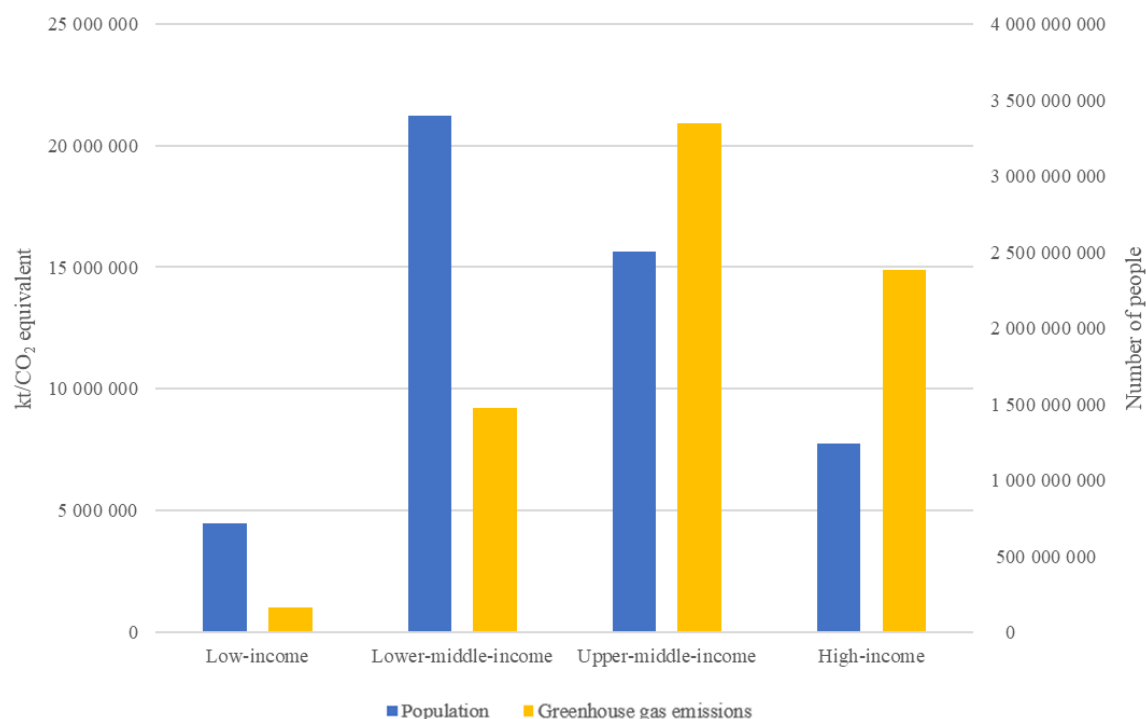
Climate change

20. Middle-income countries face significant challenges related to climate change, including disasters, rising sea levels and extreme weather. The resulting destruction of infrastructure, ill health, labour displacement and damage to food systems can have a severe impact on economic and social outcomes, with vulnerable populations, including women and people living in poverty, disproportionately affected. The cost of recovering from climate-related disasters reduces the financing available for investment in sustainable development and economic growth. However, obtaining access to financing for climate adaptation remains a challenge in many middle-income countries, as discussed below.

21. Although middle-income countries contributed little to climate change in the past, they currently account for 65.5 per cent of global greenhouse gas emissions, which are mostly attributable to about 10 rapidly growing economies. Middle-income economies are also the most carbon-intensive, as they emit more carbon dioxide per unit of GDP than any other income group. However, middle-income countries emit fewer greenhouse gases per capita than high-income countries, which are also responsible for the bulk of historical emissions (see figure IV).⁷

⁷ World Bank, World Bank Open Data (accessed on 10 June 2023). See also United Nations Development Programme, “How large are inequalities in global carbon emissions – and what to do about it?”, 29 October 2021.

Figure IV
Total population and annual greenhouse gas emissions by income group
 (Kilotonnes/carbon dioxide equivalent; number of people)



Source: World Bank, World Bank Open Data (accessed on 10 June 2023).

Nature and biodiversity loss

22. Middle-income countries are seeing increasing levels of material extraction and land conversion.⁸ In addition to accelerating climate change, the effects of material extraction include biodiversity loss, in particular in tropical forests and in marine, coastal and polar ecosystems. Some types of extraction also result in land-use changes, with consequences for biodiversity, soil erosion and degradation, emissions, and potential loss of ecosystem services.⁹ Land conversion from natural landscapes into cities has consequences for water, soil and air quality, and for ecosystems and species.

Pollution, chemicals and waste

23. Middle-income countries face growing air, water and soil pollution, and increasing volumes of solid waste. Untreated wastewater pollution, including chemical contamination from pesticides, landfill leachate and industrial discharges, is a key driver of deteriorating water quality in middle-income countries. On average, upper-middle-income countries only treat around 38 per cent of the municipal wastewater they generate and lower-middle-income countries just 28 per cent,

⁸ Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, *The Global Assessment Report on Biodiversity and Ecosystem Services: Summary for Policymakers* (Bonn, Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services secretariat, 2019) and International Resource Panel, *Global Resources Outlook 2019: Natural Resources for the Future We Want* (Nairobi, United Nations Environment Programme (UNEP), 2019).

⁹ Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, *The Global Assessment Report on Biodiversity and Ecosystem Services*.

compared with about 70 per cent in high-income countries.¹⁰ In low- and middle-income countries, 98 per cent of cities with more than 100,000 inhabitants did not meet the World Health Organization air quality guidelines for particulate matter, ozone, nitrogen dioxide and sulfur dioxide. The main sources of air pollution include cooking fuels, industry, agriculture, transport and coal-fired power plants. In 2019, 89 per cent of the 4.2 million premature deaths owing to outdoor air pollution were in low- and middle-income countries.¹¹

B. Principal drivers of environmental challenges in middle-income countries

Urbanization, rising incomes and changing domestic consumption patterns

24. Middle-income countries are undergoing rapid urbanization, as populations move to towns in an increasingly industrial and service-based economy. Over the past three decades, the global number of people living in urban areas has doubled, with 80 per cent of this increase taking place in middle-income countries. In 2023, about 55 per cent of the total population of middle-income countries reside in urban areas. By 2050, this share is projected to reach nearly 70 per cent.¹² The large-scale construction of buildings and infrastructure required to support urbanization is a major driver of emissions and biodiversity loss.

25. Higher incomes are essential for reducing poverty and improving lives. However, rising incomes also cause a shift towards unsustainable patterns of consumption and production. For example, daily per capita waste generation is projected to increase by 40 per cent or more in low- and middle-income countries by 2050.¹³ E-waste, which is locally generated and imported, is a growing problem for countries that lack both the regulatory and processing infrastructure for its safe management.¹⁴ Food waste is also an issue in middle-income countries, where levels of household food waste are similar to those in high-income countries.¹⁵

Industrial development and integration into global value chains

26. As the material- and energy-intensive stages of production have been moved outside high-income countries over the past 50 years, middle-income countries have become the source of almost 50 per cent of global industrial production.¹⁶ This has caused a shift in the associated environmental impacts, including greenhouse gas emissions, air, land and water pollution and damage to ecosystems and human health, even though a large share of the production is exported for final consumption in high-income countries.¹⁷ Middle-income countries also have the highest share of value

¹⁰ Ibid.; UNEP, *Global Chemicals Outlook II: From Legacies to Innovative Solutions – Implementing the 2030 Agenda for Sustainable Development* (Nairobi, UNEP, 2019); and UNEP, *Measuring Progress: Environment and the SDGs* (Nairobi, UNEP, 2021).

¹¹ Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, *The Global Assessment Report on Biodiversity and Ecosystem Services*; UNEP, *Global Chemicals Outlook II*; and World Health Organization, “Ambient (outdoor) air pollution”, fact sheet, 19 December 2022.

¹² *World Urbanization Prospects: The 2018 Revision* (United Nations publication, 2019). The percentage of the urban population is estimated using national sources, reflecting the definitions and criteria established by national authorities.

¹³ UNEP, *Global Chemicals Outlook II*.

¹⁴ UNEP, *Emissions Gap Report 2022: The Closing Window – Climate Crisis Calls for Rapid Transformation of Societies* (Nairobi, UNEP, 2022).

¹⁵ UNEP, *Food Waste Index Report 2021* (Nairobi, UNEP, 2021).

¹⁶ International Resource Panel, *Global Resources Outlook 2019*.

¹⁷ UNEP and International Resource Panel, *Sustainable Trade in Resources: Global Material Flows, Circularity and Trade*, (Nairobi, UNEP, 2020).

added in the industrial sector, with lower-middle income countries accounting for 30 per cent of GDP and upper-middle income countries 36 per cent of GDP, compared with 23 per cent in the case of high-income countries.¹⁸

27. The relocation of industrial activities to middle-income countries is driven by comparative advantage, as well as lower environmental standards than those typically enforced in high-income countries.¹⁹ Although it has contributed to growth and poverty reduction, the relocation of these activities can also be challenging in terms of implementing higher environmental standards and emissions targets. Many middle-income countries also need to strengthen their institutional capacity for appropriate industrial policies and regulatory oversight.²⁰

C. Transformative approaches to enable inclusive and just transition pathways

28. All three dimensions of sustainable development are fundamentally intertwined, which means that careful consideration of the trade-offs and synergies is necessary. Achieving the environmental dimension of sustainable development would not be possible without simultaneously making progress in the other two dimensions. Middle-income countries can transition to low-carbon, resource-efficient, resilient and inclusive economies, provided that global efforts, led by high-income countries, accelerate the reduction of global greenhouse gas emissions. Two key pathways can support such a transformation: (a) a transition to sustainable consumption and production; and (b) an increased role of the services sector through a digital, knowledge-based economy.

Green and inclusive economic development

29. Middle-income countries need to design economic strategies and plans to switch to growth models that are inclusive, low-carbon and environmentally sustainable. Decision makers can use green macroeconomic modelling to assess different policy options across a range of economic, environmental and biodiversity indicators and to quantify the necessary investments.²¹ Natural capital accounting may serve as a complementary tool for quantifying the costs and benefits of biodiversity preservation and the long-term savings and dividends from ecosystem services.²²

30. Domestic resource mobilization can play a central role in supporting just transitions by mobilizing additional financing and setting incentives for sustainable consumption and production. It may be complemented where necessary by external financing and debt treatment. Green fiscal policy instruments include carbon taxes, usage charges, dumping and waste management fees and pollution taxes on the revenue side and direct and indirect subsidies, payments for ecosystem services, grants and low-interest loans and sustainable public procurement on the spending and investment side.²³

¹⁸ World Bank, World Bank Open Data (accessed on 6 March 2023). The industrial sector includes extractive industries.

¹⁹ International Resource Panel, *Global Resources Outlook 2019*.

²⁰ UNEP, *Measuring Progress* and United Nations Industrial Development Organization Industrial Analytics Platform, “Trends in global industrial policy”, March 2023. Available at <https://iap.unido.org/articles/trends-global-industrial-policy>.

²¹ Partnership for Action on Green Economy, *The Integrated Green Economy Modelling Framework* (UNEP, 2017).

²² United Nations, Department of Economic and Social Affairs, “Moving beyond GDP and achieving Our Common Agenda with natural capital accounting”, policy brief No. 144, December 2022.

²³ United Nations Institute for Training and Research, “Green fiscal policy” (accessed on 6 June 2023).

31. Many middle-income countries will require technical assistance to improve the capacity of their institutions, including those involved with integrated planning and financing. Supporting middle-income countries in tackling tax evasion and capital flight can help them to fully appropriate the gains of economic growth and foreign direct investment for sustainable development.²⁴

Sustainable consumption and production

32. By shifting to sustainable patterns of consumption and production, middle-income countries can reverse their growing carbon, material and ecological footprints while driving positive social and economic impacts.²⁵ This will require a transition to circular value chains and cleaner production, based on the reuse, recycling and more efficient and less polluting use of materials and natural resources and on the transition to clean and efficient energy systems. The environmental impact of increasing consumption can be reduced through sustainable urban planning, sustainable energy use for cooking and heating in homes and buildings, dietary changes and reducing household food waste, among others.²⁶

33. These shifts must be underpinned by a supportive regulatory environment and appropriate fiscal incentives, as well as consumer education, reliable sustainability information and sustainable public procurement. The international community can provide support through institutional capacity-building and by fostering agreements on environmental and social standards for resource extraction; sustainability standards for goods and services; import regulations for second-hand goods, for example vehicles and textiles; capabilities and systems for disaster risk reduction and climate adaptation; controlled management of waste; and targets, commitments and associated policies under multilateral environmental agreements.

34. The transition to cleaner production and circularity also requires greater access to and application of technology to enhance resource and energy efficiency and the uptake of renewable energy and to increase productivity.²⁷ Better access to sustainable finance from all sources is needed to step up investments, including in quality, sustainable and climate-resilient infrastructure.²⁸

Digitalization-driven growth

35. Digital-led growth in the services sector can help middle-income countries to achieve low-carbon and resource-efficient development and harness opportunities in the global digital market. It can also help middle-income countries to transition to an innovation-led growth model, away from models based on low wages and excessive dependence on natural resources. Digital tools can support the shift to circular value chains, including through material traceability and chemicals monitoring. Digitalization can also increase the availability of information to support sustainable consumption.²⁹

36. Digitalization can improve data quality, allowing countries to better measure the state of the environment and the drivers of environmental degradation and to put in place and monitor environmental policies and regulations. It could allow cities to manage and actively reduce emissions from buildings and vehicles and to optimize energy and material efficiency in industry and agriculture. It could enable sensor

²⁴ See General Assembly resolution [76/215](#).

²⁵ UNEP, “For people and planet: the UNEP Strategy for 2022–2025”, 22 February 2021.

²⁶ Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services, *The Global Assessment Report on Biodiversity and Ecosystem Services; The Sustainable Development Goals Report 2022* (United Nations publication, 2022); and UNEP, *Food Waste Index Report 2021*.

²⁷ International Resource Panel, *Global Resources Outlook 2019*.

²⁸ UNEP, *Emissions Gap Report 2022* and UNEP, *Measuring Progress*.

²⁹ UNEP, “For people and planet”.

networks for monitoring stormwater, urban heat islands and air pollution and help middle-income countries to respond to climate threats and assess disaster risks.

37. However, many middle-income countries lack the digital infrastructure and capabilities needed to adopt the technologies of the fourth industrial revolution. Within-country digital divides further exacerbate existing inequalities in middle-income countries, including socioeconomic and gender disparities ([A/76/375](#)).

38. Enhancing the digital infrastructure and capacity of middle-income countries is therefore critical to transforming their services sectors and building dynamic comparative advantages across a range of dematerialized economic activities, including in the areas of finance, design, logistics, marketing and retail, while also reducing pollution, building climate resilience and facilitating an inclusive transition to circularity. Global development actors can support middle-income countries by providing technical assistance and capacity-building, transferring technology, innovation and knowledge, and providing financial resources.

D. Examples of good practices and solutions³⁰

39. Resident coordinators and United Nations country teams are supporting the Governments of India, Indonesia, South Africa and Viet Nam to navigate their energy transitions through the Just Energy Transition Partnership. At a broader level, the Partnership for Action on Green Economy supports nations and regions in reframing their economic policies and practices around sustainability. Its partners include 16 middle-income countries and the Province of Jiangsu in China and the State of Mato Grosso in Brazil. The United Nations Entity for Gender Equality and the Empowerment of Women (UN-Women) and UNEP joint initiative, EmPower – Women for Climate Resilient Societies, works directly with the Association of Southeast Asian Nations to accelerate the gender-responsive implementation of climate and renewable energy-related policies and renewable energy investment in Bangladesh, Cambodia and Viet Nam.

40. The Climate Technology Centre and Network has supported circular economy initiatives in 12 middle-income countries, including through the development of circular economy road maps and the valorization of biomass waste in national energy systems. The United Nations Human Settlements Programme (UN-Habitat) Waste Wise Cities Tool is a step-by-step guide for assessing a city's municipal solid waste management performance by harnessing digital tools to monitor Sustainable Development Goal indicator 11.6.1. The International Atomic Energy Agency Nuclear Technology for Controlling Plastic Pollution initiative harnesses nuclear technology for tackling plastic pollution. Eight middle-income countries in Africa and four middle-income countries in the Asia and Pacific region are currently participating in the initiative. Meanwhile, the Government of India is driving the transition from a linear economy to a circular economy, by formulating rules on the management of plastic waste, e-waste and construction and demolition waste and on the recycling of metals, among others.

41. The Risk Information Exchange tool developed by the United Nations Office for Disaster Risk Reduction compiles data on vulnerability, exposure, hazards and climate projections and helps countries to use the findings in decision-making and planning processes. Another United Nations Office for Disaster Risk Reduction tool, the DesInventar national disaster loss data set, makes detailed disaster loss data for over 89 mostly middle-income countries available online.

³⁰ The examples of good practices and solutions draw from input provided by United Nations system entities.

42. The Economics of Ecosystems and Biodiversity is a global UNEP initiative that recognizes, demonstrates and captures the value of ecosystems and biodiversity in both monetary and non-monetary terms. The Economics of Ecosystems and Biodiversity AgriFood project, implemented in India and nine other countries, informs public and private sector agrifood actors of the impacts of their decisions across the value chain of natural, social, human and produced capital. Urban ecosystem accounting, which is a system used to assess the natural capital and ecological functions in urban ecosystems, has been developed and piloted in China. Gross ecosystem product accounts have been developed for the Province of Qinghai and the city government of Shenzhen has adopted a gross ecosystem product approach to inform urban planning.

43. The UNEP Finance Initiative and LAGreen Technical Assistance Facility programme offers training on green, social and sustainable bonds. Training sessions, covering bond issuance, the role of financial institutions, the advantages for issuers and operating mechanisms, were held in nine middle-income countries. The United Nations development system also convened a climate financing collaboration involving UNEP, the United Nations Framework Convention on Climate Change, the United Nations Development Programme, UN-Women, the Global Compact Local Network and the Thai Government Pension Fund. The collaboration saw commitments made by 43 financial institutions to act on the Sustainable Development Goals; over 90 private sector leaders to achieve net-zero greenhouse gas emissions by 2050; and the Government of Thailand to formalize the carbon market in 2022 and reach carbon neutrality by 2050.

44. Belize, Bolivia (Plurinational State of), Costa Rica and Ecuador have implemented debt-for-nature swaps, which have reduced their sovereign debt obligations in exchange for their commitment to finance domestic climate and conservation projects. In 2023, the Government of Ecuador announced the world's largest debt-for-nature swap, which will save the country over \$1.1 billion in debt service costs, with the Government investing \$450 million until 2040 in protecting the Galapagos Islands.

IV. Development cooperation with middle-income countries

A. United Nations system cooperation with middle-income countries

United Nations system expenditure

45. According to the latest quadrennial comprehensive policy review of operational activities for development of the United Nations system, which covers funding of the United Nations development system, the total system-wide expenditure amounted to \$60.2 billion in 2021. Expenditure on operational activities for development and humanitarian assistance amounted to almost \$20 billion and just over \$25 billion, respectively, totalling \$45.1 billion, of which 78 per cent was allocated to programmes at the country level. The rest was allocated to peace operations, the global agenda and specialized assistance accounted.³¹

46. Middle-income countries accounted for over two thirds of all host countries that were States Members of the United Nations in 2021, but they represented only half of all country-level expenditure. On a per capita basis, spending on middle-income countries was significantly lower than for other country groups (see table 2). Accounting for overlaps between different country groups yields a more nuanced picture: expenditure per capita was highest in middle-income countries that are small

³¹ [A/78/72-E/2023/59](#) and [A/78/72/Add.1-E/2023/59/Add.1](#).

island developing States (\$20.8) and lowest in middle-income countries that do not belong to any other group (\$1.19).³²

Table 2
United Nations expenditure, by country group, 2021

<i>Group</i>	<i>Number of countries</i>	<i>Share of country-level expenditure (Percentage)</i>	<i>Average expenditure per country (Millions of United States dollars)</i>	<i>Expenditure per capita (United States dollars)</i>
Least developed countries	46	52.9	383	16.03
Small island developing States	38	3.9	34	19.19
Landlocked developing countries	32	27.5	286	16.62
African countries	54	45.2	278	10.80
Middle-income countries	104	50.5	162	2.91
Lower-middle income countries	53	29.9	134	2.96
Upper-middle income countries	51	20.5	188	2.86
All host countries	148	100	224	5.07

Source: Office of Intergovernmental Support and Coordination for Sustainable Development, Department of Economic and Social Affairs.

Notes: Country groups are not mutually exclusive. Includes only Member States that are host countries.

United Nations system support: indices, frameworks, strategies and tools

47. United Nations country teams work in 130 countries, 49 of which are lower-middle-income and 43 upper-middle-income.³³ In recent years, a growing number of United Nations development system entities have signed United Nations Sustainable Development Cooperation Frameworks, designed to ensure a whole-of-system approach to cooperation with host countries for the implementation of the 2030 Agenda for Sustainable Development, in line with national development needs and priorities.³⁴

48. The 2022 annual survey of the headquarters of United Nations development system entities asked about their cooperation with middle-income countries, including the use of indices, frameworks, strategies and tools. The results show that the entities use a diverse set of indices, frameworks and tools to tailor their support and strengthen their work in different country settings.

49. Of the 25 United Nations entities that responded to the question about specific country strategies for middle-income countries, 15 entities (60 per cent) indicated that they had a specific strategy in place. This largely reflects system-wide commitments to address the challenges of middle-income countries, as contained, for example, in the 2030 Agenda. The United Nations Industrial Development Organization is the only entity with a specific Strategic Framework for Partnering with Middle-Income Countries.³⁵ All the regional commissions, except the Economic and Social Commission for Asia and the Pacific, indicated that they have a strategy for middle-income countries.

³² Middle-income countries that do not fall into any of the following groups: least developed countries, landlocked developing countries, small island developing States, African countries, countries in conflict or post-conflict situations.

³³ United Nations Sustainable Development Group, country team snapshots, UNINFO Data Explorer. Available at <https://uninfo.org/data-explorer/ims/country-snapshot> (accessed on 4 May 2023).

³⁴ A/78/72-E/2023/59 and A/78/72/Add.1-E/2023/59/Add.1.

³⁵ See GC.18/INF/4, GC.18/Res.9.

50. United Nations entities provide support to middle-income countries in several areas of work. Out of 28 respondents, 24 provide integrated policy advice; 25 provide technical support; 17 provide assistance in leveraging financing for the Goals; 22 provide assistance in forging partnerships; and 20 support innovation and South-South cooperation. These numbers exceed or are the same as those for other country groups, except with respect to South-South cooperation for development, for which least developed countries receive support from 21 entities. The regional commissions support middle-income countries in all areas of work, with few exceptions.³⁶

51. Regarding the use of indices for their work with middle-income countries, 13 out of 27 entities use gross national income (GNI) per capita, but all except one also reported using other indicators, mainly the Human Development Index and the Multidimensional Poverty Index (see table 3). Only the United Nations Industrial Development Organization reported using exclusively GNI per capita, in line with its Strategic Framework for Partnering with Middle-Income Countries. Several entities also use other indices, including Sustainable Development Goal indicators and sector-specific indices, such as the Gender Inequality Index (UN-Women) and green economy indicators (UNEP). The regional commissions, except the Economic Commission for Europe (ECE), generally use GNI per capita, the Multidimensional Poverty Index and the Human Development Index. Only the Economic and Social Commission for Asia and the Pacific reported using the economic and environmental vulnerability index.

Table 3

Indices, tools and frameworks used by United Nation system entities as part of their work with middle-income countries, 2021

(Number of affirmative responses)

Indices (27)	Gross national income per capita	Multidimensional Poverty Index	Human Development Index	Economic and environmental vulnerability index		Others
	13	13	14	6		17
Frameworks (27)	Sendai Framework ^a	Samoa Pathway ^b	Vienna Programme of Action ^c	Istanbul Programme of Action ^d	Agenda 2063 ^e	Others
	19	19	17	17	18	11
Tools (27)	Sustainable Development Goal needs assessments	Scenario analysis	Modelling tools			Others
	11	9	15			10

Source: Department of Economic and Social Affairs.

Notes: Respondents were allowed to select multiple responses.

^a Sendai Framework for Disaster Risk Reduction 2015–2030.

^b SIDS Accelerated Modalities of Action (SAMOA) Pathway.

^c Vienna Programme of Action for Landlocked Developing Countries for the Decade 2014–2024.

^d Istanbul Programme of Action for the Least Developed Countries for the Decade 2011–2020.

^e Agenda 2063: The Africa We Want.

52. Most entities reported using frameworks for countries in special situations for their work with middle-income countries, suggesting a large degree of overlap between country groups. The regional commissions also use most of these frameworks, with the Economic Commission for Africa being the only one to use

³⁶ The Economic Commission for Europe (ECE) reported that it does not provide support to middle-income countries in leveraging financing for the Sustainable Development Goals and the Economic Commission for Latin America and the Caribbean does not provide support in the areas of forging partnerships and supporting innovation and South-South cooperation.

Agenda 2063: The Africa We Want. Other frameworks mentioned by different entities include, for example, the Global Compact on Refugees (Office of the United Nations High Commissioner for Refugees), the New Urban Agenda (UN-Habitat) and the Global Compact for Safe, Orderly and Regular Migration (International Organization for Migration).

53. The most frequently mentioned tools were modelling tools, including microeconomic, macroeconomic and computable general equilibrium models, followed by Sustainable Development Goal needs assessments and scenario analyses. The regional commissions, except ECE, reported using all three types of tools. Other entities use specific tools such as threat and risk assessments, market monitoring tools and early warning systems, among many others.

Host country Government perspectives

54. Feedback from middle-income countries on support from the United Nations development system was generally positive and has improved since the repositioning of the system. According to the latest survey of host country Governments, 93 per cent of middle-income countries considered the activities of the system to be closely aligned with their needs and priorities in 2022,³⁷ up from 87 per cent in 2017. The percentage of middle-income countries reporting that the integrated policy advice they received was tailored to their needs and priorities rose from 79 per cent in 2019 to 93 per cent in 2022. Approval ratings for other areas of work were also consistently above 90 per cent in 2022, except for support for integrated national financing frameworks (see table 4).

Table 4

Extent to which country groups agree that the United Nations development system adequately provides advice and support, by category, 2022

(Percentage of host countries that agree with the statement)

Category	Middle-income countries	Least developed countries	Landlocked developing countries	Small island developing States	Africa
Evidence-based policy advice that is tailored to national needs and priorities	97	93	92	95	92
Joint integrated policy advice that is tailored to national needs and priorities	93	86	85	95	83
Technical support in line with national needs and priorities	96	97	96	90	95
Support for financing of the Sustainable Development Goals	91	87	88	80	89
Support for integrated national financing frameworks	84	88	83	71	88
Support to leverage partnerships in support of national development priorities	95	90	92	86	89
Support for statistical capacities and data collection, analysis and management	99	100	100	90	100

Source: Department of Economic and Social Affairs survey of host country Governments, 2022.

55. With few exceptions, the share of middle-income countries that consider support and advice from the United Nations development system as adequate is higher than for other country groups. Support for integrated national financing frameworks had the lowest approval ratings from middle-income countries (84 per cent). The second lowest approval rating was for the adequacy of support for financing of the Sustainable Development Goals. Both categories point to the urgent need to mobilize additional financing for the Goals, from all sources and with better support from the United Nations system. In the survey of United Nations system entities, 17 out of 28

³⁷ The latest survey of host country Governments was conducted in early 2023 and completed by 66 per cent of the total number of countries, including 75 middle-income countries.

respondents indicated that they supported middle-income countries in leveraging financing for the Goals (see above).

B. Official development assistance

56. Middle-income countries are eligible for official development assistance (ODA), which is determined according to the criteria set by the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), but is mainly based on income per capita and the degree of concessionality.³⁸ Countries that have “graduated” from ODA eligibility can still receive concessional finance, although it is no longer registered as ODA. The modality of cooperation often changes before graduation, as countries reach higher income levels. For instance, a larger share of ODA for middle-income countries takes the form of loans rather than grants and there is greater donor interest in issue-specific allocations, such as climate change mitigation or humanitarian aid for refugees.³⁹ As discussed above, such changes in cooperation should be based on assessments of country-specific development needs and priorities, along with the ability to mobilize resources, rather than on income per capita alone.

57. Between 2010 and 2021, gross disbursements of ODA for all developing countries grew by 3.8 per cent per year on average, in real terms, amounting to \$237 billion in total. At 3.2 per cent, average annual growth was lower for middle-income countries, resulting in a decline in their share in overall ODA. This affected both lower- and upper-middle income countries, whose shares fell from 35.4 per cent and 13.2 per cent in 2010 to 33.6 per cent and 12.0 per cent in 2021, respectively.⁴⁰

58. Middle-income countries received 46.0 per cent of ODA as loans in 2021, compared with 25.9 per cent for all developing countries. The share of loans was highest for lower-middle income countries, at 49.4 per cent (or \$39.3 billion out of \$79.6 billion) in 2021. Upper-middle income countries received less ODA than lower-middle income countries, but a relatively larger share was disbursed as grants (63.3 per cent or \$18.1 billion out of \$28.5 billion in 2021). Of the donors, multilateral institutions disbursed a higher share of total ODA as loans than bilateral Development Assistance Committee donors. The share of loans in multilateral ODA for middle-income countries reached 61.6 per cent in 2021.⁴¹

C. Multilateral development banks

59. Multilateral development banks provide development and emergency financing for their member countries. When this support meets the OECD/Development Assistance Committee income and concessionality criteria, it is reported as (multilateral) ODA, as discussed above. Most middle-income countries are not eligible for concessional finance from multilateral development banks, based on

³⁸ The countries eligible for ODA include: all the least developed countries and all low- and middle-income countries, as defined by the World Bank, with the exception of the Group of Eight Industrialized Countries, States members of the European Union and countries with a firm date for entry into the European Union. The list of eligible countries is revised every three years and countries that exceed the high-income threshold for three consecutive years are removed from the list, although some exceptions may apply. See OECD, “DAC list of ODA recipients” (accessed on 8 May 2023).

³⁹ Eleanor Carey and Harsh Desai, “Maximising official development assistance”, in *Development Co-Operation Report 2023: Debating the Aid System*, OECD (Paris, 2023).

⁴⁰ OECD, “Aid (ODA) disbursements to countries and regions [DAC2a]”, OECD.Stat database. Available at <https://stats.oecd.org/> (accessed on 2 May 2023).

⁴¹ Ibid.

income per capita criteria. In recent years, however, many multilateral development banks have included additional criteria for concessional financing, such as vulnerability, albeit often on an ad hoc basis.⁴²

60. Developing countries that are not eligible for concessional financing from multilateral development banks can usually still borrow from their non-concessional windows, such as the International Bank for Reconstruction and Development. Such loans typically charge lower interest and have longer tenures than commercial bank loans, but they can be more onerous and time-consuming to secure. Loans from multilateral development banks are usually accompanied by technical support, which can help to amplify their development impact. In 2021, other official flows, that is official flows that do not meet ODA criteria, from multilateral development banks were almost three times the size of their ODA disbursements (\$90.7 billion compared with \$33 billion). Over 90 per cent of this goes to middle-income countries, making it a key source of external finance for this group, especially during an era of tighter global financial conditions.⁴³

61. Multilateral development banks and other public development banks are well-positioned to support the massive scaling up of long-term affordable financing needed to boost investment in crisis response and sustainable development. As laid out by the Secretary-General in his call for a Sustainable Development Goal stimulus to deliver the 2030 Agenda, this will require an increased financing capacity of multilateral development banks and further improvements of their lending terms.

D. Climate commitments

62. In 2020, developed countries fell \$16.7 billion short of their pledge to provide and mobilize a total of \$100 billion per year for climate action in developing countries; a goal which is likely to be reached in 2023. While public climate finance increased on a year-on-year basis, accounting for 82 per cent of the total, mobilized private finance decreased.⁴⁴ During the period 2019–2020, bilateral concessional finance and finance from multilateral development banks accounted for 48.5 per cent and 47.6 per cent of total public finance, respectively, while multilateral climate funds accounted for only 3.9 per cent. Most of this financing was geared towards mitigation, although the share of adaptation finance increased over previous years.⁴⁵

63. Middle-income countries were the main recipients of public climate finance allocable by countries in the period 2019–2020, with lower-middle income countries receiving 60.8 per cent and upper-middle income countries 26.5 per cent.⁴⁶ The share of financing for mitigation in middle-income countries was 57.2 per cent, with 36.5 per cent for adaptation and 6.3 per cent for cross-cutting activities. The share of financing for adaptation was largest from bilateral concessional sources (40.3 per cent), while the share of financing for mitigation was largest from multilateral development banks (62.5 per cent).

64. Recent discussions about the reform of the World Bank and other multilateral development banks have acknowledged the need to increase financing for global

⁴² United Nations, Department of Economic and Social Affairs, “Improving the criteria to access aid for countries that need it most”, policy brief No. 138, July 2022.

⁴³ OECD, “Aid (ODA) disbursements to countries and regions [DAC2b]”.

⁴⁴ OECD, *Aggregate Trends of Climate Finance Provided and Mobilised by Developed Countries in 2013–2020* (Paris, OECD Publishing, 2022).

⁴⁵ United Nations Framework Convention on Climate Change, Standing Committee on Finance, *Fifth Biennial Assessment and Overview of Climate Finance Flows* (Bonn, 2022).

⁴⁶ These numbers do not include non-concessional bilateral finance and private finance, which are typically higher for upper-middle-income countries, particularly in the energy sector.

public goods, such as the mitigation of climate change or preservation of biodiversity. A significant share of such financing should be on highly concessional terms, including for middle-income countries, to account for positive global externalities, for example, the benefits of reducing greenhouse gas emissions by transitioning from fossil fuels to renewables, which are universal, and it must not crowd out the financing of national sustainable development needs. Despite recent improvements, access to multilateral climate funds still presents a hurdle for many countries, including middle-income countries, and should be further streamlined.

V. Multidimensional approaches to measurements

A. Beyond gross domestic product

65. The United Nations continues to support work on a universal and comprehensive measurement of sustainable development progress. In order to better measure what matters to people, the planet and the future and to inform decision-making, the Secretary-General has proposed the development of a United Nations value dashboard of key indicators that go beyond GDP. This dashboard should build on existing work by United Nations entities, other international organizations and academia and serve as a complement, not a substitute for GDP (see the policy brief contained in [A/77/CRP.1/Add.3](#)).

66. The Secretary-General has called upon Member States to: (a) confirm their political commitment to develop a conceptual framework to “value what counts”, anchored in the 2030 Agenda; (b) agree to the establishment of an independent high-level expert group to develop a value dashboard of a limited number of key indicators that go beyond GDP; and (c) provide resources for and strengthen statistical capacity-building and data collection to support efforts to go beyond GDP and to fill gaps in reporting on the Goals (see [A/77/CRP.1/Add.3](#)).

B. Multidimensional vulnerability index

67. Work has advanced on the development of a multidimensional vulnerability index. A High-Level Panel on the Development of a Multidimensional Vulnerability Index for Small Island Developing States was appointed in February 2022, following long-standing calls for such an index, to better assess the vulnerability of small island developing States and identify the challenges to their sustainable development. In its interim report, the Panel proposed a universal framework for all developing countries, based on two pillars: structural vulnerability and structural resilience. Both would be assessed using indicators that draw from all three dimensions of sustainable development, are evidence-based, of high quality, universally available and not heavily correlated with GNI per capita. The Panel also proposed the development of country vulnerability-resilience profiles for a more detailed analysis of country-specific factors.⁴⁷

68. Extensive consultations with Member States and other stakeholders have been held on the proposed methodology, indicators and preliminary results, with the report currently in the process of finalization.

⁴⁷ Interim report of the High-Level Panel on the Development of a Multidimensional Vulnerability Index (August 2022).

VI. Conclusions and recommendations

69. The United Nations development system has improved the tailoring and coherence of its support for developing countries, including middle-income countries. In order to further enhance this support, all entities should align their activities through United Nations Sustainable Development Cooperation Frameworks.

70. The United Nations development system should increase support for middle-income countries to leverage financing for the Sustainable Development Goals, including through additional support for integrated national financing frameworks at the country level and through initiatives such as a Sustainable Development Goal stimulus and reform of the international financial architecture at the global level.

71. The sustainable development challenges faced by countries are multidimensional and cannot be measured by income-based measures alone. A more tailored approach should include an assessment of different development gaps for each country, multidimensional vulnerabilities and capabilities to mobilize resources, among others. The international community should continue to pursue new approaches that go beyond GDP and a multidimensional vulnerability index, both of which could inform domestic policy decisions and international development cooperation, including access to concessional finance.

72. Amid multiple global crises, many middle-income countries face large and growing public debt burdens, which are progressively crowding out investments in the Sustainable Development Goals and climate action. The international community must take immediate action by setting up a debt workout mechanism, for example at a multilateral development bank, and making greater use of debt-for-sustainable-development-goal or debt-for-climate adaptation swaps and of risk-sharing debt instruments. Additional efforts are needed for long-term comprehensive and structural solutions to sovereign debt challenges, including through long overdue reforms of the international debt architecture.

73. In order to overcome environmental challenges, middle-income countries need to embark on just and inclusive green transitions, in tandem with international efforts, led by high-income countries, to bring down global greenhouse gas emissions. This includes moving towards more sustainable consumption and production and shifting towards a more digital, knowledge-based economy. This could also help raise productivity levels and ensure longer-term growth prospects.

74. Most middle-income countries require significant support for their green transitions, including through financing, technology transfer and capacity-building. Multilateral development banks are particularly well-placed to increase the required long-term financing and provide support through their technical expertise. A significant part of such financing should be on highly concessional terms, to account for positive global externalities. Increased financing for the mitigation of climate change and preservation of biodiversity and other global public goods must not, however, crowd out the financing of sustainable development in developing countries.