



The role of country groupings for development*

There is an increasing proliferation of country groupings and classifications for development cooperation. Countries often belong to multiple, overlapping groupings, compromising consistent and effective international cooperation. The Committee recommends greater caution in the use of these country groupings for development cooperation activities. In addition, the Committee suggests that donors could allocate specific support to address particular issues, such as vulnerability, without creating new country groupings.

The least developed country category stands out as a comprehensive category created and officially recognized by the General Assembly. It is based on clear criteria, grounded on sound analysis and with carefully established processes of inclusion and graduation. The Committee recommends that bilateral and multilateral donors incorporate the least developed countries criteria more consistently in their process of aid allocation.

1. Introduction

In response to the increasing heterogeneity of the developing world, the international community has sought to address progressively more complex development issues through the creation of country categories based on various classification criteria. Different sets of measures and interventions specific to each group have been developed. The establishment of the group of least developed countries by the United Nations in 1971 was the first such grouping. Since then, many other categories of countries have emerged, such as small island developing States, landlocked developing countries, fragile States, the four income groupings of the World Bank, the four human development categories of the United Nations Development Programme (UNDP) Human Development Report, the heavily indebted poor countries (HIPC) and the countries eligible for support from the International Development Association (IDA). The multiplication of categories implies that countries often belong to multiple groupings. As a result, development challenges associated with a given category sometimes overlap with others and the priorities for international cooperation have become less clear.

Most of the existing classifications were created on the basis of weak analytical foundations or for political motives. Consequently, there are concerns about the effectiveness of policies and interventions designed to address the development challenges associated with these categories. A related problem pertains to the

fact that classifications have not been able to accommodate the growing diversity among developing countries. The least developed country category is a case in point: originally composed of low-income countries only, the category now includes 31 low-income, 15 lower-middle income and 2 upper-middle income countries and 1 high-income country (in the process of graduation).

2. Increasing heterogeneity and number of country groupings

Development theory in the 1950s was based on the assumption that developing countries faced socioeconomic problems that were relatively homogeneous, but different from those of developed countries. International aid programmes and support measures were created on the observed existence of a “North-South” divide. The reality at present is very different, with developing economies now spread across a wide spectrum of levels of development.

The table below, based on a sample of eight country classifications, illustrates the often overlapping classifications created to respond to the growing heterogeneity among developing countries. The diagonal cells (in grey) show the number of countries that belong to the particular category, while the vertical cells show the number of countries that belong to the two corresponding categories at the same time.

* Excerpt from Committee for Development Policy, Report on the eighteenth session, See Official Records of the Economic and Social Council, 2014, Supplement No. 13 (E/2014/33)

Table 1
Overlapping country classification categories of developing countries

	LDCs	Small island developing States ^a	Landlocked developing countries	Low-income countries	Low human development countries (UNDP)	Fragile States ^b	IDA-eligible countries	HIPCs
Least developed countries	49	9	17	30	38	24	45	29
Small island developing States		52	0	3	6	5	12	5
Landlocked developing countries			29	15	15	8	18	11
Low-income country				36	30	26	32	26
Low human development countries (UNDP)					45	33	42	33
Fragile States						43	25	23
IDA-eligible countries							62	37
HIPCs								39

^aInformation from the Department of Economic and Social Affairs, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States and UNCTAD.

^bInformation from the Organization for Economic Cooperation for Development (OECD).

The classifications created over the last four decades can be grouped into two types:

- Classifications that group countries according to a general socioeconomic variable (or a set of variables) that are used to classify all countries (developing and developed). These can be referred to as “comprehensive” or “country-based” classification systems. The World Bank income-based groupings and the UNDP Human Development Index are examples.
- Classifications that group countries affected by specific development problems. These are selective, rather than comprehensive, classification systems which can be referred to as “selective” or “issue-based” classification systems. HIPCs, small island developing States, landlocked developing countries and fragile States are examples of issue-based categories.

Issue-based categories should rely on precise criteria. A good example of selective classification is the HIPC category. It recognizes an important development issue (the unsustainable debt burdens of some poor countries), defined by a clear set of criteria. Precise measures of debt relief were developed to alleviate the problem; however, precise criteria are not always used in all cases. For instance, fragile States are defined very broadly in terms of human security and peacebuilding, poor development performance and lack of State effectiveness. This is a reflection of reality: factors that may lead to State fragility are diverse and manifest themselves in a variety of forms. Moreover, the selection of indicators used to define fragile States reflects a combination of objective criteria and value judgements. As a result, several groups have been created around the concept of State fragility,

and countries classified as fragile States differ among the World Bank, OECD and the Department for International Development of the United Kingdom of Great Britain and Northern Ireland, the three entities that use this concept the most.

3. Classifications and international support measures

Country classifications are often associated with specific international support measures. In the comprehensive classifications, the association between criteria for identifying countries and eligibility (or non-eligibility in the case of graduation from the category) for support measures tends to create problems in at least three areas: equity, incentives and international coordination.

The equity issue refers to situations where countries of comparable development levels receive different treatment because they are located just above or below a given inclusion threshold which, in many cases, has been arbitrarily established. The approach disregards the fact that development is a continuous and gradual process while eligibility is discrete: a country is either in or out.

The problem of incentives comes from the way in which some non-eligibility (or graduation) criteria are defined, particularly in the comprehensive (or country-based) classification systems. Category-specific support such as access to concessional financial flows or preferential market access may be removed because of development progress. Recipient countries feel they are being penalized for their success — not the best incentive to encourage countries to improve outcomes.

The third problem, international coordination, emerges when development partners use the same eligibility criteria for accessing support. Thus, reaching graduation eligibility may trigger simultaneous withdrawal of support, which could affect the stability and progress of a country's development.

This problem can be more easily prevented with the issue-based classifications because support measures are oriented only to a specific issue that supposedly has already been overcome when support is withdrawn. However, issues-based classifications may lead to further increases in the number of categories and the resulting fragmentation of the international support system as there are numerous development problems that deserve special attention by the international community.

Given the proliferation of country classifications, the creation of new categories should be avoided or, at least, subjected to careful study. In considering the merits of new categories (issue-based or comprehensive), three basic principles can be applied:

- In most cases, donors could allocate aid and other measures of support based on sound and objective criteria without defining any category of countries. For instance, in line with paragraph 23 of General Assembly resolution 67/221, the least developed country indicators (gross national income per capita, human assets index and economic vulnerability index) can be considered as part of the criteria used by development partners in determining their allocation of official development assistance.
- New issue-based categories should be created only when an issue is important, deserves a specific set of support measures that is distinct from any existing measures and requires internationally coordinated actions to address the issue. Issue-based categories should focus on addressing a particular challenge and should not be treated as comprehensive categories.
- Development situations calling for the creation of new categories should be restricted to those instances when the international community recognizes a given emerging issue as a medium- or long-term threat to the development of a large number of countries. To preserve the legitimacy of issue-based categorizations, the criteria of eligibility and graduation should be decided with the participation of the affected countries, and based on transparent and objective factors.

4. Improving the least developed country category as a means to support national development strategies

The least developed country classification is a hybrid of the two aforementioned classifications. It can be understood as a classification based on identifying one specific type of problem (extreme structural impediments to growth), but also as a comprehensive system classifying every country in the world according to the set of least developed country indicators.

The least developed country category has significant advantages over the other categories. It was created and is recognized by the General Assembly, and final decisions on inclusion and graduation are made by the Assembly. The criteria for least developed countries are clearly defined, based on sound analysis and reviewed by an independent body of experts, the Committee on Development Policy. It should therefore be more broadly used as a criterion for global and bilateral development cooperation. The framework of international cooperation does not achieve this objective. First, this category is not as widely used as it should be; for example, it is not used by the World Bank or by most donor countries. Second, there are few ODA-related support measures specific to least developed countries and the trade-related support measures have not been effective. Lack of success may also be related to the increasing heterogeneity within the group, which implies that available support measures, even if accessible to all countries, may not necessarily respond to countries' most pressing needs.

The least developed country category can be strengthened as a more effective tool for supporting national efforts of those countries by alleviating the problems associated with the internationally uncoordinated withdrawal of support measures, as envisaged by the General Assembly in its resolutions on a smooth transition for countries graduating from the list of least developed countries, through a more predictable and coordinated gradual withdrawal of external support. Assembly resolution 67/221 offers a clear phasing-out framework to strengthen the smooth transition process. While it is still too early to evaluate the benefits of the new provisions, it is clear that a smooth transition from the category can only be ensured if development and trading partners pursue or intensify their efforts to contribute to the full implementation of the resolution.