



**United Nations**

# **Committee for Development Policy**

**Report on the tenth session  
(17-20 March 2008)**

**Economic and Social Council  
Official Records, 2008  
Supplement No. 13**

**Economic and Social Council**  
Official Records, 2008  
Supplement No. 13

## **Committee for Development Policy**

**Report on the tenth session**  
**(17-20 March 2008)**



United Nations • New York, 2008



*Note*

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

---

## *Summary*

The present report contains the main findings and recommendations of the tenth session of the Committee for Development Policy, held at United Nations Headquarters in New York from 17 to 20 March 2008. The Committee addressed three major themes: achieving sustainable development goals in the context of climate change; the worsening of global economic prospects and implications for developing countries; and matters related to the identification and graduation of least developed countries.

The Committee stressed that achieving and sustaining the goals of the international sustainable development agenda requires both deep reductions in carbon emissions and adaptation policies to address the current and future consequences of global warming. Key issues for developing countries are creating incentives for economic growth along pathways that are less carbon-intensive and enhancing adaptive capacities, particularly in the most vulnerable and poor countries. An effective sustainable development strategy must be based on investment, innovation and institutional capacity. International cooperation is fundamental as the strategy will require appropriate and sufficient funds as well as technology development, transfer and dissemination. Greater coherence and integration between climate and development policies both at national and international levels is necessary.

The Committee examined the worsening global economic outlook at the beginning of 2008 in view of the increasingly turbulent international financial markets and the high risk of the United States of America sliding into recession. Those developments will have a severe impact on economic growth in developing countries through trade and external account shocks, with a potential to further delay achievement of internationally agreed development goals. That outlook is set against the accumulation of large foreign-exchange reserves by many developing countries and has been judged costly in terms of the opportunity costs of forgoing consumption and investment, direct financial costs and implications for macroeconomic indicators. Mostly held in dollars, accumulated reserves are vulnerable to further depreciation of that currency and may not provide adequate insurance in the event of a severe downturn in the global economy. The Committee outlined desirable features of a reformed contingency finance architecture, based on a robust and flexible compensatory financing mechanism that in the face of shocks would provide sufficient resources in a timely manner. That would obviate the need for developing countries to maintain large balances of foreign exchange reserves, significantly reducing, at the same time, the high economic and social costs generated by the negative effects of external shocks and natural disasters.

With regard to the least developed countries, the Committee continued developing a consistent set of criteria that can be applied to all recommendations regarding the inclusion in and graduation from the list of least developed countries. The Committee reconfirmed the reliability of the current approach. It also recognized that the criteria should not be used mechanically, particularly in situations where country indicators are very close to inclusion or graduation thresholds. The Committee proposed that the vulnerability profile take due account of aspects of countries' economic vulnerability not currently covered by the criteria used in the identification of least developed countries, and that the impact assessments address

---

the anticipated implications of the loss of least developed country status. The Committee considered practical measures concerning the smooth transition of graduating countries and recommended that the United Nations give concrete leadership in the implementation of such measures.

---

## Contents

<i>Chapter</i>	<i>Page</i>
I. Matters calling for action by the Economic and Social Council or brought to its attention . . .	1
A. Matters calling for action by the Council . . . . .	1
B. Matters brought to the attention of the Council . . . . .	1
II. Achieving sustainable development within an environment of climate change . . . . .	3
A. Climate change and emerging challenges to sustainable development . . . . .	3
B. Towards an integrated approach . . . . .	4
C. Strengthening international cooperation for sustainable development . . . . .	8
D. Recommendations . . . . .	9
III. The worsening global outlook and its implications for developing countries . . . . .	10
A. Slowdown of the world economy . . . . .	10
B. External shocks and the development of a supportive international financial architecture . . . . .	12
C. Compensatory financing: broad principles and key features . . . . .	13
D. Current facilities . . . . .	14
E. Policy recommendations . . . . .	15
IV. Issues relating to the least developed countries and the graduation process . . . . .	16
A. Introduction . . . . .	16
B. Criteria for identification of the least developed countries . . . . .	16
C. Application of the criteria . . . . .	20
D. Graduation procedures: vulnerability profiles and impact assessment . . . . .	21
E. Smooth transition for graduating countries . . . . .	22
F. Monitoring the progress of graduated countries . . . . .	22
G. Handbook . . . . .	23
V. Future work of the Committee for Development Policy . . . . .	24
VI. Organization of the session . . . . .	25
Annexes	
I. List of participants . . . . .	26
II. Agenda . . . . .	27
III. List of documents before the Committee at its tenth session . . . . .	28





## Chapter I

### **Matters calling for action by the Economic and Social Council or brought to its attention**

#### **A. Matters calling for action by the Council**

##### **Recommendation 1: towards the implementation of internationally agreed goals on sustainable development**

1. Available cost estimates suggest that the existing financing mechanisms fall short of the resources required to meet adaptation and mitigation needs related to climate change. The Committee for Development Policy recommends to the Economic and Social Council that it review the adequacy of international commitments on financing for development, particularly the resources required for the achievement of sustainable development (Millennium Development Goal 7 and other internationally agreed goals).

##### **Recommendation 2: reform of compensatory finance mechanisms to mitigate the effects of worsening global economic prospects on developing countries**

2. The present financial turmoil and the prospects of recession in the United States of America are expected to result in a slowdown in the world economy and in trade and financial shocks for developing countries, with low-income countries being particularly affected. Given the known dampening effects on development, the Committee recommends that the Council ensure that the theme of compensatory finance architecture be addressed in its consultations with the Bretton Woods Institutions, the World Trade Organization and the United Nations Conference on Trade and Development and that it be considered at the Follow-up International Conference on Financing for Development to be held in Doha in November 2008.

#### **B. Matters brought to the attention of the Council**

##### **1. Implementing internationally agreed goals on sustainable development**

3. Adapting to climate change is critical for meeting sustainable development goals. Adaptive capacity needs to be strengthened, especially in the least developed countries, by mainstreaming adaptation into sectoral and national planning processes — including into poverty reduction strategies — by making the fiscal space required for the necessary investments, by empowering communities and by integrating the anticipated impact of climate change into economic projections.

4. Mitigation actions by both developed and developing countries are needed to achieve sustainable development and must take place in accordance with the principle of common but differentiated responsibilities. The most promising mitigation strategy for developing countries would be rooted in an investment-based approach that encourages, inter alia, renewable energy alternatives and that includes technological support, regulatory instruments, research and education.

5. Urgent consideration needs to be given to the creation of large-scale global funds to finance the required transfer of technology for mitigation and to contribute to meeting adaptation costs.

**2. Worsening global economic outlook: reforming the compensatory finance architecture**

6. Reform of the existing architecture of compensatory finance is urgently needed in view of the disruptions caused by external shocks on development and of the costs and risks of accumulating large reserves. The key features of a reformed official compensatory liquidity architecture should include fast disbursement of funds, with low or no conditionality, in proportion to the severity of shocks.

**3. Developing a consistent set of criteria for the least developed countries category**

7. After a thorough review of the indicators and approaches used for the identification of the least developed countries, with due account taken of economic vulnerability, the Committee reconfirmed the reliability of the current criteria and concluded they are based on the best available methods and information.

**4. Supporting smooth transition strategies for graduating least developed countries**

8. The Committee stressed the importance of smooth transition measures for graduating countries and reiterated its continuing support to graduated countries. In that respect, the Committee proposed that an expert group should be convened to consider the phasing out of least developed country benefits with a view to identifying some benefits to be maintained for a certain period.

**5. Monitoring the development progress of Cape Verde**

9. The Committee will continue to monitor progress in the development of Cape Verde and report its findings to the Council in 2009.

## Chapter II

### Achieving sustainable development within an environment of climate change

1. Since the Committee for Development Policy considered, in its report to the Economic and Social Council on the ninth session,<sup>1</sup> the challenges of climate change to the implementation of the international development agenda, the urgency of the issue has become greater and its relevance to development more manifest. In that report, the Committee stressed its concern with the lack of proper integration of climate issues into development action. The Committee has since worked towards identifying the elements that need to be incorporated into that agenda to satisfy sustainable development goals and to provide a concrete framework for operationalizing international cooperation, within the parameters set by international agreements.<sup>2</sup>

2. Coming after the adoption of the Bali Action Plan,<sup>3</sup> the Committee, at its tenth session, addressed the question of achieving sustainable development goals by looking at the key channels through which climate change can affect development and the corresponding ways of protecting against those impacts, namely through adaptation and mitigation policies, international cooperation (especially in finance and technology) and improved policy coherence.

#### A. Climate change and emerging challenges to sustainable development

3. Sustainable development is a process of change in which the exploitation of resources, the direction of investments, the orientation of technological development and institutional change are all compatible and enhance the needs of the present without compromising the ability of future generations to meet their own needs.

4. For developing countries, sustainable development confronts a three-dimensional threat from climate change. The first dimension relates to the implications of climate change for human development and prosperity, which are at the heart of the Millennium Development Goals. The second dimension results from the spillover of climate-related policies in the industrialized world. The third dimension relates to the implications of actions taken by developing countries themselves to adapt to and mitigate climate change, even as they avoid the pattern damaging to the environment followed by developed countries in the past.

5. Whatever degree of mitigation is to come in the wake of the Bali Action Plan, the world will see global warming for the decades ahead and will have to face the consequences of how people cope with its challenges. The critical challenge is to ensure that a coherent approach at the national and international levels protects the momentum of development against the possibly adverse impacts of the three sources mentioned above.

<sup>1</sup> *Official Records of the Economic and Social Council, 2007, Supplement No. 13 (E/2007/33).*

<sup>2</sup> Expert group meeting on strengthening international cooperation for development to address the climate change challenge, New York, 19-20 November 2007 (available from [http://www.un.org/esa/policy/devplan/egm\\_climatechange/climatechangeagenda.htm](http://www.un.org/esa/policy/devplan/egm_climatechange/climatechangeagenda.htm)).

<sup>3</sup> FCCC/CP/2007/6/Add.1, decision 1/CP.13.

**Vulnerable countries: the least developed countries and the small island developing States**

6. The threats of climate change will particularly affect the development prospects of the least developed countries and the small island developing States. Although such countries have contributed the least to the emission of greenhouse gases, they are the most vulnerable and have the least capacity to adapt to the effects of climate change.

7. Their vulnerabilities are related to atmospheric and oceanic warming, changes in precipitation and extreme events, and they are manifested mainly in relation to water, agriculture and food security, health, ecosystems and coastal zones. Over time, one likely outcome of climate change is the disappearance of some small island developing States as a result of a rise in the sea level. African countries are also among the most vulnerable to climate change, owing to a low adaptive capacity caused by widespread, extreme poverty and projected changes in precipitation coming on top of an already stressed situation.

**B. Towards an integrated approach**

8. The major issue in addressing climate change as an integral part of the wider sustainable development agenda is to create and provide incentives for sustainable economic growth along pathways that enhance the capabilities and options of people and societies. That implies a transition towards economies that are less carbon intensive and the enhancement of adaptive capacities in developing countries.

9. The main approach to climate policy in industrialized countries has been the cap-and-trade system. Given their growing energy needs, developing countries need a different approach to sustainable development. This approach should be based on investment, innovation and institutional capacity-building. Several developing countries — including many of the least developed countries — have already prepared national adaptation plans of action. Those plans of action need to be put into operation, with international support in the form of funding, technology transfer and institutional development (see below).

**1. Achieving sustainable development requires mitigation**

10. Achieving and sustaining the internationally agreed goals on sustainable development will not be possible without deep overall reductions in carbon emissions. The developed countries have to take the lead in cutting their own emissions and in assisting developing countries to take action. As the group of developing countries contributes over 40 per cent of the global emissions of greenhouse gases today, reductions in developed countries alone cannot be globally effective without slowing down the growth of emissions in the developing countries and eventually bringing about significant reductions in emissions in the developing economies as a group as well.

11. A critical issue is whether developing countries can achieve such emission reductions while still maintaining the economic growth needed to support their developmental efforts and, if so, how this can be achieved. It is recognized, including by the United Nations Framework Convention on Climate Change, that the developing countries will require significant support from developed countries,

through financial resources, technology transfer and capacity-building, in taking mitigation measures. Some key issues in a sustainability-oriented approach to mitigation are presented below.

### **Equitable targets**

12. Reduction targets need to be regionally differentiated and negotiated in the context of the principle of common but differentiated responsibilities.<sup>4</sup> Existing proposals for global emission reduction that, for example, call for 50 per cent reduction by 2050 and cuts by developed countries by 70 per cent (against 1990 levels) imply total emission cuts for developing countries of 30 per cent. However, on a per capita basis, owing to the anticipated doubling of populations in developing countries during the period 1990 to 2050, such cuts would amount to reduction efforts by developing countries close to those suggested for developed countries<sup>5</sup> — which does not reflect the differentiated responsibilities. In any case, any significant cuts in developing countries pose major challenges owing to the need of reconciling mitigation actions with the necessary growth in energy consumption.

### **Energy transition and efficiency**

13. Increased energy availability is a key element in sustainable development. While per capita energy consumption in developing countries is on average less than a fifth of that in industrialized countries, developing countries as a group will need to increase their per capita consumption of energy from anywhere between four to six times the current levels over the next century. Keeping in mind that the energy sector contributes over three quarters of total greenhouse gas emissions, cleaner and more efficient use of energy is needed.

14. Significant differences exist with regard to cost and convenience between fossil and renewable sources of energy. External financial support and technological assistance are therefore fundamental in shifting to cleaner alternatives so that development and equity goals are safeguarded. This may require a reconceptualization of international cooperation for sustainable development to create a technological, financial and institutional structure enabling the transition to a renewable and energy-efficient trajectory. Increased efforts are also necessary in research on carbon sequestration and other activities that reduce or offset the amount of emissions into the atmosphere.

### **Consumption, production and accumulated emissions**

15. Correctly attributing production-related environmental pressures is an important aspect of achieving sustainable development as, through trade, the production and consumption of goods often take place in different countries. The environmental impacts of producing a good should be incorporated in the calculations of environmental pressure related to the consumption of those goods. Assessments of inclusive cross-border carbon footprints would have a bearing on

<sup>4</sup> See *Report of the United Nations Conference on Environment and Development, Rio de Janeiro, 3-14 June 1992*, vol. I, *Resolutions Adopted by the Conference*, resolution 1, annex I, principle 7.

<sup>5</sup> Paul Baer, Tom Athanasiou and Sivan Kartha, *The Right to Development in a Climate Constrained World* (Berlin, Heinrich Böll Foundation, 2007) (available from <http://www.ecoequity.org/docs/TheGDRsFramework.pdf>).

the calculation of equitable targets as improved environmental performance in some developed countries may have come about by a shift of carbon-intensive activities to developing countries.

### **Deforestation and land use**

16. An issue of relevance to development is that of land use and deforestation. Those factors contribute roughly one quarter of global greenhouse gas emissions. Furthermore, increased production of biomass for fuel generation is having a significant impact on food security, on food prices and on biodiversity. Changes in land use also affect the rights of local communities whose livelihoods depended on previous use patterns of the same land. A different approach could provide a win-win solution, such as by involving local communities that depend on local forests for a living in also helping to protect and regenerate the forests while allowing the communities rights of sustainable extraction as an incentive. Many countries have successfully followed that route, leading to an increase in forest cover and stemming deforestation.

### **The investment approach to mitigation**

17. Different climate policies have different impacts on development trajectories and hence vary in terms of impacts on climate. Rather than following traditional fossil fuel-dependent development paths as did the industrialized countries, sustainable development requires an energy transition strategy that redirects investments to greater energy efficiency and renewable energy alternatives. Such a transition needs an innovation- and investment-oriented way of shaping mitigation strategies and institutional capacity-building towards enhanced mitigation capacity.

18. The urgency of such a strategy is particularly acute for developing countries. At the global level, the costs of mitigation have been estimated at about 0.3 to 0.5 per cent of the annual world output, corresponding to additional annual investment flows of between \$200 and \$210 billion by 2030 for mitigation in order to return greenhouse gas emissions to current levels.<sup>6</sup>

### **The mitigation regime**

19. There are three main, not mutually exclusive, policy approaches to dealing with mitigation in general and with outcomes harmful to the environment in particular: (a) creating a quasi-market to define emission rights (such as the cap-and-trade approach); (b) applying taxes to internalize the external costs of emissions (for example, a carbon tax); and (c) dealing directly with the cause of the harmful outcomes through regulation.

20. Each of the above-mentioned options implies some level of public regulation. The first two options rely on the market's correcting capacity (after redefining property rights or by changing the cost conditions with which they operate), while the third option entails more active regulation procedures as (even corrected) markets may not generate an acceptable solution (or not within an acceptable time period). Furthermore, a number of additional options that may be more effective in

---

<sup>6</sup> United Nations Framework Convention on Climate Change, "Report on the analysis of existing and potential investment and financial flows relevant to the development of an effective and appropriate international response to climate change", Dialogue Working Paper 8 (2007).

the context of developing countries appear to have been disregarded in policy discussions. Foremost among them are funding for research and development, regulation of fuel portfolios and emission levels, economic incentives, technological support and education. Given the urgent and demanding challenge the world faces, the complementary features of all those alternative channels for action must be stressed.

## **2. The importance of adaptation**

21. A two-way relationship exists between development and adaptation. While building resilience to climate change contributes to the attainment of development, climate change negatively affects the livelihoods of people in many developing countries, especially in the least developed countries, thereby reducing their capacity to adapt. Integrating adaptation into sustainable development is therefore necessary to tackle the negative impact of climate change on development goals. The main issues for adaptation in sustainable development are set out below.

### **Poverty and adaptation**

22. Poverty is closely related to vulnerability to climate change through (a) climate-related risks to securing well-being; (b) poverty-related constraints on adaptive capacity; and (c) poverty-related determinants of exposure. Those aspects need to be addressed if poverty reduction and adaptation are to reinforce one another. Successful adaptation requires a more equitable distribution of economic growth, access to resources, greater gender and social equity and increased participation in local decision-making by the poor in particular.

### **Local engagement and adaptive capacity**

23. Awareness of local vulnerabilities to climate impacts and coping strategies is emerging. There is, however, a need to engage with local people and grassroots groups to enhance awareness and identify the most effective strategies. Local adaptive capacities need to be enhanced as they are unevenly distributed within and across societies and are influenced at the local and individual level by resource availability, access to social and economic networks, entitlements, institutions, education and technology.

### **Policy integration and coherence at the national level**

24. Adaptation has been mainly seen as an environmental issue. In fact, climate change policies tend to be compartmentalized under environmental or natural resource protection ministries. That factor is one of the main institutional barriers to mainstreaming adaptation in development policies. Adaptation must be integrated not only into development policy in general but also into such policy areas as poverty reduction, rural development, disaster risk management, water, health and infrastructure investment. Similarly, sustainable development policies aimed at improved governance and natural resource management are vital to climate change adaptation.

25. Adaptation can be costly. Although estimates of adaptation costs vary, they are substantial. The United Nations Framework Convention on Climate Change has estimated that from \$49 to \$171 billion in additional investment flows is needed by 2030 to adapt to the impacts of climate change in five major sectors (agriculture,

forestry and fisheries, water supply, human health, coastal zones and infrastructure). A large share (from \$28 to \$67 billion) is needed in developing countries.

### **Challenges for policy research**

26. Better information, advanced tools and support for the development of response options are needed to enhance the adaptive capacities of developing countries. Reliable estimates of “place-based” climate risks are required as global or regional climate assessments are inadequate for policymakers at the local level. In addition, there is a need for a better understanding of the sensitivity of economic vulnerability to climate-related factors and of the ways in which this might affect the measurement, monitoring and prediction of economic vulnerability in developing countries in general, and in the least developed countries and the small island developing States in particular.

## **C. Strengthening international cooperation for sustainable development**

27. In view of the challenge of climate change, international cooperation is the only means to achieve sustainable development, and comprehensive coalitions involving all partners are the most efficient way of attaining greater reductions in emissions. The Bali Action Plan has established a clear basis for international cooperation on climate policy in the context of sustainable development, including linking mitigation and adaptation in developing countries to financial, technological and capacity-building support from industrialized countries.

### **1. Financing needs**

28. Current climate-related financial flows (including those from the Global Environment Facility, the World Bank and the clean development mechanism as well as from bilateral donors) are far below what is needed for even the most optimistic scenarios; flows to countries in Africa, to small island developing States and to the least developed countries are particularly low. The level of international commitments on financing and technological cooperation in relation to climate change thus needs to be urgently reviewed.

### **2. Technology and trade**

29. The ability to adopt and implement clean and efficient technologies depends, among other things, on access to such technologies. The Bali Action Plan calls for effective action for removal of barriers to access by developing countries.<sup>7</sup>

30. The first set of barriers pertains to the high cost of alternative technologies. A second barrier derives from the potential incompatibility between solutions to the problem and the institutions to implement them: the institutional changes required within developing countries to facilitate the adoption and development of necessary technologies still need to be identified. A third barrier pertains to legal impediments to access to technology at affordable costs, such as that represented by the global intellectual property rights regime.

---

<sup>7</sup> See FCCC/CP/2007/6/Add.1, decision 4/CP.13.



### 3. Policy coherence for sustainable development

31. Several countries have established mechanisms to bring about greater coherence in their suite of global sustainable development policies. For instance, emission targets for the countries included in annex I of the United Nations Framework Convention on Climate Change<sup>8</sup> have already led to national policies and concerted investment in new institutions such as the emerging carbon market. However, the implications of those policy and institutional choices for the sustainable development agenda in poor countries have not yet systematically been addressed.

## D. Recommendations

32. The prospects of sustainable development in developing countries are clouded by three types of threats from climate change: direct climate impacts; spillover effects of climate policies in industrialized countries; and side effects of climate policies in the developing countries themselves. Sustainable development policy in both groups of countries must be formulated with due consideration for such impacts, as follows:

(a) Adapting to climate change is critical for sustainable development. The adaptive capacity of developing countries needs to be strengthened, especially in the least developed countries. Progress in adaptation will also require mainstreaming adaptation into sectoral and national planning processes;

(b) In line with the Bali Plan of Action, mitigation is needed in all countries and must take place in concordance with the principle of common but differentiated responsibilities;

(c) The most promising mitigation strategy for developing countries is an investment-based approach that encourages greater energy efficiency and renewable energy alternatives and includes technological support, regulatory and fiscal instruments, and research and education, thereby fostering sustainable development;

(d) Achieving the Millennium Development Goals while at the same time dealing with climate change requires access by developing countries to sufficient funds and knowledge and the development of new technologies.

---

<sup>8</sup> United Nations, *Treaty Series*, vol. 1771, No. 30822.

## Chapter III

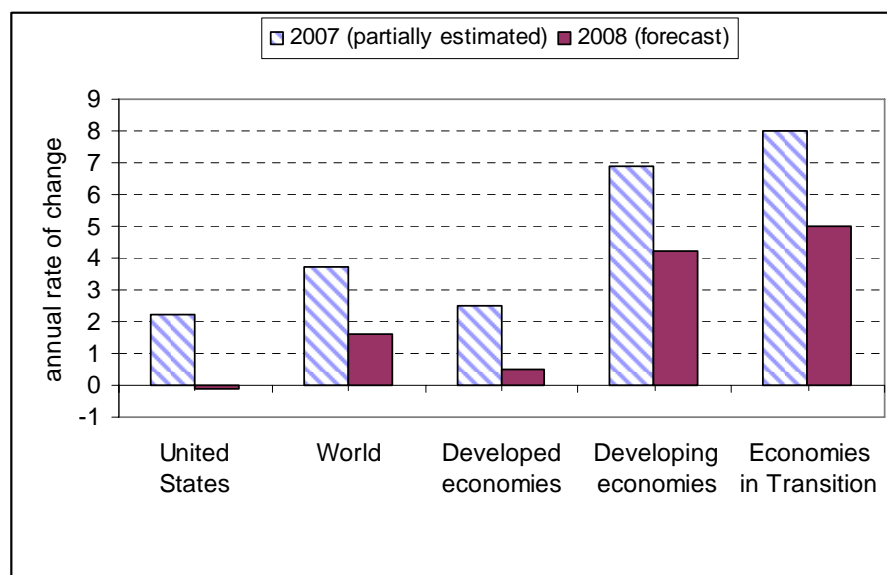
### The worsening global outlook and its implications for developing countries

#### A. Slowdown of the world economy

1. The global economic outlook has become gloomy, along the lines of the pessimistic scenario in *World Economic Situation and Prospects, 2008*.<sup>9</sup> If the economy of the United States should slide into recession in 2008, world economic growth could slow from an estimated 3.7 per cent in 2007 to just 1.6 per cent in 2008 (see figure 1). Global instability will impact negatively on developing countries, with a potential to delay further the achievement of the internationally agreed development goals, particularly in the least developed countries. Low-income countries, where recent economic performance has been boosted by higher commodity prices and increased external demand, will be particularly affected. Those countries tend to have limited space for the implementation of policies that can cushion the impact of unfavourable shocks. The uncertainty created by the current crisis is itself an additional source of instability in the prospects for growth in the developing countries.

Figure 1

**Prospects for global economic growth in 2008 in view of the housing crisis in the United States and further depreciation of the dollar**



Source: See "Executive Summary", *World Economic Situation and Prospects 2008* (United Nations publication, Sales No. E.08.II.C.2).

Note: The estimates for Gross Domestic Product (GDP) growth in 2008 refer to the United Nations forecast under the pessimistic scenario drawn in *World Economic Situation and Prospects* (see box I.2) which assumes a drop of about 30 per cent in housing activity in the United States and a fall in home prices of about 10 per cent from the trend experienced in 2007. During 2008, the dollar is assumed to depreciate further against the currencies of United States trading partners by about 25 per cent with respect to the average of 2007.

<sup>9</sup> United Nations publication, Sales No. E.08.II.C.2.

## 1. Impact on development

2. Robust economic growth in the developing world, which has been building momentum over the past five years, may cushion the world economy from a hard landing. Growth in the developing economies has been above 6 per cent per year on average since 2004, while economic growth among the least developed countries has been at 7.2 per cent per year since 2001. Still, developing country performance has, in no small part, been based on strong consumer demand in the United States. The growth prospects of developing countries are unlikely to be fully decoupled from the macrofinancial weaknesses in the United States.

3. Exports from developing countries will also likely be affected. In fact, the rate of growth of the volume of manufacturing exports from the developing world had already decelerated somewhat in 2007, particularly in China, in other parts of East Asia and in Latin America.

4. The low-income countries, and especially the least developed countries among them, will feel the impact of slower growth in the United States directly because they depend heavily on North American markets for their exports.<sup>10</sup> More importantly, however, the adverse effects will likely be an indirect spin-off from a slowdown in the production of manufactures in the emerging markets, particularly in East Asia, which may put an end to the commodity price boom of the past years. While it is true that the dollar depreciation and weakness of financial markets in the United States is putting upward pressure on commodity prices, as international investment funds seek positions in safer real assets, the impact of such factors may be soon outweighed by that of slower growth of world output and weaker demand for commodities.

5. The high export dependence of least developed countries on primary commodities (about 80 per cent of the merchandise exports of the group as a whole) makes them particularly vulnerable to such developments. While greater trade diversification offers a path to reduced vulnerability, late-comers are finding it more difficult to build a competitive edge in international markets. In any case, trade diversification is a long-term process, and other approaches are needed to cope with the consequences of adverse external shocks in the short and medium term.

## 2. High levels of reserve accumulation in developing countries

6. In response to the sharp negative effects of shocks experienced by developing countries in the 1990s and to the lack of effective compensatory mechanisms at hand, many developing countries have accumulated vast amounts of foreign exchange reserves over the past decade. That is one of the aspects that would need to be revisited in the light of policies aimed at a global demand rebalancing, as the current pattern is strongly linked to the existence of global imbalances. Most of the reserves are invested in dollar-denominated assets and thereby finance the deficits of the United States.

<sup>10</sup> Net fuel-exporting countries such as Angola (with 40 per cent of its exports going to the United States and Canada), Chad (75 per cent) and Equatorial Guinea (44 per cent) are cases in point. Other least developed countries also have relatively high export shares to North American markets, including Cambodia (61 per cent), the Comoros (42 per cent), Haiti (85 per cent), Madagascar (37 per cent), Maldives (40 per cent) and Nepal (27 per cent).

7. Increased reserve accumulation has taken place not only in emerging economies but also in low-income countries, including the least developed countries. Reserves went up from 2 to 3 per cent of GDP in the 1980s to around 5 per cent in the 1990s and to about 12 per cent in the first decade of the twenty-first century. Those countries may find it necessary to boost their foreign reserves to protect themselves from the negative consequences of a pending global slowdown, or the larger reserves may simply reflect their absorptive capacity constraints.

8. Large reserve holdings, however, entail important economic costs. Principally, there are opportunity costs, as foreign exchange reserves are financial resources set aside for precautionary needs, which could otherwise be used for domestic consumption or investment. Incurring such costs is justifiable as long as they are smaller than the potential benefits of holding the reserves. However, that may not be the case where resources for long-term investments are scarce, as often happens in low-income countries.

9. As most developing countries hold reserves in dollar assets, the value of their reserves has become vulnerable to the depreciation of the United States dollar. Therefore, what could be an insurance mechanism may turn into a factor for further vulnerability. That source of vulnerability, added to the opportunity costs of reserves, is linked to the lack of a truly international currency for reserves, for which the rents are shared equitably by member countries. There is therefore a need for a multicurrency international reserve system, for which the closest existing proxy is the system of special drawing rights (SDRs) managed by the International Monetary Fund (IMF).

## **B. External shocks and the development of a supportive international financial architecture**

10. External shocks transmitted through the trade and capital accounts can have a large impact on key macroeconomic variables and spread through the entire economy with negative social and economic effects, including reduced government spending, lower wages and higher unemployment and therefore higher levels of poverty. Those effects translate into an underutilization of the installed economic capacity and output that is foregone forever. Additionally, it gives way to a negative dynamism, through its depressing impact on productive investment, thus diminishing future development.

11. Economic shocks also constrain poverty reduction efforts and the attainment of the Millennium Development Goals. Therefore there is an urgent need for mechanisms offering counter-cyclical official liquidity to developing economies adversely affected by external shocks, including those arising from international trade, from the volatility of private capital flows and/or from natural disasters.

12. Official compensatory flows can play a crucial role in avoiding unnecessary costs to developing countries by reducing the need to hold such high levels of resources and, more importantly, by helping to evade preventable socially costly downward adjustment in economic activity and productive investment. Provision of appropriate official liquidity and aid can potentially be very effective in protecting economic growth (and the incomes of the poor) from the negative impact of economic shocks.

13. The supply of the kind of assistance described above for contingency financing requires an appropriate architecture and sufficient resources. There is an urgent need to improve existing compensatory financing mechanisms and/or design new ones.

### **C. Compensatory financing: broad principles and key features**

14. External shocks usually have both short-term and long-term impacts, some of which can be sizeable in magnitude. Negative short-term effects are inevitable unless reserves and additional external finance are available to cushion their impact. Domestic policies can contribute to mitigation of the negative effects. The country's fiscal policy framework should thus be built on mechanisms that allow fiscal deficits to expand when a country is hit by a shock rather than contract as is usually the case (the IMF and donors should also support such mechanisms). The automatic expansion of fiscal deficits to cope with economic shocks will help to maintain economic activity and support the financing of structural policies needed to manage possible long-term effects of the shock.

15. If the shock proves to be temporary (for example, a brief deterioration of the terms of trade or a one-year episode of drought) any negative impact on growth and poverty could be mitigated to the extent that a high proportion of the costs of the shock were to be financed through the swift provision of official liquidity, which would allow imports and government spending to be maintained at normal levels. If a shock proves, ex-post, to be long-lived (for example, persistent terms-of-trade deterioration that is not reversed or repeated droughts), repayment of compensatory official liquidity should be automatically extended, to allow an orderly gradual restructuring of the economy.

16. If the shock is likely to be long lived, conditions or incentives attached to loans should tackle the source of the problem. For example, if it seems likely that the price of the main export will remain low, financial support should be given for measures such as increased investments and more competitive exchange rates to encourage and facilitate export diversification. For net fuel-importing countries, if the problem is continued high oil prices, investment in greater energy efficiency, as well as the development of alternative domestic sources of energy, should be supported. If shocks are due to recurring natural disasters, long-term prevention and adaptation policies are called for. In all of the preceding cases, structural policies to adapt to the specific source of the shock are needed rather than traditional, contractionary macroeconomic adjustment policies.

17. If the shock is large from the very beginning, such as a major natural disaster that destroys a great deal of housing, social infrastructure and/or productive capacity, a potential role still exists for very quick disbursement of official liquidity. However, for low-income countries, the key role clearly needs to be played by significant grants, disbursement of which, it is hoped, will also begin quite speedily. In that regard, assistance for dealing with natural disasters should be provided in the form of budget support so that the Government will be able to finance increased social expenditure on the poor and most vulnerable to mitigate the effects of the disaster. For that purpose, built-in mechanisms should be in place to allow the Government to run temporarily larger fiscal deficits to provide safety nets that can be activated quickly. Additional assistance may not be effective if the country takes

too long to build safety nets to reach those affected by the shock or fails to do so owing to insufficient institutional capacity.

18. The Committee considered that reinitiating issuance of SDRs could be directed to finance a significant increase in the availability of compensatory financing. The present prospects of downward adjustment of economic activity and financial turmoil represented an appropriate context for a new allocation of SDRs, with a counter-cyclical role, with a view to progressing cautiously and gradually in the direction of a truly international currency of reserve. In that regard, the process of allocation of SDR 22 billion, approved by the member countries of the IMF in 1997 but not yet ratified by countries representing the required minimum of 85 per cent of the quotas, should be urgently completed.

#### **D. Current facilities**

19. There are currently a number of major compensatory financing mechanisms. They include the following:

- The Compensatory Financing Facility, an IMF loan facility (established in 1963)
- The European Commission's grant programme for countries in Africa, the Caribbean and the Pacific (FLEX, previously Stabex and Sysmin facilities) for terms-of-trade shocks
- International Monetary Fund facilities for low-income countries (Poverty Reduction and Growth Facility (PRGF); augmentation)
- The Fund's Exogenous Shocks Facility (ESF)
- IMF facility for balance-of-payments adjustments caused by trade-related factors, the Trade Integration Mechanism (TIM); available to all Fund members

20. The existing mechanisms are, however, either limited in coverage, too narrowly defined or subject to unduly strict conditionality. Thus for example, the Compensatory Financing Facility, historically a very important instrument, has been little used lately mainly owing to its high conditionality. The European Union's compensatory financing mechanism for export shortfalls, FLEX, is available only to 76 African, Caribbean and Pacific countries and has a number of other limitations related to eligibility criteria, slowness of disbursements, limited resources and small scale of operations. The augmentation of Poverty Reduction and Growth Facility arrangements is restricted to those low-income countries with such programmes and linked to a high conditionality IMF arrangement. Moreover, average augmentation under the Poverty Reduction and Growth Facility was very small compared to the impact of the shock and was granted to only half the countries with the Facility that experienced shocks.<sup>11</sup> The Exogenous Shocks Facility has not been used by any country, again because of high conditionality requirements and other problems in its design.

---

<sup>11</sup> IMF, "Strengthening the Fund's ability to assist low-income countries meet balance of payments needs arising from sudden and exogenous shocks" (2005).

## E. Policy recommendations

21. In view of the worsening global economic outlook and its implications for developing countries, and the costs and risks of carrying large reserve holdings, the Committee makes the following recommendations regarding compensatory financing mechanisms:

(a) A reformed compensatory financing architecture should be developed to provide official liquidity and aid to developing countries suffering the negative impact of external shocks such as those from trade, natural disasters and sudden drops in private capital net inflows;

(b) The reform of the existing compensatory financing mechanisms should be conducted by taking into consideration the following aspects:

(i) IMF facilities should be significantly simplified because existing schemes are too numerous and complex. The design of loan and grant facilities should include automatic augmentations of disbursements proportionate to the terms of trade shocks;

(ii) Export shortfalls should be measured in terms of either import capacity or the purchasing power of exports. The facilities to finance shocks should include all food imports, not just cereals. A new oil facility should be activated;

(iii) All available compensating facilities should have the same attributes of speedy disbursement, scale proportionate to the shock and low conditionality to ensure coherence and optimization of the beneficial impact on the receiving countries. Lending on more concessional terms is highly desirable, especially for heavily indebted low-income countries.

## **Chapter IV**

### **Issues relating to the least developed countries and the graduation process**

#### **A. Introduction**

1. In preparation for the 2009 triennial review of the list of least developed countries, the Committee for Development Policy re-examined the methodology for the identification of least developed countries. The Committee was guided in its work by Economic and Social Council resolution 2007/35, in which the Council requested the Committee “to continue developing a consistent set of criteria that can be applied to all recommendations regarding the inclusion in and graduation from the list of least developed countries, with due account being taken of economic vulnerability as a structural characteristic of the least developed countries”.

2. The Committee also deliberated on the graduation process, the contents of future vulnerability profiles (by the United Nations Conference on Trade and Development (UNCTAD)) and of impact assessments (by the Department of Economic and Social Affairs of the United Nations). Also reviewed were the question of a smooth transition, guidelines for monitoring the progress of graduated countries and a handbook on the least developed countries category.

#### **B. Criteria for identification of the least developed countries**

3. The identification of least developed countries is currently based on three criteria: on gross national income (GNI) per capita and on two indices of structural handicaps, the human assets index (HAI) and the economic vulnerability index (EVI). The two indices of structural handicaps reflect the outcome of a large set of factors, including those of a historical or geographical nature, or those linked to past policies and governance.

4. The Committee recalled that the objective of the criteria is to identify low-income countries suffering from the most severe structural handicaps to economic development and emphasized the need (a) to maintain inter-temporal consistency and equity among countries; and (b) to maintain stability in the criteria.

##### **1. Gross national income per capita**

5. The Committee reviewed earlier discussions on whether to adopt a dollar-valued measure of GNI based on the World Bank Atlas method or on purchasing power parity (PPP) estimates. The use of purchasing power parity in the conversion of GNI from the national currency to a common denominator, rather than the prevailing exchange rates, would provide a better basis for comparison of real income levels between countries. However, for many low-income countries, published purchasing power parity estimates are not based on any direct statistical observations for the country and/or are not updated on an annual basis. Therefore the Committee agreed to retain GNI per capita as the measure of the income criterion.

6. The Committee also discussed income distribution and the proportion of the population in poverty as possible factors for consideration in the identification of



least developed countries. It was noted that identifying least developed countries on the basis of income distribution could bias results towards countries pursuing policies that result in greater income inequality. Measures of income inequality are, moreover, not readily available for all concerned countries and are often unreliable. It was also noted that income inequality is reflected, partially and indirectly, in the human assets index. The Committee noted that similar considerations apply to the incorporation of poverty rates in the criteria.

## **2. Human assets index**

7. The Committee agreed that the status of human capital should continue to be reflected in the human assets index by indicators related both to the level of health and nutrition and to the level of education.<sup>12</sup> The following four indicators are presently used:

- (a) Percentage of population undernourished;
- (b) Under-five mortality rate;
- (c) Gross secondary school enrolment ratio;
- (d) Adult literacy rate.

8. After due consideration, the Committee decided to retain all components of the HAI. Regarding nutritional status, the share of population suffering from malnourishment was confirmed as being the best available indicator. The Committee noted that the impact of HIV/AIDS is of considerable importance for many of the least developed countries and would be better reflected in a life expectancy indicator. However, the Population Division of the Department of Economic and Social Affairs advised the Committee that the data for child mortality should be considered more reliable. The Committee therefore concluded that the indicator should be retained.

9. The Committee discussed the possibility of using an alternative to the indicator for secondary school enrolment, as high dropout rates seem to be a problem in some countries. The United Nations Educational, Scientific and Cultural Organization (UNESCO) has alternative data on school completion and educational attainment, but they are not yet available with sufficient coverage. The Committee also decided to retain the adult literacy rate.

## **3. Economic vulnerability index**

10. The economic vulnerability index is constructed as a composite index to reflect the impact of exogenous shocks faced by a country and the extent to which a country is exposed to such shocks. The exposure index comprises sub-indices representing smallness, location and economic structure. The shock index comprises sub-indices of natural shocks and trade shocks. The seven indicators are as follows:

- (a) Population;
- (b) Remoteness;

---

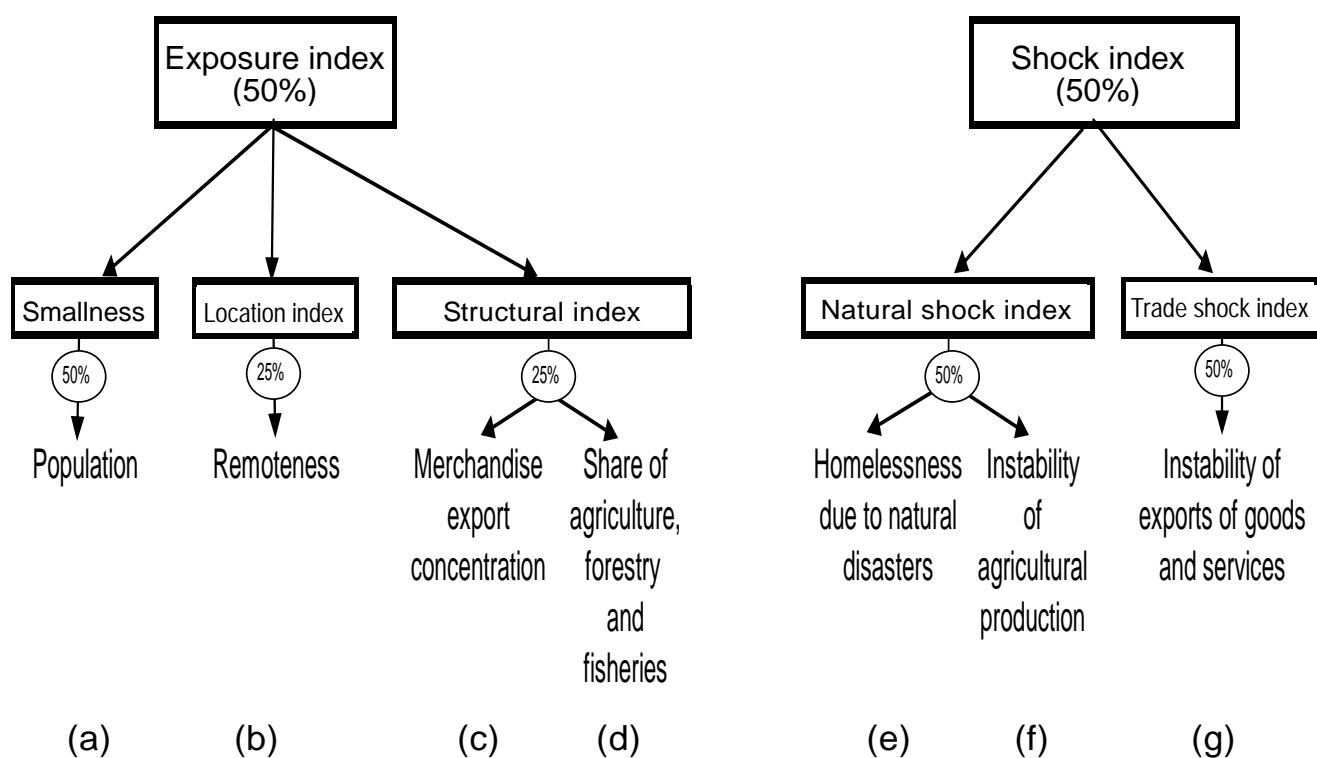
<sup>12</sup> The human assets index has been preferred to the human development index (HDI) since the former takes a broader view of the human asset situation, including nutrition and secondary school enrolment. In addition, the human development index includes GNI per capita (measured in purchasing power parity terms), which the Committee treats as a separate criterion.

- (c) Concentration of merchandise exports;
- (d) Share of agriculture, forestry and fisheries in GDP;
- (e) Homelessness due to natural disasters;
- (f) Instability of agricultural production;
- (g) Instability of exports of goods and services.

The structure and weights of the composite index are set out in figure 2.

Figure 2

**Structure and weights of the economic vulnerability index**



11. The Committee reconfirmed that the smallness measured by population size (a) is a suitable indicator for vulnerability; most small low-income countries are situated in regions that are prone to natural disasters.

12. The Committee also reconfirmed the validity of remoteness (b) as measured by an indicator for the distance to the world market with a dummy correction for land-lockedness. In recent years most countries identified for graduation have been archipelago countries with high transportation costs and duplication of infrastructure and services resulting from geographical fragmentation. As those special features may be not reflected in a quantified indicator, it was recommended that the impact

of such specific geographical aspects on development should continue being addressed in the vulnerability profile (see section IV.D).

13. It was noted that merchandise export concentration (c) is a measure of exposure to external shocks, but that as currently applied it excludes services. In many countries exports of services, notably tourism, reach a significant magnitude. At a previous review of the criteria, the Committee had requested the inclusion of services in a revised export concentration index.<sup>13</sup> However, methodological differences in terms of both data collection and reporting and in classification procedures do not allow for goods and services to be merged into a new export concentration index. Accordingly, the Committee decided not to change the indicator, requesting instead that the volatility of exports of services be duly analysed in the vulnerability profiles of countries being considered for graduation.

14. Indicator (d) expresses the exposure to shocks resulting from the structure of production activities. The Committee considered that agricultural activities, including fisheries and forestry, were particularly subject to natural and economic shocks.

15. The Committee also considered whether high dependence on the tourism sector could be included as a measure of external vulnerability. Tourism is, however, not defined in the national accounts as a separate industry. A proxy for tourism could be entered into a redefined version of indicator (d), but the Statistical Division of the Department of Economic and Social Affairs indicated that there are severe data limitations. Therefore, the Committee decided that the vulnerability profiles should give due consideration to shocks in the tourist sector on a case-by-case basis.

16. The two natural shock indicators, homelessness (e) due to natural disasters and instability of agricultural production (f), are complementary in capturing natural shocks, as evidenced by the small correlation between them. The Committee agreed to retain the two natural shock indices.

17. Similarly, it was reaffirmed that the instability of exports of goods and services (g) is a good proxy for trade shocks (g). The point was raised whether worker remittances and their instability should be taken into account. However, data coverage remains inadequate, and the quantification of remittance flows is problematic since a large share of remittances is transferred through informal channels. Consequently, it was decided to leave this dimension to be addressed in the vulnerability profiles.

18. The Committee also assessed to what extent the EVI adequately reflects the environmental factors of vulnerability. It was noted that the natural shock sub-index captured the incidence of adverse environmental phenomena as an observed event, but one which is also likely to recur in the future.

19. The Committee recalled that it had previously reviewed the issue of environmental vulnerability as a structural impediment to growth<sup>14</sup> and reconfirmed

<sup>13</sup> *Official Records of the Economic and Social Council, 2002, Supplement No. 13 (E/2002/33)*, para. 138; and *Local Development and Global Issues: Report of the Committee on Development Policy on the Fifth Session* (United Nations publication, Sales No. E.03.II.A.3), paras. 21 to 24.

<sup>14</sup> At the request of the General Assembly, the issue of considering an environmental index was discussed at length. It was agreed at the time to distinguish clearly between economic vulnerability and ecological or environmental vulnerability. See *Official Records of the Economic and Social Council, 2002, Supplement No. 13 (E/2002/33)*, para. 146.

that the addition of components related to climate change challenges was relevant only if they reflected a structural handicap to growth.

20. The economic vulnerability index already includes components that capture sources of economic vulnerability generated by the natural environment. The risk that natural shocks can affect growth is reflected in the EVI both through the natural shock index (with its two components, homelessness and instability of agricultural production) and the exposure index. The trade shock index also captures, to some extent, risks to growth caused by natural shocks.

21. While climate change is already affecting some countries, different countries will face different impacts, and it would be important to specify whether and how climate change will represent an additional structural impediment to growth for the low-income and least developed countries. The Committee could further pursue those important research questions to assess at the country level the risk that climate change raises for the development of low-income countries.

22. The Committee also discussed the role of civil strife and conflict as a major factor of vulnerability. It noted that GNI, the human assets index and the indicators of shocks (instability of exports and of agricultural production) reflect some of the consequences and factors of conflict. However, they do not encompass all the factors raising the risk of conflict. Consequently, it was agreed that the handicap raised by post-conflict situations should be duly considered in the assessment notes (for inclusion) and the vulnerability profile (for graduation).

23. In sum, the Committee considers that the identification of the least developed countries and the established procedures rely on the best available methods and information. Nonetheless, occasional refinements may be required to take into account new insights from research on economic development, updated information regarding the structural impediments to development and ongoing improvements in, and the availability of, reliable and internationally comparable data.

### **C. Application of the criteria**

24. The Committee reconfirmed the current approach applied for the identification of least developed countries. For inclusion in the category, all three criteria have to be satisfied at given threshold values.<sup>15</sup> In order to ensure that any country graduating from the category should be able to continue and sustain its progress with a minimal risk of having its development disrupted or reversed, the following rules are applied: (a) eligibility for graduation requires that a country fail to meet two, rather than only one, of the three inclusion criteria;<sup>16</sup> (b) thresholds for graduation are established at a higher level than those for inclusion; and (c) to be recommended for graduation a country has to be found eligible at two successive triennial reviews.

25. The Committee considered the suggestion by some graduating countries of making fulfilment of the economic vulnerability index criterion a compulsory

---

<sup>15</sup> In addition, a threshold for inclusion is a population of less than 75 million.

<sup>16</sup> In 2005 the Committee established an additional rule that a sufficiently high level of GNI per capita (at least twice the graduation threshold) had to be reached to make a country eligible for graduation (see *Official Records of the Economic and Social Council, 2005, Supplement No. 13* (E/2005/33), chap. IV, para. 30).

condition for graduation. However, it was found that it would run counter to the logic of the criteria for designating least developed countries. A high EVI score does not by itself prevent a country from achieving a steady development path, as evidenced by sustained and increasing GNI per capita and high levels of the human assets index in countries which have a high EVI. Therefore, the Committee concluded that the fulfilment of the EVI criterion should not be made a compulsory requirement for graduation.

26. At the same time, the Committee reiterated the importance of flexibility, that is, the criteria should not be used mechanically, particularly in situations where country indicators are very close to inclusion or graduation thresholds (“borderline cases”). In those cases, a combination of the structural handicap criteria (HAI and EVI) could be applied.<sup>17</sup> Such consideration would make it possible to take into account some degree of substitutability between the criteria, as well as the possible combined impact of the handicaps as captured by the HAI and EVI. Such flexibility in the application of the criteria, in addition to the assessment notes (inclusion), vulnerability profiles and impact assessments (graduation) also contributes to ensuring that economic vulnerability is duly taken into account when establishing a country’s eligibility for inclusion and graduation, as suggested by the Council in its resolution 2007/35.

#### **D. Graduation procedures: vulnerability profiles and impact assessment**

27. For countries found eligible for the first time, a vulnerability profile will be prepared by UNCTAD and an impact assessment by the Department of Economic and Social Affairs, in cooperation with UNCTAD, in the year prior to the next triennial review. While the vulnerability profile has been in use before, the impact assessment was adopted by the Committee in 2007 as a supplement to the vulnerability profile. The two documents will provide the Committee with information, in addition to the criteria scores, to decide whether a country found eligible at the previous triennial review should be recommended for graduation.

28. The vulnerability profile should give the overall background of a country’s economy and development situation. It should also compare the values of the indicators used in the criteria with relevant national statistics and further assess other vulnerabilities that the country faces, such as instability of remittances, dependency on tourism, high infrastructure cost due to geographical conditions and the impact of climate change. In the preparation of the vulnerability profiles, the Committee also requested that UNCTAD provide comparative data for other low-income countries in similar situations.

29. In view of the increased number of countries under review for graduation and the increased demand on the substantive content of the vulnerability profiles, the Committee stressed the need for sufficient resources being made available for that purpose.

30. The Committee agreed that the impact assessment should address the expected implications of the loss of least developed country status, in particular with regard

<sup>17</sup> In 2005, the Committee proposed considering simultaneously the two structural handicaps (HAI and EVI) or even the three criteria (GNI, HAI and EVI).

to development financing, international trade and technical assistance. The effective implementation of the impact assessments would require that the Department of Economic and Social Affairs be able to draw on the cooperation of donor countries, international cooperation agencies, trading partners and the country concerned.

## **E. Smooth transition for graduating countries**

31. The Committee addressed the question of a smooth transition for graduating countries as set out by the General Assembly in its resolution 59/209, and expressed its opinion that for many countries identified for graduation, the reluctance to graduate, although sometimes expressed as dissatisfaction with the criteria, reflects uncertainty about the future.

32. The Committee considered the measures contained in resolution 59/209 to be highly important, and reiterated the need to effectively implement them. In that regard, it recommended that the United Nations give concrete leadership in the implementation of smooth transition measures by maintaining the travel-related benefits to delegates from graduated countries over a period appropriate to the development situation of the country.

33. The Committee is of the view that an expert group should be convened to consider the phasing out of least developed country benefits with a view to identifying benefits that could be maintained for a certain period, proposing specific phasing-out periods. Participants in the expert group should include, in addition to country representatives, donors, trading partners and international financial and trade institutions. Case studies could be conducted assessing the situation of Cape Verde and countries that have qualified for graduation. Resources should be made available for that purpose.

## **F. Monitoring the progress of graduated countries**

34. In its resolution 59/209, the General Assembly requested the Committee to continue to monitor the development progress of countries that have graduated from least developed country status. The Committee will report to the Council on the findings of the monitoring exercise as a complement to the triennial review of the list of least developed countries.

35. The Committee considers that the main purpose of monitoring is to assess any signs of deterioration in the development progress of the graduated country and bring it to the attention of the Council as early as possible. The Committee emphasized that, to avoid any extra burden, the monitoring should be undertaken without requesting any effort from the graduated country. The monitoring would cover a relatively small set of indicators to be assessed beyond the country's performance on the criteria for identifying least developed countries.

36. The Committee examined a report submitted by the Government of Cape Verde.<sup>18</sup> It noted with satisfaction the country's continued rate of growth and achievements on the Millennium Development Goal indicators, despite continuing

---

<sup>18</sup> Rapport d'information au Secrétaire général des Nations Unies sur le processus de la sortie du Cap-Vert de la catégorie des pays les moins avancés (Cape Verde, December 2007).

economic vulnerability. Finally, the Committee encouraged Cape Verde and its development partners to make full use of the future meetings of the consultative mechanism (Grupo de Apoio à Transição) to obtain support for the country's economic transformation agenda.

## **G. Handbook**

37. The Committee noted the good progress in preparing a draft for a handbook on the least developed country category, comprising all relevant information on the criteria and procedures currently applied for inclusion and graduation, on the methodology and statistical indicators and on the support measures favouring the least developed countries.

38. The handbook is accompanied by web pages presenting similar information.<sup>19</sup> The Committee was confident that this improved accessibility would help to make the criteria for the identification of the least developed countries more widely known.

---

<sup>19</sup> See the website of the Committee for Development Policy (available from <http://www.un.org/esa/policy/devplan/index.html>).

## **Chapter V**

### **Future work of the Committee for Development Policy**

1. The Committee welcomed the adoption by the Economic and Social Council, in its decision 2007/272, of the multi-year work programme for the annual ministerial review. The multi-year programme ensures the predictability of the themes to be discussed and the full mobilization of expertise embedded in the Committee.
2. For its forthcoming eleventh session, the Committee will undertake work on the 2009 theme of the annual ministerial review, “Implementing the internationally agreed goals and commitments in regard to global public health”. While keeping abreast of reviews of and debates on the implementation of the internationally agreed goals and commitments, including the high-level event on the Millennium Development Goals to be held on 25 September 2008, the Committee will elaborate a policy framework for a more effective global partnership for improving public health.
3. The Committee will also undertake a review of the list of least developed countries in 2009. For that purpose, vulnerability profiles and impact assessment reports will be prepared for Equatorial Guinea, Kiribati, Tuvalu and Vanuatu. The Committee will also monitor the development progress of Cape Verde and report its findings to the Council in 2009.
4. The Committee agreed to continue to provide advice on the sustainable development agenda in the context of climate change. In that regard, it will undertake further research concerning the impact of climate change on the development of low-income countries.
5. The Committee will continue to monitor the evolution of the international macroeconomic and financial situation and further analyse its development implications for developing economies.



## **Chapter VI**

### **Organization of the session**

1. The Committee for Development Policy held its tenth session at United Nations Headquarters from 17 to 20 March 2008. Twenty-one members of the Committee as well as observers from several organizations within the United Nations system attended the session. Annex I contains the list of participants.
2. The Department of Economic and Social Affairs of the United Nations Secretariat provided substantive services for the session. The Chairperson of the Committee opened the session and welcomed the participants. Subsequently, the President of the Economic and Social Council addressed the Committee and stressed the importance of the Committee's contribution to the work of the Council by providing new ideas on how the international development agenda could be implemented more effectively. The Under-Secretary-General for Economic and Social Affairs shared his views on the role of the Committee in the work of the United Nations, especially in bringing new and emerging issues to the global development agenda.
3. The agenda for the tenth session and the list of documents before the Committee are contained in annexes II and III respectively.

## Annex I

### List of participants

1. The following members of the Committee attended the session:

Ms. Bina Agarwal  
Mr. José Antonio Alonso  
Ms. Lourdes Arizpe  
Mr. Tariq Banuri  
Mr. Olav Bjerkholt  
Mr. Kwesi Botchwey  
Ms. Gui-Ying Cao  
Mr. Ricardo Ffrench-Davis (*Chairperson*)  
Ms. Stanisława Golinowska  
Mr. Patrick Guillaumont  
Mr. Philippe Hein (*Rapporteur*)  
Mr. Hiroya Ichikawa  
Ms. Willene A. Johnson  
Ms. Amina Mama  
Mr. Hans Opschoor  
Ms. Suchitra Punyaratabandhu  
Ms. Fatima Sadiqi  
Ms. Frances Stewart (*Vice-Chairperson*)  
Ms. Diana Tussie  
Ms. Milica Uvalic  
Mr. Samuel Wangwe

2. The following entities of the United Nations system were represented at the session:

Department of Economic and Social Affairs  
Economic and Social Commission for Asia and the Pacific  
Office of the High Representative for the Least Developed Countries,  
Landlocked Developing Countries and Small Island Developing States  
United Nations Children's Fund  
United Nations Conference on Trade and Development  
United Nations Educational, Scientific and Cultural Organization  
United Nations Environment Programme  
United Nations Industrial Development Organization  
United Nations Population Fund  
United Nations University  
World Food Programme  
World Health Organization

## **Annex II**

### **Agenda**

1. Inaugural session.
2. Adoption of the agenda and organization of work.
3. The least developed countries: refining the criteria, the graduation process and follow-up.
4. The sustainable development agenda and climate change: implementing the internationally agreed goals and commitments in regard to sustainable development.
5. Current financial turmoil and implications for developing countries.
6. Other matters.
7. Future work of the Committee.

## Annex III

### List of documents before the Committee at its tenth session

<i>Title or description</i>	<i>Document symbol</i>
1. List of documents	(CDP2008/PLEN/1)
2. Agenda	(CDP2008/PLEN/2)
3. Sub-groups	(CDP2008/PLEN/3.1)
4. List of participants	(CDP2008/PLEN/3.2)
5. Report of the Committee for Development Policy on the ninth session <sup>a</sup>	(CDP2008/PLEN/4)
6. Report of the export group meeting on the least developed countries	(CDP2008/PLEN/5)
7. Handbook on the least developed country category: inclusion, graduation and benefits	(CDP2008/PLEN/6)
8. Climate change and the sustainable development agenda	(CDP2008/PLEN/7)
9. Executive summary of contributions received on the annual ministerial review theme for 2009	(CDP2008/PLEN/8)
10. The worsening global outlook and global policy responses with special reference to the poorest countries	(CDP2008/PLEN/9)
11. Compensatory financing for shocks: what changes are needed?	(CDP2008/PLEN/10)
12. Executive summary of the report by the Government of Cape Verde to the Secretary-General on the country's graduation (unofficial translation)	(CDP2008/PLEN/11)

<sup>a</sup> *Official Records of the Economic and Social Council, 2007, Supplement No. 13 (E/2007/33).*

