

Contribution by the Committee for Development Policy to the 2017 High-level Political Forum

1. An assessment of the situation regarding the principle of “ensuring that no one is left behind” at the global level:

The adoption of the principle of “ensuring that no one is left behind” in the 2030 Agenda for Sustainable Development constitutes an important shift in focus of the international development agenda, which requires ongoing conceptual, theoretical and empirical work. In 2017, the Committee for Development Policy (CDP) focused again on the most disadvantaged countries, namely the least-developed countries (LDCs). The CDP also continued its work on its multi-year work programme on “Leaving no one behind” and will provide its comprehensive views on the topic in 2018.

As reported by the CDP in 2016, many LDCs continued to be left behind as they have made only limited and uneven progress in dynamically transforming and diversifying their economies. Moreover, in many cases vulnerable parts of the population have not benefitted. At the same time, the experience of countries that have graduated from the LDC category or have made significant progress towards graduation shows that expanding productive capacity can enable countries to close the development gap to other developing countries, while at the same time ensuring that disadvantaged groups within countries benefit. However, whereas resource endowments and country size are important for the pathway towards graduation from the LDC category and sustainable development in general, policies are most critical.

Developing productive capacity requires integrated policies in five areas: (i) development governance; (ii) policies for creating positive synergies between social outcomes and productive capacity; (iii) macroeconomic and financial policies that support productive capacity expansion and increase resilience to external shocks; (iv) industrial and sectoral policies and (v) international support measures in the areas of trade, official development assistance and international tax cooperation. Given the diversity among LDCs, one-size-fits all policies will not be successful. Instead, the various country groups require different national strategies and different support from the international community.

2. The identification of gaps, areas requiring urgent attention, risks and challenges:

There are significant gaps in all five policy areas described above, which require urgent attention. However, the gaps vary by country. In many LDCs, the agricultural sector requires priority attention, with a view of raising agricultural productivity while simultaneously improving food security. This requires agricultural reforms focusing on small scale farmers and massive investment in rural development. Another area requiring urgent attention is the lack of progress in increasing and possible diversifying export capacities of LDCs. In this context, there is a need to improve market access to developed countries (see also point 4 below).

3. Valuable lessons learned on eradicating poverty and promoting prosperity:

A number of LDCs are approaching graduation on a pathway of rapid economic growth from natural resource exploitation. On this pathway there is a high risk of graduation without deepening productive capacity or meaningful social and economic transformation, leaving human assets and economic diversification at low levels and poverty widespread despite the relatively high level of aggregate income. Weak development governance is the key constraint that prevents countries on

this pathway from channelling natural resource revenues into expanding productive capacities for sustainable development. In addition, excessive dependence on exploitation of natural resources can reinforce the lack of transparency and accountability in the management of resource rents.

A number of mostly small graduated and graduating countries follow a pathway characterized by income growth driven by economic specialization and improvements in human assets. A key driver of development progress, despite limited scope for economic diversification, is the quality of good development governance. This development governance framework enables countries to allocate significant resources in human asset development and infrastructure. However, the experience of countries following this pathway also shows that development through human development and economic specialization leaves a country vulnerable to economic and environmental shocks, though this is largely a consequence of fixed country characteristics such as size and location. In addition, despite the success in building human capital, a number of countries continue to face high levels of social inequalities, which is partly explained by the limited employment and low backward and forward linkages of sectors such as tourism and natural resources.

Some larger LDCs are on a pathway characterised by investments in human assets and structural transformation towards higher productivity manufacturing and services. These countries show that significant and meaningful progress can be achieved even within a short period when countries pursue the process of expanding productive capacity and structural transformation under conditions of peace and security. Rural development has been the key launching pad for gaining the momentum for growth, expanding productive capacity and promoting structural transformation. In countries on this pathway, countries have full ownership of the development process and the State plays an active and critical role in designing appropriate macroeconomic, social, fiscal, trade and industrial policies, and in creating a development-focused governance structure.

4. Emerging issues likely to affect the realization of poverty eradication and achieving prosperity:

International support for trade enhancing policies (in particular duty-free and quota-free access to most developed countries and in an increasing number of developing country markets) can be instrumental in integrating LDCs into the global economy, if LDCs have sufficient (latent) capacity to take advantage of global market opportunities and adopt complementary domestic policy reforms. Consequently, the emerging trend of increasing trade protectionism can negatively affect poverty eradication and achieving prosperity.

5. Areas where political guidance by the High-level Political Forum on Sustainable Development is required:

The HLPF may reaffirm the importance of building productive capacity in LDCs for poverty eradication and building prosperity. Increased productive capacities enable structural transformation towards more productive activities and sectors, ideally creating enough decent jobs to reduce poverty on a broad scale. At the same time structural transformation can also generate resources for social protection, aimed at those who are permanently or temporarily unable to escape poverty with their own resources. Given that LDCs feature widespread and persistent poverty, eradicating poverty at the global level requires a focus on LDCs.

6. Policy recommendations on ways to accelerate progress in poverty eradication:

Whereas expanding productive capacities for sustainable development is an important objective for all LDCs, optimal policies necessarily vary across countries. Nevertheless, the lessons from the experiences made by different countries that have graduated or are graduating from the LDC category allow for some policy recommendations relevant for many developing countries. In this regard, successful policies are often the product of trial-and-error or the pragmatic response to changing circumstances.

Given the critical importance of 'good development governance', countries benefit from proactive policies aimed at building institutions, employing an inclusive approach to policy design and implementation and introducing rules and regulations that instil transparency and accountability in public administration and budget allocation. Good development governance is not static, but needs to adapt over time to be able to promote innovation, for example through strategic government procurement, to harness information technologies and to develop commensurate human capacities.

Resource-rich LDCs need to combine the building of a system of good governance with a planning process designed to match resources with social and productive public sector investments and monitor implementation regularly, in order to ensure that identified priority sectors such as health and education are indeed sufficiently funded from resource revenues. There is also a need to identify and develop strategies to enhance global value chain integration and boost domestic value-added.

In order to harness ODA for development, countries benefit from mainstreaming ODA into national development plans and adopting sector-wide approaches to programming, as this contributes to an effective coordination of donor support. For countries with large diasporas, far-sighted diaspora and remittances policies enable countries to mobilize additional resources and knowledge needed to expand productive capacity.

Successful and replicable agricultural reform policies include land use and tenure reforms that improve the rights of women as well as public support to small scale farmers through agricultural extension services and subsidizing inputs.

Successful 'unorthodox' social policies includes institutional setups under which non-profit non-government service providers deliver public health and education services and the deployment of 'health extension workers' throughout the country to achieve almost complete coverage with public health programmes. One reason for the success of these policies is that they change social norms by empowering women in the delivery of social services.