FONDATION POUR LES ÉTUDES ET RECHERCHES SUR LE DÉVELOPPEMENT INTERNATIONAL

Least Developed Countries, France, and the Europe

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The chapter on Development of the French Presidency's program for the European Union, states that France intends to contribute to the renewal of the European Union's policies for the Least Developed Countries (LDCs).

Curiously, the English translation of this document does not use "Least Developed Countries", the official name of this category of countries, but "less developed countries", a generic wording, which does not refer specifically to the LDC category. This mistranslation is symptomatic of a common tendency, even among development practitioners, to confuse "Least Developed Countries", a group of countries defined by several criteria, which is the only subset of developing countries officially recognised by the United Nations, with the so-called "less developed countries", for which there is no agreed definition, or even "low-income countries", which are defined by the sole criterion of per capita income.

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… /… The LDC category is intended to include poor countries that, because of their structural handicaps, are more likely than others to remain poor or far from achieving the Sustainable Development Goals (SDGs)[1]. We assume here that France's ambition is to strengthen or even renew European Union policies towards LDCs. What can France, as President of the European Union, do to strengthen European Union policy towards LDCs?

The context of the issue

France has the legitimacy to take such an initiative at the European Union level. Indeed, 50 years after the UN General Assembly established the LDC category based on a report by the Frenchman Jean Ripert, that was endorsed by the Committee for Development Planning, and which became the Committee for Development Policy (CDP) in 1998, it was France that organised the first major UN Conference on LDCs in 1981. This was followed every 10 years by conferences held in Brussels in 1991 and 2001, and in Istanbul in 2011. A fifth was to be held in 2021 in Doha, but was postponed to January 2022 because of Covid and, while everything was being organised, postponed again to Christmas Eve 2022 because of the new wave of the pandemic.

In December 2021, to mark the 50th anniversary of the category and to prepare the Doha conference, Ferdi held a conference in partnership with UN OHRLLS (United Nations Office for LDCs, Landlocked Developing Countries, and Small Island Developing States chaired by a UN Under-Secretary-General). As the OHRLLS wished, France and the OECD Development Centre were partners in organising the event. Major institutions concerned, such as UNCTAD, the Commonwealth Secretariat, and the WTO, participated with high level contributors to this conference. The conference revealed a consensus both on the current validity of the basic principles underlying the category and its criteria, regardless of the need to adapt them to the current context, and on the difficulties encountered in implementing international support measures for LDC countries and in assessing the impact of any measures. Lastly, it drew up guidelines for strengthening the effectiveness of such measures so that the number of LDCs able to graduate from the category would increase significantly[2].

The European Union was part of this conference and was represented by the new Deputy Director General of INTPA (International Partnerships), who emphasised the particular interest that the European Commission has in its cooperation with the LDCs. There is clearly a convergence between France and the European Commission on the attention that must be given in development policy to the LDCs. The question is how this attention can be more clearly implemented by the European Union, and by EU member states?

This question arises today in a particular context, and several elements must be highlighted:

First, the declaration that should have been approved by the Heads of State at the Doha Conference, after having been prepared during the past year, was agreed in principle in December in New York[3]. In the absence of a meeting in Doha in January, it was the subject of a resolution by the United Nations General Assembly on 17 March. This document, 345 paragraphs long, punctuated by the phrase «We commit to take the following actions», sets out the main policy guidelines that the international community (including France and the European Union) is committed to implementing for the LDCs. Any European Union initiative taken under the French Presidency will have to follow on from and complement this document.

1. On the current basis of the category see Guillaumont (2020).

2. Concept note and replay available on the Ferdi website.

3. United Nations (2021).

Second, last August, the French National Assembly passed a law on solidarity development and the fight against global inequalities. It sets out the main orientations for the French action for the coming years in terms of development[4] and the 19 «priority» countries, which are all African LDCs plus Haiti[5], but which do not include all LDCs (27 LDCs not being classified as «priority»).

Finally, the European Union has recently taken important decisions to outline its own priorities. They concern in particular the design of the new financial instruments for development cooperation and on what criteria it will allocate the resources.

The French position on European Union policy towards the LDCs must of course fall within the framework set by the three elements just mentioned. Nevertheless, many important decisions remain to be taken, to ensure the implementation of the principles already adopted at both European Union and French level, and to encourage other European Union countries to adopt a policy harmonised with that of the European Commission towards the LDCs. The aim is to have the European Union recognised not only as the main partner of the LDCs, but also as their main supporter, which it already is to a certain extent, and which could have a knock-on effect on the other partners of these countries.

In addition to these considerations, the importance of climate change policies in Europe, and in France in particular, must be added. On this point too, there seems to be a convergence between France and the European Commission. One can imagine that the climate dimension is an unavoidable and relatively new subject of cooperation in relations between the European Union and the LDCs.

Admittedly, the draft Doha Declaration does not ignore climate change, and Section V is devoted to it i.e. some forty articles. But the convergence of views between the European Union and France on the energy transition does not necessarily carry over to the LDCs, and may even reveal a real divergence, as the current discussions between the European Union and the African Union on energy issues show[6]. If climate is to be part of a new agenda between the European Union and LDCs (as with Africa), and it is to be so, it cannot be through soothing words or ideological posturing. Specific measures will be needed to articulate international justice and intergenerational justice in a coherent way.

Concepts and principles to clarify the question posed

The aim of this note is not to detail what could be adjusted, specified or recommended, but to show in what framework this can be done, and to identify some broad guidelines for a visible and innovative European Union policy towards the LDCs. This cannot be done without reference to the very foundations of the category and its criteria, even if it means proposing an adjustment to them, in particular to take better account of the vulnerability of countries.

Three simple distinctions are essential for a clear analysis.

First, the policy of support towards LDCs is distinct from the policy of facilitating transition for LDCs that are graduating from the category, which is known as graduation. Attention in recent years has focused increasingly on measures to enable a «smooth transition», which is entirely justified but should not obscure the fact that the key issue is to help LDCs that are far from graduation to reach the point where they can graduate[7]. Naturally, transitional measures

4. https://www.legifrance.gouv.fr/dossierlegislatif/JORFDOLE000042676989/
5. The 19 priority countries defined by the CICID on 8 February 2018 are: Benin, Burkina Faso, Burundi, Central African Republic, Chad, Comoros, Democratic Republic of Congo, Djibouti, Ethiopia, Gambia, Guinea, Haiti, Liberia, Madagascar, Mali, Mauritania, Niger, Senegal and Togo.

6. See the debate organised on 20 January 2021 by the Africa-Europe Foundation and the remarks made respectively at the opening and closing of the debate by Pt Macky Sall and Mo Ibrahim.
7. On graduation see Drabo and Guillaumont (2019).

are linked to support measures for LDCs since it is the suppression of these measures that is said to create a problem for graduating countries.

Second is the nature of the support measures[8]. They can be put into two broad categories: trade-related measures (market access conditions, WTO relations, etc), and financial or technical assistance measures (aid flows, technical assistance measures, etc). Some measures may straddle the two sectors, but they are easily attributable or traceable to one or the other, as is the case of aid for trade, which is not specific to LDCs (and the main aid for trade measure which is specific to LDCs, the «Enhanced Integrated Framework for trade-related technical assistance» (EIF), which is a multilateral rather than European instrument, and is categorised under technical and financial support. It should be noted that trade measures for LDCs are the responsibility of the European Union, whereas financial support for these countries is the responsibility of both the EU and member states.

Third, a distinction should be made between measures that are taken, or should be taken, in relation to the membership of countries in the LDC category, measures that can be called binary (a country is or is not an LDC, and therefore is or is not a beneficiary of these measures), which are of a discontinuous nature; and measures of a more continuous nature, which are progressive according to the criteria for membership of the category or could be. Of course, the discontinuous measures also depend on the criteria, but only because the countries' membership of the category depends on their position in relation to the thresholds set for these criteria. The support measures for the category are essentially binary measures, but they could also be modulated according to the criteria which characterise the handicaps of the category, thus allowing for differentiation of support among LDCs according to their needs.

8. An overview of measures in favour of LDCs can be found in United Nations (2021) and an analysis of their impact in Guillaumont et al (2019) (revised edition forthcoming).

Direct modulation of measures according to criteria can then take place within the category (leading to differentiation between LDCs), but also beyond the category itself (leading to less differentiation between LDCs and non-LDCs), which we have called 'the criteria beyond the category'[9].

With these three distinctions in mind, it is possible to formulate some suggestions for a strengthening of European Union policy towards LDCs, in which France could take the initiative. Rather than unnecessarily reviewing all the measures recommended in the draft Doha Declaration, it seems preferable to focus on two areas, one commercial, the other financial, where the European Union has taken important and original initiatives in the past, and where it is possible to reinforce its image as an institution capable of innovating vis-à-vis the LDCs.

EU market access: 'Everything but Arms' challenged by the carbon tax

Free access (duty and quota free) to the European Union market for products from LDCs under the Everything But Arms (EBA) scheme, decided by the European Commission in 2001, was probably the most emblematic measure taken in favour of LDCs. It has been complemented by the adoption of innovative rules of origin, and imitated by other countries for access to their own markets. Its impact on LDC exports to the European Union has been well documented (Carrère in Guillaumont et al. 2019). This is why former-LDCs which have graduated from the category have requested and obtained its extension for a few years after graduation. EBA is therefore a measure that should not be abandoned, nor should its temporary extension after graduation. The possible duration of this extension (currently three years) deserves to be codified, or even defined according to an appropriate indicator of vulnerability, and the rules of origin

9. Guillaumont 2009, p.331.

applicable to LDCs could probably themselves be further simplified (so as to increase the rate of utilisation of the preference). It should also be borne in mind that the impact of EBA has diminished with the trade advantages given to other European trading partners, a phenomenon known as preference erosion (Carrère, Ibid. 2019). This weakens the European Union leadership for its policy towards LDCs.

However, the EU's flagship measure, EBA, may be in contradiction with the plan to apply a carbon tax to European Union imports in 2026, known as the Border Carbon Adjustment Mechanism. This project is itself presented as an emblematic European Union measure in the fight against climate change, designed not to penalise European Union industries in relation to their foreign competitors. If we wanted to reinforce (or even maintain) a preference for LDCs, could we allow products originating from LDCs that meet the rules of origin, but with a higher carbon footprint than competing European Union activities, to enter the European Union market duty free? The question is complex and depends on the nature of the tax in its specific context: if it were a general tax, like VAT, applied internally and externally on the basis of the carbon content of products, the answer would apparently be negative. EBA would then stand for 'Everything but arms... and carbon'. But if the measure is initially envisaged only for certain high-carbon products, as seems to be the case[10] and without a domestic tax equivalent the answer may be different.

Could the European Union, for a possibly limited period of time, exempt LDCs from paying the carbon tax on entry to the European Union market, an exception that would compensate for the erosion of the preference provided by EBA? The direct climate impact would probably be small, but the LDCs would then risk becoming pollution havens, attracting high-carbon footprint industries that wish to enter the European Union market, and thus deviate from a low-carbon development path. To correct this perverse effect, one solution could be to modulate the rule of origin according to the carbon footprint of the product exported to the European Union. In other words, in return for the carbon tax exemption granted to LDCs, the minimum percentage of local added value required would be higher for products with high CO_2 emissions. The negative effect on the LDC's climate transition would be mitigated, but would not disappear. Moreover, the application of rules of origin would be made even more complex than today, whereas the Doha Programme of Action recommends ensuring «transparent and weak» preferential rules of origin for LDCs, on which new EU proposals remain welcome.

If LDCs were not exempted from paying a carbon tax on their exports to the European Union, it would be conceivable for the European Union to return the amount to the exporting LDCs in the form of budget support that should be allocated to adaptation or mitigation, and could be degressive over time, again so as not to maintain an incentive to relocate polluting activities into LDCs. This provision would then be part of the financing that the European Union wishes to provide to LDCs for their climate policy[11].

EU funding for LDCs should take specific account of their situation in the face of climate change. Particularly vulnerable to climate change, they need adaptation funding more than others, and because they are not particularly responsible for climate change, they legitimately need support to cover the costs of the transition to the low-carbon regime recommended to them in the context of global mitigation policy.

10. For fertiliser, steel, aluminium, electricity, cement.

11. Should the same type of arbitration be used to relax the deforestation-free clause for imports from LDCs? This is a purely environmental measure, not a restriction on trade preference, and its adaptation for LDCs alone would be an incentive to 'deforest' more in LDCs than in other countries...

Finance for development: allocating it according to category criteria...based on new measures of vulnerability

There is another area, which has gone relatively unnoticed, where the EU has demonstrated its commitment to the principles underlying the LDC category and which needs to be strengthened.

It is true that in the financial field the measures taken by the European Union make very little reference to the LDC category. Indeed, the European Union has had to deal with another difference of its own making since the first Lomé Convention in 1973, a difference which concerns the African, Caribbean, and Pacific (ACP) countries: its financial instrument was the European Development Fund, exclusively reserved for this large group of countries. The discussion on the renewal of the last convention with these countries, the Cotonou Convention, proved to be difficult and risked leading to a differentiation of tools between the three groups of this historical category of the European Union's external relations. It was finally decided to combine support for these three groups of countries in a single fund known as the European Fund for Sustainable Development (EFSD). In this case the differentiation between LDCs and non-LDCs was not relevant.

However, in 2014 for the last European Development Fund, and for the Development Cooperation Instrument (DCI), the Commission explicitly chose to refer to the LDC criteria in force at the time to determine the allocations made to each country (eligible for either of these two instruments), namely per capita income, the HAI (Human Assets Index), and the EVI (Economic Vulnerability Index), plus a fourth index, relating to governance. Thus, economic vulnerability to exogenous shocks has been explicitly included in the criteria for the allocation of European Union funds. In order to establish indicative allocations for the new instrument for the 7 years it is to cover (2021-2027), the same (updated) criteria have been used; in addition, in order to take account of the environment, two indices have been added which were clearly not designed for this purpose.

Unlike in 2014, the formula used and the indices finally used have not been published (and even less, of course, the potential allocations per country). Since, for the reasons given, the European Union cannot use the LDC category for eligibility for its development financing instruments, it would be desirable for it to display, make explicit, and possibly reinforce, its use of LDC identification indicators as criteria for allocating its aid, even if it means refining them from time to time according to its own analysis. This would have several advantages. The first is obviously, as just mentioned, to mark the European Union commitment to the LDC category for development financing and to show the priority it gives to these countries through the allocation criteria used[12]. Another advantage is that it allows for differentiation between beneficiary countries according to their structural handicaps and in particular their vulnerability, and therefore between LDCs themselves according to the specific needs of each country. At the same time, this measure would show the European Union's contribution to a smooth process of graduation for LDCs or former LDCs which are still vulnerable, in accordance with UN General Assembly resolution on this topic A/RES/67/221, which recommended in 2012 the use of these criteria by development partners. Such an approach would be transparent and in line with recent developments in the analysis of structural handicaps, including structural vulnerability, which warrant special support from the international community. It would show the leading role that the EU can play in responding to the

12. Such an advantage seems particularly useful to seek in the new context created by the war in Ukraine: European Union concessional resources are likely to be mobilised for the financing of reconstruction, which may lead to greater selectivity in the allocation of European Union aid to the developing countries which are the traditional recipients.

contemporary challenges of the various forms of vulnerability and at the same time contribute in a continuous way, without a threshold effect, to the implementation of the political philosophy underlying the Least Developed Countries category.

From this perspective, the European Union should, in due course, use the new multidimensional vulnerability index being developed by the United Nations to take into account economic vulnerability, vulnerability to climate change, and societal vulnerability or political fragility; it should be stressed that this index should also make it possible to isolate that part of vulnerability which is truly exogenous, inherited from the past, and independent of the current policies of countries (cf United Nations, 2021). Such an endorsement in principle, amended if necessary, would be a welcome innovation on the part of the European Union. At the same time, it would provide a rational and flexible response to the request of some ACP countries, in particular small island states, to have their vulnerability taken into account in the allocations and to avoid the trap of defining a new category of countries, which some have called for, but which is highly questionable.

It is therefore on the basis of this recourse to the possibly renewed criteria of the LDC category that the European Union could show the way for a rational and pragmatic differentiation between developing countries in the use of financial support instruments.

Adapting European Union aid modalities to the features of LDCs...

Beyond the allocation between countries according to vulnerability, which should be strengthened at the European Union level, it is important that European Union aid adapts its modalities for the LDCs to strengthen the capacities of LDCs administrations. It would be regrettable if excessive mistrust of these capacities led to a reduction in the share of budget support to these countries. On the contrary, it is in these countries that it is most urgent to pursue an experiment launched by the European Commission more than 20 years ago to promote conditionality of results rather than of instruments. Results-based conditionality is the best way to promote the exercise of responsibilities and local expertise. This was analysed at Ferdi on a general level (in collaboration with the Universities of Oxford and Amsterdam, Adam, et al. 2004) and for the specific case of Burkina Faso (Guillaumont et al., 2004). It seems that progress remains to be made, which would be particularly welcome in the case of LDCs.

...and the modalities for supporting structural transformation

Similarly, by referring to the chapter of the Doha Programme of Action devoted to structural transformation, France could push the European Union to formulate more vigorous proposals than the one that appears under the heading of «agriculture and cotton», and to this end, in the case of the LDCs, to give priority to agriculture in the Global Gateway Strategy (with its 5 directions - digital, transport, climate and energy, health, and education) announced by the EU at the end of 2021. At the same time, the European Union could provide special support for the cotton trade, which is strategic for the LDCs and for which they have not really been able to have their rights and interests recognised within the WTO.

Finally, with reference to the same chapter on structural transformation, support for the various forms of regional integration which include LDCs (alongside other countries) should arouse particular interest on the part of the European Union, which in this area can boast unrivalled experience, and in which it is already very active. However, it might achieve more by refining its intervention methods, particularly by promoting incentive criteria for the allocation of regional funds between countries, a subject to which Ferdi in the past has drawn the Commission's attention.

Monitoring and evaluating the impact of measures

It is striking that despite a multitude of official studies and reports, which are rich in information, there are few which focus on the impact of measures. The implementation of measures is fairly well documented, but their impact is not (as the collective work Out of the trap, 2019, which is under review, aims to do). The DPoA refers to the various bodies within the UN that are responsible for monitoring implementation, each of which has a fairly broad role, with the lead role to be played by OHRLLS; in so doing it suggests the need for an independent assessment by Northern and LDC think tanks, which could be joined by institutions such as the Commonwealth Secretariat or the Organisation internationale de la francophonie (OIF). A modest attempt was made after the Istanbul Conference in 2011 under the name of LDCIV Monitor, the activities of which were limited due to lack of resources. France could invite the European Union to support such an initiative.

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