Economic and Social Council

Coordination and Management Meeting

Presentation to ECOSOC of the 2015 Report
of the Committee for Development Policy (CDP)
by
Professor José Antonio Ocampo
Chairperson of the CDP
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Mr. President, Distinguished Delegates, Ladies and Gentlemen,

It is a great honour for me to introduce the Report of the Committee for Development Policy on its 17th Session.

The members of the Committee met in plenary session in New York between 23 and 27 of March. We contemplated a diversified agenda, which ranged from long-standing development challenges to the examination of emerging issues. The development progress of LDCs has been a concern for the CDP since the creation of the category. This year, we conducted the triennial review of the list of LDCs and considered other pertinent aspects of the category, such as the monitoring of graduated and graduating LDCs and further refinements to the human asset index. We also discussed two other important issues: one related to how best develop an accountability framework for the post-2015 UN development agenda; the other related to the strengthening the Istanbul Programme of Action, whose mid-term review will be conducted next year.

During the CDP plenary, we organized a briefing and had the opportunity to discuss with you some of our ideas and recommendations on the theme of effective accountability for the implementation of the post-2015 development agenda. We know important processes are now under way in the United Nations that may benefit from our findings. Thus, to further support the deliberations taking place at the United Nations, we forwarded the relevant parts of our report to the co-facilitators of the International Conference on Financing for Development (Guyana and Norway) and to the co-facilitators of the inter-governmental negotiations on the post-2015 development agenda (Ireland and Kenya). I will have the opportunity to further exchange views with you on our recommendations on accountability at the Council's high level segment session in July. Thus, my presentation today will focus on our main conclusions and recommendations on the LDC category and the Istanbul Programme of Action.

Mr. President,

The category of LDCs was established by the General Assembly in 1971. The CDP has always played a leading role in defining the methodology for classifying countries as LDCs and to identify the areas where special support measures for these countries were most urgently needed.

The CDP understands LDCs as low-income countries suffering from severe structural impediments to sustainable development. We identify LDCs on the base of three criteria: the GNI per capita, as a measure of income and the overall level of resources available in the country, and two composite indices that capture structural handicaps to development. These composite indices are: the human asset index (HAI) and the economic vulnerability index (EVI).

For a country to be included in the category, all three criteria have to be met at specific threshold values, and the country population should be smaller than 75 million people Countries need to agree to being included in the list. In the past, we have seen countries that did not wish to join the category, despite their eligibility.

For a country to graduate from the category, a country needs no longer to satisfy two – rather than one—criteria at two successive triennial reviews. Alternatively, countries are found eligible for graduation if their GNI per capita is at least twice as high as the income graduation threshold. This is called the “income-only” criterion, and needs to be verified also at two successive reviews. Graduation thresholds are set at a higher level than those for inclusion. Additionally, countries, although consulted, need not to agree to graduation to be recommended by the CDP.

At this year’s triennial review, the application of the criteria has found one country eligible for inclusion. But no recommendation is being made by us, as the country indicated did not wish to join the category.

Turning to graduation eligibility, the Committee found that 10 LDCs met the graduation thresholds: a record for the category! These countries could be classified in three groups.

The first group consists of countries meeting graduation eligibility for the second consecutive time: Angola and Kiribati.

Angola meets the income-only graduation criteria, and is recommended to be graduated from the category of LDC. However, despite its relatively high level of income per capita, the country is below the graduation thresholds in human asset and the economic vulnerability indices, indicating an imbalance of development. The Committee also noted that Angola's economy heavily depends on oil and the recent decline in oil prices could pose development challenges.

During our consultations with Angola, we were informed the country is already undertaking efforts to integrate graduation into its development processes and strategies. The Committee believes that this approach will help the country to manage its transition to non-LDC status. And, in line with General Assembly resolutions 59/209 and 67/221, the Committee advices the Council to re-iterate the importance of development partners to support Angola's smooth transition.

Kiribati meets both GNI per-capita and human asset graduation thresholds. Nonetheless, we do not recommend that the country to be graduated at this time. In particular, we have some concerns with the sustainability of the country's income level in view of its acute vulnerability. Based on the economic vulnerability index, Kiribati is the world's most structurally vulnerable country. And, while the current level of income is above graduation threshold, it is also significantly lower when compared to other vulnerable countries we recommended for graduation. Moreover, the CDP could not ascertain the potential impact of graduation on country's efforts to develop its fishery resources as a main economic activity, beyond the issuing of fishing licenses. Thus, we decided to revisit the case of Kiribati at the 2018 triennial review when, hopefully, additional information may become available to support our assessment.

The second group of countries is composed of five new countries that meet the eligibility criteria for graduation for the first time: Bhutan, Sao Tome and Principe, and Solomon

Islands meet both GNI and human asset criteria. Nepal meets both human asset and economic vulnerability criteria, and Timor-Leste meets the income-only criterion. The countries have been notified of this finding by the CDP Secretariat and will be considered for the graduation at the 2018 review.

Finally, the third group of countries is composed of those already recommended for graduation by the CDP and which continued to meet graduation eligibility, all of them since 2006: Equatorial Guinea, Vanuatu and Tuvalu.

Mr. President,

Tuvalu was recommended by the CDP for graduation in 2012. The Council has deferred its consideration of the recommendation to this current session. We noted that Tuvalu continues to meet the GNI and the human asset graduation criteria with increasing margins compared with three years ago. We are aware of the country’s high vulnerability as measured by its economic vulnerability index score and as evidenced by the impact of cyclone Pam in March.

Equatorial Guinea and Vanuatu are earmarked to be graduated in 2017. In its monitoring of the development progress of these countries, the CDP noted that Equatorial Guinea continues to have a significant imbalance between an exceptionally high per-capita income and a low level of human asset. It advices the country to formulate and implement a transition strategy, stressing on the improvement of health and education of its people, so as to achieve more balanced development in both economic and social spheres.

Our assessment of Vanuatu does not include the impact of cyclone Pam, which hit the country a couple of weeks before we met in late March. We noticed, however, that Vanuatu continued its steady income growth and human asset improvement during 2014. The CDP is aware of the devastating consequences of cyclone Pam on Vanuatu, which raises uncertainty about its near-term development outlook. In this regard, I would like to take this opportunity, on behalf of the entire CDP membership, to express our sincere sympathies to the people for Vanuatu for the heavy losses suffered.

The Committee also monitored the development progress of countries that graduated from the category of LDCs as mandated by General Assembly resolution 67/221. It noted that Maldives and Samoa have continued to achieve steady progress, although they remain structurally vulnerable, particularly to environmental shocks.

The CDP reiterates the importance of the international community providing vulnerable countries with concessional financing for climate change adaptation. In this regard, we are particularly concerned that climate-vulnerable countries graduating from the LDC category may lose priority access to climate finance, if such priority is defined on the basis of LDC status. We, therefore, strongly recommend the use of CDP's economic vulnerability index for the allocation of new climate finance, independent of whether countries are classified as LDC or not.

When conducting the triennial review, the Committee noted rising incomes and improving human assets of many LDCs. We should regard such development as success. In fact, several other countries are approaching graduation thresholds. Myanmar is one of them and is expected to meet the criteria in the near future if it maintains its current robust growth and steady improvement in human asset.

Mr. President,

Let me now turn to other issues we discussed in March.

We continued with our work on the LDC criteria and further reviewed the human asset index. We decided to include a *maternal mortality ratio* in the human asset index in future triennial reviews. We believe the inclusion of maternal mortality in this index will help to better capture structural impediments to sustainable development. This ratio is affected by various socio-economic conditions, including the general health status, overall level of education and quality of the national health services. As a result, the human asset index will be comprised of five indicators. The Committee will continue to review and fine tune the criteria, as needed.

The Istanbul Programme of Action sets the ambitious target of enabling half the number of LDCs to meet the criteria for graduation by 2020. As mentioned earlier, a greater number of LDCs is approaching the graduation thresholds. Despite these positive developments, the Committee considers that the current pace of progress of many LDCs is not fast enough to meet the Istanbul Programme of Action target.

Many LDCs still suffer from severe constraints to improve upon their domestic resources mobilization through increased national savings or greater tax revenue collection. At the same time, the Committee noted that the landscape of development financing has changed significantly, and new sources and modalities of public and private financing have emerged. However, LDC access to these sources is limited: only few LDCs (notably oil and mineral rich countries) have been able to attract international private capital flows, such as FDI, portfolio investment and bank loans. Official development finance still plays an important and unique role in development financing in LDCs. Official donors have expressed and reiterated their ODA commitments to LDCs on several occasions. However, substantial gaps remain in the fulfillment of these commitments in several countries. We recommend that donors, who have not yet met their ODA commitments, define credible paths of how they would be reaching their ODA targets to LDCs. During this transitional process, these countries, for example, could define their commitments around a minimum floor of their ODA budgets dedicated to LDCs.

The Committee further noted that donors need to improve their compliance to the principles of the Paris Declaration on Aid Effectiveness, particularly in terms of strengthening ownership by recipient countries and aligning their activities with local priorities and procedures. When allocating ODA to LDCs as well as countries graduated from the LDC category, donors should also take into account the differences in countries' needs, capacity to access other sources of financing and to mobilize domestic resources.

We also stressed the importance of increased support for the financing of some strategic international public goods. Support for agricultural research and development is among those international public goods with potentially large positive impact on the development progress of most LDCs. South-South cooperation can play an important role in this regard.

Mr. President,

The year 2015 marks a milestone for the UN system. As it further embarks on its consideration and implementation of the post-2015 development agenda, the Council will have an important role to play in supporting, guiding and monitoring the transition to the new development framework. The challenges are tremendous and the time is ripe for concerted global action for the benefit of the people and the planet. The Committee feels privileged that it can contribute to this process and support your work by providing analysis and policy advice to you.

I thank you for your attention.