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Statement
by
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Mr. President, ladies and gentlemen,

It is a pleasure and a privilege to be here and participate in this exciting forum. Let me begin with a general statement: in the last two decades, the development cooperation system has been subject to several changes that have affected aid doctrine, the spectrum of actors involved, and the range of instruments put into play. But, honestly, if the cooperation system has changed, international reality has evolved even more quickly and intensively. We are now facing a more heterogeneous and multi-polar world, with new powers coming from developing regions; a world likely to see fewer absolutely-poor but more relatively-poor, and in which national inequalities will become more challenging; a world in which developmental results will be more connected with the provision of global and regional public goods, particularly those related to environmental issues; and a world in which global responsibilities and influence must be better distributed.

The need to respond to these changes constitutes a challenge for the international cooperation system. More precisely, the cooperation system is facing two extreme options. One option would be to maintain an integral perspective referred to all developing countries' progress, working through a differentiated agenda in accordance with the heterogeneous conditions of each country, based on the principle of common but differentiated responsibilities, including the contribution of partners from the South, the opening to new actors and instruments beyond ODA, and the ambition of interconnecting the agendas of development and international public goods. The alternative option would be to preserve aid as a focused policy, specialized in fighting extreme poverty almost exclusively in the poorest countries (and perhaps in fragile States), based mainly on ODA and centrally resting on the action of traditional donors.

There are reasons one might support the second option. Since aid resources are scarce, they should be allocated only to needier countries. However, such an approach has some questionable potential consequences. Firstly, it promotes an excessively narrow vision of the development agenda. Along with fighting poverty, other objectives need consideration if a fairer distribution of global development opportunities is to be pursued. Secondly, the narrow poverty-focused approach overestimates the capacities of middle-income countries (MICs) to overcome their own problems, neglecting the fact that some of these countries also suffer from severe vulnerabilities. Thirdly, this approach does not take into account that international aid, in addition to promoting

redistributive action, must define a framework of incentives able to maximize the developmental efforts and achievements of all countries involved. It should be an incentive-based system oriented to promote development.

Once these three aspects are taken into account, international development cooperation should be understood as a comprehensive, complex, and differentiated policy, in accordance with the multiple objectives that it has to promote and the variety of countries where it should be allocated. The developing world is more heterogeneous than before, and the cooperation system should be ready to tackle such diversity. Obviously, most of resources should be oriented to low-income countries (LICs), including the least developed countries (LDCs), but there are MICs (particularly lower middle-income countries LMICs) that also deserve and require international support.

Giving support to these countries becomes even more appropriate if we take into account the evolution of global poverty. In the last fifteen years, there has been both a perceptible reduction in global extreme poverty and a dramatic shift in the status of the countries in which poor people are living, moving from low to middle-income countries. Both changes suggest that eradicating absolute poverty is now more affordable than before; but that task could likely turn very difficult if some MICs are left to tackle their pockets of poverty alone. International support is required, especially in MICs with severe vulnerabilities, limited scope for redistribution, or a particularly large impoverished population.

In any case, the persistency of poverty is just one of the many problems which MICs face. These countries also confront structural deficiencies that are not so much the result of absolute deprivations, but from specific bottlenecks faced by their processes of development (the so-called MIC traps). If the purpose of the cooperation system is to create incentives to maximize development achievements, aid should also target these specific problems.

Such problems particularly affect: i) those countries' governance conditions, as long as they have to build institutions that can respond to a more demanding society within a context of high inequality, insecurity and social fragmentation, ii) difficulties in their international financial integration preserving, at the same time, policy space for counter-cyclical macroeconomic policies; iii) shortcomings for the required change in their energy patterns, in favor of green models, without affecting their convergence process; or iv) reducing their ability to maintain a continuous path of growth based on productive and technological change, which require more human capital, quality infrastructure and technological resources.

While the role of development cooperation may be rather limited in some of these MIC traps, it is not irrelevant. Aid could have a significant impact on problems related to social fragmentation, inequalities, fragility of civil society and institutional weaknesses. It could have a lesser, though still perceptible, impact in promoting innovation, technology transfer or changes in energy sources; and it would probably have little or no impact in promoting financial stability. As a result, development cooperation will be effective in MICs only if it is highly selective, helping countries to overcome the specific constraints that block their particular development process. Development organizations will have to customize their approaches and assistance more carefully to suit the specific country context in middle-income countries.

In any case, development cooperation should not only support MICs to overcome the constraints that affect their own development processes, but also back their efforts to participate more intensely in the development agenda regionally and globally. These efforts are particularly relevant in their contribution to development through South-South cooperation and in their provision of international public goods. Not only do MICs need the support of the international community; the international community needs MICs to succeed if global development goals are to be met.

In spite of these reasons, many international donors are in the process of reducing financial support to them. This is disconcerting. Nothing automatically changes for a country when it crosses a per capita income threshold that is somewhat arbitrary. While it is true that policy coherence is likely to be more important for MICs than financial transfers, it does not follow that such transfers are unimportant. They remain a key part of the global effort to reach sustainable and equitable development.

Furthermore, cooperation with MICs is an opportunity to further a more horizontal type of cooperation, more selective, based on incentives, integrated by multiple actors and using various instruments going beyond ODA which, up to a certain point, anticipates what future development cooperation should be like. For this reason, cooperation with MICs could be a good laboratory for what could become the future of development cooperation for the world that emerges after the crisis.

I thank you for your attention.