

Economic and Social Council  
Coordination and Management Meeting

Presentation to ECOSOC of the 2014 Report of  
the Committee for Development Policy (CDP)  
by  
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Mr. President, Distinguished Delegates, Ladies and Gentlemen,

It is a great honour to introduce to you the report of the Committee for Development Policy on its 16th Session.

Committee members gathered in New York, earlier this year, to examine a rather exciting and interesting agenda. We discussed several issues, ranging from strengthening global governance and global rules for the achievement of internationally agreed goals to the role of country classifications for development. We also addressed issues related to LDCs, including the monitoring of countries graduated and graduating from the category.

Today, I will highlight a few key recommendations we put forward for consideration during your deliberations. I will focus on our conclusions regarding country classifications and LDC issues, as I will have the opportunity to discuss the strengthening of global governance in July.

Mr. President,

When the United Nations were created in the aftermath of the World War II, developing countries were thought to face development problems that were relatively similar within the group, but different from those of the more advanced economies. This North-South divide led to the creation of aid programmes and other international support measures to assist developing countries to confront their many development challenges.

Since then, the UN has grown from 51 to 193 members, and the developing world presents a much more diversified landscape. Some of the then called “underdeveloped countries” managed to achieve relatively high levels of income and standards of living. Yet, many other countries still suffer from widespread poverty, low levels of human capital and severe constraints to development, while other countries can be found in between these two sub-groups, some of them caught in what is now called a “middle-income trap”.

In tandem with the growing heterogeneity among developing countries, various country classifications have been created. The category of least developed countries is a case in point. But now we have a multiplicity of country groupings. These classifications often overlap with each other and, as a result, a country can belong to several categories at the same time.

Country classifications fall into two different types: one can be called “comprehensive” classification systems, which are used to categorize all countries according to a general socio-economic variable, or a set of variables. UNDP’s human development rankings and the World Bank’s income classification grouping are cases in point. The other type can be called “selective” or “issue-based”, as classifications are made based on specific development problems. HIPCs and SIDS are examples. The LDC classification is a hybrid case; it identifies countries suffering from a specific type of problem (extreme structural impediments to sustainable development), but it is also a comprehensive system, as all countries can be classified according to the set of indicators.

The strong view of CDP members is that the LDC category has clear advantages over other existing categories. It was created and is recognized by the General Assembly. Its criteria are clearly defined, based on sound analysis and reviewed by an independent body of experts. As I will argue later, this implies that its indicators should be more broadly used as criteria for development cooperation.

Mr. President,

We understand that the proliferation of country classifications partly reflects collective international efforts to address diversified development issues, but not all classifications are of equal value. Most of the existing classifications rely on weak analytical foundations or reflect particular agendas. These shortcomings compromise the effectiveness of policies designed to address the associated development challenges.

But these are not the only problems. There are also problems related to equity, incentives and international coordination.

Equity issues arise because countries of comparable development levels receive different treatment, depending on whether they are located above or below a given threshold level.

Incentive problems originate in the way graduation takes place. In the case of LDCs, for example, preferential market access may be no longer available once the country graduates. Thus, graduating countries could feel that they are penalized for their success.

And, lastly, international coordination is challenged when development partners use the same criteria for providing support. Thus, reaching the graduation threshold could trigger simultaneous withdrawal of support by all partners and disrupt development in the recipient country.

The issue-based systems are not free from these problems, but they seem to be of a lesser concern in these systems. But their use has encouraged proliferation of categories and fragmentation of the international support system.

So, what should we do?

The Committee recommends greater caution when considering the creation of country groupings for development cooperation activities. In most cases, donors could allocate support based on objective criteria without defining any additional category of countries. In line with General Assembly resolution 67/221, we strongly recommend that the LDC indicators (gross national income per capita, human assets index and economic vulnerability index) should be broadly used by development partners as criteria in determining their allocation of official development assistance.

On the other hand, we recommend that 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 action to address the issue. Furthermore, these categories should not be treated as comprehensive categories.

Mr. President,

Earlier on, I mentioned the LDC indicators. As you may know, the CDP keeps the criteria under study and introduces occasional refinements to incorporate new insights from the economic theory and updates in data availability.

As a preparation for the 2015 triennial review of the LDC list, the CDP reviewed the methodology used for the LDC identification. It affirmed the validity of the current criteria and decided to introduce a few refinements. I believe delegates were fully briefed by the Secretariat on this fine-tuning last week. I will just highlight some main conclusions here.

All indicators have been reconfirmed, but the method for establishing inclusion and graduation thresholds for the human asset index and the economic vulnerability index will be changed.

At present, these thresholds are set in relative terms, that is to say, on the basis of the distribution of scores within a reference group. That reference group consists of all LDCs and a limited number of non-LDC low-income countries. One problem is that the reference group is shrinking as the number of countries classified as low-income is declining. Another problem is that with relative thresholds, even significant progress of a country could not ensure graduation eligibility, if other countries also progressed.

As a proactive move, the CDP will adopt thresholds for HAI and EVI on the basis of absolute, not relative, values. Thus, the move will enable LDCs to qualify for graduation if they make significant progress,

independently of the progress of other countries. The move also provides greater coherence within the criteria as the threshold for income is also established as an absolute value.

The thresholds will be permanently fixed at the 2012 review levels, adjusted for any eventual refinement. This way we ensure continuity in the thresholds and the internal consistency and integrity of the category.

Mr. President,

In relation to other LDC matters, the CDP reviewed the development progress of graduated Maldives and Samoa, as well as of graduating Equatorial Guinea and Vanuatu.

We were pleased to see that Maldives sustained economic and social progress after graduation, despite the redirection of aid flows away from the health and education sectors and the abrupt phasing out of LDC-specific preferential market access by some trading partners. The Committee would like to urge the country's partners to implement a gradual phasing out of LDC-specific support measures, according to the provisions of GA resolution 67/221.

Samoa continues to make development progress, despite the 2009 tsunami and the 2012 cyclone. We welcome the effort by the Government of Samoa on the preparation of its transition strategy and thank the country for its timely submission of its monitoring report.

Turning to the graduating countries, we noted with concern the significant deficits in human development in Equatorial Guinea, despite the country's high level of income per capita. We also noted the country's excessive dependence on the hydrocarbon sector. We recommend that the country prepare, in collaboration with its partners, a transition strategy that promotes a more effective management of its natural resource revenues. This could include a price stabilization mechanism to minimize the potential negative impacts of price shocks in the international oil market on the domestic economy.

In the case of Vanuatu, we identified some potentially adverse impact of graduation in the areas of trade and development finance. Tariffs on fish exports are likely to increase in the main destination market, and the country relies heavily on foreign aid to invest in economic infrastructure and human development. We strongly encourage development and trading partners to follow the guidelines approved by General Assembly resolution 67/221 indicating a gradual withdrawal of LDC-specific support. We also emphasize the need for Vanuatu to initiate the preparation of its transition strategy, in collaboration with its partners, to address and minimize the possible negative impacts of graduation.

Mr. President,

I will now briefly go over our analysis of the current global governance framework for development. We already had the opportunity to introduce some of our conclusions at a panel discussion we organized on the occasion of the CDP plenary in March.

We continued with our work on the post-2015 framework, focusing on strengthening global governance to facilitate the implementation of the UN development agenda. We argue that international cooperation and the resulting global governance mechanisms are not working well.

First, the current system is incapable of managing the growing integration and interdependence among countries.

Second, current governance structures are characterized by severe asymmetries in terms of access to the decision-making processes, and also in terms of coverage of areas of global concern. Such asymmetries contribute to the generation and perpetuation of inequality—not only at the international but also at the national level.

Third, global rules have not provided sufficient policy space for national Governments, particularly of developing countries, to promote the development of their societies and the reduction of inequalities.

We set out five core principles to guide the reforms. These are: common but differentiated responsibilities and respective capabilities; subsidiarity; inclusiveness, transparency and accountability; coherence and responsible sovereignty.

I will defer the examination of these principles to the high-level segment in July. But I would like to stress here our call on the Council to take a leadership role in the reforms of global governance and global rules, which in turn should be at the center of the global partnership for development. We also recommend the Council to establish a strong monitoring and accountability mechanism that covers all development partners, including developed and developing countries, the private sector, non-governmental organizations and multilateral organizations.

The UN Charter gives the Council the role of coordinating the UN system in economic, social and environmental issues. The Council, therefore, should play an essential role of global economic and social policy making and be the principal body for the follow-up on the implementation of the UN development agenda. It should take on greater responsibilities for advancement of the reform agenda of global governance and provide guidance to the work of the entire UN system, including the IMF and the World Bank.

The recent reforms introduced by the General Assembly aim at making the Council a more effective body for policy review and dialogue. We fully support the Assembly's decisions and will continue to do our utmost for assisting the Council to achieve its mandates and, in particular, to fulfil its role in identifying emerging global challenges and in promoting innovative and efficient solutions to address these challenges for the benefit of all.

I thank you for your attention.