

SLICING UP THE DEVELOPING WORLD:  
DIFFERENTIATION IN THE SPECIAL TREATMENT  
OF DEVELOPING COUNTRIES

Djalita Fialho

The Science and Technology Foundation of the Ministry of Science, Technology and Higher Education of Portugal funded this PhD (SFRH/ BD/60826/2009).

This dissertation is part of the Research Programme of CERES Research School for Resource Studies for Development

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Cover design: graphic design by Érico Veríssimo

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Printed in The Netherlands.

ISBN 978-94-91478-32-1

Printed by:

Ipskamp Drukkers B.V.

Josink Maatweg 43

7545 PS Enschede

The Netherlands

Tel: 0031-(0)53 482 62 62

# **SLICING UP THE DEVELOPING WORLD:**

**Differentiation in the special treatment of  
developing countries**

Het opdelen van de derde wereld:  
Differentiatie in de speciale behandeling van  
ontwikkelingslanden

Thesis

to obtain the degree of Doctor from the  
Erasmus University Rotterdam  
by command of the Rector Magnificus  
Prof. dr Huibert A. P. Pols  
and in accordance with the decision of the Doctorate Board

The public defence shall be held on  
19 June at 16.00 hrs

by

**Djalita Nadine Fialho de Oliveira Ramos**  
born in Praia, Cape Verde



## **Doctoral Committee**

### **Promotor**

Prof. dr. Peter A. G. van Bergeijk

### **Other Members**

Prof. dr. R. E. van der Hoeven

Prof. dr. W. Hout

Prof. dr. R. S. Gowricharn, Tilburg University

### **Copromotor**

Dr S. A. Newman, Senior Lecturer, University of the West of England

*To my mother, Fatú, and her caring and selfless nature*



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## Acronyms

AOSIS	Alliance of Small Island States
ECOSOC	Economic and Social Council of the UN
EDI	Economic Diversification Index
EVI	Economic Vulnerability Index
FDI	Foreign Direct Investment
FS	Fragile States
G77	Group of 77
GATT	General Agreement on Tariffs and Trade
GDP	Gross Domestic Product
GNI	Gross National Income
GNP	Gross National Product
GSP	Generalised System of Preferences
HHD	High Human Development
HIC	High Income Countries
HIPC	Highly Indebted Poor Countries
IMF	International Monetary Fund
IO	International Organisation
LDC	Least Developed Country
LIC	Low Income Countries
LICUS	Low Income Country Under Stress
LLDC	Landlocked Developing Countries
LHD	Low Human Development

LMIC	Lower-middle Income Countries
MHD	Middle Human Development
NGO	Non-governmental Organisation
ODA	Official Development Assistance
OECD	Organization for Economic Cooperation and Development
SIDS	Small Island Developing State
SVE	Small and Vulnerable Economy
SWVSE	Structurally Weak, Vulnerable and Small Economies
TDC	Transit Developing Countries
UMIC	Upper-middle Income Countries
UN	United Nations
UNCDP	United Nations Committee for Development Policy
UNCTAD	United Nations Conference on Trade and Development
UNDESA	United Nations Department of Economic and Social Affairs
UNDP	United Nations Development Programme
UNESCO	United Nations Educational, Scientific and Cultural Organisation
UNGA	United Nations General Assembly
UNHCR	United Nations High Commissioner for Refugees
UNIDO	United Nations Industrial Development Organisation
UN-OHRLLS	United Nations Office of the High Representative for the LDC, LLDC and SIDS
WTO	World Trade Organisation
VHHD	Very High Human Development



## Preface and Acknowledgments

The PhD journey has taught me an important life lesson: it is not about finishing; it is about *how* you finish it. It is about the process and what you learn about yourself and others along the way. It is about personal growth. This was far more than a strictly academic project, although it (naively) started as one.

As I finish the journey, I have to start by extending heartfelt words of acknowledgement and gratitude to Prof. Peter van Bergeijk, the Promoter of this research, and the person who guided me since the very beginning with enormous intellectual capacity and strong commitment. I am truly very thankful for the intelligent and sensible way that you supervised and guided my work, academically and beyond.

Dr Karel Jansen also provided key guidance and input, as a co-Promoter during the first and most difficult year of my PhD. He pushed me and made me rethink and reconsider ideas that I had long taken for granted. I arrived at the ISS in January of 2010, after having worked mainly in diplomatic circles, including at the Capeverdean and Portuguese Permanent Missions to the UN, in New York. In retrospect, I was somewhat bedazzled by the grand development discourse of the UN and by the impressive development achievements of my own home country, Cape Verde. When pitching my initial ideas to Dr Jansen, he questioned my every answer. With hindsight, I see how important that was and how it made me grow as a researcher. I am sorry that he was not able to see this through, but know that he would have been very proud of the direction that the research took and how it seems to have gained a life of its own. I have since come out of the bedazzlement and, through the outcomes of my research, gained a new perspective on the UN and on the development performance of Cape Verde.

In this growth process, I must also convey my sincere appreciation to Dr Susan Newman, for all the support and for having so brilliantly taken up the role left empty by the untimely passing of Dr Karel Jansen. I am truly grateful to Dr Newman's academic rigour and how her comments made me embrace theory and fully understand the importance of "engaging with the data". You are a true scholar and were a great addition to the team; and for that I am indebted to Prof. van Bergeijk!

I am also indebted and thankful to Dr André Corsino Tolentino, for all the support "in the field" and for having played such a crucial role in facilitating many of the interviews in Praia, resulting in some of the richest material collected for this research. I am also very grateful to Dr Pierre Encontre, who welcomed me at UNCTAD, in Geneva, and introduced me to key informants during the IV LDC Conference, in Istanbul. I must also acknowledge the contributions of Prof. Geske Dijkstra, Dr Arjan de Haan, Prof. Rolph van der Hoeven, Dr Manuel Ennes Ferreira, Dr John Cameron, and fellow PhD colleagues Shyamika Jayasundara-Smit, Selwyn Moons and Shigehisa "Cape" Kasahara, from whose comments this thesis has benefitted tremendously. A sincere word of acknowledgment and gratitude is also due to the interviewees, who so generously shared important knowledge and information, without which the reliability of the results of this thesis would certainly be compromised.

I must also thank comments received from colleagues and professors in the CERES Research School, as well as comments from participants at the *Conference on Development Economics and Policy* (KfW Development Bank and the German Institute for Economic Research, Berlin, June 2011), the *CERES Summer School* (Utrecht, July 2011), the 2011 and 2013 *Development Dialogue Conferences* (The Hague), the Seminar held at *Instituto Superior de Ciências Jurídicas e Sociais* (Praia, April 2013), and the *8<sup>th</sup> Conference on the Political Economy of International Organizations - PEIO VII* (Hertie School of Governance, Berlin, February 2015), where different parts of this thesis were presented. Acknowledgements are also due to the editors of *Third World Quarterly* for granting me permission to reproduce Chapter 3 of the thesis and to *Fundação para a Ciência e Tecnologia* (FCT), of Portugal, for the scholarship and the financial support provided during 4 years.

The work and administrative support provided by the ISS PhD Office has also been extremely important to guarantee that this work came to fruition. I thank, in particular, Maureen Koster, Dita Dirks and Paula Endevelde for all the support at different stages of the process.

This PhD journey has also offered me very good friends as a side reward. Angelica Maria is one that I will forever hold dear to my heart. Her generosity, kindness, wisdom and energy have helped me grow as a person and made me a better human being. Our paths crossed since my first day at the ISS, and I am extremely grateful for that. I must also acknowledge my dearest friends Sathyamala, Jessica, Holly, Shyamika and Runa for their friendship and constant support. I am also grateful for the time shared with my friends and PhD colleagues Larissa, Rafaela and Ariane (the Brazilian trio!), Pedro, Mariana, Shuchi, Karem, Tamara, and all the others.

I am not able to adequately express my appreciation to my family for the love, constant encouragement and tireless support. Words will not be enough to thank all of you, particularly my dear mother, for being a mother to Tito whenever I was busy revising papers or had to travel to The Hague. It made *all* the difference to know that he was under your loving care! I felt your reassuring support in every step of the way. Thank you!

Finally, to Tito and Nina, the love of my life! I am so thankful that you arrived at the time that you did. Life cannot wait just because one is doing a PhD! Life happens and the two of you are such a beautiful addition to mine. I love you always and unconditionally!







## Abstract

This thesis studies the proliferation of categories of developing countries within the UN, starting with the first formal category created by the organisation (the Least Developed Countries - LDC) and ending with the first negotiated LDC graduation case. Triangulation of data collected through literature review, document analysis, semi-structured interviews and descriptive statistics allows the issue of differentiation or categorisation of developing countries to be examined in terms of two main factors: interest and power; studied separately and in relation to each other and analysed through (institutional) behaviour. The ultimate goal is to understand how interests shape and modify behaviour and how interests can be translated into policy decisions.

To assist in the inquiry - by providing both a language for discussing the nature of these power/interests interactions, as well as a rich set of assumptions about processes similar to the ones underlying developing country differentiation efforts, this research is:

- a. Generally framed in the disciplines of Political Economy and International Relations, and
- b. Draws inspiration from the principal-agent and structure-agency theories, and from the autonomous bureaucratic angle, counterweighted by constraints imposed by member states on the actions of IOs' bureaucracies.

This analytical framework is applied to:

1. The “slicing up” of the general and undefined developing countries’ group in order to, within it, draw international attention to the Least Developed Country (LDC) group; the first intentional UN effort to differentiate among developing countries. Findings indicate that more advanced developing countries engaged with the UN proposal to “slice-up” the Third World more as a damage-control project (by

settling for a harmless deal that would not jeopardise their interests), while developed countries viewed it as an opportunity to help advance their economic interests (namely through trade). However, by the time of the institutionalisation of the LDC category, UN bureaucratic interests were also being attended. Categorising LDCs became not just about the selfless provision of special treatment to that category of countries (the principals), but also about responding to the irreconcilable interests of three different groups (the agents): (i) developed and (ii) more advanced developing countries' individual interests and (iii) UN bureaucratic preferences.

2. The proliferation of categories of developing countries within the UN, segmenting the developing world even further, according to common traits. However, rather than creating predictability, rationality and transparency about rules and principles guiding the provision of special and differential treatment and protecting states against the vagaries of both large countries and powerful international bureaucracies, the proliferation of classifications injects the global governance system with opacity and discretion, enabling the exercise of power over smaller and weaker states.
3. The case of Cape Verde's LDC graduation; the first negotiated LDC graduation case and a thus far under-researched topic. This analysis demonstrates how, paradoxically, categorisation of developing countries can be perpetuated in time or prolonged beyond reasonable, with implications in terms of long-term aid dependence. Indeed, the extension of preferential treatment despite the loss of LDC status and the institutionalisation of a new transition framework that allows LDC graduates to linger in that category for an unclear period of time, creates a new implicit category of "graduated LDCs-in-transition", which favours the *status quo*, validates the continued existence of the LDC bureaucratic apparatus, and legitimises further development interventions in these countries. Ultimately, under these circumstances, LDC graduation does not necessarily mean liberation from a dependent relationship.

This in-depth investigation - anchored in the three above-mentioned angles of analysis - serves as a vehicle to understand apparently incongruous behaviour from UN bureaucracy and from the bureaucracies in member states, and to grasp the political economy of developing country categorisation/differentiation. In trying to understand who benefits from: (i) developing country categorisation, (ii) continuous proliferation and

perpetuation of these categories, and (iii) graduation processes that still keep graduated countries in a dependent relationship, the ultimate goal is to bring out the interests and the power shifts motivating and resulting from this.

By making this interest/power dynamics evident, the thesis' main contributions are on two levels: (i) initiate an academic debate towards a political economy of developing country differentiation (a thus far under-researched field) and (ii) provide elements for a more balanced decision- and policy-making framework for categorising developing countries with the aim of providing them with special and differential treatment.

*Het opdelen van de derde wereld:  
Differentiatie in de speciale behandeling van  
ontwikkelingslanden*



## Samenvatting

Dit proefschrift gaat over het toenemend aantal categorieën ontwikkelingslanden binnen de VN, vanaf de eerste formele categorie die in het leven is geroepen door de VN (de minst ontwikkelde landen - MOL) tot en met het eerste geval van een land dat na onderhandelingen naar een hogere categorie is bevorderd. Door datatriangulatie op basis van literatuurstudie, analyse van documenten, semi-gestructureerde interviews en beschrijvende statistiek is het mogelijk om de differentiatie of categorisatie van ontwikkelingslanden te onderzoeken in termen van twee belangrijke factoren: belangen en macht. Deze worden apart en in onderlinge samenhang bestudeerd en geanalyseerd op grond van (institutioneel) gedrag. Het uiteindelijke doel is om te begrijpen hoe belangen gedrag vormgeven en veranderen en hoe belangen vertaald kunnen worden in beleidsbeslissingen.

Om deze materie te kunnen onderzoeken is een taal nodig waarin de aard van deze interacties tussen macht en belangen besproken kan worden, en een rijke set van aannames over processen die vergelijkbaar zijn met de processen die ten grondslag liggen aan pogingen tot differentiatie van ontwikkelingslanden. Dit betekent dat dit onderzoek:

- a. in het algemeen valt binnen de disciplines van de politieke economie en internationale relaties, en
- b. geïnspireerd is op de principaal-agenttheorie en het debat over het primaat van structuur of agency, en op het gezichtspunt van de autonome bureaucratie, met als tegenwicht de beperkingen die lidstaten opleggen aan de acties van internationale bureaucratische organisaties.

Dit analytisch kader wordt toegepast op:

1. Het ‘opdelen’ van de algemene en ongedefinieerde groep ontwikkelingslanden om daarbinnen internationaal de aandacht te vestigen op de categorie Minst Ontwikkelde Landen (MOL); de eerste doelbewuste poging van de VN om te differentiëren tussen ontwikkelingslanden. De resultaten wijzen erop dat meer ontwikkelde ontwikkelingslanden het VN-voorstel om de derde wereld ‘op te delen’ vooral hebben aangegrepen als een project waarmee de schade binnen de perken gehouden kon worden (door in te stemmen met een onschadelijke deal die hun belangen niet in gevaar zou brengen), terwijl ontwikkelde landen het zagen als een mogelijkheid om hun economische belangen te behartigen (door middel van handel). Tegen de tijd dat de categorie MOL geïnstitutionaliseerd werd, werd er echter ook rekening gehouden met de bureaucratische belangen van de VN. Het indelen van landen in de categorie MOL werd niet alleen een kwestie van het belangeloos een speciale behandeling geven aan die categorie landen (de principalen), maar ook van het omgaan met de onverenigbare belangen van drie verschillende groepen (de agenten): de individuele belangen van (i) ontwikkelde landen en (ii) meer ontwikkelde ontwikkelingslanden en (iii) bureaucratische voorkeuren van de VN.
2. Het toenemend aantal categorieën ontwikkelingslanden dat binnen de VN wordt onderscheiden en waarmee de derde wereld nog verder gesegmenteerd wordt op grond van gemeenschappelijke kenmerken. Het toenemend aantal categorieën creëert echter geen voorspelbaarheid, rationaliteit en transparantie over regels en principes met betrekking tot het geven van een speciale en verschillende behandeling en het beschermen van staten tegen de grillen van zowel grote landen als machtige internationale bureaucratieën, maar zorgt in plaats daarvan voor ondoorzichtigheid en vrijheid om te bepalen hoe te handelen in het wereldwijde governance-systeem, waardoor er macht uitgeoefend kan worden over kleinere en zwakkere staten.
3. Het geval van Kaapverdië; het eerste geval van een land dat na onderhandelingen van de categorie MOL naar een hogere categorie is bevorderd en daarmee een onderwerp waarnaar nog veel te weinig onderzoek is verricht. Uit deze analyse blijkt hoe de indeling van ontwikkelingslanden, paradoxaal genoeg, lange tijd kan blijven bestaan of onredelijk lang verlengd kan worden, wat implicaties heeft voor de afhankelijkheid van hulp op de lange termijn. Het continueren van een voorkeursbehandeling ondanks het verlies van

de MOL-status en de institutionalisering van een nieuw overgangskader dat landen die hun MOL-status zijn kwijtgeraakt in staat stelt om voor onbepaalde tijd in die categorie te blijven hangen, creëert een nieuwe impliciete categorie van 'ex-MOL- in-overgangsfase'. Dit bekrachtigt de *status quo*, bevestigt het voortbestaan van het bureaucratistische apparaat van de MOL, en legitimeert verdere ontwikkelingsinterventies in deze landen. Uiteindelijk betekent het verlies van de MOL-status onder deze omstandigheden niet noodzakelijkerwijs de bevrijding van een afhankelijkheidsrelatie.

Dit diepgaande onderzoek dat gericht is op de drie bovengenoemde onderwerpen, dient als middel om het schijnbaar onlogische gedrag van de VN-bureaucratie en van de bureaucratieën in de lidstaten te begrijpen, en om inzicht te krijgen in de politieke economie van categorisatie/differentiatie van ontwikkelingslanden. Het uiteindelijke doel is om te begrijpen wie er profiteert van: (i) categorisatie van ontwikkelingslanden, (ii) voortdurende uitbreiding en het blijven bestaan van deze categorieën en (iii) bevorderingsprocessen waardoor landen die hun MOL-status verloren hebben nog steeds in een afhankelijkheidsrelatie zitten. Zo kunnen de belangen en de veranderingen in de machtsverhoudingen die de motor hierachter zijn en het gevolg hiervan zijn naar voren gebracht worden.

In dit proefschrift wordt deze dynamiek van belangen en machtsverhoudingen duidelijk gemaakt en daarmee levert het een belangrijke bijdrage op twee niveaus: (i) het initiëren van een academisch debat op het gebied van de politieke economie van differentiatie van ontwikkelingslanden (een tot nu toe nog relatief onontgonnen onderzoeksterrein) en (ii) het aandragen van elementen voor een evenwichtiger besluitvormings- en beleidskader om ontwikkelingslanden te categoriseren zodat ze een speciale en verschillende behandeling kunnen krijgen.





# 1

## Introduction

### 1.1. More and more categories of developing countries: too much of a good thing?

Departing from an empirical observation indicating a crescendo of UN activity aimed at the categorisation or differentiation of developing countries, one could not help but wonder about the reasons behind the persistent proliferation of categories and subcategories for developing countries (see Table 1.1). Why is this so? Why this urge for “slicing up” the developing world, into more and more categories according to geographic, economic, developmental, environmental and other commonalities? When and why did this start in the first place? Is it to imprint more efficiency in the way that the organisation makes and implements policies targeted at developing countries? Is it to facilitate the provision of special and differential treatment to certain groups of countries? Are developing countries’ needs put at the centre of these categorisation efforts or are there other motivations? These are questions that have, up till now, been left unanswered by the academia.

**Table 1.1**  
*The proliferation of UN-sponsored categories of developing countries*

Date created	Category	Sub-categories	
1957	Landlocked Developing Countries (LLDC)		
1971	Least Developed Countries (LDC)		

**Table 1.1 (continued)**

Date created	Category	Sub-categories	
1980s	World Bank's income level categories	(i) low-income countries (LIC) (ii) lower-middle-income countries (LMIC) (iii) upper-middle-income countries (UMIC) (iv) <i>high-income countries (HIC)</i> (v) <i>high-income OECD members</i>	
1985	World Bank's small island exception list		
1990	Human Development Index	(i) low human development (LHD) (ii) medium human development (MHD) (iii) <i>high human development (HHD)</i> (iv) <i>very high human development (VHHD)</i>	
1991	Alliance of Small Island States (AOSIS) <sup>1</sup>		
1994	UNCTAD's unofficial list of Small Island Developing States (SIDS)		
1996	Heavily Indebted Poor Countries (HIPC)	(i) completion point HIPCs (ii) decision point HIPCs (iii) pre-decision point HIPCs	
1997	UNDESA's (SIDSnet) list of SIDS		
2001	UN-OHRLLS' list of SIDS		
2001	WTO's Small, Vulnerable Economies (SVEs)		

**Table 1.1 (continued)**

Date created	Category	Sub-categories	
2001/2002	Low Income Countries Under Stress (LICUS)	(i) severe LICUS (ii) core LICUS	(i) LICUS with prolonged political crisis (ii) LICUS in fragile transition (iii) LICUS with weak governance and slow progress (iv) LICUS with deteriorating governance
after 2002	Fragile States (FS)	(i) core fragile states (ii) marginal fragile states	(i) post-conflict countries (ii) re-engaging and turnaround countries (iii) deteriorating situations (iv) prolonged impasse
2003	Transit Developing Countries (TDC)		
2007	Structurally Weak, Vulnerable and Small Economies (SWVSE)		
2008	UNESCO's list of SIDS		

Sources: <http://www.unohrrls.org/en/home/>, <http://data.worldbank.org/about/country-classifications>, <http://aosis.org/about-aosis/>, <http://www.sidsnet.org/>, <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:20260411-menuPK:64166739-pagePK:64166689-piPK:64166646-theSitePK:469043,00.html>, [http://www.wto.org/english/thewto\\_e/minist\\_e/min11\\_e/brief\\_svc\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min11_e/brief_svc_e.htm), [http://ieg.worldbankgroup.org/Data/reports/licus\\_approach\\_paper.pdf](http://ieg.worldbankgroup.org/Data/reports/licus_approach_paper.pdf), [http://unctad.org/en/Docs/tdb54crp4\\_en.pdf](http://unctad.org/en/Docs/tdb54crp4_en.pdf) (19/1/13)

These questions were primarily motivated by the LDC graduation experience of my own home country, Cape Verde. The decision to graduate the country was taken by the UN General Assembly in 2004. On the national scale, it came as a shock to most that (due to the country's historically close relationship with aid) had been taught to believe that Cape Verde could not survive outside of an international support system such as the LDC mechanism. At least initially, the general perception was that a fall back into LDC status was sure to

happen in case of an abrupt withdrawal of LDC special and differential treatment. Aid dependence and economic and environmental vulnerabilities associated with 'islandness' were the main arguments supporting this view. In general, the country's LDC graduation was seen as a bad thing; a punishment for good behaviour. Was it really so?

Stimulated by all these questions and observations, and by the indication of no restraint in terms of new UN efforts to "slice up" the developing world into bite-size categories, the research deals with the general issue of differentiation or categorisation of developing countries for their special and differential treatment. In dealing with this issue, one should keep in mind that developing country categorisation provides a rules-based instrument for an organisation to carry out policies and take objective decisions on allocating resources. Hence, categorisation does serve a very useful purpose and it represents an important step towards more transparency in development resource allocation.

In this research, the issue of developing country categorisation is addressed by, first; investigating the unfolding (or the "slicing up") of the general and undefined developing countries' group in order to, within it, draw more international attention to the group of least developed countries (LDCs). Why start the analysis by scrutinising the LDC category? Indeed, the creation of the LDC category was the first formal and systematic UN attempt to set up selection criteria to distinguish among developing countries by highlighting characteristics beyond the obvious and unavoidable geographic ones (e.g., landlockedness has economic implications). In effect, the LDC categorisation was the first rules-based mechanism especially designed to prevent, or at least discourage, discretionary and politically-motivated action in terms of development resource allocation.

Secondly, subsequent to the establishment of the LDC category in 1971, the proliferation within the UN of a variety of other categories of developing countries (segmenting the developing world even further, according to common traits) also warrants close scrutiny. For instance, looking at Table 1.1, it is difficult to understand the need for so many different lists of SIDS within the same organisation.

Finally, the inquiry culminates in the study of the case of Cape Verde's LDC graduation process. This case demonstrates how, paradoxically, the continuing categorisation of developing countries can indeed be perpetuated in time or, at best, prolonged beyond reasonable,

with implications in terms of long-term aid dependence. An example of this last point is a UN resolution adopted in 2004, stating that LDC graduates continue to be monitored by the UN and continue to have access to special and differential treatment (including trade preferences, WTO exemptions and technical assistance) ‘for a period appropriate to the development situation’ (UN, 2004: 2). In practical terms, the extension of preferential treatment for an unclear period of time despite the loss of LDC status and the indication that these countries should continue under the surveillance of the UN, creates a new implicit category of “graduated LDCs-in-transition”. This favours the *status quo* and legitimises further development interventions in these countries.

The in-depth analysis of the LDC category - which was the first intentional UN effort to differentiate among developing countries -, and the analysis of both (i) the ensuing proliferation of other developing countries’ categories also promoted within the UN and (ii) the LDC graduation process, will serve as a vehicle to grasp and to reveal the political economy of developing country categorisation/differentiation. In trying to understand who benefits (i) from developing country categorisation, (ii) from the continuous proliferation and perpetuation of these categories, and (iii) from a graduation process that, paradoxically, still keeps the graduated country in a “box”, the ultimate goal of this inquiry is to bring out the interests and the power shifts motivating and resulting from this. By making this interest/power dynamics evident, the main contributions of this research are on two levels: it intends to (i) initiate an academic debate towards a political economy of developing country differentiation/categorisation, given the lack of attention towards this issue, and (ii) provide elements for a more balanced decision- and policy-making framework for categorising developing countries with the aim of providing them with special and differential treatment.

The choice of the LDC category as a starting point to analyse the phenomenon of developing country differentiation, within the UN, and of Cape Verde as the culminating case study is not accidental. It results from a puzzling observation: contrarily to what could be expected, Cape Verde’s LDC graduation (the first negotiated LDC graduation case) has not meant that the country has, in effect, been freed from the LDC label, nor has it meant that, through the graduation negotiation process, the country was pressed to make the necessary paradigm shift that is

supposed to eventually liberate it from the financial dependence implied by LDC status and by the special and differential treatment attached to it. Hence, LDC graduation does not necessarily mean liberation from a dependent relationship. In fact, the recent institutionalisation of a new transition framework that allows LDC graduates to still linger in that category for an unclear period of time indicates that, actually, the UN is creating the necessary conditions to legitimise the perpetuation, or at least the prolongation, of aid dependence. The intention is to find out the reasons behind this apparently incongruous UN behaviour. Hence, the general question related to this puzzle is: why do international organisations “box” developing countries if, in effect, they will not be able (or not allowed) to get out of those “boxes”? For the specific case of the LDC category, why do graduated countries continue to have access to certain LDC benefits?

In attempting to unveil who benefits from what appears to be an everlasting exercise of “boxing” developing countries or “slicing up” the developing world, the political economy of developing country differentiation emerges at the confluence of vested interests and shifts in political and economic or material power. It seems clear that these two dimensions (i.e., interests and power) underlie these multilateral efforts to keep distinguishing among developing countries and, hence, need to be taken into account when analysing organisational outcomes. In effect, after the state, international organisations (IOs) emerge as ‘the second most important actor on the international scene’ (Fischer, 2011: 3), with some of them (e.g., the UN and the EU) possessing world power status.

IOs and development policies have been studied by different perspectives, exploring long-term continuities and changes in the history of development policies implemented by IOs. In fact, the thinking and practices of IOs with regard to development have ‘unfolded alongside imperial, colonial and postcolonial relations, war and post-war times, and technological modernism’ (University of Geneva, 2013: unnumbered pages). As a consequence of this, IOs and their actions in terms of development policies have been understood in many different ways. According to the proceedings of the Conference *“International Organisations and the Politics of Development: Historical Perspectives”*, convened in 2013 by the University of Geneva, some have argued that ‘if executed by international organisations, development and development politics could be seen as administrative strategies that do not target people but

rather authorities'. Others have questioned 'the extent to which development has been fostered by international organisations' need for self-justification'. Additionally, 'development activities played a key role in the process of redefining the purpose of international organisations and reinforced their effort to legitimise themselves after the depoliticisation of international relations that started after WWI'. What is certain is that 'the mechanisms at play in the development agencies of international organisations are complex, and progressively difficult to fully comprehend'.

Against this background, the consolidation of the thesis' theoretical and analytical framework was inspired by Barnett and Finnemore's (1999) constructivist epistemology. This highly influential paper provided an established theoretical background, informing a number of the ideas presented in this thesis. Barnett and Finnemore draw on Weberian arguments about bureaucracy and on sociological institutionalist approaches to explain organisational behaviour, including the dysfunctionalities of IOs and their self-serving use of power. In fact, they depart from a puzzle similar to the one motivating this thesis. In their case, it is the growth of IOs, while this thesis deals with the growth of categories within an IO. The question they pose is whether IOs actually do what their creators intended them to do. Contrary to International Relations theories that perceive IOs as mechanisms through which others (usually states) act and assume a 'statist ontology' to explain the creation of IOs, Barnett and Finnemore treat IOs as purposive, autonomous actors and powerful agents, not as structure. Based on this, they reassess IOs' performance in light of bureaucracy characteristics that can also shape the behaviour of IOs towards inefficiency and the autonomous use of power, disregarding states' preferences. This theory of IOs does provide helpful theoretical, conceptual and analytical tools with which to engage in a debate about the political economy of developing country differentiation. However, for this particular study, the nuance that is introduced is that, concurrently, it is also crucial to understand that the power and the autonomy of bureaucracies in IOs are oftentimes constrained by the power of member states in IOs.

By applying this theoretical approach to the UN's efforts to constantly categorise developing countries, the research hypothesises that the self-serving behaviour of this particular organisation's bureaucracy resulted in disproportionate segmentation of the developing

world (considering, for example, the overlap resulting from the proliferation of categories and the lack of agreement regarding a consensual list of SIDS) and contributed to the institutionalisation of a flawed LDC graduation process. In short, developing country categorisation - as a policy instrument - can be appropriated for the organisation's own ends. It is important to add that this appropriation is oftentimes facilitated by the support of member states whenever the bureaucracy's self-serving behaviour also serves to safeguard the interests of certain countries or groups of countries. From this perspective, analysis of principal/agent and structure/agency dynamics in bureaucratic settings is given considerable emphasis in this investigation.

Considering that the main purpose is to understand the behaviour of decision-makers and the reasoning informing decisions and organisational outcomes, the use of qualitative data is considered crucial. With this in mind, an important part of the data analysed in this research was gathered through individual semi-structured interviews and archive consultation. In this regard, it is important to stress that the choice of these specific data collection methods also stems from the thesis' ontological standpoint, which attributes value to people's views and their interpretation of facts. Because of this, people's voices are given room and weight in the research and are prominently featured in all empirical chapters of this dissertation, while trying to reconstruct and understand the decision-making processes under scrutiny. Additionally, seeking comprehensiveness, these methods are complemented by and triangulated with literature review and descriptive statistics.

Finally, although this investigation addresses the categorisation of countries, and is critical about these categories, a methodological word of caution is needed to make clear that its ultimate purpose is not to critique categories *per se*, nor to defy the mainstream concept of development. The focus of the thesis is not on the politics behind the designation, labelling or definition of categories. Even though I recognise the merits of such studies and their truly important and groundbreaking contributions to academic debate (see, for example, Ferguson 1990, 1994 and Escobar 1988, 2012), the intention in this case is not to question either the "developed" and the "developing" labels or the "First World-Third World" dichotomy, nor even whose interests define these terms or what development is or is supposed to be. Despite the politically (and, some may argue, ethically) charged connotation of all



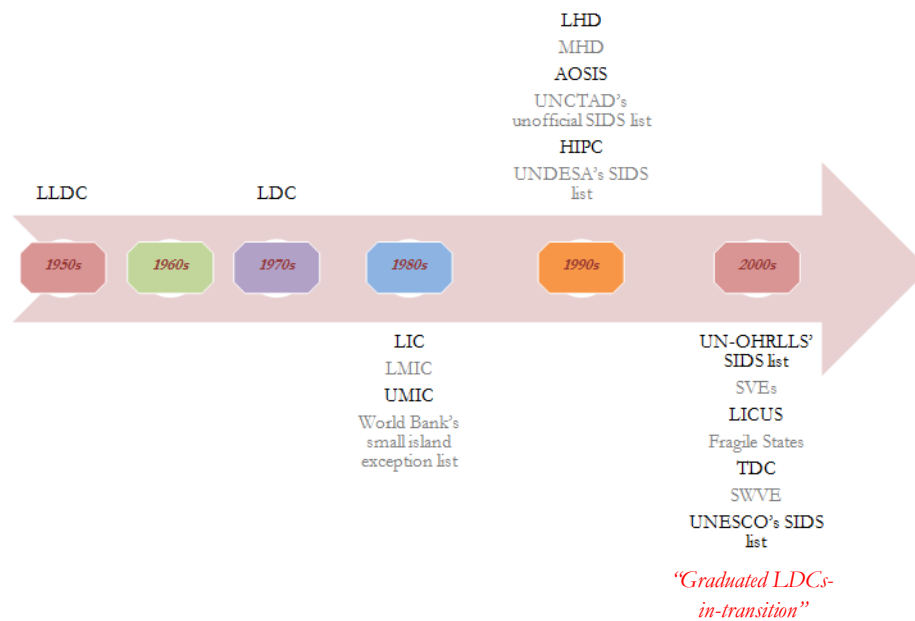
these terms, they are widely used in this dissertation, fundamentally for ease of analysis.

The remainder of this introductory chapter is structured as follows: section 1.2 discusses the importance of addressing the thus-far under-researched issue of developing country differentiation and presents the main rationale for the inquiry; section 1.3 explores the LDC concept and major facts about this category; section 1.4 briefly presents the observations leading to the thesis' core puzzle; section 1.5 introduces the main intricacies of the research problem under analysis; section 1.6 presents the research questions raised by empirical observations; and, finally, section 1.7 explains how the thesis is organised.

## 1.2. Why take on the issue of developing country differentiation?

When focusing on UN efforts to systematically distinguish among developing countries, what we see is that for a long time after the creation of the organisation in 1945, there was essentially no interest to sub-divide the Third World into smaller categories. For the most part, developing countries were perceived to be a more or less homogeneous group, at least in terms of policymaking targeting economic growth and/or promotion of development in those countries. In the UN, heterogeneity among developing countries starts to timidly emerge in the 1950s and 1970s. The real “outburst” in developing country differentiation undertaken by the UN starts to take place in the 1980s and it has not weakened since then (see Figure 1.1). The question that imposes itself is: Why this change in the UN's *modus operandi*? What prompted it? This is what the research analyses.

**Figure 1.1**  
The timeline of developing country categorisation within the UN



Surprisingly, this change seems to have gone largely unnoticed by academia. At least, it has not generated much academic attention, considering that no explicit references to it (i.e., the change and not the categories themselves) could be found. In fact, hardly any research has been produced specifically on the general issue of developing country categorisation/differentiation (taking place within the UN or elsewhere) and on how popular this policy instrument has become within the UN. The resulting proliferation of various categories sub-dividing the developing world into what one could hypothesize to be more manageable or “chewable” chunks has also not been worthy of the attention of academia. What we do find in the literature are studies addressing the special and differential treatment previewed for different categories of developing countries. However, these studies do not inquire the issue of differentiation *per se*. In these cases, the general focus tends to be on assessing whether what is pledged to developing countries as special and differential treatment has been provided or not. The field of trade relations, particularly focusing on the WTO, is bursting with

these types of studies (see, for example, Whalley 1999, Hoekman *et. al* 2003, Kasteng *et. al* 2004, Keck and Low 2004, Fritz 2005, Hoekman and Özden 2005, Paugam and Novel 2006, Hawthorne 2009).

As for the LDC category, main contributions in the literature have tended to justify, validate and/or explain the mechanics of the LDC category or have sought to marginally revise the way in which the category has been constructed and configured (see UN 1981, UNCTAD's LDC Reports 1984 - 2010, UN 1990, UN 2001, UNCDP 2008, Guillaumont 2009, UN 2011a). Although valuable, these contributions fail to incorporate a critical approach as they basically take the official UN narrative for granted. Oftentimes, they resort to misleading and/or biased points of departure. Ferguson (1990, 1994) addresses this last point by deconstructing the way that Lesotho is purposely labelled or categorised as an LDC, entailing certain characteristics and, most importantly, specific development needs. This type of labelling/classification ends up justifying and legitimising particular development interventions, which are not necessarily in the best interest of developing countries.

In addition, besides episodic institutional assessments <sup>2</sup> of the implementation of LDC-related support measures (undertaken under the sponsorship of the main promoter of the category: the UN), to my knowledge, there have been no academic inquiries that take a truly critical look at the LDC process. For instance, (i) the history of the creation of the LDC category (1964-1971 period), (ii) the analysis of the motives that drove the main actors involved in its establishment, (iii) the incentives that stimulated the UN to set up the category in the first place, and (iv) the process of LDC graduation, have not been explicitly addressed.

Furthermore, to date, hardly any study (empirical or otherwise) has provided an in-depth understanding of the general developing countries differentiation/categorisation landscape; within which initiatives such as the LDC mechanism are situated. The same lack of empirical studies holds for the particular experiences of LDC graduates. This last point is probably due to: (i) the existence of only four LDC graduation cases to date (some of which are quite recent. For instance, Maldives graduated in 2011 and Samoa in 2014), which makes it difficult to generalise, and (ii) little interest generated by the very first LDC graduation case (Botswana, 1994), given its rather unproblematic conclusion. In the case of

Botswana, LDC graduation and the consequent loss of LDC special and differential treatment did not represent a problem considering the country's availability of natural resources (Fialho 2008). According to Honeck (2012: 7), 'Botswana is perhaps best known as an example of growth based primarily on diamonds, while managing to largely avoid the "natural resources curse"'.

Having all this in mind, this thesis also seeks to deconstruct the LDC category's stated premises and problematizes its assumptions. In effect, at the same time that the above-mentioned literature focuses excessively on donors' goodwill to set in motion the LDC mechanism, and on the technicalities behind LDC eligibility and graduation criteria, it disregards political economy considerations, such as the constant power quests and the strategic interests at play in the international relationship between countries and between them and international organisations. Thus, an important contribution of this research is to fill this gap in knowledge, both in academia and in policymaking, precisely by giving emphasis to these missing elements.

### **1.3. Conceptualising the LDC mechanism: the ins and outs of the category**

The LDC category, encompassing a sub-stratum of countries within the larger group of developing countries, was first established as an official UN category in 1971 and included, by the end of 2013, 49 countries (See Appendix A). Following the logic of country differentiation aiming at their special and differential treatment, the LDC category was the first category of its kind (i.e., whose membership is not determined by self-declaration/self-election). The official UN narrative that supported it, introduced it as the result of a shared international concern regarding the need to provide concerted international support to those considered the most disadvantaged countries of the Third World. Indeed, according to the UNCDP (2008), countries belonging to the LDC group face structural weaknesses, which constitute impediments to growth and development and are perceived to be surpassable only with the provision of special measures and differential treatment by developed countries and international organisations. Logically, while admission into the LDC category grants special and differential treatment in certain international

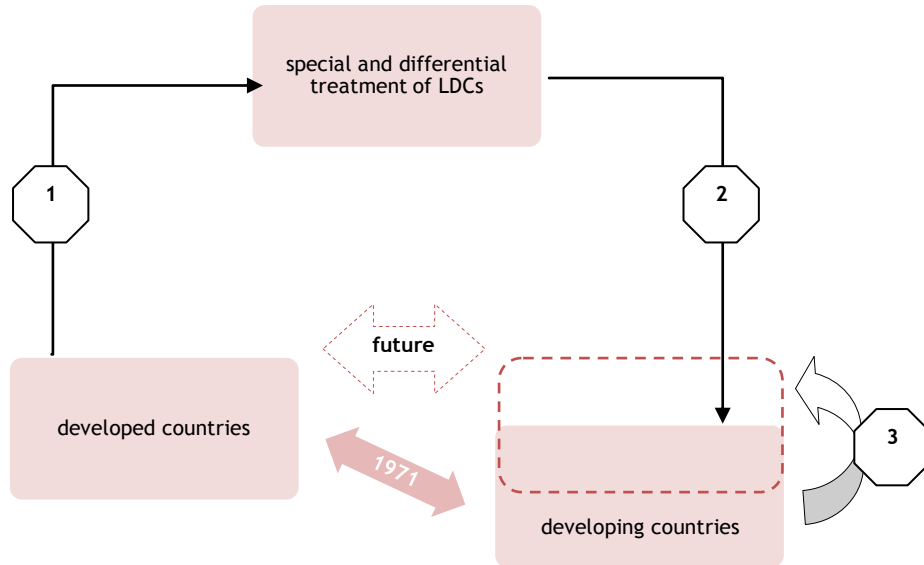
cooperation areas, graduation from it should mean the loss of these benefits.

Since the inception of this UN-sponsored initiative, countries categorised as least developed were to be prioritised in terms of special international treatment. More specifically, they were to be provided priority assistance and support in terms of development aid and trade preferences. In effect, LDC status presently provides benefits in the following areas (UNCDP 2008):

- a. bilateral donors' commitment to allocate 0.15% of gross national product (GNP) as official development assistance (ODA) to LDCs (according to the Brussels Declaration and Programme of Action);
- b. several UN organisations target technical cooperation programmes to LDCs or earmark a proportion of their budgets for LDCs;
- c. Generalised System of Preferences (GSP - non-reciprocal) and Global System of Trade Preferences (GSTP - among developing countries, is a reciprocal scheme available for signatories);
- d. special treatment regarding WTO obligations (for LDCs that are WTO member states) and WTO accession;
- e. trade-related capacity building through the Integrated Framework for Trade-related technical assistance to LDCs; a multi-agency, multi-donor programme to assist LDCs in developing trade-related capacities;
- f. financial support provided by the UN (and its organisations) for the participation of LDC representatives in annual sessions of the General Assembly and in other UN meetings;
- g. entitlement to 90% discount in LDC contributions to UN peacekeeping operations;
- h. LDC contributions to the UN regular budget are capped at 0.01% of the total UN budget.

In the long run, the special and differential treatment of LDCs was believed to help balance out the unevenness of the global economic structure. In a nutshell, Figure 1.2 shows how the LDC category has been implicitly conceptualised by the UN.

**Figure 1.2**  
*Conceptualisation of the LDC category*



More specifically, the UN decision to recommend that developed countries provide LDCs with non-reciprocal benefits (1 + 2 in Figure 1.2) resulted from the realisation that developing countries in general, particularly the poorer and more vulnerable among them, were lagging behind in terms of development. The provision of this special and differential treatment to LDCs was expected to, over time, boost their development, helping to at least minimize the gap between developed and developing and making for a less unequal economic global structure (3).

Essentially, a very positive aspect of the LDC mechanism is that it was conceptualised as an effort to rationally organise the provision of international assistance, representing a UN effort to change this assistance from (developed countries') power-motivated to (developing countries') needs-based, and making development resource allocation a more transparent process. In simple terms, the mechanism rested on the transfer of resources from richer to poorer countries and on non-reciprocal differential treatment with respect to market access.

It is, however, important to stress that the UN conceptualisation of the LDC category denotes an essentially economic/technocratic approach that depoliticises this categorisation effort by filtering out any of its political content. While implicit, it is indeed peculiar to realise that in a period (1960s-1970s) so intensely marked by decolonisation, developmentalism and Cold War debates and considerations, none of the ideological and political underpinnings of these movements is explicitly recognised in LDC official documents of that time. In effect, at the discursive level there is a deafening silence in this regard. However, what cannot be silenced is the timing coincidence of the highly political project of decolonisation and the goal of de-politicisation of aid based on the establishment of a category of developing countries founded upon objective/structural specificities and criteria. In effect:

In the years that preceded the decision to create the LDC category, the idea of a homogeneous Third World - understood as the failed version of the ideal industrialized First World - was very much present. This was the image that provided the most powerful set of assumptions about the world's poorest, believed to be in need of (industrialization-focused) development intervention (Fialho, 2012: 754).

In this context, at the time of the genesis of the LDC category, the economic hurdles that the least developed countries had to deal with were seen, for the most part, as technical problems that could only be successfully dealt with by administering a mix of one-size-fits-all liberal policy advice and reform (Berger, 1994: 270).

Since 1971, the list of LDCs has gone through several periodic updates, according to criteria set by the UN for the identification of these countries (see Guillaumont 2009 for a thorough discussion of the changes in eligibility and graduation criteria over the years). By 2013, the United Nations Committee for Development Policy (UNCDP) - a subsidiary body of the UN Economic and Social Council whose responsibility includes advising on and managing the LDC list, as well as setting its technical criteria - had met 40 times<sup>3</sup> since the establishment of the category. The latest triennial review of the LDC list was undertaken in 2012 by UNCDP. From the initial 25 LDCs identified in 1971, the category grew to a total of 51 countries as more countries became independent in the 1970s and the poor performance of other developing countries made them join the group in the 1980s and 1990s. Starting in 1994 membership fell to 47 LDCs following four graduation cases

(Botswana in 1994, Cape Verde in 2007, Maldives in 2011 and Samoa in 2014), rising again recently to 48 countries, following the inclusion of the Republic of South Sudan, in 2012 (UNCDP, 2012: 1). Equatorial Guinea, Tuvalu and Vanuatu are the next three LDC candidates being considered for graduation by UNCDP. Hence, as has happened in the past, most graduation candidates continue to be island countries.

### 1.3.1. What (and why) now?

Four decades after the establishment of the category, the track record is unimpressive: of the original 25 LDCs only three (12%) graduated from LDC status and of the total 52 countries that have ever been classified as LDCs over the years, only four (8%) graduated from that status. Admittedly, Vanuatu was also recommended for graduation in 1997 but refused this status change; which would have elevated the total number of LDC-graduated countries to five (10%). However, with only 8% of LDCs actually “escaping” the LDC label in 40 years, the creation of the category seems to not have done much in terms of helping to achieve a more levelled international playing field.

Table 1.2 summarises main changes introduced in the LDC category by UNCDP since 1971.

**Table 1.2**  
*Main changes in LDC criteria, eligibility and graduation rules (1971-2011)*

Criterion	1971-1990	1991-1997	2000	2003-2009	2011
Population Size	No	75 million or less	75 million or less	75 million or less	75 million or less
Per capita income	Per capita GDP (initially below \$100, subsequently adjusted according to world growth)	Per capita Gross Domestic Product (GDP) (3-year average, official exchange rate)	Per capita GDP (3-year average, World Bank Atlas method)	Per capita Gross National Income (GNI) (World Bank low-income threshold)	Per capita GNI (World Bank low-income threshold)



Table 1.2 (continued)

	1971-1990	1991-1997	2000	2003-2009	2011
<b>Criterion</b>					
Human Capital	Adult literacy rate (20% or less)	Augmented Physical Quality of Life Index (APQLI)* (combined primary and secondary school enrolment rate; adult literacy rate; per capita daily calorie intake; life expectancy at birth)	APQLI* (combined primary and secondary school enrolment rate; adult literacy rate; per capita daily calorie intake as % of daily requirements; child mortality rate under 5)	Human Assets Index (HAI)* (gross secondary school education enrolment rate; adult literacy rate; % of undernourished population; child mortality rate under 5)	HAI* (gross secondary school education enrolment rate; adult literacy rate; % of undernourished population; child mortality rate under 5)
Economic structure	Share of manufacturing value added in GDP (10% or less)	Economic Diversification Index (EDI)* (commercial energy consumption per capita; UNCTAD index of export concentration; share of manufacturing value added in GDP; % of employment in GDP)	Economic Vulnerability Index (EVI)* (UNCTAD index of export concentration; instability in exports of goods and services; instability of agricultural production; share of manufacturing and modern services in GDP; population size in logarithms)	EVI* (UNCTAD index of export concentration; instability in exports of goods and services; instability of agricultural production; % of population displaced by natural disasters; population size in logarithms; share of agriculture, forestry and fisheries in GDP; remoteness from main markets)	EVI** (UNCTAD index of export concentration; instability in exports of goods and services; instability of agricultural production; % population killed or affected by natural disasters; population size in logarithms; share of agriculture, forestry and fisheries in GDP; remoteness from main markets; share of population in low elevated coastal zones)

Table 1.2 (continued)

	1971-1990	1991-1997	2000	2003-2009	2011
<b>LDC Eligibility Rule</b>	Meet all three criteria (since 1981: meet two criteria - per capita GDP and share of manufacturing value added in GDP)	Meet all four criteria (if APQLI or EDI are not met, qualitative elements may be considered)	Meet all four criteria (if near threshold for any criterion except population, a vulnerability profile is taken into account)	Meet all four criteria (if near threshold for any criterion except population, a vulnerability profile is taken into account)	Meet all four criteria (if near threshold for any criterion except population, a vulnerability profile is taken into account)
<b>LDC Graduation Rule</b>	No	Meet at least two of three criteria (GDP, APQLI, EDI) in two consecutive triennial reviews of the LDC list	Meet at least two of three criteria (GDP, APQLI, EVI) in two consecutive triennial reviews of the LDC list	Meet at least two of three criteria (GDP, HAI, EVI) in two consecutive triennial reviews of the LDC list <i>or</i> 'Income-only criterion': GNI at least twice graduation threshold (even if graduation thresholds for HAI and EVI are not met)	Meet at least two of three criteria (GDP, HAI, EVI) in two consecutive triennial reviews of the LDC list <i>or</i> 'Income-only criterion': GNI at least twice graduation threshold (even if graduation thresholds for HAI and EVI are not met)

Source: adapted from Guillaumont (2009), UNCDP (2008) and [http://www.un.org/en/development/desa/policy/cdp/ldc/ldc\\_criteria.shtml#criteria](http://www.un.org/en/development/desa/policy/cdp/ldc/ldc_criteria.shtml#criteria), 10/06/2012. \*simple average, \*\*weighted average

Looking particularly at the LDC graduation rule, what stands out in Table 1.2 is that for the first twenty years after the creation of the category, the possibility of countries being able to free themselves from the LDC label was not even considered. So much so, that no graduation criteria were set during that period. This is an indication that, at least subconsciously, the UN (or at least its bureaucratic structure responsible for setting LDC criteria) shared a sense of hopelessness towards the development prospects of LDCs. Implicitly, these countries were seen as lost development cases. Because of this, it seems fair to posit that the

category was in a sense seen as a captive group that would *always* need UN policymaking advice (with all that that implies in terms of the need to guarantee a bureaucratic/institutional apparatus to provide that advice). Therefore, a sure bet in terms of countries in need of long-term UN advice and interventions. It took two decades before the possibility of countries graduating out of the LDC category started to be considered within UNCTAD and graduation criteria were finally agreed upon. However, even with graduation criteria in place, the criterion change from Economic Diversification Index (EDI) to Economic Vulnerability Index (EVI) in 2000 seems to have been a reaction against the graduation of certain countries (see discussion below). Therefore, even 30 years after the creation of the LDC category, the possibility of graduation was still not being dealt with naturally. The issue was still raising eyebrows and provoked changes in terms of criteria-setting.

What is most interesting, and somewhat contradictory, is that most of the LDCs that have been considered apt (or quasi-apt) to graduate have demonstrated considerable reluctance (at least initially) towards the prospect of graduation, some simply refusing it. In effect, the controversy around the question of graduation first arose when Vanuatu, in 1997, and Maldives, in 2000, objected to the UNCTAD recommendation that they be graduated from the LDC category (UNCTAD, 2002: 1). Though they were considered technically eligible for graduation, these countries refused it, alleging high structural vulnerabilities that could hinder their subsistence outside of the LDC group. As a result of their refusal to graduate, the Economic and Social Commission (ECOSOC) of the UN refrained from endorsing UNCTAD's graduation recommendation for these two countries. Behind those countries' refusal was certainly the idea that advantages could be reaped more easily by resorting to the LDC condition to justify, for instance, requests for preferential treatment in getting access to certain international resources. More recently, unwillingness to accept UNCTAD's recommendation to graduate has also been expressed by Equatorial Guinea; a country that, given its consistently high per capita GNI, meets the income-only criterion<sup>4</sup>.

This has resulted in:

- Changes introduced by UNCTAD in the mechanics of the category - such as the inclusion of the EVI criterion in 2000 -, essentially to put emphasis on the vulnerability aspect and justify the continued

permanence of possible graduation candidates in the LDC category;

- Introduction of new measures, notably the adoption in 2004 of UN General Assembly resolution 59/209 on *Smooth transition strategy for countries graduating from the list of least developed countries* (UN 2004). This resolution institutionalises a 3-year transition period before LDC graduation becomes effective. This new measures may serve, on the one hand, as an incentive to ease countries' reluctance to graduate and, on the other hand, it may renovate the mandate of the bureaucratic structures devoted to the LDC mechanism.

The epistemological approach that I adopt in this research requires to not only identify and describe these changes (the *what?*) but also to understand the reasons (the *why?*), particularly the shifts in power and interests motivating these changes. It is evident that “the rules of the LDC game” keep being changed (which indicates an ongoing bureaucratic process) and the general outcome of these changes is a category that is difficultly deflated and continues to hold on very tightly to its constituency. Whose interests are served by this situation?

### 1.3.2. Taking stock of special and differential treatment under the LDC mechanism

Related to all this is, obviously, the special and differential treatment pledged to LDCs. The fact that to this day the allocation of ODA<sup>5</sup> continues to fall short of international commitments shows that the creation of the LDC category did not help much in that regard (i.e., in levelling out the international playing field by transferring resources from richer to poorer countries). The persistence of an unlevelled playing field (and, hence, of an unceasingly high number of LDCs) might be explained by one of three reasons, or a combination of the three: (i) LDCs have not been prioritised as beneficiaries of international support *or*, if indeed they have, (ii) this support has not been applied in a development-oriented way by the great majority of them, or (iii) aid does not work. The first proposition - which constitutes part of the focus of this research - does gain ground when we learn, for example, that ‘concessionary financing is generally allocated under cooperation schemes that do not refer (or refer only marginally) to the LDC status as

an operational determinant of the eligibility for aid' (UNCTAD, 2002: 4). This contrasts with the official rhetoric embodied in the international community's acceptance of and commitment towards the implementation of instruments such as the Millennium Declaration (2000), the Brussels Programme of Action for LDCs (2001), and the Monterrey Consensus (2004), all of which advocate the allocation of 0.7% of the GNI of donor countries to ODA, of which 0.15% should be directed at LDCs. The fact is that, given its non-legally binding nature, the actual provision of the special and differential treatment advocated by the LDC mechanism ends up resting essentially on donors' goodwill to actually treat LDCs differently and more advantageously. In practice, even though countries are conceded the LDC status, this is not enough for them to guarantee easier access to special and differential treatment.

While the impact that LDC status has had on the attribution of development aid to LDCs is difficult to estimate, it is believed to have been limited (UNCTAD, 2002: 4). While bilateral aid continues to be mostly politically motivated (Warmerdam & de Haan, 2011: 11-14), multilateral type of aid is known to be less explicitly so (Rajan, 2007: 13). Corroborating this is the finding that there is, indeed, great motivational contrast between bilateral and multilateral aid (Alesina and Dollar 2000). This suggests that at least at the bilateral level the creation of the LDC category has not significantly contributed to the de-politicisation or normalisation<sup>6</sup> of its allocation. In general, most ODA flows continue to be determined by criteria other than LDC status, with per capita income alone, along with political stability and creditworthiness, being some of the most important criteria considered by international donors when deciding where to allocate ODA (UNCTAD, 2002: 4). With regard to international financial institutions, their change in emphasis towards good governance indicators during the late 1990s and 2000s is thoroughly documented (see Kaufmann *et. al*, 1999 and Kapur and Webb, 2000). Thus, LDC status seems to pale in comparison to other motivations for allocating aid.

In the area of trade preferences, LDC status seems to have produced more concrete outcomes. For instance, LDCs benefit from the European Union's *Everything but Arms* (EBA) initiative that provides quota-free, zero-tariff access exclusively for LDC products (except arms). The WTO has specific provisions for special and differential treatment of LDCs, particularly in the form of deferred implementation

of agreements, preferential market access treatment and technical assistance commitments (Hawthorne, 2009). However, global zero-tariff access for LDCs exports, while still on the WTO agenda has not been implemented.

Considering these unfulfilled pledges towards LDCs, and the ensuing realisation that *realpolitik*<sup>7</sup> continues to outweigh idealism and other selfless motivations when it comes to providing special and differential treatment to developing countries in general, most LDC graduates should probably credit their graduation from the category to other factors and not specifically to LDC-related advantages. For example, in the case of Botswana internal factors such as good governance, meritocracy-based institutional systems and political stability (Bräutigam, 2000) seem to have played an important and decisive role in this country's ability to surpass LDC status. Additionally, and as demonstrated in Chapters 5 and 6, good governance and overall political stability is essential to explain Cape Verde's ability to rise above LDC status.

The observations above indicate that:

- a. At the discursive level:
  - 1) The creation of the LDC category resulted from an international concern regarding the development prospects of the world's weakest countries.
  - 2) There has always been, since the inception of the category, a technocratic approach to the LDC category that, essentially, attempts to depoliticise it (by, for example, excluding clear references to decolonisation, developmentalism and Cold War motivations).
- b. In practice:
  - 1) Not much has been achieved in terms of changing the status of LDCs, given the empirical reality of very few graduation cases in more than 40 years.
  - 2) Special and differential treatment of LDCs depends on donors' goodwill, considering that it is not a legally-binding obligation.
    - i. The main determinant of the foreign aid received by LDCs has not been their status as such, and trade

preferences have not been as forthcoming as expected by the LDC mechanism (indicating that *realpolitik* does outweigh idealism).

- 3) With the exception of Botswana, all of the LDCs that have so far been considered apt to graduate (e.g., Vanuatu, Maldives, Cape Verde, Samoa, Equatorial Guinea) demonstrated (at least initially) reluctance and unwillingness to accept this status change, preferring to hold on to the LDC label.
- 4) UN bureaucratic structures working directly with and towards the LDC category have supported this reluctance and have changed criteria and rules accordingly.

This state of affairs comprises a set of contradictions, representing a puzzle that does merit explanation. For example, there is a paradox based on two of these observations: LDC status does not generate considerable benefits/advantages and yet countries do not want to graduate from the category. On the other hand, evidence also shows that some countries do not want to be classified as LDCs. For example, in 2006 and 2009, Papua New Guinea and Zimbabwe, respectively, were reported to have refused inclusion in the LDC group (UNCDP, 2009: 23) and, earlier, Ghana 'forcefully rejected it' (Weiss, 2002: 62) and the Republic of Congo did so too. Payne (2005: 71) recalls that

the governments of countries have to acquiesce in the designation, which they do not always do. The governments of Ghana and the Republic of Congo, for example, have refused what they interpreted as 'demotion' to LDC status from the broader category of 'developing countries' (which, by comparison, is largely undefined by the UN).

Additionally, another important paradox lies on the fact that it is the UN itself - namely through one of its advisory bodies, UNCDP, supported by one of its major inter-governmental bodies, the ECOSOC - that chooses to harden the graduation process by adjusting criteria (and behaviour) mostly in response to countries' unwillingness to graduate. This dysfunction in UN bureaucracy behaviour goes against the very purpose of developing country differentiation: i.e., singling out certain developing countries (in this case, LDCs) so that, through their special and differential treatment, they are able to eventually surpass main development hurdles and, ultimately, free themselves from international financial dependence.

#### 1.4. Statement of the research problem

Differentiating among developing countries (or the use of differentiation as a policy instrument) is certainly not a problem *per se*. Problems arise when this policy instrument starts to respond mostly to the interests of the organisation undertaking the differentiation/categorisation than to the needs of countries being categorised. When country differentiation loses its efficiency-promoting purpose (or when this purpose dwindles), and starts to be used mostly as an instrument of power, this can give rise to organisational or bureaucratic dysfunction. It is precisely this dysfunction, or the possibility of undesirable behaviour by organisations, that deserves enquiry. In this particular case, the dysfunction could lie in the trade-off between (i) providing custom-made policies specifically designed to fit the specificities and needs of certain groups of countries and (ii) using differentiation/categorisation as a tool to advance organisations' self-interests. The proliferation of categories of developing countries beyond a certain point might, therefore, be a manifestation of this dysfunction. The same is true for distorted LDC graduation processes that, in the end, still result in further categorisation for graduated countries and in the persistence of special treatment for LDC graduates. Indeed, allocating resources to countries that no longer need it at the detriment of those that do is dysfunctional. This is the crux of this thesis.

Being a category whose membership is not self-declared (as is the case with the larger developing countries group), is an indication of the importance of the LDC category. Clearly, from the perspective of donors, there are interests at stake when categorising countries. These donor interests cannot be simply overlooked in the name of altruism or idealism. This is because the categorisation of countries does demand cost management considerations in so far as pertaining to these groups entails granting these countries access, at least in principle, to a set of differentiated benefits. More often than not, these benefits are provided on a non-reciprocal basis. In the case of LDCs, they are entitled, in principle, to more advantageous benefits than other developing countries. This might represent added costs to donors.



This strengthens the hypothesis that oftentimes other national interests, namely political, economic and strategic ones, are at play when donor countries decide where and how to allocate development aid and other international assistance measures (see Alesina and Dollar 2000, Burnside and Dollar 2000, Berthélemy 2006, de Haan 2009). Hence, it seems reasonable to assume that, more often than not, other interests or motivations, which are hardly ever made explicit, guide or strongly influence the direction and final destination of development assistance. In fact, it is ‘increasingly clear that development, and hence providing aid, is a political process’ (de Haan, 2009: 112). In this context, it is fair to suppose that the LDC mechanism can become a futile mechanism if its purpose is recurrently undermined by other motivations and misaligned interests. Connected to this, Payne (2005: 71) adds that

as part of the evidence that politics always rears its head in these matters, it is worth noting that, even within the UN itself, the category of LDC is ‘adjusted’ around the edges for political reasons. Thus the CDP itself has identified at least another 16 countries (including such as China, India, the Democratic Republic of Korea and Zimbabwe) as meeting some, but not all, of its three LDC criteria, whilst the UNDP has developed a similar category of ‘As-if’ *LDCs* to signify countries that are close to this status (including, notably, Nicaragua and Vietnam).

In the same way, what we see is that the LDC graduation process also keeps being “adjusted around the edges” to the point that the exact transition period (i.e., when exactly the country ceases to be an LDC) is still not clear to all; at least in the Capeverdean case. Indeed, as one of only four countries that so far graduated from LDC status, Cape Verde offers an interesting case study opportunity, considering that it is the first negotiated LDC graduation case and the second country to graduate following a quite different first case of LDC graduation; that of Botswana, in 1994.

For the case of Botswana, most possibly due to its sizeable natural resource endowment, at the time of its LDC graduation, this status change - and all that it implied in terms of possible abrupt loss of special and differential treatment - did not represent much of a quandary to the country nor to the UN. In effect, no account of a controversy, disagreement or reluctance regarding Botswana’s LDC graduation could be identified (see, for example, UNCDP Reports to the ECOSOC<sup>8</sup>). Conversely, the Capeverdean case represents the first time that LDC

graduation is said to represent a problem to the graduated country, considering what the UN and the country itself have hailed regarding the country's vulnerabilities resulting from its island condition, its high level of aid dependence, the possibility of an abrupt disruption of international development support measures and the consequent risk of a fall back into LDC status. Furthermore, the Capeverdean LDC graduation case is interesting when we consider that the country also pertains to the SIDS category, where substantial proliferation (i.e., lack of agreement) has been going on for many years; in sharp contrast with Botswana; a member of the LLDC category, where no proliferation is observed.

All-in-all, the case of Botswana seems to have been much more straightforward (no account of reluctance to graduate and no proliferation in LLDC category) than the Capeverdean case (country and certain UN structures' reluctance towards graduation, and great proliferation in SIDS category). Consequently, it makes more sense to investigate the latter in more detail.

In addition, Cape Verde was the first island LDC to graduate when all other possible island graduates before it refused this status change. Considering that this was the first graduation from a list of island countries that achieved graduation or near-graduation point (including Maldives, Samoa, Tuvalu and Vanuatu), the Capeverdean LDC graduation case also symbolised the actual possibility of a significant deflation of the category, after many years of stagnation. From the UN bureaucracy standpoint, this represented a new situation to be reckoned with. From this perspective, in an extreme scenario, the dysfunctional bureaucrats' dilemma rested on figuring out how to deal with this "threat". In other words, how to avoid that a reduction in LDC constituency could endanger the interests and the privileges that had since been acquired on account of a category whose membership had remained relatively unchanged for many years?

In the case study chapters (5 and 6), the focus is backward-looking, in an attempt to understand how the national decision-making processes that led to Cape Verde's LDC admission and graduation were managed. This is done by: (i) exposing the sequence of events that culminated in the country's LDC admission in 1977 and LDC graduation in 2007, (ii) identifying the main protagonists (and other determinant factors) of those processes, and (iii) unveiling the country's main motivations to be admitted into the LDC category

and to graduate from it when other countries before it, facing similar conditions (e.g., islandness), had refused this status change. Importantly, by tackling the paradigmatic case of Cape Verde's LDC graduation, the UN's stance towards LDC graduation is exposed and discussed, revealing, among other things, an organisational dysfunction that responds largely to bureaucratic needs and tends to overlook the country. Cape Verde's case is viewed as paradigmatic because this was the graduation case that motivated the introduction of important changes within the LDC graduation mechanism, notably the institutionalisation of an LDC 'smooth transition' framework. The outcome of Cape Verde's LDC graduation process is seen as a turning point in the history of the category, particularly considering the resulting institutionalisation of a new UN instrument to respond to all subsequent LDC graduates.

### 1.5. The questions being researched

Based on the preceding discussion, the main research question motivating this research is:

*What drives the proliferation of developing country differentiation within international organisations?*

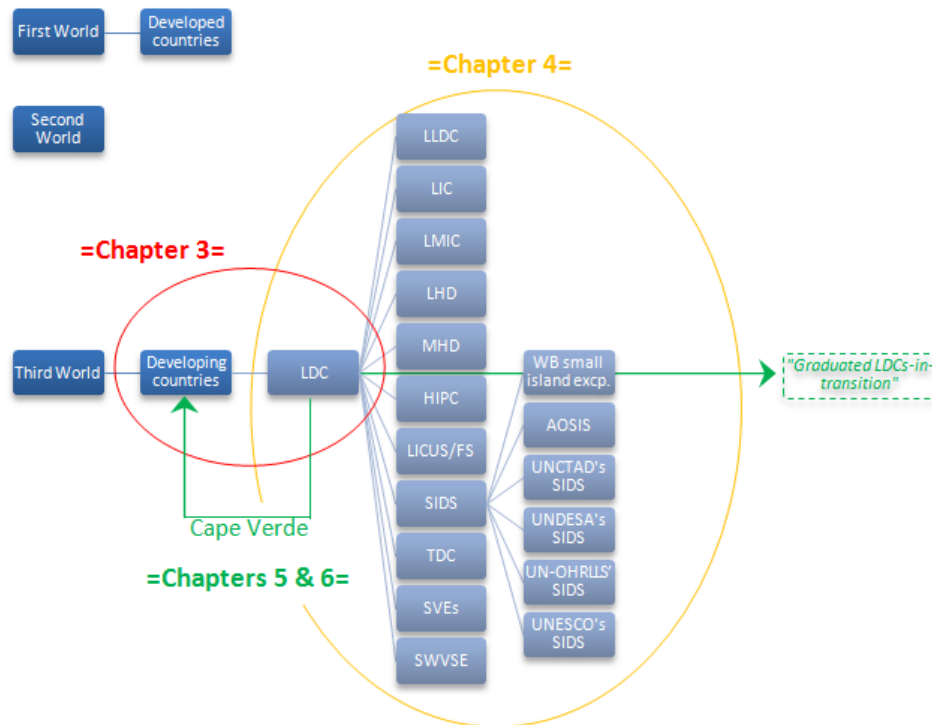
Starting from this question, four main sub-questions emerge, aimed at unveiling interests and power considerations motivating decision-making processes concerning the categorisation of developing countries:

1. *What were the main motivations behind the establishment of the LDC category in 1971?*
2. *Why has the developing country differentiation landscape become so complex?*
3. *How was Cape Verde's LDC graduation negotiation process characterised and how different was it from the process that led to its LDC admission?*
4. *What does the Capeverdean graduation case reveal about the LDC category and its future?*

## 1.6. Organisation and structure of the thesis

The thesis is organised in seven chapters and is structured as follows: (i) an introductory chapter (Chapter 1); (ii) the analytical and theoretical framework that informs the investigation (Chapter 2); (iii) a general and framing chapter on the historical, political and economic context of the genesis of the LDC category (Chapter 3); (iv) an empirical scan of the state of the art regarding other developing country differentiation initiatives and the proliferation of such categories (Chapter 4); (v) two complementary chapters that zoom into the Capeverdean case, particularly the decision-making processes that characterised its LDC admission (Chapter 5) and graduation (Chapter 6); and, finally, (vi) a concluding chapter, summarising the thesis' main findings and discussing possible policy changes contributing to a more balanced framework of country categorisation and, as a result, special and differential treatment of developing countries (Chapter 7).

**Figure 1.3**  
The structure of the thesis: the empirical chapters



More specifically, with regard to the thesis' four empirical chapters (see Figure 1.3 above):

- Initially (Chapter 3), the focus is set on the UN of the 1960s and 1970s, predominantly on the decision-making process that led to the establishment of the LDC category in 1971. Here, the inquiry takes on a historical perspective in order to understand the first systematic UN endeavour to differentiate among developing countries.
- Subsequently (Chapter 4), the inquiry extends its viewing angle beyond the LDC category so that it can also investigate other categories of developing countries and, as a result, gain a broader and more comprehensive understanding of the UN system of developing country categorisation/differentiation, including the

main motivations and contradictions of the resulting proliferation of categories.

- c. Finally, the investigation zooms into the Capeverdean LDC experience, providing a thick description of this case: from LDC admission in 1977 (Chapter 5) to graduation in 2007 (Chapter 6).

It is from these three main perspectives - i.e., historical (Chapter 3), contextualising (Chapter 4), and case study (Chapters 5 and 6) - that this inquiry answers the thesis' central question on differentiation/categorisation of developing countries (Chapter 7).

## Notes

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<sup>1</sup> Contrary to the other examples in this table, AOSIS is the only group whose initiative is from the countries themselves. It ‘functions primarily as an ad hoc lobby and negotiating voice for small island developing States (SIDS) within the United Nations system’ (<http://aosis.org/about-aosis/>).

<sup>2</sup> UN Conferences on the Least Developed Countries have been held in 1981, 1990, 2001 and 2011.

<sup>3</sup>

[http://www.un.org/en/development/desa/policy/cdp/cdp\\_reports\\_ecosoc.shtml](http://www.un.org/en/development/desa/policy/cdp/cdp_reports_ecosoc.shtml), 02/02/2013

<sup>4</sup> i.e., GNI at least twice graduation threshold (even if graduation thresholds for HAI and EVI are not met).

<sup>5</sup> In this thesis the term official development assistance is used with the following meaning: ‘government-to-government transfers that are concessional in nature, that is transfers that contain a grant element of at least 25%’ (Morrissey, 2001: 38).

<sup>6</sup> In this case, normalisation means the imposition of rules or standards for the provision of development assistance.

<sup>7</sup> Defined as: ‘Politics based on practical objectives rather than on ideals ...a politics of adaptation to things as they are. Realpolitik thus suggests a pragmatic, no-nonsense view and a disregard for ethical considerations. In diplomacy it is often associated with relentless, though realistic, pursuit of the national interest.’ (<http://www.merriam-webster.com/dictionary/realpolitik>)

<sup>8</sup>

[http://www.un.org/en/development/desa/policy/cdp/cdp\\_reports\\_ecosoc.shtml](http://www.un.org/en/development/desa/policy/cdp/cdp_reports_ecosoc.shtml)

## 2

# Studying developing country differentiation: engaging with the data

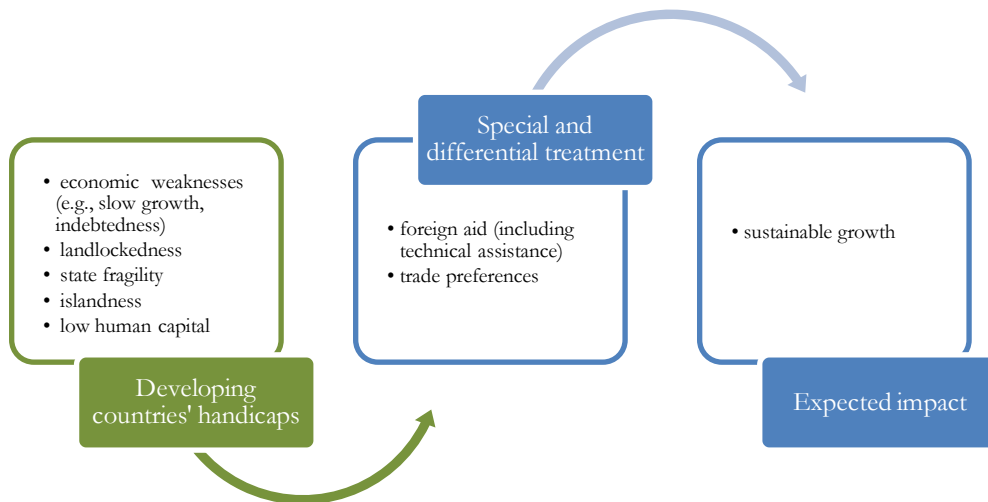
### 2.1. Towards a political economy of developing country differentiation

#### 2.1.1. Setting the scene: from where do we start?

Before moving on to the specificities of the analytical framework, it is important to establish that the central premise behind developing country categorisation/differentiation was that of a shared international commitment (or cooperation) to promote a more level global playing field (through greater growth and development in developing countries). This ought to be done by having more well-off countries (as well as multilateral organisations) provide special and differential treatment to countries dealing with a variety of development-hampering conditions. Although these days the wording is different - i.e., special and differential treatment is no longer about promoting a level playing field but essentially about promoting sustainable growth and development in developing countries (in the context of human rights, gender equality, environmental integrity, etc.) - the mechanism remains unchanged: i.e., advocacy for resource outflow from more well-off countries to developing countries dealing with particular handicaps (see Figure 2.1). In essence, the differentiation of countries attempts to set in motion this resource redistribution mechanism.



**Figure 2.1**  
 The “equation”: handicaps - special and differential treatment - expected impact



In the case of the LDC mechanism, it is assumed to also be an attempt to, essentially, impose rules or standards for the provision of international assistance, specifically in the areas of aid and trade, with the aim of making this assistance less economically/commercially and/or politically/strategically driven (i.e., less arbitrary and power-based) and more rules-based, predictable and strictly development-oriented. This thinking fits into what some have considered the ‘belief that the struggle for power could be tamed by international law and the idea that the pursuit of self-interest could be replaced by the shared objective of promoting security for all’ (Burchill et. al, 2009: 1). The mechanism behind the LDC category can, therefore, be conceptualised as an international cooperation arrangement (between developed countries and LDCs, mediated by the UN) aimed, essentially, at correcting (or at least minimising) the unequal global economic and development playing field, through the implementation of a rules-based international assistance system based on the preferential treatment of selected developing countries.

There are several possibilities that explain the establishment of the LDC category: (i) as a result of altruism; (ii) due to the self-interested realisation that in a global and interdependent world the prosperity and

security of some can be disturbed by the adversity of others (therefore, “*we* (i.e., rich countries) better help *them* (i.e., poor countries)”); (iii) as an intermediate instrument to, on the one hand, maintain links with former colonies, and on the other hand, promote the values and interests of the most powerful in poorer/powerless countries; or (iv) as a mere marketing tool that, given its virtuous purposes, resonates well with those claiming for changes in the *status quo* but, in actuality, does little in that regard. Be that as it may, the fact is that motivating the decision to create the LDC category was the belief that new corrective measures were deemed to be in order. The understanding, agreed within the UN, was that these measures could be implemented through a resource redistribution mechanism (i.e., the LDC mechanism) that could reduce the political nature of international assistance allocation (which tends to be subject to a discretionary decision-making process) and reposition it in a rules-based sphere (Payne, 2005: 33). Therefore, graduating from the LDC category is the recognition that conditions have been created for the once-LDC to be able to pursue development on its own, or at least not so dependent on the special and differential treatment envisaged by the LDC mechanism.

Zooming out of the LDC category, we see that developing country differentiation in general entails the intertwinement of different notions. Chiefly among them are the concept of *special and differential treatment* and the principle of *non-reciprocity*. According to Singh (2003),

“non-reciprocity” in international trade negotiations, together with the concept of Special and Differential Treatment (S&DT) for developing countries (DCs), were considered by the latter ... to have been some of their important achievements in the 1950s and 1960s. Non-reciprocity indicated recognition by the international community that playing fields between developed and developing countries are not level. ... [A]dvanced countries (ACs) were urged to give access to their markets to DCs without requiring them to open their own markets to AC goods on a reciprocal basis.

The doctrine of S&DT is normally associated with ... Dr. Raul Prebisch, the first Secretary-General of UNCTAD, and with the establishment of UNCTAD itself in 1964 ... S&DT was in keeping with the spirit of the age in that it was intended to promote the then widely favoured strategy of import substitution industrialisation. The acceptance ... of these concepts ... permitted DCs to pursue their economic development under

protection whilst enjoying all the privileges and advantages of the multilateral trading system (Singh, 2003: 3).

One of the earliest multilateral examples of a differentiation measure bringing together these two notions is indeed the Generalised System of Preferences (GSP); first established at UNCTAD-II, in 1968, in New Delhi. The rationale was that ‘preferential tariff rates in developed country markets could promote export-driven industry growth in developing countries’ (Jones, 2006: 2). In fact, some argue that the GSP

was established, in part, as a means of reconciling two widely divergent economic perspectives of trade equity that arose during early negotiations on the General Agreement on Tariffs and Trade (GATT). Industrialised, developed nations argued that the most-favored-nation principle<sup>1</sup> should be the fundamental principle governing multilateral trade, while lesser-developed countries believed that equal treatment of unequal trading partners did not constitute equity and called for “special and differential treatment” for developing countries. GSP schemes thus became one of the means of offering a form of special treatment that developing nations sought while allaying the fears of developed countries that tariff “disarmament” might create serious disruptions in their domestic markets (Jones, 2006: 2-3).

Even before the GSP, it is important to bear in mind that ‘European economic recovery and prosperity following the end of the Second World War depended to a large degree on what can only be called special and differential treatment accorded by the United States to Germany, Italy, Japan and other[s]’ (Singh, 2003: 19). In effect, during that period the Marshall Plan (for long, the archetype for development assistance) - which besides aid also entailed non-reciprocal trade relations between the US and other developed countries - is claimed to have sped up the economies of European countries. Indeed, some have argued that the Plan played ‘a major role in setting the stage for post-World War II Western Europe’s rapid growth’ (De Long and Eichengreen, 1991). It was also a highly political and power-seeking venture.

It allowed the United States gradually to engage itself in the bipolar confrontation by first committing money, not blood. After its initial subscription of dollars, the United States backed up its investment with military force, protecting Berlin against the Soviet blockade and forming the North Atlantic Treaty Organization, the first permanent military

alliance in the nation's history. By providing the seed money for the recovery of Western Europe, the Marshall Plan transformed its beneficiaries from poverty cases into partners (Kunz, 1997: 162).

The real challenge nowadays - particularly considering the relative success of capitalist ideals<sup>2</sup> over communism and the inexistence of a clear-cut contemporary ideological battle - is the extent to which these multilateral understandings (namely, the notions of special and differential treatment and non-reciprocity) have been permeated and overpowered by political, economic and strategic interests; which, ultimately, tend to erode these principles by placing individual welfare and self-interest (including institutional or bureaucratic self-interest) before global/collective well-being. This somewhat mirrors the international cooperation question of 'why states, existing in an atomistic, anarchic, "Hobbesian" international system (characterized by a "war of all against all") would cooperate with each other in the first place' (O'Neill *et. al*, 2004: 152). The assumptions here are state centrism and states<sup>3</sup> viewed mainly as rational actors concerned with the maximization of their own gains and interests. These assumptions stem from the belief that 'the underlying causal determinants of international cooperation remain the distribution of power and interest' (Drezner, 2009: 67).

In this context, the political economy of developing country differentiation does indeed come to life in trying to understand whether or not 'advanced countries, not faced with a strategic threat from another superpower are willing voluntarily to sacrifice short-term and transient trade advantages for long-term economic policy that would benefit developing countries as well as themselves' (Singh, 2003: 20). The provision of special and differential treatment entailed in developing country categorisation/differentiation is in fact the concrete expression of this voluntary sacrifice of short-term individual advantages in favour of long-term benefits for all.

All-in-all, the main focus of this inquiry resides in all these tensions and in the oftentimes irreconcilable and misaligned interests of countries<sup>4</sup> and of countries *vis-a-vis* IOs, including their bureaucracies, as played out within the LDC mechanism in particular and within UN-led developing country categorisation efforts in general. The question now is: how does one engage with the data in order to achieve a systematic and integrated political economy analysis of developing country differentiation?

### 2.1.2. Using a constructivist approach to examine developing country differentiation

The chosen analytical route is motivated by the main research question: *what drives the proliferation of developing country differentiation within international organisations?* Working towards a political economy of developing country differentiation demands a systematic approach and a clear theoretical positioning regarding how changes in geopolitics and in the international economic environment (and consequently in the power balance) can affect interests in ways that change behaviour, which, in turn, feeds back into policy- and rule-making.

I will examine the differentiation of developing countries in terms of two main factors: interest and power; studied separately and in relation to each other and analysed through (institutional) behaviour. The ultimate goal is to understand how interests shape and modify behaviour and how, at the same time, interests can be translated into policy decisions. In such contexts, power (and the autonomy to exercise power) is evidently an ever-present element.

Analytically, this means that the issue of developing country differentiation is approached with a causality assumption. The analysis tries to assess the forces and/or the factors pushing for and shaping up this specific policy instrument. The main assumption here is that change (in the structure of power and in interests) affects both behaviour and policy preference, and these end up impacting policymaking (oftentimes in the direction of the interests of the most powerful). This is the research hypothesis and the chain of causation under scrutiny in this dissertation.

The research starts from the understanding that political tensions (including those involved in power disputes) do need to be reintroduced into the analysis, particularly considering that:

In order for ideas to be used in [IOs] they must be translated into terms which can be operationalized. This ... (together with the importance of achieving consensus), tends to involve a process of 'depoliticization', and a tendency for economics to become the dominant discipline. [Therefore] ... depoliticization and 'economisation' ... may be - but are not necessarily - linked to neoliberal ideology and the material interests

of those countries with most power in the system (Boas and McNeill's, 2004: 2).

In fact, the analysis of the political tensions that exacerbate power disputes and tend to misalign interests is precisely what is missing in the literature on developing country categorisation or, specifically, on the LDC category (see UN 1981, UNCTAD's LDC Reports 1984 - 2010, UN 1990, UN 2001, UNCDP 2008, Guillaumont 2009, Hawthorne 2009, UN 2011a). In general, the approach tends to be excessively centred on technicalities and on economic or financial motives, oftentimes completely disregarding the politics behind those processes. There is, therefore, the need for this dissertation to be explicit in discussing the possibility that the LDC category, and other developing country differentiation initiatives, can indeed be used as an instrument of power. For example, like foreign aid, differentiation (as a policy option) should also be studied as a possible instrument of (soft) power or influence, whose purpose may indeed be subverted by different actors to serve interests other than those for which it was created.

To assist in the inquiry - by providing both a language for discussing the nature of all these power/interests interactions, as well as a rich set of assumptions about processes similar to the ones underlying developing country differentiation/categorisation efforts, in general, and the LDC mechanism, in particular - this research is:

- a. Generally framed in the disciplines of political economy<sup>5</sup> and international relations, considering the pervasiveness of geopolitical aspects, and as a result, of interests and power relations. The political dynamics that results from negotiating between interests and power is the main reason why it is considered meaningful to adopt as an analytical approach to this inquiry a political economy interface, while at the same time being sensitive to international relations aspects.
- b. Resorts to and draws inspiration mainly from:
  1. The debate on the principal-agent and the structure-agency dichotomy
  2. The interplay between bureaucratic interests and the realisation that bureaucracies in IOs, notwithstanding their power and autonomy, are constrained in their actions by the power of member states.

These provide a useful, eclectic and multifaceted set of conceptual tools and theoretical constructs with which to engage in the analysis of developing country differentiation. For example, while the LDC discourse aligns best with an idealistic perspective, its implementation is better understood from a realist perspective; from where concepts such as power and interest have to necessarily be factored in. Hence the need to, not only find the best theoretical fit for the processes and outcomes under analysis, but also consider those same processes and outcomes from different perspectives.

Against this background, the theoretical and analytical framework was also partly inspired by Barnett and Finnemore's (1999) constructivist epistemology, which draws on Weberian arguments about bureaucracy and on sociological institutionalist approaches to explain organisational behaviour, including the dysfunctions occurring among the various entities within IOs and their self-serving use of power. The authors depart from a puzzle similar to that presented in this research. While in their case it is the growth of IOs that sparked the study, in this case it is the proliferation of categories, resulting from the differentiation of developing countries. The question they pose is whether IOs actually do what their creators intended them to do. Contrary to International Relations theories that perceive IOs as mechanisms or structures through which others (usually states) act and assume a 'statist ontology' to explain the creation of IOs, Barnett and Finnemore (1999) treat IOs as purposive, autonomous actors and powerful agents, not as structures (which tends to limit choices and restrain behaviour). Like states, IOs also try to defend their own interests. Based on this, they reassess IOs' performance in light of bureaucracy characteristics that can also shape their behaviour towards inefficiency and the autonomous use of power, disregarding the preferences of their member states.

Borrowing the understanding of IOs as autonomous bureaucratic agents - but adding the recognition that their actions can be offset by the power that member states have in IOs -, brings together a lot of the points raised by the data collected for this investigation and provides useful theoretical, conceptual and analytical tools with which to engage in a debate about the political economy of developing country differentiation. Applying this theoretical approach to the UN's efforts to categorise and sub-divide the developing world provides grounds that

explain autonomous and self-interested organisational behaviour. This approach is useful in important ways:

- a. It provides theoretical foundations for two stylized facts: a) the significant proliferation/growth of categories of developing countries and b) the UN contradictory behaviour towards the possibility of countries graduating from the LDC category and, as a result, ending a dependent relationship.
- b. It dims the spotlight on countries (without disregarding them altogether). This is an important point considering that the issue of developing country differentiation is not only about countries but it involves other important players as well.
- c. It brings IOs and their representatives (including its bureaucracy) to the forefront of the analysis, by treating them as active actors (alongside member states), who do not always concur in the processes under analysis (i.e., genesis/creation, proliferation, graduation, post-graduation).

Considering all this, the analysis resulting from this investigation adds value at two levels:

- a. At the level of outcome, it gives particular emphasis to the principal-agent and the structure-agency debates, trying to grasp how bureaucratic rigidities play out, on the one hand, in the negotiation between individual and altruistic interests and, on the other hand, in settling the tensions between constrained and autonomous behaviour. This approach helps to bring out geopolitics aspects and to better understand the oftentimes incompatible behaviours of all the players involved.
- b. At the level of process, it solves the methodological limitation of only considering facts and not people's interpretation of the facts (which tends to be the preferred methodology in inquiries dealing with the issue of country differentiation) by including the voices of experts and decision-makers in order to understand these processes more comprehensively. This provides an important and original first-person account of the processes and events being studied.

The need to address these issues from multiple perspectives implies that the analysis will follow a multi-level (process vs. outcome), multi-theory (structure-agency, principal-agent) and multi-method (semi-structured interviews, multi-disciplinary literature review, document analysis and



descriptive statistics) approach. Section 2.2 on data collection addresses research methods.

### **2.1.3. In search of answers: fleshing out concepts and theoretical fields**

#### ***Power and Interests***

At the outset, these two concepts stand out. While interests are understood as the benefits or the advantages that may result from assuming certain positions or taking certain decisions, power is defined in terms of ideational and material strength. This approach offers valuable conceptual and theoretical handles which are suitable to address the interest/power conceptual nexus, as well as tools for thinking about the national/international interaction implied by the LDC mechanism in particular, and by what seems to be an ongoing UN effort to categorise/differentiate among developing countries.

By emphasising the important role played by power it is possible to provide the link between the economic and the political dimensions; this is important to address and to help explain the contradictions identified in Chapter 1. As straightforward as the connection between these two dimensions might seem, it is indeed crucial to be explicit about it ‘in the face of a dominant ideology of neoliberal globalisation which economises society and reconstructs ‘politics’ to serve its purpose, all the while insisting upon the ‘real’ separation of the two’ (Tooze, 2000: 284). Bergeijk (2009: 23) also highlights the ‘neglect of politics by mainstream economics’. Therefore, the unevenness of power among the different actors involved in the differentiation of developing countries, as well as in the LDC processes under analysis (i.e., genesis, admission and graduation), needs to be clearly stated.

Strange (1998: 14), in her endeavour to synthesise politics and economics, considers that just ‘realising that there is a connection between the two is not enough’ and advocates for ‘a method of analysis that breaks down the dividing walls between the ideologues and makes possible some communication and even debate between them’ (17). In line with this, Strange proposes an approach that concentrates on ‘the authority-market and the market-authority nexus’. Analysing from this

standpoint, allows authority to be equated with the exercise of power and this helps to unveil, for example, ‘the bias in favour of the status quo’.

Strange’s last point also leads to the role of bureaucracies in IOs and to their power to slow down, speed up or stall decision-making processes, or even to gear these processes towards the fulfilment of their particular interests. For the present inquiry, consideration of the bureaucratic angle is also particularly important, bearing in mind that the whole functioning of the LDC mechanism (its admission and graduation criteria, as well as the special and differential treatment it entails) results from agreements achieved within an IO with considerable discretionary power. This discretionary power is also present in other developing country differentiation initiatives, as we will see in Chapter 4.

Additionally, it is crucial to consider that power is relative. It does not always depend on being big, rich and strong. In terms of methodology, this implies the adoption of an approach that takes into account different perspectives, including power relations at different levels and motivated by different factors. This provides a heuristic understanding and contributes to a more accurate analysis, acknowledging, for example, that ‘outcomes, even in matters of trade and finance, cannot be properly analysed ... in disregard of the distribution of power’ (Tooze, 2000: 284). In view of this, it is also important to recognise that the international cooperation arrangement embodied in the LDC mechanism and in other similar developing country differentiation exercises are set in a framework where countries (particularly poorer and powerless ones) are constrained on what they can do, given the inequality in the distribution of power, capabilities and resources. In such a situation - where ‘[t]he sociopolitical nature of a society, the national ideology, and the political identity all contribute to a society’s definition of its interests and influence its behavior’ (Gilpin, 2001: 21) -, politics and power have to necessarily be considered and factored into the analysis, allowing for a more in-depth understanding of the interests involved in decision-making processes.

In fact, some claim that ‘all efforts to reform the international system which ignored the struggle for power would quickly end in failure’ (Burchill et. al, 2009: 1). This is indeed particularly relevant when we consider (i) politics defined as ‘all action requiring the co-operation of others’ (Strange, 1996: 40) and (ii) power understood in terms of

ideational and material sources. Together, these two dimensions can represent structural constraints imposed on state behaviour (Payne, 2005: 35), and on institutional/organisational behaviour, for that matter.

### ***Bureaucracy and Autonomy***

Complicating the analysis is the possibility of organisations (and not only countries) also acting as purposive, autonomous and powerful agents that are striving to further interests that do not necessarily coincide with the interests of their member states. The bureaucratic element embedded in Barnett and Finnemore's (1999) analytical framework which previews the possibility of bureaucracies being dysfunctional, also sheds light to the functioning of IOs. In effect, when analysing decision-making processes taking place with the backing of a major IO, bureaucratic aspects do need to be intentionally considered, for the sake of a more comprehensive and realistic research undertaking. We see that, for example, Downs (1965: 439) considers that

bureaus are among the most important institutions in every nation in the world. Not only do bureaus provide employment for a very significant fraction of the world's population ... but also they make critical decisions which shape the economic, political, social, and even moral lives of nearly everyone on earth.

According to Max Weber's analysis, bureaucracy stems from a rational-legal framework. Yet, he also recognised that, in real life, bureaucracies tend to be less efficient than his ideal type model. In particular, a bureaucracy can deteriorate to the point that it becomes inflexible and dominated by inertia, oftentimes just to preserve the *bureaucratic office*. In fact, Weber considers that:

Once fully established, bureaucracy is among those social structures which are the hardest to destroy. Bureaucracy is the means of transforming social action into rationally organised action. Therefore, as an instrument rationally organizing authority relations, bureaucracy was and is a power instrument of the first order for one who controls the bureaucratic apparatus. Under otherwise equal conditions, rationally organised and directed action ... is superior to every kind of collective behavior ... and also social action ... opposing it. Where administration has been completely bureaucratised, the resulting system of domination is practically indestructible (Weber, 2006: 62).

Inspired by Weber, Downs (1965) considers that an important feature of bureaucracies is the fact that their output is not subject to the evaluation of markets external to the organisation and, hence, they do not use 'the objective monetary measure of profitability to evaluate the specific activities they undertake' (Downs, 1965: 440). In this context, he also presented a theory of bureaucratic decision-making that, along the same lines put forth by Barnett and Finnemore (1999), argues that 'bureaucratic officials, like all other agents in society, are motivated by their own self-interest at least part of the time' (Downs, 1965: 439). In effect, scholars have criticised specific aspects of bureaucracy (which have contributed to the negative connotation that this form of organisation has acquired), including ineffectiveness, concentration and misuse of power, poor decision-making and political interference (Jain, 2004: 3).

Interestingly, Schlesinger (1997: 47) refers to the UN as

a hide-bound edifice in which, for example, there are overlapping agencies for development and humanitarian assistance; a patronage system that allows member states to appoint supporters and hence encourages incompetence and waste; inadequate financial discipline; and an often indistinct vision. Its record of past successes ... has been tarnished by such persistent bureaucratic and political defects ... efforts to assess and fix its flaws have come up against serious impediments, not least of which is bureaucratic inertia.

Indeed, given the cost of change, 'inertia is a rational response to most suggestions of change made to any given bureau' (Downs, 1965: 444). With time, these type of organisations

learn to be more efficient, develop more and more extensive rules and regulations, shift their goals from performing their duties well to maintaining their organisational structures, become increasingly subject to inertia, and expand the scope of their functions. As with politicians, few die and none retire (Downs, 1965: 445).

Within this context, the structure-agency and the principal-agent debates are also useful in helping to explain discrepancies between the interests of bureaucracies and those of countries and their citizens. Related to this misalignment of interests, these debates are also helpful in explaining why the autonomy of IOs matters.

In a nutshell, the structure-agency debate postulates that behaviour is either constrained by structural arrangements or independently shaped by one's agency and autonomy to choose. However, it is also possible that 'agents' creative capacities are shaped by the structures they are locked into' (Çalışkan and Callon, 2009: 386). Therefore, structure and agency are not necessarily separate entities. For instance, there is indeed some fuzziness between these two concepts when discussing them in relation to IOs. This is because IOs can be understood as organisational structure but also in terms of the actions undertaken on their behalf by their representatives. Barnett and Finnemore (1999) also draw from the structure and agency debate and argue that IOs exercise considerable autonomy in their decision-making, to the point that it can lead to dysfunctional and, in some cases, pathological behaviour that counters or subverts the interests of member states in favour of selfish bureaucratic ones. However, in their analysis, they do not differentiate between IOs as an abstract entity and the representatives acting on behalf of IOs. In contrast, this research is mindful of the need to clarify this distinction in order to ground the analysis closer to reality and to individual motivations permeating organisational spheres. In doing so, the thesis reveals, for example, important contradictions between the interests of member states (and, ultimately, the interests of the organisation) and those of IOs' bureaucrats. Furthermore, this approach also highlights member states' power to influence and restrain autonomous action on the part of bureaucracies in IOs.

In addition, the principal-agent theory provides another framework for understanding why it is indeed not uncommon for IOs to consider their own survival and vested interests ahead of any idealistic goal set by their member states. In this line, the survival and continued existence of the bureaucratic apparatus - and not the best interest of member states and their citizens - can become the primary unstated goal of those working for the organisation. This is a situation which is not easily reversed considering that, in general, citizens (the principal) are ill-informed of most of IOs' (the agent) activities and/or lack the power to impose their will (Vaudel, 2006: 126-127). This gives rise to asymmetric information, impeding, on the one hand, the principal from being able to check whether or not the agent acts in its best interests and, on the other hand, giving the agent enough discretionary room (and power) not to do so (at least not all the time) and pursue other interests.

Integrating these three theoretical constructs (i.e., (i) the possibility of bureaucracies being dysfunctional, (ii) the structure/agency and (iii) the principal/agent theories) into the analytical framework used to examine the issue of developing country differentiation, unveils autonomy aspects that are important to help explain the contradictions and the dysfunctions observed in the empirical case studies (namely, the proliferation of SIDS' lists within the UN, as well as certain aspects about the functioning of the organisation highlighted by Cape Verde's LDC graduation negotiation process and, before that, by the mere glimpse of possible LDC graduations).

### **Authority**

One of the aspects unveiled by including autonomy into the analysis is the issue of authority. Although the difference between authority and power can be subtle, the two concepts are different, nonetheless. While power can be equated to force or to abundance or availability of resources, authority can be equated to knowledge. In this line, power to enforce change differs from authority to motivate or influence wilful change. Thus, in a sense, the authority/power duo can be compared to the notion of soft versus hard power (or persuasion versus coercion).

Barnett and Finnemore (2004: 165-166) assert that 'the bureaucratisation of world politics means that international organisations have more authority than ever before ... (and) that global bureaucrats have authority to act in powerful ways.' Additionally, 'Bureaucracies are also authorities in their own right, and that authority gives them autonomy vis-à-vis states, individuals, and other international actors' (Barnett and Finnemore 2004: 5). In line with this reasoning, McKittrick (2008: 33) considers that

By viewing IOs as bureaucracies ... we can see how they are able to use mechanisms such as their expertise, knowledge and ability to claim more authority, which is the basis for their autonomy. In using their authority, IOs can change the way states perceive certain issue areas, their interests and what course of actions they eventually take.

This has been the case for the issue of developing country differentiation within the UN. The organisation established it as a problem, initiated the international debate about it and has since then defined the boundaries of this debate, gained expert authority over it, framed the language used

and shaped (and to some extent even controlled) how the issue is perceived. Backed by the expert advice of advisory bodies such as UNCTAD or by organisational departments devoted to managing different categories of developing countries (see Weiss and Daws 2008 for an understanding of the UN system), the UN has used its authority over this issue so successfully that even academia has not raised much critical waves about it.

The fact is that 'IOs are created by states and delegated authority in specific areas to assist their needs; which creates a structural relationship of interdependency' McKittrick (2008: 8). For instance, borrowing from McKittrick's (2008: 16) analysis of the Office of the United Nations High Commissioner for Refugees (UNHCR), one could argue that, for the specific case of the LDC category, the basis of UN's authority rests on three pillars: (i) delegated authority from member states, (ii) moral authority based on its role as guardian and diffuser of all-things-LDC, and (iii) expert authority based on the knowledge, information and experience it has accumulated dealing with LDCs, from criteria-setting to their special and differential treatment.

By employing an analytical approach based on such an eclectic set of conceptual tools and theoretical constructs, I expect to find:

- a. On the one hand, a benevolent and ideals-based developing country categorisation discursive tone (also very much applicable to the LDC case), advocating that developing country differentiation is undertaken for the greater good of all considering that, ultimately, it should contribute to lessen the gap between the haves and the have-nots.
- b. On the other hand, a more autonomous UN *modus operandi* on the part of certain structures within the organisation, motivated by enlightened self-interest, at best, and legitimised by claims of authority.

The question now is: how does one gather the data to which this analytical approach is to be applied? Ontologically, this research positions itself within currents that value people's views. Hence, in terms of selection of data collection methods, this implies that, for example, first-hand accounts of the processes under scrutiny should be collected in a systematic way.

## 2.2. Data collection

The choice of methods stems from the research question, which is of the explanatory type. As such, it can lend itself to both qualitative and quantitative methods. Having as the main purpose understand the behaviour of decision-makers, as well as the circumstances and reasons informing policy decisions and organisational outcomes, the use of qualitative data was crucial, without precluding the use of quantitative analysis. Indeed, a qualitative approach allows exploring a given phenomenon from the point of view of the participants and their particular social and institutional context (Jayasundara-Smits, 2013: 20). While this is a heavily qualitative research (which allowed the power/interest nexus to be thoroughly explored), it is not exclusively so. Quantitative methods were used whenever they were found to help gather important data or when necessary to explain data gathered through other methods. It is, in fact, worth emphasising that this inquiry assigns equal epistemic value to data collected from different sources and through different methods.

This study overcomes two limitations: (i) it addresses an understudied issue, and, methodologically, (ii) it does so by combining qualitative and quantitative methods. Through a mix of quantitative and qualitative methods, the dissertation documents under-reported facts and it considers, for the first time, people's interpretation of those facts. Specifically, through qualitative data collection and analysis, this inquiry is able to gain important personal and locally-grounded insights on the dimensions of power and interest by including and valuing the voices of those that participated, directly or indirectly, in the decision-making processes being investigated. As asserted by Patton (2002: 47), these voices 'take us, as readers, into the time and place of observation, so that we know what it was like to have been there. They capture and communicate someone else's experience of world, in his or her own words'. This methodological choice is one of the important contributions of this research, as it permits, through first-person accounts, a more in-depth understanding of these academically-overlooked processes.



### 2.2.1. Using mixed methods

An important part of the data was gathered through individual semi-structured interviews, helping to reconstruct thus-far undocumented events. Here it is important to reaffirm that the choice of this specific data collection method also stems from the epistemological value attributed to people's views and to their interpretation of facts. It is for this reason that, through interviews, people's voices are given room and weight in the research and are prominently featured in the dissertation's empirical chapters, while trying to reconstruct and understand the decision-making processes under scrutiny. However,

Interviewing does have severe limitations ..., which means they cannot be relied upon as the sole methodology. The data collected must be reinforced by other forms of empirical data or must be based upon a broad sample of interviews, all conducted with those who enjoyed equal access to the event or activity under focus (Lilleker, 2003: 208).

To overcome this limitation, and to achieve comprehensiveness, this method is complemented by and triangulated with literature review, consultation of archive documents and descriptive statistics. For example, to fill gaps identified in the literature review stage, a great deal of primary data was gathered through a total of 44 interviews (with 34 interviewees) conducted between 2011 and 2013, which were preceded by initial observations at the IV LDC Conference, in Istanbul, in 2011. Additionally, document analysis and descriptive statistics served both as independent data collection methods and as a check for the data collected through interviews, which helped to establish points of agreement, as well as points of discrepancy. All-in-all, this made for a dynamic process of data collection, which favoured communication among methods. Most importantly, this mixed methods approach helped to add depth and comprehensiveness to the findings.

Specifically during fieldwork, data was collected mainly through two methods: (i) archive consultation and (ii) face-to-face and email individual semi-structured interviews. Fieldwork activities aimed at the collection of primary (semi-structured interviews) and secondary (archival documentation) data included the following four main stages:

- a. **May 2011:** participation as an independent observer in the IV LDC Conference, convened by the UN, in Istanbul

- b. **July 2011:** start of the interviews with the first/pilot interview session in the Hague
- c. **September 2011:** two visits to the UN and UNCTAD headquarters, in Geneva
- d. **April - July 2012:** a visit to Cape Verde's capital city, Praia, and subsequent contacts held in Lisbon
- e. **February - May 2013:** additional contacts held in Praia and in the Hague

These stages constitute the multi-sited research approach adopted; taking into account the general structure of the investigation and the objectives set in the research design (see Table 2.1). The above-mentioned fieldwork stages served essentially to: observe and establish contacts with key informants (in Istanbul, Geneva and Praia); consult official archive files (in Geneva and Praia); and conduct face-to-face/individual interviews<sup>6</sup> (in Istanbul, Geneva, Praia, Lisbon and The Hague) (see Appendix B for a list of interviewees).

**Table 2.1**  
*Overview of the research design: linking research questions and data collection methods*

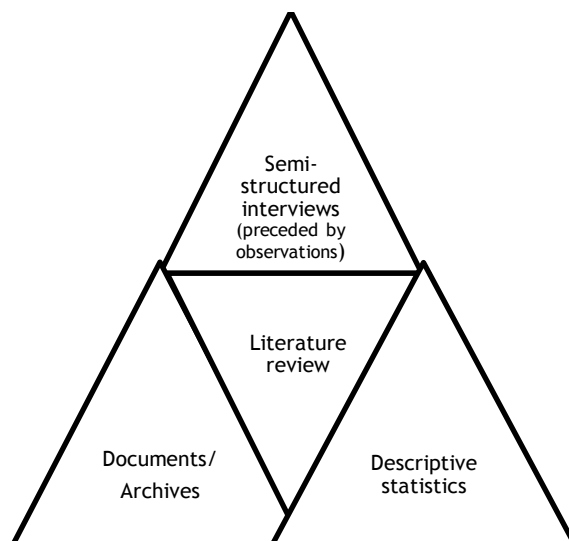
<b>Main research question:</b> <i>What drives the proliferation of developing country differentiation within international organisations?</i>			
<b>Questions</b>	<b>Objective</b>	<b>Data collection methods</b>	<b>Data sources</b>
<p>1. <i>What were the main motivations behind the establishment of the LDC category in 1971?</i></p> <p style="text-align: center;">(Chapter 3)</p>	<p>Address the <b>genesis of the LDC category</b>, and the related decision-making process during the 1964-1971 period.</p>	<ul style="list-style-type: none"> <li>▪ Literature review</li> <li>▪ Document/Archival information analysis</li> <li>▪ Open-ended semi-structured interviews</li> </ul>	<ul style="list-style-type: none"> <li>▪ Books and journals</li> <li>▪ Relevant online sources</li> <li>▪ UN and UNCTAD archives (Geneva)</li> <li>▪ Key informants: selected relevant policy- and decision-makers</li> </ul>

Table 2.1 (continued)

Questions	Objective	Data collection methods	Data sources
<p>2. <i>Why has the developing country differentiation landscape become so complex?</i></p> <p>(Chapter 4)</p>	<p>Understand the LDC category in relation to other similar country groupings (namely its placement within the larger country differentiation context), as well as the costs and benefits of the complex country differentiation landscape.</p>	<ul style="list-style-type: none"> <li>▪ Literature review</li> <li>▪ Document analysis</li> <li>▪ Descriptive statistics</li> <li>▪ Open-ended semi-structured interviews</li> </ul>	<ul style="list-style-type: none"> <li>▪ Books and journals</li> <li>▪ Relevant online sources, namely UN, World Bank, IMF and OECD-DAC resources</li> </ul>
<p>3. <i>How was Cape Verde's LDC graduation negotiation process characterised and how different was it from the process that led to its LDC admission?</i></p>	<p>Expose the sequence of events, and identify the main actors (and other determinant factors) of Cape Verde's LDC trajectory, with emphasis on admission and graduation processes,</p> <p><i>And</i></p> <p>Understand how the Capeverdean case changed the LDC category.</p>	<ul style="list-style-type: none"> <li>▪ Literature review</li> <li>▪ Document/Archival information analysis</li> <li>▪ Descriptive statistics</li> <li>▪ Open-ended semi-structured interviews</li> </ul>	<ul style="list-style-type: none"> <li>▪ Government and Parliament archives (Praia)</li> <li>▪ Relevant online sources</li> <li>▪ Local newspapers</li> <li>▪ Key informants: selected relevant policy/decision-makers, diplomatic representatives, parliamentarians, non-governmental stakeholders</li> </ul>
<p>4. <i>What does the Capeverdean graduation case reveal about the LDC category and its future?</i></p> <p>(Chapters 5 and 6)</p>			

Figure 2.2 depicts the triangulation of methods undertaken to collect data, following the literature review stage.

**Figure 2.2**  
*Methodological triangulation of data collection methods*



### 2.2.2. Semi-structured interviews

Primary data collected through semi-structured interviews with experts and decision-makers are one of the contributions of this study. Hence, this specific data collection method deserves particular emphasis. For instance, Berry (2002: 682) considers that: 'For projects where depth, context, or the historical record is at the heart of data collection, elite interviewing using broad, open-ended questioning might be the best choice'.

In this case, the interviewing method privileged open-ended semi-structured questions, supported by three general interview guides designed to address research questions 1, 3 and 4 (see Table 2.1 and Appendix B). These interview guides included a pre-outlined set of issues, which were previously identified during the literature review and the interviews' preparation stages. Interview preparation stages included: (i) observations at the IV LDC Conference in Istanbul, (ii) drafting of interview guides (with advice from the Promoter, Co-promoter, Field Adviser, as well as other ISS faculty members, notably Dr. Karin Siegmann), and (iii) pilot testing of interview guides. Notwithstanding

their flexibility, the structure of all interview guides included three sections: introductory, main, and closing questions (see Appendix B).

All interviews were conducted by me; which in itself is a way of guaranteeing consistency in data collection. Adopting a semi-structured interviewing approach promoted guided conversations with interviewees and allowed probing additional questions, as the opportunity aroused during the interviews. Administering open-ended interview guides ensured the collection of in-depth information in a non-rigid manner, while maintaining the main focus of the interviews. Indeed, open-ended questions allowed the interviewee to freely decide upon what they wanted to state, more specifically what they thought was the most relevant and important material to convey. Also, there was more room for “surprises”, considering that there was an effort not to over-determine the answers.

On average, most interviews lasted for about an hour. For information-rich cases, however, a second round of questions was necessary, as well as additional email exchanges. Shorter interviews, of roughly half-an-hour, were conducted with informants who were not directly involved in the decision-making processes under research, specifically interviewees from the media, as well as representatives of workers’ unions.

Face-to-face individual interviews were followed-up by email contacts, whenever deemed appropriate, to clarify pending issues and/or address doubts that emerged following the analysis of interview material (see Appendix B). Additionally, in cases where the identified interviewee could not be reached in person (mainly due to geographical distance at the time of the fieldwork), contacts were established through Skype or email (see Appendix B). Whenever selected interviewees could not be reached in person or through Skype, they responded in writing to the interview guide.

Permission to quote was always requested and was obtained, in writing, to/from all interviewees directly concerned. For Chapters 5 and 6 interviews, although most were conducted in Portuguese, relevant segments of the transcripts were subsequently translated into English and later again subjected to interviewees’ permission for inclusion in the draft text of the referred Chapters.

Chapter 3 interviews took place in Istanbul (at the margins of the IV UN Conference on LDCs), The Hague, and Geneva, between May 2011 and February 2012. Considering that the questions under analysis reported to facts that took place roughly 40 years ago, these retrospective interviews were preceded by the sharing of the interview guide with all the interviewees, in order to ensure appropriate preparation in advance, making for more productive interviewing sessions. In this case, analysis of archival information (see Appendix I) served as an important way to augment and complement primary data collected through semi-structured interviews.

Most of Chapters 5 and 6 interviews took place in Praia and Lisbon in two stages: during April - July 2012 and February - May 2013. As in the case of Chapter 3 interviews, the interview guides for both chapters were also shared in advance with interviewees. However, in this case, the great majority of interviews were conducted in Portuguese, which is Cape Verde's official language and both the interviewees' and my first language. This facilitated data collection.

Interview data for Chapter 4 resulted from the open-endedness nature of the interviews conducted for chapters 3, 5 and 6. This means that, unlike all other empirical chapters, no interview guide was drafted specifically for Chapter 4. This data emerged as a by-product of interviews dealing with other inter-related issues.

### *The sample*

Considering the type of research questions (i.e., all explanatory, though some with a historical focus and others focusing on more contemporary events (Yin, 2003: 6)), the sampling strategy employed was purposive sampling, particularly expert sampling (Given, 2008). This aimed mainly at understanding how particular individuals (with a relatively high level of knowledge about the subject matter) assess the processes by which the issues under research are constructed and the role they themselves play (ed) within the organisation or group they represent(ed). Therefore, the informants were selected based on their expert knowledge of the issues being investigated. For example, with regard to the LDC case, informants can be divided into two main groups: (i) those with expert knowledge on the genesis of the category and (ii) those with expert

knowledge on the Capeverdean LDC admission and/or graduation processes.

An important point to make is that, oftentimes, what gives these informants the expert knowledge that this research tried to collect is precisely their close proximity to power. Thus, to be more specific, the sampling strategy privileged elite interviewing; i.e., it targeted 'those with close proximity to power or policymaking' (Lilleker, 2003: 207). Underlying this sampling strategy is the understanding that who the interviewee is and where he/she is located within a particular context is deemed to be the most important interviewee selection factor, unlike other types of research where people are viewed as interchangeable. Hence, one well-placed informant helped advance the research much more than any randomly chosen large sample would. In essence, this allowed the selection of strategically relevant informants. However, locating these informants was not always easy, considering that the aim was to find people that participated in events that took place a long time ago; most of whom are no longer active in public life. This was more of a problem when identifying informants to reconstruct the genesis of the LDC category than the Capeverdean case.

The list of interviewees also grew from the possibility to tap into the networks of interviewees, in a snowballing-like approach that resulted in a diverse sample of informants. These were mainly representatives from IOs, governmental and non-governmental bodies, academia, public and political institutions, diplomatic missions, as well as representatives from trade associations, workers' unions and the media (see Table 2.2).

Having held important decision-making positions in IOs, public institutions and civil society organisations, the informants were able to share information that has thus-far not been documented. As seen in Appendix B, a considerable number of them held several important high-level and powerful positions, which provides expert knowledge and direct experience as active participants in those high-ranking circles. Consequently, this confers them different identities (at different points in time) and access to a considerable number of decision-making arenas. As a result, the information shared during the interviews was very rich and valuable.

**Table 2.2**  
*Typology of interviewees/respondents/informants*

Sector/Nationality	Capeverdean	Other	Total by sector	%
Government	15	3	18	53
IO	0	8	8	23
Academia	1	1	2	6
Media	2	0	2	6
Trade Association	1	0	1	3
Workers' Union	2	0	2	6
NGO	1	0	1	3
<b>Total by nationality</b>	<b>22</b>	<b>12</b>	<b>34</b>	
<b>%</b>	<b>65</b>	<b>35</b>		

The selection of interviewees to collect data for Chapter 3 proved quite challenging, considering that the research question reports to events that occurred more than four decades ago. The objective was to identify experts with recollection of that period and who had, preferably, also taken part (directly or indirectly) in some of the events under study. With this in mind, initial contacts were established with three senior ISS staff members that had been professionally involved with UN structures when the LDC concept was first introduced (Dr. Karel Jansen, Senior Economist, affiliated with UNESCO in the early 1970s; Dr. Jan Pronk, Netherlands Minister for Development Cooperation in the early 1970s; and Dr. Rolph van der Hoeven, Senior Economist, affiliated with the ILO) and with the UNCTAD Division for Africa, LDCs and Special Programmes, in Geneva. Following initial leads shared by a key informant, the list of interviewees was built. In this regard, my participation as an observer at the IV LDC Conference in Istanbul proved to be a wise decision, as it resulted in important leads and, later on, in data-rich interviews about LDC genesis.

For the Cape Verde case study (Chapters 5 and 6), having in mind that the research design calls for expert/elite sampling, the list of interviewees was built from initial contacts established with the Capeverdean Ministry of Foreign Affairs; the government body responsible for the country's participation in all UN initiatives and its main representative in LDC meetings/negotiations. With the support of the research Field Adviser, Dr. André Corsino Tolentino, who also served as an agent with local informants, initial contacts were established within the Ministry of Foreign Affairs. To ensure balance and



comprehensiveness, additional contacts included other Ministries and sectors, namely the local media, workers' unions, trade associations, diplomatic missions and academia. On the one hand, interviewee selection favoured experts who, at the government level, were directly or indirectly linked to Cape Verde's LDC admission and graduation negotiation processes (at different stages and assuming different levels of responsibility). On the other hand, selection of interviewees also privileged informants who were not directly linked to these processes (media, workers' union, trade associations, NGOs, academia, foreign diplomats) but whose perception of how LDC membership was dealt with and framed by national and international authorities was considered important to collect, in order to build a more complete picture of relevant events and to cross-check data collected from other sources.

It is also important to stress that, also for the case of Cape Verde, when selecting interviewees with decision-making responsibilities at the government level (particularly those more directly involved in the LDC admission/graduation negotiation processes), it was inevitable that the vast majority of them were either appointed by or are/were affiliated to the same political party (PAICV - *Partido Africano para a Independência de Cabo Verde*). PAICV - the independence party - has been the ruling party since 2001. It was the ruling party in 1977, when Cape Verde was first admitted into the LDC category, in 2007/2008, when the country graduated from the category, and it is still ruling today. Hence, it has been ruling during the main LDC-related decision points (i.e., admission and graduation); which were the focal points of the research.

### ***Data analysis and reporting***

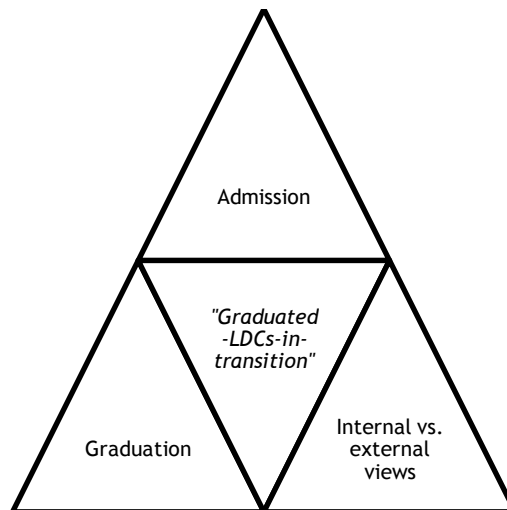
The majority (71%) of face-to-face interviews were audio-recorded, whenever interviewee's permission was granted. When this was not possible, I resorted to note-taking. All audio-recorded interviews were transcribed as soon as possible, after the interviews took place, in order to gain the most from having fresh information still in memory. All interviews were transcribed in the language in which they were conducted: English for Chapter 3 interviews and Portuguese for chapters 5 and 6 interviews<sup>7</sup>.

Chapter 5 interviews (February – May 2013) were deemed necessary only after analysing and reporting the data collected during the first stage

of interviews (April - July 2012). Analysis of the data collected for Chapter 6 revealed potential gaps that could only be closed with additional data gathering through more interviews. This resulted in the decision to include two additional perspectives in the Capeverdean case study: (i) the country's LDC admission process (in 1977), and (ii) the viewpoint of Cape Verde's major donors' regarding the country's LDC graduation negotiation process. These additional perspectives were considered important to enrich the case study, making it considerably more comprehensive by reconstructing as fully as possible the processes under investigation. Most importantly, the collection of this additional data allowed the triangulation of different perspectives, namely:

- a. LDC admission (data collected in February - May 2013)
- b. LDC graduation (data collected in April - July 2012)
- c. Internal (data collected in April - July 2012) vs. external view (data collected in February - May 2013) regarding the country's LDC graduation

**Figure 2.3**  
*Triangulation of different perspectives*



With the inclusion of these additional perspectives it became possible to compare LDC admission and graduation processes, as well as the

internal versus the external perceptions on the country’s LDC graduation. Refocusing the case study research in this matter also diversified data sources and helped to reconstruct Cape Verde’s complete LDC trajectory, enhancing the overall understanding of its LDC experience. Methodologically, data triangulation also allowed assessing data robustness, with a clear bearing on validity.

As to interview transcripts, they were all coded by me, in search for common themes and patterns. These were identified based on interviewees’ repetition of the same ideas (see Appendix B for the list of codes used). These were data-driven codes that became inductively evident during the data analysis stage, soon leading to data saturation. Emergent or inductive coding was the case for Chapters 3 and 6. However, having themes/codes that had been inductively identified during analysis of Chapter 6 interviews, Chapter 5 interviews entailed *a priori* coding (Stemler, 2001: 3), i.e., looking deductively for those same pre-identified themes. This was also the case for Chapter 4, where codes had been previously identified during the literature review stage. Table 2.3 summarises the data coding strategy adopted for each one of the empirical chapters.

**Table 2.3**  
*Developing codes/themes for data analysis*

Interviews	Coding strategy adopted
Chapter 3	emergent / inductive / data-driven
Chapter 4	<i>a priori</i> / deductive / theory-driven
Chapter 5	<i>a priori</i> / deductive / theory-driven
Chapter 6	emergent / inductive / data-driven

The coding process was checked by reporting directly after the interviews to the Promoter, sharing their general gist, as well as critical reflections on the content of the interviews. Additionally, the coding process, including the accuracy and the reliability of the codes used, was checked by the Field Adviser, with whom all interview transcripts were shared.

### *Some challenges and limitations*

It is crucial to think reflexively about the data collection process and to be mindful of the need to deal with challenges in a systematic manner, notably when conducting semi-structured interviews. This approach leads, for instance, to the realisation that it is worthwhile to briefly discuss the interviewer/interviewee power relationship. In this particular inquiry, the vast majority of respondents were people holding (or who have held) senior decision-making positions. For the case of Cape Verde in particular, my “insider” position within that society and the fact that I had had professional contacts with some of the informants, starting in 2004 until 2009, made for somewhat of an equal-to-equal exchange, where the power (un)balance did not significantly interfere in the rapport established during interviewing sessions. Being a Capeverdean myself and acquainted with some of the key informants clearly facilitated this. The smallness of the country and my familiarity with local issues and with the structure of public administration in Cape Verde was also quite useful in collecting this data.

In general, while semi-structured interviews (assisted by interview guides) proved very useful, it was not without problems. It soon became clear that, when compared to the few written responses to the interview guides (provided through email), face-to-face interviews resulted in the collection of more in-depth information. This was mainly because in the latter cases it was easier to probe and explore other important research avenues not necessarily covered in the interview guides, by picking up from specific comments and remarks made during interviewing sessions. Email exchange of written responses to the interview guide, while helpful, did limit this option, having possibly resulted in the loss of important data. Likewise for the few note-taking interviews, whenever permission to audio-record was not granted. For these note-taking interviews in particular, there was a conscious effort to report the data collected during those interviews immediately after they took place, namely through email exchanges with the Promoters, in order to take advantage of having the data still fresh in memory.

The option to share the interview guides ahead of time may also have affected the way that interviewees answered the questions during face-to-face interviewing sessions, considering that seeing the questions in advance might have allowed them to, for example, stage answers and/or decide which details and/or perspectives to highlight and/or to play

down. These are issues that might have negatively influenced the overall collection of data. However, not sharing the interview guides beforehand would have been riskier, considering that, in that case, the initial recollection exercise about long-distance events would have happened during the interviewing session, making it less productive. Sharing the interview guides was, therefore, a cautious decision.

Evidently, related to this are the issue of memory and the danger of relying on data collected from retrospective interviews about events that took place in the 1960s and 1970s, as was the case for the interviews for chapters 3 and 5. On this issue, Turnbull (2000: 24) refers to ‘the subjectivity, the ephemerality and the partisanship’, which can be seen as challenging the credibility of retrospective interviewing. Selwyn (2013: 349) also recognises that ‘as with any historical investigation we must be mindful of favourable self-presentation, *post-hoc* rationalisation or the settling of old scores’. Precisely to address these challenges and to circumvent the issue of possible unreliability of memory of events that took place a long time ago:

- a. Interview guides were shared in advance with all interviewees.
- b. I took an active part in all the interviews by prompting forgotten names, dates, places and other details, and by making an effort to compare interviewees’ descriptions, perceptions and opinions.
- c. Information collected during the interviews was cross-checked in other interviews, as well as against written documents.

On the other hand, a clear positive aspect of most retrospective interviews about events that took place 30 or 40 years ago was the fact that, in general, the great majority of interviewees were not restrained by the fact that the interviews were being recorded. At no point was I discouraged from asking certain questions and no interviewee objected to discussing any one of the questions posed, even the most delicate ones.

Additionally, it is also important to recognise the possible sample bias towards the Ministry of Foreign Affairs in Cape Verde, considering that 44% of the Capeverdean case study interviews were conducted with informants from the public/government sector (see Table 2.2), of which the majority is from Foreign Affairs. If unaddressed, this could represent a bias in the perceptions and opinions collected. To correct for this aspect and minimise possible biases, I consciously diversified interviewees from the public/government sector by also including

informants from, for example, the Ministry of Finance, the Prime-Minister's Office and the Parliament, besides those from other non-public, non-government sectors, as well as from international organisations and external governments.

Obviously, the process of setting up interviews for Chapter 5 data collection (i.e., the batch of interviews on Cape Verde's LDC admission) was more challenging than in previous stages, in addition to the fact that not much archive documents exist on that period. Some key informants had already been interviewed (namely, for Chapter 6 dealing with Cape Verde's LDC graduation) and when approached for a second round of questions were either less available or confused, thinking that this would again be about the country's LDC graduation. This denoted some interviewee fatigue and, hence, required additional "convincing work". As a result, this stage was considerably more time-consuming.

Finally, it is important to state that, similar to the process of independence and to the establishment of a democratic multi-party system in Cape Verde, LDC admission and graduation were major events in the country's history. By choosing to interview and give voice to those who participated in those processes, an important contribution is made to record the views and document first-hand accounts of those involved in these historic events. In addition, this also provides important lessons for policymakers in graduating LDCs.

## Notes

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<sup>1</sup> This means that the country granting such treatment to others cannot treat less advantageously any country accorded the *most favoured nation* status.

<sup>2</sup> It can indeed be seen as a relative success if we consider, for example, the change from G8 to G20 (representing global governance change) and the current financial and economic crisis.

<sup>3</sup> Countries and states are used interchangeably.

<sup>4</sup> The interests of the country as a whole are assumed to be the same as those of the state.

<sup>5</sup> Understood as “the interaction of the market and such powerful actors as states, multinational firms, and international organisations” (Gilpin, 2001: 17-18). Hence, in this context the political environment (e.g., states’ foreign policy and IO’s policy decisions) and the economic system (e.g., trade preferences and aid allocation) influence each other.

<sup>6</sup> All but two interviews were undertaken individually (see Appendix B).

<sup>7</sup> All transcripts are available for consultation at the EUR data repository (<https://dataverse.nl/dvn/faces/site/BrowseDataversesPage.xhtml?groupId=64>). Chapter 5 transcripts are in Portuguese. Relevant segments of these interviews were translated into English and, with written consent of concerned interviewees, quoted in Chapter 5.

# 3

## Altruism but not quite: the genesis of the Least Developed Country (LDC) category<sup>1</sup>

### 3.1. Introduction

In May 2011 the UN gathered in Istanbul to assess progress made by the Least Developed Country (LDC) group<sup>2</sup>. In the 40 years since the creation of the category, several actions have been implemented in an effort to reduce LDC marginalisation; which have resulted in little success. Why is that? Is it due to an excessive focus on goodwill and technicalities (UN 1981, UNCTAD's LDC Reports 1984-2010, UN 1990, UN 2001, UNCDP 2008, Guillaumont 2009, UN 2011a) and a disregard for political economy considerations; namely power quests and strategic interests at the country and organisational/structural level?

The official narrative is that through the LDC category donors should provide special treatment to these countries, given their disadvantaged position in the world economy (UNCDP, 2008: *v*); to ensure a more level playing field through the promotion of sustainable growth in LDCs. Thus, a declining number of LDCs is the ultimate aim of the category. This has not been achieved. At the beginning of 2014, only four countries - Botswana (1994), Cape Verde (2007), Maldives (2011) and Samoa (2014) - had graduated from the category. This is equivalent to an 8 per cent success rate. While this indicates UN's lack of success in materializing the aim of the LDC category (i.e., reduce the number of LDCs), it also indicates lack of success in terms of the special and differential treatment of LDCs. In fact, in this particular context, it is important to bear in mind that there are three parties involved in the "LDC contract": (i) the UN (responsible for establishing the category and for guaranteeing that LDC rules are applied), (ii) LDCs themselves (responsible for implementing development assistance in an exclusively development-oriented way), and (iii) donor countries (responsible for



actually providing special and differential treatment to LDCs by adopting a predominantly needs-based approach to development resource allocation). In such a context, the responsibility for the lack of success of the category has to, necessarily, be a shared one.

Through triangulation of literature review, official document analysis and semi-structured expert interviews, this paper provides a historical account of the decision-making process and context that led to the establishment of the LDC category, investigating what drove its creation in 1971. Relying on an analytical framework that (i) draws on theoretical debates on principal-agent and structure-agency, and (ii) highlights issues of power and self-interest, the inquiry addresses other interrelated sub-questions, namely: Were the criteria purposely chosen so as to exclude or include certain countries? What informed these decisions? Who were the main actors? Which actors benefitted from the establishment of the category?

The remainder of this paper is structured as follows: section 3.2 frames the inquiry by briefly reviewing the world economic and political context in 1971, the main theoretical approaches and analytical models informing the mainstream development paradigm at the time. Sections 3.3 and 3.4 present facts and protagonists of the decision-making process that culminated in the creation of the LDC category in 1971. Section 3.5 investigates responses to the establishment of this new category and section 3.6 concludes.

### **3.2. World context, theoretical approaches and analytical models (1960s and 1970s)**

In the development literature, *modernisation theory* was one of the first and most influential theories employed, analysing progress in terms of economic transition from tradition to modernity (Berger 1994, Brohman 1995, Kamrava 1995, Ma 1998). For this theory, the concept of development (in a world composed of two categories of countries: developed and developing) is associated with ‘the construction of a single model of modernity based on the experience of a few (industrialised) countries’ (Brohman, 1995: 122). This approach imposed an idealised version of North America and Western Europe on Latin

America, the Middle East, Africa, Asia and Oceania (Berger, 1994: 260); regions referred to as the Third World.

Criticised as Eurocentric and seen as serving the interests of capitalism, modernisation theory 'gradually gave way to development studies, which ... dropped the assumption of single destiny' (Ma, 1998: 339). By late 1960s, alternative approaches came forward, challenging dominant academic and policy ideas. From the perspective of the *dependency theory*, 'it was "underdeveloped" countries that were the antithesis of "developed countries"' (Payne, 2001: 7). Initially associated with Argentinean economist Raúl Prebisch and the UN Economic Commission for Latin America (ECLA), this theory (and its import substitution industrialisation corollary, to reduce foreign dependence) also tended to lump and homogenise the Third World, even though it focused on external factors to explain lack of growth in poor countries (Berger, 1994: 260). Dependency theory placed the onus of underdevelopment on the international sphere, blaming external pressures for poor countries' deficient economic growth; particularly, dependence on wealthier countries' manufactured goods, in exchange for their natural resources/commodities. This was seen as perpetuating underdevelopment.

Likewise, the *world-system theory* made use of a dichotomist pair; that of core and periphery, intermediated by the notion of semi-periphery (Payne, 2001: 7). This approach postulates that 'a particular country's internal development [can] only be "understood" with reference to the position it occupies, or the role it plays, in the modern world-system as a whole' (Berger, 1994: 263). Hence, power and resource inequality are central features. Essentially, to this approach, economic and political relations are the main determinants of countries' position in the world order.

Despite the surfacing and diffusion of alternative approaches to development, modernisation theory maintained its vitality, greatly influencing academics and policymakers. The UN, on its part was to a great extent financially and ideologically supported by the USA in an era when this superpower's concern was to avoid the advance of communist ideas and the incorporation of the former colonies into the Soviet Union (Schlesinger, 1997).

During the initial debates on the LDC concept (1960s and 1970s) an important change was taking place within UN membership. There was

an increase in both number and voice of newly independent countries and, consequently, call for a New International Economic Order. Before this, developing countries were powerless colonies. After independence they became more in control of their economic policies and industrial trajectory. They also gained vote majority in the UN, which meant that hegemonic powers had a harder time in an organisation where they no longer controlled the majority. It was a period of optimism, where newly independent countries successfully strived for development (e.g., economic growth was quite positive, even in most of sub-Saharan Africa).

It was also during this period that (i) the UN proclaimed the First and Second Development Decades (1961 and 1971, respectively), convened the first UN Conference on Trade and Development (UNCTAD) (1964), created the UN Development Programme (UNDP) (1965) and the UN Industrial Development Organisation (UNIDO) (1967) and adopted the Declaration on the Establishment of a New International Economic Order (1974); and (ii) the World Bank created the International Development Association (1960), the IMF established its compensatory financing facility (1963), Part IV of the GATT was integrated into this General Agreement (1965) (paving the way for the generalised system of preferences - GSP) and the joint IMF-World Bank Development Committee was established (1974) (Thérien, 2002: 239). These initiatives were framed according to the understanding that economic growth and development obeyed a rather mechanical and straightforward process, anchored in the conviction that the provision of foreign aid to poorer countries would bear fruit (see Hynes and Scott 2013 for an analysis of the evolution of the concept of ODA, 'rooted in the historical development and the political realities of the measure').

Central to all the aforementioned theories and conceptual approaches was the notion of the Third World, 'as a set of national economies or as a subject in economics' (Wolf-Phillips, 1987: 1318). Given the geopolitical context of the Cold War, within which the Third World concept flourished, it fitted easily within the idea of a First (capitalist West) and Second (communist/socialist East) Worlds. These were concepts deeply infused in political connotations, even though inspired by a point of departure that implied economic and social challenges. As a result, the Third World assumed a middle-of-the-road political position, between two contending ideologies: capitalism/NATO and

communism/Warsaw Pact. Third World countries became, in effect, the non-aligned - which placed politics in the forefront of that particular way of categorising countries.

The tendency to make policies based on this threefold, homogenised classification was actually reinforced in 1964 with the establishment of the Group of 77 (G77) during UNCTAD-I, adding that even though the G77 tried 'to incorporate the concerns and priorities of all ... its proposals on trade, foreign investment, transnational corporations, and transfer of technology ... were inevitably of greater interest to the more advanced among the developing countries' (Jolly *et. al*, 2004: 160).

Therefore, it seems reasonable to assume that, while the three worlds classification served as the analytical model on which the idea to compartmentalise the Third World rested (specifically by highlighting the least developed subset within it), modernisation theory influenced the benefits attached to the LDC category, namely the emphasis on trade and the idea that aid should fuel industrialisation. This is reflected in the original set of LDC identification criteria, which gave more weight to economic factors, particularly *per capita* GDP and share of manufacturing in GDP.

Accepting this analytical and conceptual model also meant accepting the logic of Third World homogeneity. In the years that preceded the decision to create the LDC category, the idea of a homogeneous Third World - understood as the failed version of the ideal industrialised First World - was very much present. This was the image that provided the most powerful set of assumptions about the world's poorest, believed to be in need of (industrialisation-focused) development intervention. Third World economic problems were 'understood primarily as technical problems that [could] be overcome by the right mix of advice, investment, aid and liberal reform' (Berger, 1994: 270. See also Ferguson 1990, 1994, Escobar 1988, Payne 2001, 2005).

### **3.3. A new category of (poor) countries: facts and protagonists (1964 - 1971)**

International debate around trade preferences served as the springboard to the idea to clarify the list of developing countries and, within this general list, identify a new sub-category grouping least developed

countries (see Table 3.1). Officially, the issue was first brought up in **1964**, during UNCTAD-I, where

the need to set up ... the new Generalised System of Preferences for poor countries' manufactured and semi-manufactured exports to developed countries' markets ... required a specific decision about who would be the beneficiaries (de Lacharrière, 1971: 464, translated from French).

This indicates an important point: the initiative was not taken in recognition of poorest countries' disadvantages in terms of development and, hence, the need to provide them with additional assistance, but, *primarily*, to facilitate trade with developed countries. Therefore, at least when the idea of "slicing-up" the Third World was first being motivated, it was meant essentially to serve the economic interests of developed countries.

To an important extent, development was equated to international trade (through industrialisation). Against this ideological backdrop, the 1960s had been proclaimed the *First UN Development Decade* and international dialogue on development gained particular impetus within UNCTAD (Guillaumont, 2009: 19). Even before UNCTAD-I, in **February 1964**, the possibility of differentiating within the larger developing countries group (highlighting the least developed within it; to which preferential treatment ought to be granted) was considered during meetings of the GATT's Working Party on Preferences:

Although ... there was no change in the position of the United States and the European Economic Community, the meeting was called primarily to consider a statement presented by Uganda ... and also ... at the request of developing countries who wished to make a demonstration of their solidarity in order to erase the impression of disarray given at the meeting last December [1963]. ... *Uganda suggested differential and two-tiered preferences designed so that the least-developed of the less-developed countries would receive the greatest preferences*<sup>3</sup>. ... *This proposal would run counter to the proposals made by India, Brazil, United Arab Republic and other less-developed countries.* The preferences would be given only to GATT members... (Fagen, 1964: 1, emphasis added)

**Table 3.1**  
**The birth of the LDC category: a chronological tale of selected facts**

1964	UNCTAD-I (June, Geneva) - in the context of trade preferences, possibility of favouring the least developed among developing countries is discussed.
1965	UNCTAD - Raúl Prebisch takes office as Executive Secretary and LDC issue gains impetus.
1967	2 <sup>nd</sup> session of UNCTAD (April, Santiago de Chile) - preparatory work for <i>Second UN Decade</i> includes issue of special measures to promote greater economic growth in developing countries.  G77 1 <sup>st</sup> Ministerial Conference (October, Algiers) - final declaration mentions least developed countries but there is refusal to define them.
1968	UNCTAD-II (May, New Delhi) - adopts resolution on least developed countries.  UN General Assembly (December, New York) - adopts resolution urging UNCTAD to pay special attention to least developed countries.
1969	5 <sup>th</sup> session of UNCTAD (May, Bangkok) - recognizes need to refine twofold classification of countries in the context of international trade and financial policies.  UN General Assembly (December, New York) - adopts resolution on ' <i>Special measures to be taken in favour of the least developed ... countries</i> '
1970	6 <sup>th</sup> session of UNCTAD (January, New York) - term <i>least developed</i> used for first time in report to the ECOSOC.  UNCTAD (March, Geneva) - meeting of working group on least developed countries  UN General Assembly (October, New York) - proclaims <i>Second UN Development Decade</i> and adopts <i>International Development Strategy for the Decade</i> , including section on least developed countries.  UN General Assembly (December, New York) - adopts resolution urging identification of least developed countries.
1971	7 <sup>th</sup> session of UNCTAD (March/April, Geneva) - recommends criteria for identifying least developed countries, special measures in their favour and suggests initial group of 25 LDCs.  ECOSOC (July, New York) - recommends to General Assembly the list of 25 LDCs proposed by UNCTAD.  UN General Assembly (November, New York) - adopts resolution on <i>Identification of the least developed among the developing countries</i> , approving list of <i>hard core</i> LDCs, as proposed by UNCTAD.

Source: Compilation based on UNCTAD reports and General Assembly and ECOSOC resolutions

By **June 1964**, during UNCTAD-I, countries were organised into three negotiating groups, respecting the Three Worlds taxonomy prevalent at the time: (i) industrialised countries with a market economy, (ii) countries with planned economies, and (iii) developing countries. Developing countries constituted the G77, congregating newly independent and non-aligned countries.

To clearly determine the group of countries that could benefit from trade preferences, UNCTAD opted for the principle of self-election (de Lacharrière, 1971: 464); meaning, basically, that countries would be categorised as *developing* (and benefit from the GSP) if they classified themselves as such. At the time, the G77 'refused any discrimination among themselves' (Guillaumont, 2009: 20). This reluctance to divide developing countries had already been felt during the February 1964 meeting of the GATT's Working Party on Preferences:

The meeting was dominated by the less-developed countries which stood together and did not allow themselves to be drawn into discussions of the differences among them. In fact, Uganda did not even speak in defense of its paper [arguing for greater preferences to the least developed] (Fagen, 1964: 1).

It is important to note the underlying political interests of developed countries in seeing this reform through. According to de Lacharrière (1971), France perceived very clearly that if the reform only resulted in the creation of a single undifferentiated category of developing countries, African countries with which she had the closest ties were likely to be harmed by a reform that would benefit the most powerful within the Third World. In fact, France was more aggressive than developing countries themselves in exposing these risks (de Lacharrière, 1971: 468). However, at the end of UNCTAD-I there was no agreement about creating a least developed countries sub-category.

In **1965** the issue gained impetus when Argentinean economist and dependency theory advocate Raúl Prebisch took office as UNCTAD's first Executive Secretary. Prebisch was well aware of the Latin American Free Trade Association reality: all of its members were developing countries and two sub-categories of countries had been created - (i) countries with relatively lower economic development and (ii) countries with particularly small domestic markets (de Lacharrière, 1971: 469). This perspective was brought into a wider, global context.

By **1967**, preparatory work aiming at establishing guidelines and proposals for the *Second UN Development Decade* (1970s) served as the background for the decision to operationalise the LDC concept. Building on UNCTAD-I and following general recognition that economic progress during the *First Development Decade* had been 'disappointingly slow' (UN, 1966: 42), UNCTAD was mandated, by the ECOSOC and the

General Assembly, to work on the aforementioned guidelines and propose a new international development strategy for the 1970s. Accordingly, the 2<sup>nd</sup> session of UNCDP (**April 1967**) considered ‘imperative for all the organizations of the United Nations family to redouble their efforts and to work out a series of new measures’ (UNCDP, 1967: 27) to be included in the 1970s international development strategy.

In **October 1967**, least developed countries earned a special (but quite general) mention in the final declaration of the First Ministerial Conference of the G77 (the *Charter of Algiers*), regarding international measures to be implemented in their favour; including rather vague provisions on trade preferences and development finance. The G77 discomfort with this issue is reflected in the *Charter of Algiers*, which stated that it was not ‘desirable or convenient to attempt an abstract general definition of such countries nor ... an *a priori* strict listing of such countries’ (G77 1967).

In **February 1968**, UNCTAD proposed as possible indicators for the identification of LDCs: (i) proportion of GDP originating in the manufacturing sector; (ii) *per capita* energy, cement or steel consumption level; (iii) literacy level or number of doctors or of university or technical school graduates; (iv) proportion of manufactures in total export (UNCTAD, 1968: 9- 10). Methodologically, after selecting a certain cut-off level of per capita GDP:

The most restrictive approach would recognize as least developed countries only those qualifying as such on the basis of all the chosen development indicators. The least restrictive would include ... all countries qualifying on the basis of per capita GDP plus any one additional indicator (UNCTAD, 1968: 11, underlined as in original).

UNCTAD-II, in **May 1968**, approved the principle of self-election to determine the larger developing countries’ group and unanimously adopted the first resolution<sup>4</sup> calling attention to the problems of the least developed; which was, nonetheless, still drafted in rather general and noncommittal terms. Yet, even though it signalled a not very determined political will, this resolution had the effect of starting a process that, in parallel with the diplomatic debate, allowed further analysis of both the LDC concept and the special measures envisaged for these countries (Smouts, 1981: 51 and UN 1972).



As a result of the approval of the self-election principle, all G77 countries declared themselves *developing* and consequently entitled, in principle, to the GSP. Interestingly, others not pertaining to the Third World also declared themselves developing countries; among them Romania, Bulgaria, Greece, Spain, Portugal, Turkey, Israel and Taiwan (de Lacharrière, 1971: 465). Hence, at least in this specific context, the dividing lines between the three worlds were losing definition, primarily due to commercial interests; leading to the conclusion that, as evidenced here, countries will self-declare to a not so positive label if they find it beneficial.

There is, therefore, a clear difference between the processes of identifying developing countries (self-election) and identifying LDCs (clearly defined criteria managed by a gatekeeper, the UN). At the time, also in the context of the GATT, '[d]eveloping country status was (and remains) determined by self-declaration - the only formal group of developing countries defined in Part IV and the Enabling Clause are the LDCs' (Hoekman and Özden, 2005: 6). This is basically the difference between choosing and earning/meriting a label. The LDC category is more exclusive and, as a result, entry into it is more selective. This indicates that, from the donors' perspective, there are interests at stake when categorising countries, which cannot be overlooked in the name of altruism. This demands cost management considerations in so far as pertaining to these groups entails granting them access, at least in principle, to a set of differentiated benefits. Thus, in principle, LDCs are entitled to more advantageous benefits than other developing countries. However, these are not automatic processes and whether or not benefits are actually provided depends on donors' goodwill; making this a non-legally binding preferential treatment.

### 3.4. A change in perspective ... and a category is born

At its 5<sup>th</sup> session (**May 1969**), UNCDP recognised the need to refine the 'twofold classification of countries as developed and developing' (UNCDP, 1969: 13):

In such measures as granting of preferences by developed countries to developing economies and providing them with financial resources, *it seems inappropriate to have a sharp demarcation line between the two country groups.*

For ... it would mean that ... in the future a country would be considered to have shifted suddenly from the developing to the developed country group, and as such would experience a set-back by virtue of the new obligations it was suddenly asked to assume in place of the assistance previously received. *It seems more natural to introduce an intermediate group ... which would not have to undertake obligations towards developing countries but at the same time would no longer ... receive assistance or preference* (UNCDP, 1969: 13, emphasis added).

UNCDP - probably sensing the boldness of its proposal - was careful enough to recognise that some of its suggestions 'may appear somewhat abrupt' (UNCDP, 1969: 3). However, it explained that it had chosen 'to present certain provocative formulations' (UNCDP, 1969: 3) because the data on which it based its recommendations 'convinced it of the necessity and the urgency of certain radical changes in the prevailing policies' (UNCDP, 1969: 3). Although it had not been explicitly spelled out, the soon-to-be-named *LDC category* seemed to fit quite nicely within that context, even though, initially, at least within UNCDP, the process did not seem to point to the creation of a bottom group (the least developed) but, instead, to an intermediate group (the more well-off among developing countries).

In parallel, debate on the soon-to-be-created LDC category was also taking place within UNCTAD. In **August 1969**, the Trade and Development Board had before it an UNCTAD Secretariat proposal on LDC classification based on a 'composite level-of-development index' (UNCTAD, 1969: 22) of six economic and social indicators: (i) gross domestic product per capita at factor cost (in current U.S. dollars); (ii) percentage of gross domestic product originating in manufacturing; (iii) consumption of energy per capita (coal equivalent); (iv) combined primary and secondary school enrolment ratio for population between 5 and 19 years old; (v) number of doctors per 100,000 inhabitants; (vi) percentage of manufactures in total exports.

In **November 1969**, UNCTAD's *Group of Experts on Special Measures in Favour of the Least Developed among the Developing Countries* discussed other possible classification indicators, 'such as ... *per capita* income, the relative importance of manufacturing activities, *per capita* consumption of energy or steel, the rate of literacy, the size of school enrolment' (UNCTAD, 1969: 2), and possible measures to be implemented in LDC's favour<sup>5</sup>.

In **December 1969**, the General Assembly (whose decisions were based on UNCTDP's recommendations) adopted a resolution on '*Special measures to be taken in favour of the least developed among the developing countries*<sup>6</sup>', recognising the need to 'alleviate the problems of the least developed ... with a view to enabling them to draw full benefits from the Second United Nations Development Decade' (UNCTAD, 1969: 37). Thus, between May and December 1969 there was a change of hearts or, at least, a change in perspective on the part of UNCTDP, or ultimately, on the part of the political bodies of the UN of which UNCTDP was a subsidiary body; i.e., the General Assembly and the UN Secretary General, who directed UNCTDP to take up the matter (UN, 1972: 62). While in May the focus was on introducing an intermediate group (going against UNCTAD's ongoing debate on the LDC concept), by December the focus had changed to a bottom group. One cannot help but wonder about the reasons behind this change. One possible explanation is realignment with UNCTAD (at least in general and abstract terms) so as not to lose the momentum of the soon-to-start *Second Development Decade*.

At its 6<sup>th</sup> session, in **January 1970**, UNCTDP (UNCTDP, January 1970: 19) acknowledged, for the first time, that it had given 'some preliminary thought to questions relating to the least developed among the developing countries', signaling that it now recognised the need to pay attention to these countries. It constituted a working group (UN, 1972: 62) that met in **March 1970** to address the identification of LDCs.

In **October 1970**, the General Assembly proclaimed the *Second UN Development Decade*, starting 1 January 1971, and adopted the *International Development Strategy for the Decade*, which included a section on least developed countries. In **December 1970**, it approved yet another resolution<sup>7</sup> stating the 'urgency of identifying the least developed' (UN, 1970: 64). So, by the 7<sup>th</sup> session of UNCTDP, in **March/April 1971**, the idea of an intermediate group had dwindled, giving way to the bottom group; the least developed. In fact, prior to its 7<sup>th</sup> session, the working group on LDCs presented its deliberations and, for the first time, UNCTDP considered 'recommending criteria for identifying those countries as well as special measures for dealing with their problems' (UNCTDP, 1971: 12). It recognised that

[w]hile developing countries ... face more or less the same general problems of underdevelopment, the difference between the poorest and the relatively more advanced among them is quite substantial. ... the

capacity of these to benefit from general development measures varies widely. The least developed ... cannot always be expected to benefit fully or automatically from such general measures adopted in favour of all developing countries. *Some special supplementary measures are therefore called for to remove the handicaps which limit the ability of the least developed countries to derive significant advantages from the Second United Nations Development Decade* (UNCDP, 1971: 12, emphasis added).

With this in mind, UNCDP suggested three criteria to identify LDCs: (i) *per capita* GDP of US\$100 or less, (ii) share of manufacturing in total GDP of 10 per cent or less, (iii) adult literacy rate of 20 per cent or less (UNCDP, 1971: 16). The focus was on the economy. Jack Stone - Director of UNCTAD's Research Division in 1971, subsequently Director of UNCTAD's Special Program for LDCs and known as 'the father of the least developed concept' (Weiss *et. al*, 2005: 237) - indicated that these proposals were prepared under the direction of Omprakash Talwar, the UN secretariat official in charge of preparations for the UNCDP at that time (Weiss, 2002: 53; and interview on 4 October 2011).

The methodology was simple. To be considered least developed, countries should meet all three criteria. However, exceptions were permitted:

Countries with per capita gross product of \$100 or less but with a manufacturing ratio or literacy rate *somewhat* exceeding the limits ... should be included, especially if their average real rate of growth ... has been *exceptionally low*. Similarly, countries where per capita gross product is over \$100 but is not more than around \$120 and which satisfy the other criteria should also be included. In considering the border-line cases ... *judgment* would have to be exercised to take account of *special circumstances* (UNCDP, 1971: 16, emphasis added).

Essentially, this reveals that there was room for discretion when considering outlier cases. With this, 25 countries were classified as least developed in 1971, comprising the original LDC list:

- a. **Africa:** Benin (formerly Dahomey), Botswana, Burkina Faso (formerly Upper Volta), Burundi, Chad, Ethiopia, Guinea, Lesotho, Malawi, Mali, Niger, Rwanda, Somalia, Sudan, Tanzania, Uganda

- b. **Asia and Oceania:** Afghanistan, Bhutan, Laos, Maldives, Nepal, Sikkim (now integrated into India), Western Samoa, Yemen
- c. **Latin America:** Haiti

Yet, the Committee recognised the complexity of creating a sub-division within developing countries, stating that

a two-fold classification of developing countries into 'least developed' and 'other' is *somewhat arbitrary*, given the multi-dimensional complexity of economic and social development. Admittedly, also, there may be different concepts of least development, each of which may be especially relevant to a different field of action or in the context of a particular region (UNCDP, 1971: 15, emphasis added).

The fact is that special treatment was proposed for these countries (UNCDP, 1971: 21, 22). However, and unlike the LDC identification criteria, there was little definition with regard to *which* special treatment and *how* it would be provided to LDCs. Paradoxically, these important details - which were the core purpose for creating the group in the first place - were left vague. This might be explained by the unwillingness of developed countries to agree to anything too concrete and/or by the reluctance of more advanced developing countries to truly accept the LDC concept, considering that they themselves would be discriminated against. So, vagueness was in the interest of both. Be that as it may, the UN General Assembly - an intergovernmental body of the UN where one country equals one vote and decisions are taken by simple majority (see Weiss and Daws 2008) - approved the list of what it considered 'hard core' (UN, 1971: 52) LDCs in **November 1971**, thereby institutionalising the category. This UN decision contrasted with the lack of enthusiasm demonstrated by both developed countries and more advanced developing countries. For the former, creating such a division within the Third World represented more costs, and for the latter it could thin out special treatment and weaken their power position as part of a cohesive group. This disconnect among UN member states (developed and more advanced developing countries, outnumbered by developing countries) and between them and UNCDP's proposal to create the category, indicates that the creation of the LDC category was, to an important extent, a reform imposed by the UN bureaucracy (through UNCDP), which, while acting autonomously, did so to uphold the interests and the wish of developing countries. Knowing this, we see that the use of the 'hard core' qualifier is not by chance: it served the

purpose of lessening certain member states' reservations about establishing such a division among them; a rare practice within the UN up until then.

### 3.5. Responses to the LDC category

How did more advanced developing countries take this split within the group? Evidence suggests that the decision to approve the list of 25 hard core LDCs was met with considerable opposition during the G77 Ministerial Meeting, held in November 1971, in Lima, Peru. Opposition came notably from Latin America; a region with only one country included in the initial LDC group: Haiti. In fact, 'Latin American countries were never happy with it ... But beyond the Latin American countries, the large Asian countries were opposed and all the large countries' (Jack Stone. Interview. 4 October 2011). There were (unsuccessful) attempts to push for the idea that least development should be regarded as a relative concept and, hence, considered on a regional, rather than global, basis. When this failed, there were attempts, still without success, to have the General Assembly declare the list and the identification criteria provisional (de Lacharrière, 1971: 471, 472).

Stone recalls that those who opposed to the formal identification of LDCs were also afraid that this would 'provide a way for the Group B countries to shift development support from the other 77 to the LDCs' (Weiss, 2002: 52). In the same vein, in the Cold War context,

developing country leaders among the Group of 77 feared that the position of the group would be weakened in relation to Group B. And the leaders of Group B had differing opinions about which developing countries most needed support from the international community (Guillaumont, 2009: 19).

Additionally, Sidney Dell - Director of UNCTAD's New York office in 1972 - considered that 'developed countries ... falling far short of their international obligations to assist developing countries may welcome the separation of the new group as a means of moderating the pressures upon them' (Dell, 1972: unnumbered pages).

According to Smouts, opting for a limited choice of criteria (and a restrictive methodology) did satisfy developed countries, even though,

for example, France was pushing for a solution a bit more flexible; one that could allow the inclusion on the LDC list of other countries from Francophone Africa and the Indian Ocean. However, like all developed countries, France did not want a large list (Smouts, 1981: 52). More advanced developing countries - having reluctantly accepted the concept - were more enthusiastic about the other studies undertaken by UNCTAD, which considered multiple criteria, proposed a broader definition of the LDC concept (Smouts, 1981: 52) and would have allowed the inclusion of more developing countries in the category. To Jack Stone, 'these were all experimental lists. They were the work of technicians and they failed politically to spin the wheels of the political recipients of it' (Interview. 4 October 2011).

What is clear is that while developed countries were striving for criteria that would not extend the LDC list too much, developing countries hoped for criteria that allowed for a more substantial list, guaranteeing that more of them would be granted access to additional special measures. To Jan Pronk, former Deputy Secretary-General of UNCTAD from 1980 to 1985, developing countries

were not interested. They accepted the category. But they didn't like special treatment, preferential treatment. ... They knew that western countries thought that at a certain moment developing countries would no longer qualify for special assistance. So, they were afraid that LDCs would take over that particular place ... there was always some reluctance amongst the other developing countries to give special attention to LDCs. Always. You felt that in international meetings also. There was perhaps more interest amongst B group countries in the LDCs than amongst the other developing countries. They couldn't say so, but it was clear ... not from the official statements but from the way in which they behaved during talks (Interview. 5 July 2011).

When this is cross-analysed with the UNCTAD/UNCDP organisational dynamics, we see that, even if unintentionally, while UNCTAD's proposals protected developing countries' position (by including more countries), UNCDP's proposal was more favourable to donors' interests (by restricting the list). However, according to Stone,

UNCTAD Secretariat strongly welcomed the CDP proposal on a specific initial list of 25 countries ... and the report of the second group of experts on least developed countries was largely devoted to a strong

endorsement of the list. The subsequent steps leading to the adoption of the list by the General Assembly were all strongly backed by the UNCTAD Secretariat. In retrospect, the cautious use of phrases such as “hard core” or reference to the possibility of regional embellishments to the list were no doubt useful in easing the misgivings of some delegates about having a definite initial list - which was an unusual and difficult thing to achieve in UN practice (Interview. 21 February 2012).

Once the concept was generally accepted by all (with different levels of enthusiasm), its implementation (besides dividing the developing world) also divided developed countries, notably former colonial powers; France and Great Britain. Insofar as the selection of LDCs involved a reorientation and prioritisation of aid flows and trade preferences to those countries, former colonial powers sought to ensure that these flows could continue to be directed to countries with which they were traditionally (and commercially) linked to: the Commonwealth for the English, and French-speaking Africa for the French (Smouts, 1981: 53). Jack Stone recalls that

the developed countries that really took the category seriously were the Scandinavian countries. ... The French were happy because this emphasized assistance to a larger body of its former colonies. As to the British, they didn't oppose the idea either because it included some of their colonies (Interview. 4 October 2011).

Pronk adds that developed countries ‘were interested because it might make the whole group of developing countries qualifying for development assistance a bit smaller. So, there was also self-interest in B group countries accepting this category’ (Interview. 5 July 2011). Hence, serving national interests seemed more important than striving for a bias-free agreement on LDC identification criteria. Self-interest superimposed altruism and the spirit of solidarity and cooperation, undermining the attainment of a truly genuine and unadulterated initial list of LDCs. Indeed, some argue that the category is ‘a political definition to some extent, in order to include certain countries and exclude others’ (Vienna Institute for Development and Cooperation, 1990: 3). In fact, if

the group were enlarged to include ... other low income countries, it is difficult to see how a country such as India could be excluded, and this would inevitably make it more difficult to give the members of the group special treatment’ (Dell, 1972: unnumbered pages).



In connection to this, Smouts observed:

Of all the proposed classifications: “countries most affected by the economic crisis” ... “lowest income countries” (...), “poorest countries”, etc., *the LDC classification according to the Committee on Development Planning criteria is the most restrictive and more favourable to African States* (Smouts, 1981: 53, translated from French, emphasis added).

Again, politics and strategic interests are identified as the main (undeclared) drivers of the LDC genesis; notwithstanding UN’s narrative based on good intentions and grand development goals, framed around the introduction of norms (normalisation) to balance out an unequal economic world structure.

The same logic applies to more advanced developing countries. For example, Jack Stone recalls that ‘the Indians ... were watching very carefully as to who were included in the group. They were happy to keep it small’ (Weiss, 2002: 57). More recently, he added that

opposition to it was very much on the side of the ... G77 and the non-aligned countries, which felt that this was an effort to split the developing countries. This was true particularly of the large actors, like India, which were very much opposed to it and were worried that this would split efforts at providing aid for all developing countries (Interview, 4 October 2011).

So, what motivated the UN decision to establish the LDC category? Implicitly, LDC discourse points to normalisation of international assistance (provision of norms/rules for the allocation of this assistance - being it trade or aid; both extremely permissible to donors’ national motivations and, hence, susceptible to function as foreign policy instruments). By building an understanding supporting the idea that LDCs should be entitled to an expanding share of international assistance, the UN expected to reduce the political nature (or the unpredictability) of donors’ development policy decisions and, with this, guarantee a successful *Second Development Decade*. However, unbiased implementation was compromised by developed countries’ and more advanced developing countries’ lack of altruism. This generated a category of mostly small and economically and politically less significant countries.

Analytically, while the LDC project (as envisaged by the UN) fits into a global society/interdependence/cooperation narrative and discourse,

its implementation happened in the real world of international political economy where (the quest for) power dictates behaviours. Also, making use of the principal-agent terminology, the best interests of the principal (i.e., those to whom LDC treatment ought to be directed) were undermined by the self-interest of the agents (i.e., developed and more advanced developing countries, as well as the UN bureaucracy).

### 3.6. Conclusion

By considering power distribution between developed and developing countries, as well as the costs and benefits borne by them as a result of committing to the LDC mechanism, it is possible to conclude that, in fact, from the perspective of both developed and more advanced developing countries, the initial LDC identification process was aimed to generate a reduced list of mostly small and economically and politically less significant countries. Contrary to UN's altruistic narrative, this initial list served the interests of both developed countries (by undermining UN's implicit effort to normalise/depoliticise international assistance) and more advanced developing countries (disturbed by the discrimination created within the developing countries' group, favouring the most disadvantaged among them - the LDCs).

Developed countries gladly committed to an initial list of LDCs that - being small in size and weak in bargaining power - would not demand hefty assistance nor erode their power position. Similarly, more advanced developing countries could not unreservedly agree to a category that excluded them and included their direct competitors, and ended up settling for an overall harmless deal that would not significantly jeopardise their interests.

More advanced developing countries engaged with the UN proposal to "slice-up" the Third World more as a damage-control project, while developed countries viewed it as an opportunity to help advance their economic interests (namely through trade). However, by the time of the institutionalisation of the LDC category, UN bureaucratic interests were also being attended. It became not just about the selfless provision of special treatment to LDCs (the principals), but also about responding to the irreconcilable interests of three different groups (the agents): developed and more advanced developing countries' individual interests

and UN bureaucratic preferences. The UNCTAD/UNCDP thug-of-war-like dynamics can be seen as an indication of the latter.

All-in-all, by showcasing a narrative based on the altruistic prioritisation of LDC assistance, the UN simply appeased voices against the *status quo*, without meaningfully changing it. While the LDC mechanism represented a major step towards the special and differential treatment of these countries, its initial establishment was upset by self-interest and lack of altruism at the country and at the organisational level.

## Notes

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<sup>1</sup> This chapter is based on an article with the same title published in May 2012, in *Third World Quarterly*, to which special acknowledgement is due. Preliminary versions were also presented at: the *Development Dialogue Conference* (ISS, the Hague, June 2011); the *Conference on Development Economics and Policy* (KfW Development Bank and the German Institute for Economic Research, Berlin, June 2011); the 2011 *CERES Summer School* (Utrecht, July 2011). Participants' comments are gratefully acknowledged. Acknowledgement is also due to Peter van Bergeijk, Karel Jansen, Susan Newman, Rolph van der Hoeven, Manuel Ennes Ferreira and Shigehisa "Cape" Kasahara for detailed comments on earlier drafts of this chapter, and to *Fundação para a Ciência e a Tecnologia* (FCT), for the grant support.

<sup>2</sup> LDCs have the lowest per capita incomes and the highest population growth rates; are the most off track to achieve the Millennium Development Goals; are at the bottom of the Human Development Index rankings; have severe infrastructure deficits; have not overcome economic vulnerability nor structurally transform their economies; their productive capacity is limited and more than 75 per cent of their population lives in poverty (UN, *Programme of Action for the Least Developed Countries for the Decade 2011-2020*, Istanbul, 2011, at <http://www.un.org/wcm/webdav/site/ldc/shared/documents/IPoA.pdf>, accessed 25 July 2011, p 1).

<sup>3</sup> Within the UN, the terms *less-developed* and *developing* were used interchangeably at the time.

<sup>4</sup> Resolution 24 (II)

<sup>5</sup> This group met from 24 November to 5 December 1969, in Geneva (UNCTAD, 1969; Hartshorn, 1969 and UN, 1973).

<sup>6</sup> Resolution 2564 (XXIV) of 13 December 1969

<sup>7</sup> Resolution 2724 (XXV) of 15 December 1970

## 4

# Spaghetti and Noodles: Why is the developing country differentiation landscape so complex?<sup>1</sup>

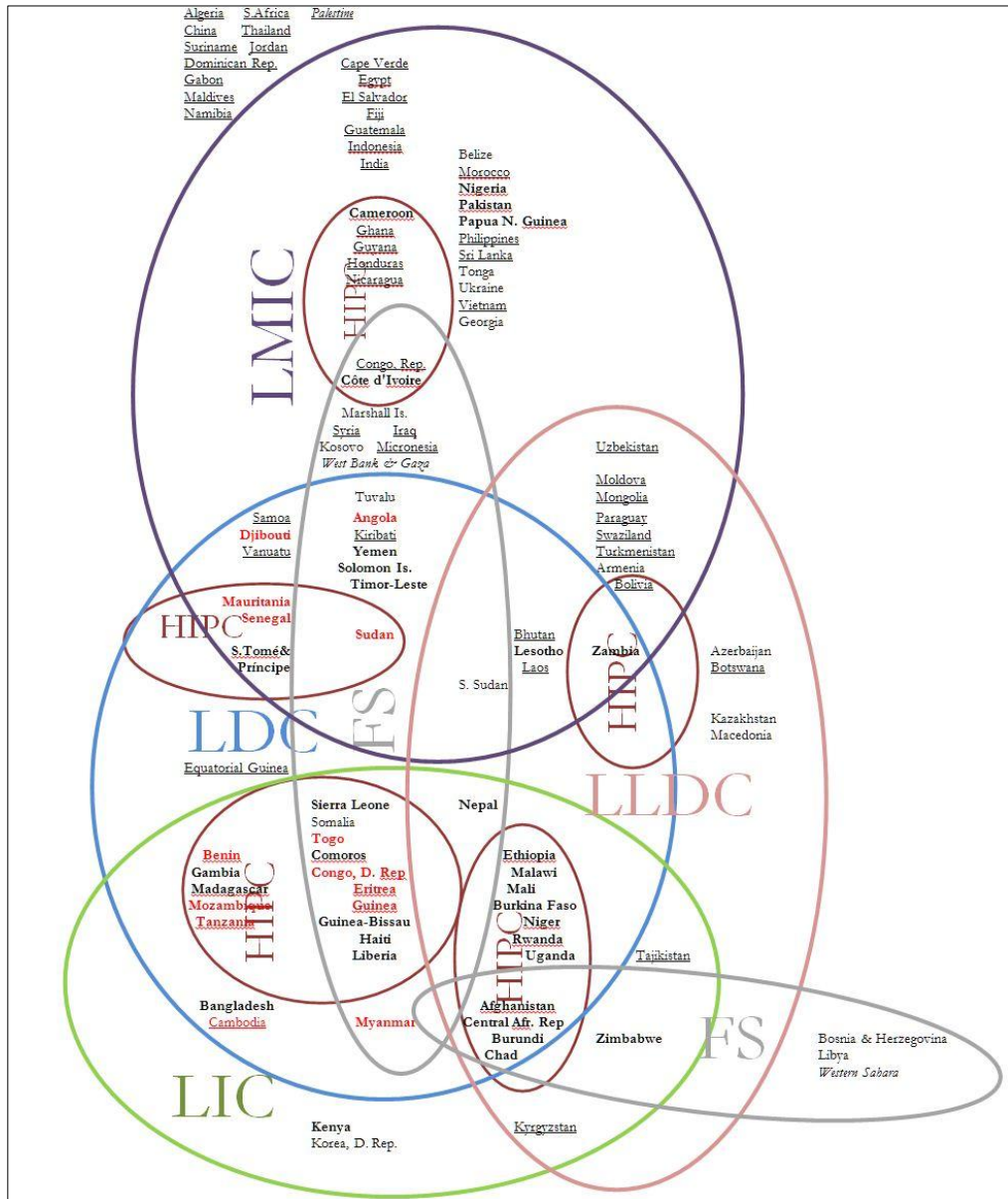
### 4.1. Introduction

One remarkable phenomenon in the arena of international development policy making is the plethora of classifications that has emerged since the 1950s. As shown in Appendix D, the most classified countries in the present landscape of developing country differentiation are nine: Afghanistan, Burundi, Central African Republic, Chad, DRC, Eritrea, Guinea, Sudan, and Togo. Afghanistan, for example, is a fragile state (FS), a heavily indebted poor country (HIPC), a land-locked developing country (LLDC), a least developed country (LDC), a low-income country (LIC), a structurally weak, vulnerable and small economy (SWVSE) and a low human development country (LHDC). Interestingly, LDC membership (which is said to congregate the most vulnerable countries in the developing world) does not always appear to be associated with the number of classifications: Equatorial Guinea is a Middle Human Development, SWVSE and LDC (3 classifications), while Bolivia and Zimbabwe that are not classified as LDCs appear in 6 other classifications. Indeed, the developing country differentiation landscape is of staggering complexity. Of the 49 countries categorised as LDCs by the end of 2013, 17 are also LLDCs, 14 are TDCs, 30 are LICs, 18 are LMIC, 39 are LHD, 6 are MHD, 31 are HIPCs, 24 are FS and 45 are SWVSEs (the average number of other classifications in addition to being an LDC is 3.3). In our sample of country classifications that consists of classifications for 134 developing countries, at the end of 2013 the average number of classifications per country was 3.7. Commenting on this complexity Van Bergeijk and Van Marrewijk (2013: 1) remark:

UNCTAD, the IMF and the World Bank seem to be involved in an intellectual competition to find ever-new acronyms to re-classify and re-group the developing world. The existence of CITs, CAFS, LDCs, LICs, LICUS, HIPCes, SIDs and SWVSEs testifies of the substantial amount of macro and political heterogeneity that is characteristic of what once was perceived to be a more or less coherent group of Third World countries.<sup>2</sup>

In this chapter I seek to understand (i) why this hybrid complex structure developed and (ii) the consequences of the “spaghetti bowl” of country classifications (see Figure 4.1). Actually, as will become clear, this is not only a spaghetti bowl, but a mix of noodles and spaghetti created by different cooks and with sometimes conflicting recipes.

**Figure 4.1**  
The “spaghetti bowl” of nine overlapping categories of developing countries



LDC: least developed countries, LLDC: landlocked developing countries, LIC: low-income countries, LMIC: lower-middle-income countries, HIPC: heavily indebted poor countries, FS: fragile states, LHD: low human development, MHD: middle human development, TDC: transit developing countries

To understand why all these country differentiation initiatives emerged, I investigate the main similarities and differences between them.

The remainder of this chapter is structured as follows. Section 2 presents a discussion of selected categories of developing countries and contextualises these country differentiation efforts, providing a general picture of the developing country differentiation landscape and the special and differential treatment they entail. In order to understand the process of proliferation, Section 3 analyses the drivers of the main players: international organisations, developed countries, developing countries and their representatives. Section 4 provides a case study for two classifications (landlocked developing countries and small island developing states) that would *a priori* appear to be based on purely geographical characteristics. I investigate why these two non-overlapping classifications show completely different dynamics in terms of the speed and extent of proliferation. Section 5 deals with some implications for developing countries and global governance, and proposes policy changes.

## 4.2. An overview of multilateral initiatives

Starting in the 1950s several multilateral efforts, particularly within the UN system, have been implemented to cluster and differentiate developing countries according to common characteristics thought to delay or impede their development and economic growth. For the purpose of this inquiry, the selected categorisations<sup>3</sup> include a total of ten different categories of developing countries considered within UN principal organs and agencies, and Bretton Woods' institutions, specifically:

- a. Least Developed Countries (LDC)
- b. Landlocked Developing Countries (LLDC)
- c. Transit Developing Countries (TDC)
- d. Small Island Developing States (SIDS)
- e. Human Development Index (specifically, low human development countries (LHDC) and medium human development countries (MHDC))
- f. Structurally Weak, Vulnerable and Small Economies (SWVSE)



- g. World Bank's income level categories (specifically, low-income countries (LIC) and lower-middle-income countries (LMIC))
- h. Heavily Indebted Poor Countries (HIPC)
- i. Fragile States (FS)
- j. WTO's Small and Vulnerable Economies (SVE)

Attached to these clusters/groups are different sets of special and differential treatment/benefits. Above all, country differentiation results in development-promoting benefits being assigned, in principle, to different categories of developing countries. Indeed, in the context of policy discussions on the transfer of real resources from richer (developed) to poorer (developing), interests arise amongst countries, as well as different actors within and across countries, in relation to country categorisation/classification. 'Where resource transfers are involved countries have an economic interest in these definitions and therefore the definitions are much debated' (Nielsen, 2011: 4).

In light of the constellation of prevailing interests developing countries have been placed in several and often overlapping categories over the years. One consequence of the spaghetti and noodles bowl as depicted in Figure 4.1, is that it is often hard to understand which country gets (or is entitled to) what and why. Table 4.1 numerically illustrates the extent of this overlap. It indicates how many of the countries in each of the selected categories also belong to other categories.

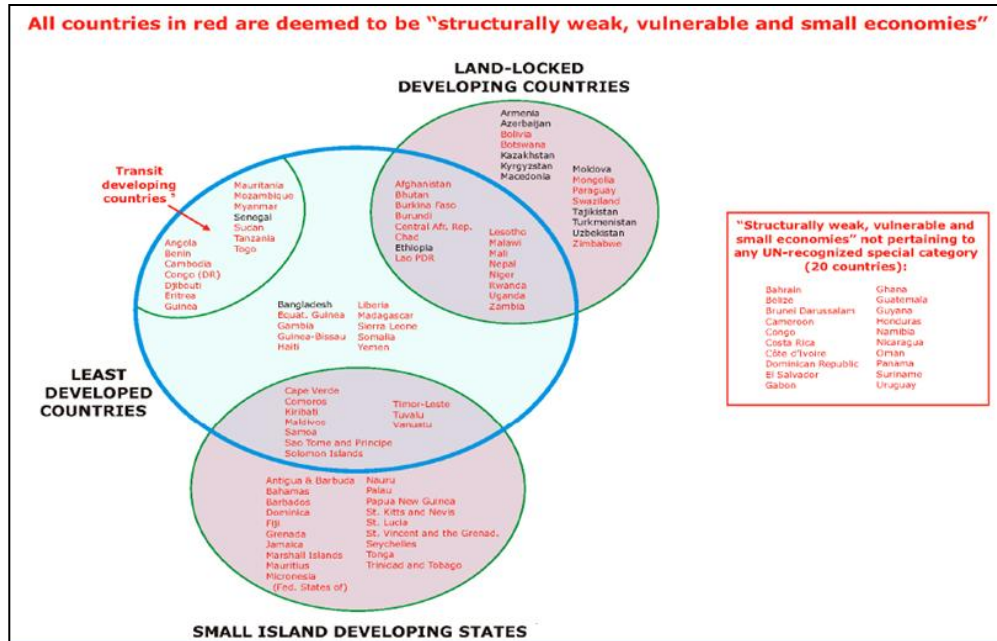
**Table 4.1**  
*Matrix of selected developing countries' categories (as of December 2013)*

	LDC	LLDC	TDC	LIC	LMIC	LHD	MHD	HIPC	FS	SWVSE	SVE
LDC	49	17	14	30	18	39	6	31	24	45	0
LLDC		32	0	15	11	14	12	13	5	21	10
TDC			14	9	5	13	1	10	7	13	13
LIC				35	0	28	3	26	16	29	3
LMIC					57	15	31	12	13	36	18
LHD						46	0	32	22	40	4
MHD							47	6	5	25	20
HIPC								39	18	37	6
FS									36	28	1
SWVSE										92	32
SVE											45

Source: Appendix E, UN, World Bank, UNDP, IMF, WTO websites

Additionally, Figure 4.2 shows the proliferation and overlap of five categories: SWVSE, LDC, LLDC, TDC and SIDS. There is indeed a proliferation of categories within multilateral organisations, and within the UN in particular, indicating a tendency to create new categories of countries whenever new development problems are identified.

Figure 4.2  
Five overlapping categories



Source: [http://unctad.org/en/Docs/tdb54crp4\\_en.pdf](http://unctad.org/en/Docs/tdb54crp4_en.pdf)

In November 1971 the General Assembly of the UN first approved the list of what it considered 'hardcore'<sup>4</sup>LDCs<sup>5</sup>. Through this category donors should provide special treatment to these countries, in terms of aid, trade and technical assistance. From the initial 25 LDCs identified in 1971, the category grew to a total of 51 countries as more countries became independent from colonial rule in the 1970s while, at the same time, poor performance of other developing countries made led to their admission into the group in the 1980s and 1990s. Since 1994 membership fell to 47 LDCs, following four graduation cases (Botswana (1994), Cape Verde (2008), Maldives (2011) and Samoa (2004)), rising again to 48 countries in 2012 following the inclusion of the newly formed Republic of South Sudan. (UNCDP, 2012: 1).

Two categorisations, apparently exclusively based on geographical factors and widely used, are the *landlocked developing countries* (LLDC) and the *small island developing states* (SIDS). I will take a closer look at the SIDS

in Section 4 and investigate why it is difficult to come up with a consensus of which countries should be considered SIDS. Regarding the LLDCs, the application of the criteria to countries that 'lack territorial access to the sea' (UN 2011b: 1), has been less problematic also due to the consensus view that high transportation and transit costs related to being landlocked hinder trade and investment and, thus, imposes economic burdens on these countries. This, in turn, contributes to increased poverty and adverse effects on development. In fact, among developing countries, LLDCs present some of the lowest growth rates and 'are heavily dependent on a very limited number of commodities for their exports' (G77, 2004).

*Transit Developing Countries* (TDC) is another category of countries considered within the UN. In most cases, these are neighbours of LLDCs with

Similar economic structure and with problems of their own, including scarcity of resources. Transit developing countries bear additional burdens deriving from transit transport and its financial, infrastructural and social impacts. Transit developing countries are themselves in need of improvement of technical and administrative arrangements in their transport, customs and administrative systems to which their landlocked neighbours are expected to link.<sup>6</sup>

To assist in overcoming these handicaps faced by both LLDCs and TDCs, the Almaty Programme of Action, established in 2003, represents the response of the international community to address their special needs, suggesting/recommending special and differential treatment in their favour.

A fifth category - very much inspired by the work of Mahbub ul Haq and Amartya Sen (see ul Haq 2003) - was launched in 1990 by the United Nations Development Program (UNDP), ranking countries according to their *human development index*: (i) low (LHD), (ii) medium (MHD), (iii) high (HHD) and (iv) very high human development (VHHD)<sup>7</sup>. According to UNDP, this method 'introduced a new way of measuring development by combining indicators of life expectancy, educational attainment and income into a composite human development index, the HDI',<sup>8</sup> introducing a new paradigm in terms of framing and definition of development, at the heart of which laid the notion of human capabilities (Jolly et al, 2004: 179). Unlike the other categories, it does not exactly

recommend or advocate for the special and differential treatment of certain countries.

The group of *Structurally Weak, Vulnerable and Small Economies* (SWVSE) was put together by UNCTAD in 2004, as a response to a request in the São Paulo Consensus<sup>9</sup> urging it to ‘enhance its work on ... problems and challenges faced by transit developing countries as well as structurally weak, vulnerable, and small economies’ (Trade and Development Board, 2007: 1). Armed with this mandate, UNCTAD identified 92 SWVSE, of which:

Nearly four fifths ... (72) already pertain to one or two of the three United Nations-recognized special categories of developing countries (LDCs, LLDCs, SIDS), while 20 stand out as freshly recognized SWVSEs, or disadvantaged countries that never enjoyed special international attention by way of United Nations categorization (Trade and Development Board, 2007: 1).

In terms of their special and differential treatment, UNCTAD pledged to ‘(i) continuing to support SWVSEs that are within the recognized United Nations categories (LDCs, LLDCs, SIDS); and (ii) extending assistance to other SWVSEs along the precepts of the “resilience-building” paradigm’ (Trade and Development Board, 2007: 1).

Within the Bretton Woods institutions, developing country differentiation has meant the creation of different groups of countries over the years. In the 1980s, the World Bank established a categorisation based exclusively on *income level*, as measured by per capita Gross National Income (GNI), which today comprises: (i) *low-income countries* (LIC), (ii) *lower-middle-income countries* (LMIC) (iii) *upper-middle-income countries* (UMIC), (iv) *high-income countries* (HIC), and (v) *high-income OECD members*<sup>10</sup>. (For the purpose of this chapter the focus will be exclusively on the bottom two categories: which congregate the world’s 90 poorest countries). Essentially, these are ‘analytical income categories ... based on the Bank’s operational lending categories (civil works preferences, IDA eligibility, etc.)’<sup>11</sup>. Accordingly:

These operational guidelines were established based on the view that since poorer countries deserve better conditions from the Bank, comparative estimates of economic capacity needed to be established. GNI, a broad measure, was considered to be the best single indicator of economic capacity and progress; at the same time it was recognised that

GNI does not, by itself, constitute or measure welfare or success in development. GNI per capita is therefore the Bank's main criterion of classifying countries<sup>12</sup>.

The *heavily indebted poor country* (HIPC) initiative, established in 1996, is a joint approach promoted by the International Monetary Fund (IMF) and the World Bank, aiming at 'ensuring that no poor country faces a debt burden it cannot manage'<sup>13</sup>. The majority of HIPCs are overly indebted low-income countries (according to the World Bank's income level categorisation) that can benefit from IMF and World Bank assistance to service and reduce their debt, ideally bringing it to a sustainable level. The HIPC initiative

is open to the world's poorest countries ... that: (i) are eligible only for highly concessional assistance such as from the World Bank's International Development Association (IDA) and the IMF's Poverty Reduction and Growth Facility ...; (ii) face an unsustainable debt situation ...; and (iii) have a proven track record in implementing strategies focused on reducing poverty and building the foundation for sustainable economic growth<sup>14</sup>.

By the end of 2013, 39 such countries<sup>15</sup> (most of them in Sub-Saharan Africa, see Appendix E) have been found eligible to receive special treatment (more specifically, debt relief) under the HIPC initiative.

Another category of countries - this one still evolving towards a clearer definition - is the *fragile states group*<sup>16</sup>, which replaced the World Bank's concept of *low-income countries under stress* (LICUS)<sup>17</sup>. State fragility is a categorising concept applied by the World Bank and the OECD-DAC. Both organisations define this concept by referring to 'low income and to the World Bank CPIA<sup>18</sup> rating, and they differ only by the CPIA threshold' (Guillaumont, 2009: 14). More specifically, fragile states are

defined as having either: a) a composite World Bank, African Development Bank and Asian Development Bank Country Policy and Institutional Assessment rating of 3.2 or less; or b) the presence of a United Nations and/or regional peace-keeping or peace-building mission ..., with the exclusion of border monitoring operations, during the past three years<sup>19</sup>.

In addition, '[c]ountries are considered core fragile states if their CPIA is below 3.0 ... [and] marginal fragile states if their CPIA score is between

3.0 and 3.2'<sup>20</sup>. These are countries that 'face severe development challenges such as insecurity, weak governance, limited administrative capacity, chronic humanitarian crises, persistent social tensions, violence or the legacy of civil war'<sup>21</sup>. Among the 36 countries categorised as fragile states<sup>22</sup> by the end of 2013, the World Bank differentiates between four situations: (i) post-conflict countries, (ii) re-engaging and turnaround countries, (iii) deteriorating situations, and (iv) prolonged impasse<sup>23</sup>.

Finally, *Small and Vulnerable Economies* (SVE) are WTO members that 'account for only a small fraction of world trade. They are particularly vulnerable to economic uncertainties and environmental shocks'<sup>24</sup>. More specifically, a SVE 'is defined as one whose average share for the period 1999-2004 (a) of world merchandise trade does not exceed 0.16 per cent and (b) of world NAMA<sup>25</sup> trade does not exceed 0.10 per cent and (c) of world agricultural trade does not exceed 0.40 per cent' (WTO, 2011: 25). The WTO has identified a total of 45 such countries among its member states, to which additional trade flexibilities are provided in the framework of WTO negotiations.

**Table 4.2**  
*General overview of selected developing countries categories and respective benefits*

Categories	Benefits/Special and differential treatment
LDC	<ul style="list-style-type: none"> <li>▪ ODA: bilateral donors' commitment to allocate 0.15% of GNP as ODA to LDCs (according to the Brussels Declaration and Programme of Action)</li> <li>▪ Several UN organisations target technical cooperation programmes to LDCs or earmark a proportion of their budgets for LDCs</li> <li>▪ Preferential market access: Generalised System of Preferences (GSP - non-reciprocal) and Global System of Trade Preferences (GSTP - among developing countries, is a reciprocal scheme available for signatories)</li> <li>▪ Special treatment regarding WTO obligations (for LDCs that are WTO member states) and WTO accession</li> <li>▪ Trade-related capacity building: through the <i>Integrated Framework for Trade-related technical assistance to LDCs</i>; a multi-agency, multi-donor programme to assist LDCs in developing trade-related capacities</li> <li>▪ Financial support: provided by the UN (and its organisations) for the participation of LDC representatives in annual sessions of the General Assembly and in other UN meetings</li> <li>▪ Entitlement to 90% discount in LDC contributions to UN peacekeeping operations</li> <li>▪ LDC contributions to the UN regular budget are capped at 0.01% of the total UN budget</li> </ul>

**Table 4.2 (continued)**

Categories	Benefits/Special and differential treatment
LLDC	<ul style="list-style-type: none"> <li>▪ Almaty Programme of Action: establishes general guidelines/recommendations for the special and differential treatment of LLDCs in the areas of transit policy, infrastructure development, international trade and ODA</li> <li>▪ EU-ACP Agreement: previews special treatment for ACP countries that are LLDCs</li> <li>▪ Debt relief under HIPC initiative: for LLDCs that are also HIPC</li> </ul>
TDC	<ul style="list-style-type: none"> <li>▪ Almaty Programme of Action (same as LLDC)</li> <li>▪ LDC treatment (note that all TDC are also LDC - see Table 4.1)</li> <li>▪ Debt relief under HIPC initiative: for TDC that are also HIPC</li> <li>▪ Access to World Bank's IDA lending for TDC that are also LIC</li> </ul>
SIDS	<ul style="list-style-type: none"> <li>▪ World Bank's small island exception: provision of IDA resources to small islands whose per capita income is above the IDA eligibility cut-off but have no or very limited creditworthiness, which impedes their access to IBRD borrowing</li> <li>▪ EU-ACP Agreement: previews special treatment for ACP countries that are also SIDS</li> </ul>
LIC	<ul style="list-style-type: none"> <li>▪ Access to the World Bank's IDA concessional lending</li> <li>▪ Several bilateral donors use the LIC classification to determine ODA allocation</li> <li>▪ Regional and multilateral financial institutions often allocate concessionary financing to developing countries based on the LIC classification</li> </ul>
LMIC	<ul style="list-style-type: none"> <li>▪ Some are considered <i>blend countries</i> and are eligible for both IDA concessional loans (due to their low per capita incomes) and non-concessional IBRD loans (because they are financially creditworthy)</li> </ul>
SWVSE	<ul style="list-style-type: none"> <li>▪ UNCTAD technical assistance in several areas, including: advisory services to enhance participation in the Doha negotiations; assistance to trade policy formulation; training and capacity-building activities in the areas of trade negotiations, competition law and policy, and trade and the environment; improvement of trade facilitation; support of multimodal transport chains and customs modernisation.</li> <li>▪ LDC treatment for SWVSE that are LDC</li> <li>▪ LLDC treatment for SWVSE that are LLDC</li> <li>▪ TDC treatment for SWVSE that are TDC</li> <li>▪ Debt relief under HIPC initiative: for SWVSE that are also HIPC</li> <li>▪ Access to World Bank's IDA lending for SWVSE that are also LIC</li> </ul>
HIPC	<ul style="list-style-type: none"> <li>▪ Debt relief under the HIPC mechanism</li> </ul>
FS	<ul style="list-style-type: none"> <li>▪ Based on the OECD-DAC <i>Principles of Good International Engagement with Fragile States</i><sup>26</sup>, the World Bank takes a differentiated approach to fragile states by adapting its interventions to specific challenges faced by these countries</li> </ul>
SVE	<ul style="list-style-type: none"> <li>▪ Based on a Work Programme set up by the WTO, SVEs are provided trade flexibilities that go beyond those offered to other developing countries</li> </ul>

Source: compilation based on UN (2003, 2006), UNCDP (2008), UNDESA (2004), OECD-DAC (<http://www.oecd.org/dacfragilestates/>), Trade and Development Board (2007), WTO (2011)

Typically the purpose of the differentiation is to provide some countries with a specific special and differential treatment and others



not. Table 4.2 summarises the special and differential treatment entailed by each one of these categories. As observed before, countries are often in more than one category and then allocated the benefits allotted to all the categories they are included in. To return to an earlier example: Afghanistan is entitled to the benefits and differential treatment for LDCs and can also apply for the windows for Fragile States, HIPCs, LLDCs, SWVSE and LICs.<sup>27</sup>

### 4.3. Why does the proliferation occur?

So what drives the proliferation of categories of developing countries? Why has the international provision of preferential treatment to developing countries become so complex and non-transparent? Differentiating among developing countries tends to be a rather political process, even if hidden in technicalities. A clear evidence of that is the impasse that, for years, has blocked international agreement on the creation of a consensual category of small islands developing states; a category that, given its distinct geographical characteristic, should, in theory, be one of the less problematic to establish. After all, to any lay person, an island is simply a piece of land surrounded by water. Yet, can, for example, Timor-Leste and Haiti be considered islands even though they share that piece of land surrounded by water with Indonesia and the Dominican Republic, respectively? On the other hand, what exactly constitutes *small* and *developing*? Who determines the frontiers of all these concepts and definitions, particularly in a context where, ultimately, there is (at least in principle) a pot of gold at the end of the rainbow (i.e., privileged access to special and differential treatment)? In effect,

Existing taxonomies suffer from lack of clarity with regard to how they distinguish among country groupings. The World Bank does not explain why the threshold between developed and developing countries is a per capita income level of US\$6,000 in 1987-prices and the UNDP does not provide any rationale for why the ratio of developed and developing countries is one to three. As for the IMF's classification system, it is not clear what threshold is used (Nielsen, 2011: 41).

Nielsen (2011: 10) mentions that, for example, in 1960, at the time of the establishment of the World Bank's concessional financing entity (the International Development Association – IDA), the differentiation

between donors and beneficiaries ‘was a political exercise: a civilized understanding among sovereign countries about how to label each other’.

In order to understand the process of proliferation it is important to consider what is in it for the main players, as well as the reason for including them as such:

- a. International organisations (IOs): because it is the structure within which differentiation and proliferation occur
- b. Developed countries: because they are the providers of the resulting special and differential treatment
- c. Developing countries: because they are the ones being differentiated and the recipients of special and differential treatment.

Because the structural differences between these last two players seem evident, I expect that this approach will result in valuable analytical insights in terms of interests and power relations. Related to this, it is worth clarifying that state and countries are used interchangeably. Complicating the analysis is that it is not only these nations and institutions, but also their (iv) representatives (bureaucrats, diplomats, etc.) that bear the costs and benefits of proliferation. Therefore, I will consider the representatives analytically as a fourth group of players, particularly taking into account that what makes them different is that they are the agents of change (i.e., the actual people that negotiate) and they embody both the interests of the state as well as their own interests, which may or may not be in line over different issues. This is why the focus is on the processes of negotiation themselves.

#### 4.3.1. International organisations

It is important to emphasise at the start that differentiation of countries and classifications often are meant to serve a useful purpose. In general, for these organisations, these categories of developing countries work primarily (but not exclusively) as internal policy instruments. Firstly, classifications are used by IOs in order to increase their (technical) efficiency and efficacy in policymaking and policy implementation, including provision of special and differential treatment. This is to be achieved by customisation of policy-prescriptions according to particular

development issues/conditions (e.g., landlockedness, indebtedness, islandness, state fragility, etc.) and helped by in-depth knowledge of and specialisation in development issues faced by different groups of developing countries.<sup>28</sup> New development problems create new tasks and in a number of cases that requires new instruments and may thus lead to new categorisations. Examples are the World Bank that systematises different income categories to facilitate its loan/grant allocation and the IMF/World Bank that institutionalised the HIPC initiative to assist the implementation of their debt relief programmes.

Secondly, categories may provide valuable communication tools. UNDP, for example, created the human development ranking to help it advocate a more comprehensive type of development that goes beyond per capita production. Yet another example is that the World Bank (and the OECD-DAC) defined fragile states to create awareness of policymakers when considering development prescriptions for these countries.

Thirdly, categorisations may be a gateway to increased donor attention and funding (both by the public sector, by NGOs and by commercial parties). An example is the HIPC initiative that was complemented by the Inter-American Development Bank and where the IMF and World Bank reportedly use moral suasion to ensure voluntary creditor participation in the initiative.<sup>29</sup> It can be argued that the creation of a category may reflect an effort to normalise/depoliticise development support with the aim of stimulating a needs-based/recipient-focused type of assistance allocation, rather than an approach that is mostly responsive to donors' self-interests and/or motivations. A category can be helpful in advocating the prioritisation of assistance to certain countries and subjecting IOs and donor countries to closer scrutiny in terms of international pledges/commitments made towards specific groups of developing countries. The LDC category is a clear example and its purpose is more sensitive than that sought by the other similar multilateral initiatives, because it pierces the realm of countries' sovereign decision on how to allocate development support measures.

All these examples can be seen as organisational attempts to impose some structure onto the use of a particular policy instrument; in this case, the categorisation or differentiation of developing countries. However, the proliferation of categories resulting from it may also be a reflection of wasteful competition between and within IOs, as their

representatives act as autonomous agents. Frey (2008: 338) observes that lower entry costs induce larger numbers of IOs that provide the same or similar services and concludes that: “International organizations have an incentive to suppress competition by dividing up the field of activity according to regions and specific sub-types of activity” (Frey 2008: 339). Moreover, bureaucracies try to maximise their independence and one way to do this is by using discretionary rather than rule-based approaches (Vaubel 1996). Many of the categories reflect an ever increasing discretionary approach that undercuts or modifies criteria. Examples are the LDC category for which the criteria have been revised several times in order to (implicitly) help countries not to graduate and the World Bank’s further differentiation of fragile states into four subcategories that illustrates both the practical difficulties of the umbrella ‘fragile states’ as well as the ever continuing quest for further categorisation. As for the LDC categorisation, it is worth mentioning that the revision of its criteria hindering graduation might have resulted not only from the discretionary power of the bureaucracy, but also from member states’ lobbying pressure on certain UN bureaucratic structures, with the aim of changing the rules to suit national interests.

At yet another level, the proliferation of overlapping categories can also be seen as a reflection of self-interested actors maximising the likelihood of the organisation’s (and therefore their own) survival amongst others by increasing its depth and scope (Schneider and Tobin 2011). The spaghetti bowl may thus reflect continued existence and decision-making power of certain bureaucratic structures that over the years: (i) have been purposely created just to manage these categories and, consequently, have gained in-depth knowledge of the development hurdles faced by these countries; and (ii) have based their mandates on diagnosing development/economic problems faced by these specific groups of countries and designing and prescribing interventions for them. Indeed, it is not far-fetched for bureaucracies to consider their own survival ahead of any idealistic goal. In this line, the continued existence of the bureaucratic apparatus - and not the best interest of member states and their citizens - can become the primary unstated goal of certain structures within the organisation. This self-reinforcing dynamics of bureaucratic structures comes up clearly in the case study discussed below. The principal-agent theory explains this distortion, postulating that IOs have ‘vested interests which differ from the

preferences of the voters and the voters cannot effectively control the international organization because they are rationally ignorant of most of its activities and/or lack the power to impose their will' (Vaudel, 2006: 126-127).

Additionally, evidence has shown that an

elementary feature of bureaucracies is that they classify and organize information and knowledge. This classification process is bound up with power ... The ability to classify objects, to shift their very definition and identity, is one of bureaucracy's greatest sources of power ... Categorization and classification are a ubiquitous feature of bureaucratization that has potentially important implications for those being classified. To classify is to engage in an act of power (Barnett and Finnemore, 1999: 710-711).

#### 4.3.2. Developed countries

It is by now a well-established stylised fact that developed economies use development assistance as a power tool to foster their own political and economic interests (see Alesina and Dollar 2000, Burnside and Dollar 2000, Berthélemy 2006, de Haan 2009). The impact of geopolitical interests on developmental relationships has been studied at all levels of international development cooperation and been established for the UN, the World Bank, the Asian Development Bank and in bilateral development assistance (see for example: Kilby 2006, Boschini and Olofsgård 2007, and Dreher et. al 2009). Besides their autonomy, IOs are also extensions (and, hence, serve the interests and values) of their most powerful member states (Abbott and Snidal 1998, Köchler 2006, Drezner 2009). Therefore, it is not uncommon for them to sponsor reforms and policies aimed, ultimately, at replicating values supported by the powerful onto less powerful societies (Tabb 2004). In this sense, the proliferation of these categories might very well serve as a conveyor belt for the widespread diffusion of Western-inspired reforms and interests through the provision of special and differential treatment that promotes certain Western-friendly development/economic practices. Likewise, the complexity resulting from this proliferation also works in the same direction. There are, indeed, 'powerful reasons to believe that regime

complexity will enhance rather than limit the great powers' (Drezner, 2009: 68).

However, developed countries have an important role to play in curbing the tendency of international bureaucrats (IOs' employees and diplomats) to further complicate the country differentiation landscape. After all, more differentiation means more committees, more meetings, more travel, more time and thus more costs that often have to be covered by developed countries themselves. Indeed, the checks against bureaucratic waste have to come from the major principals (the dominant countries or the major contributors). By implication, lower voting power of the major principals may reduce the incentives and possibilities to provide that check and thereby increase bureaucratic inefficiency (Vaubel 1996: 209). Sometimes the mandate (that is, the delegation by the principals) may play havoc. Gutner (2012: 350-352) points out that the delegation of conflicting tasks (so-called antinomic delegation) will stimulate mission creep, that is: the growth of tasks, goals and often the mandate beyond levels that were originally envisaged. Blurring development and other goals (environment, peace-keeping, etc.) may thus stimulate bureaucratic proliferation processes.

#### 4.3.3. Developing countries

In the past the major motive for developing countries to push for new categories would seem to consist of the efficiency and efficacy of lobbying due to greater ease of coordination with like-minded countries in order to better advance interests and/or claim benefits. (Or to put it more positively: a category creates an international setting where countries can learn about each other's shared interests and shared concerns). The existence of specific instances could then help to directly claim special and differential treatment.

The growing economic strength of developing countries since the 1990s adds other motivations. The sea change in their economic conditions over the past decade may provide a check to geopolitics and bureaucratic pathologies (see Humphrey and Michaelowa 2013 for the case of multilateral lending). Moreover, developing countries have become more self-confident and want to play a role in the system (Elsig 2011). It is completely rational that politicians and delegates from smaller

countries may prefer to participate in (committees of) IOs where they can exert influence rather than in those that are dominated by the world powers (Frey 2008: 340-1). Of course it is also possible that developing countries might seek this proliferation of categories due to the possibility of having specific instances where to more directly claim preferential treatment. This takes into account the fact that one of the categories referred to earlier (small islands) is an initiative strongly backed by developing countries themselves.

#### 4.3.4. Representatives

The management of country lists is an important activity of the bureaucrats employed by IOs. These tasks involve all aspects of their authority: rule-making, definition and creation of categories and the discourse in 'their' policy arena, creation and reshaping of incentives and/or interests and (political) organisation (Barnett and Finnemore, 1999: 699). Indeed, the bureaucrats propose lists of countries to be offered differential treatment, determine the countries to be actually included on those lists and participate in the negotiations to decide the benefits of differential treatment. In this regard, Haftel and Thompson (2006: 261) mention that 'some secretariats and commissions can initiate and recommend policies and thereby promote the goals of the organization, prerogatives that greatly enhance bureaucratic authority'.

Elsig (2010) distinguishes between the sovereign principals and the proximate principals that are the diplomats that work in the delegations of the contracting parties.<sup>30</sup> These diplomats do not only serve as negotiators, liaisons and translators of the social interests of their home country, but also have private interests. In particular, they will seek activities that give them visibility, legitimise their stay at the IO and further their career in general. Frey (2008: 339) identifies the same self-serving behaviour on the part of politicians and IOs' employees, and states that this is 'not necessarily made in bad faith. Persons already engaged in a particular international field are often convinced that they are the most knowledgeable and thus the most valuable actors'. Nonetheless, he also recognises the discretionary power of IO, 'which bureaucracy tends to use for its own advantage' (Frey, 2008: 341).

Thus, moving the analysis to the structure-agency dichotomy, representatives in IOs can also be understood as purposive and autonomous agent (see Barnett and Finnemore 1999, 2004). In line with this, the excessive and continuous categorisation of developing countries can indeed be seen as a dysfunctional self-serving bureaucratic behaviour on the part of representatives, oftentimes in disregard for the best interests of developing member states themselves. On the one hand, related to this dysfunctional exercise of agency, Cape Verde's former Foreign Affairs Minister and former Ambassador to the US, José Brito, considers that 'the development world does not really want development. And the whole system of development has an interest in maintaining the system. They live off the system' (Interview. 24 May 2012). On the other hand, highlighting the power of organisational structures, Victor Borges, Cape Verde's former Foreign Affairs Minister, states that 'the bureaucratic logic, the administrative logic is so heavy that the desk officer, even a Programme Director, does not dare reverse that' (Interview. 14 May 2012). However, it is also not uncommon for IOs' bureaucracies to act on behalf of their "client" member states, putting forth positions that serve the interests of those specific countries.

The analysis of the four main players using principal-agent and structure-agency theoretical inputs allows us to understand (i) IOs as structure, but their (ii) representatives as autonomous and oftentimes self-interested agents whose actions may be facilitated or restrained depending on whether or not their interests match those of member states, and (iii) developed and developing countries also as self-interested actors. Even though it becomes clear that all players have their own agendas, their behaviour is conditioned and shaped by each other. Obviously, they do not act isolated from each other and their interests are not equally influential. For instance, developed and developing countries' ability to realise their interests in the context of an IO is constrained by organisational structure and conditioned by bureaucratic self-interest. At the same time that representatives in IOs exercise agency in their actions (which gives them discretionary power to, for example, pursue reforms that are not necessarily in the best interests of member states), their behaviour is either: (i) limited by organisational structure, (ii) facilitated by member states' inability to curb bureaucratic dysfunctions, or (iii) obstructed by member states' power to prevent



those dysfunctionalities. The proliferation of developing countries' categories within the UN emerges at the intersection of all these tensions in interests and power. Above all, it is clear that all four players have self-interested reasons to support one or more of these categories, which, unchecked, has resulted in proliferation that to some would seem to be excessive.

#### 4.4. Case Study: landlocked developing countries (LLDC) versus small island developing states (SIDS)

Our case study focuses on two classifications that would *a priori* appear to be based on purely geographical grounds but show different dynamics in terms of proliferation. Motivating the choice of these two categories is (i) the realisation that they are at opposite ends of the proliferation spectrum (while there is no proliferation for LLDCs, a lot of it can be reported for SIDS) and (ii) the fact that they do not overlap (a landlocked country cannot, by definition, be an island, and vice-versa). This last point also means less or no opacity in policymaking decisions contemplating these two categories.

##### 4.4.1. Presenting the case

While the categorisation of LLDCs has been relatively straightforward and unambiguous<sup>31</sup>, the main difficulty with also including SIDS in Table 4.1 and in Appendices D and E is the fact that, unlike LLDCs and all the other categories referred to earlier, 'there is no clear definition for what constitutes an island-nation' (Schmidt, 2005: A 607). This has generated much confusion. According to Carolina (2013: 4)

The existence of the "Small Island Development States" (the SIDS) was recognized in 1992 by the United Nations (the U.N.) and this group was defined as "low-lying coastal countries that share similar sustainable development challenges, including population, limited resources, susceptibility to natural disasters, vulnerability to external shocks, and extensive dependence on international trade." There exist an inconsistency between the definition of the SIDS and its acronym. As a consequence, non-islands economies as Belize, Suriname and Guyana, are awkwardly classified under the SIDS.

The category of LLDCS, by contrast, has been rather uncontroversial and the list of such countries consensually well-defined. Also, the growth and development challenges that these countries face has been recognised by the UN for many years. There is indeed record of such recognition as early as 1957 in a UN General Assembly resolution calling for the ‘full recognition to the needs of land-locked Member States in the matter of transit and trade and ... to accord them adequate facilities in terms of international law and practice’ (UN, 1957: 13). To my knowledge, the only glimpse of a potential dispute with regard to the definition of the LLDC list is a reference found at UNCTAD’s website, mentioning that the list is ‘*informally* accepted by UN member States’<sup>32</sup> (emphasis added). More importantly, the list has been stable from the start<sup>33</sup>.

In contrast, despite much international debate on SIDS over many years, there has been no consensus regarding this category of countries. In fact, there is report of the issue of islandness (and the development-hampering conditions it entails) being discussed in international *fora* as early as 40 years ago:

The third session of UNCTAD, in 1972, decided that a panel of experts should identify and study the problems of island developing countries. UNCTAD IV, in 1976, encouraged the international community to envisage special measures in favour of these countries. In 1977, the UNCTAD secretariat established a Special Programme for Least Developed Countries, and Land-locked and Island Developing Countries, the first such institutional unit within the United Nations ... The main characteristics and problems of island developing countries were discussed in UNCTAD reports and raised in United Nations General Assembly resolutions, at regular intervals, between the late 1970s and the mid-1990s. ... The notion of “island developing countries” was abandoned by the United Nations in 1994, and gave way to a more focused denomination, that of small island developing States (SIDS) (Hein, 2004: 4-5)

So, according to Hein (2004: 8), ‘it was only in 1994 that it became politically possible to exclude larger States from the range of island developing countries that were deemed in need of special attention’. However, to this day, this has still not been achieved. Actually, big islands (and non-islands) are still part of many different lists of SIDS.

The Alliance of Small Island States (AOSIS) – an *ad hoc* lobbying and negotiating group<sup>34</sup> that represents the interests of SIDS within the UN system – has a membership of 44 countries and territories (including non-self-governing islands). It is important to note that ‘AOSIS members include Belize, Guinea-Bissau, Guyana, and Suriname, which are all coastal – although not technically island-nations’ (Schmidt, 2005: A 607). An anonymous informant (Anonymous 1) explains that

the history of AOSIS involved, from the start, countries that were concerned about climate change, and some of these countries were coastal, continental States. Since then, these free riders have assumed that 20 years of history is enough to make them legitimate islands. The damage was done, nobody would think of expelling them (Email interview. 20 February 2013).

In addition, Cuba, with a population of 11.3 million, is also a member of AOSIS (Schmidt, 2005: A 607). While, contrary to the examples of Belize, Guinea-Bissau, Guyana and Suriname, Cuba is undoubtedly an island, with a population of more than 11 million people it can hardly be considered a *small* one.

In addition to the AOSIS list of SIDS, which Encontre (2004) considers to be an essentially political list; there is also reference to an economic list of SIDS, an institutional list of SIDS, and the UNCTAD non-official list of SIDS. In fact, a quick investigation reveals at least six different lists of SIDS (Appendix F); ranging from 13 to 52 such countries by the end of 2013. These also include different lists of SIDS being considered within one single organisation: the UN; denoting proliferation within one single category and, possibly, existence of organisational feuds/disputes.

The more inclusive of these SIDS lists is the one advocated by the UN-Office of the High Representative for LDCs, LLDCs and SIDS (UN-OHRLLS), with 52 countries, including indisputably not-so-small islands and non-independent territories. Manuel Pinheiro, former Director General for Planning at Cape Verde’s Ministry of Finance, considered this unfortunate ‘because many countries entered, for example large and continental countries, and the group lost its thread, it lost its essence’ (Interview. 10 May 2012). The World Bank’s list of SIDS is the less inclusive, while UNCTAD ‘unofficial’ list of SIDS excludes non-independent territories as well as bigger islands and

coastal/continental countries considered by the UN-OHRLLS, UNDESA, UNESCO and AOSIS.

Additionally, in the categorisation used in the 2012 LDC Report, UNCTAD differentiates island LDCs from other LDCs, grouping together eight African, Asian and Pacific island LDCs<sup>35</sup>, while leaving out Haiti and Madagascar because both are regarded as large islands (UNCTAD, 2012: xii). This exclusion is consistent with UNCTAD's unofficial list of SIDS. However, strangely enough, in the Report, Haiti, a Caribbean island, ends up grouped together with African LDCs, revealing a considerable degree of discretion and randomness in the framing of the analysis and thus in perceived and reported needs of island economies.

Paradoxically, the inability to reach consensus (or informal agreement) on a single internationally-(or even UN)-agreed list of SIDS has not stopped the multiplication of SIDS-specific bureaucratic structures within the UN. These are aimed, essentially, at managing these lists. In effect, besides the Special Programme for LDCs, LLDCs and Island Developing Countries established at UNCTAD in 1977, AOSIS established in 1991 and the UNESCO SIDS Platform established in 2008,

A High Representative for the Least Developed Countries, Land-locked Developing Countries and Small Island Developing States was appointed in 2001, and the Department of Economic and Social Affairs has maintained a Small Island Developing States Unit (Hein, 2004: 8-9).

Oddly enough, despite the existence of a myriad of bureaucratic structures devoted to SIDS (and the additional fixed costs they entail), the UN has not been able to agree on SIDS-specific special and differential treatment to be unanimously advocated among its main funds and agencies, let alone among its member states. An anonymous informant (Anonymous 1) affirms that there is 'no SIDS treatment whatsoever, because no development partner would take any of these lists seriously. But every now and again, there is a meeting on SIDS somewhere in the world, and that is always good to take for many people' (Email interview. 20 February 2013). The same informant considers that 'being on a list costs nothing and gives you some visibility, there will always be something to grab from time to time. Nothing to

lose' (Email interview. 20 February 2013). This reveals self-interested behaviour at the core of SIDS categorisation.

Ironically, apart from the World Bank's small island exception<sup>36</sup> and the EU-ACP Agreement<sup>37</sup> (which envisages special treatment for ACP countries that are SIDS), not much has been done within the UN to convert 'the recognition of SIDS-specific issues into (...) SIDS-specific concessions' (Encontre, 2004: 92). Thus, besides the World Bank's and the EU's support instruments, SIDS have been supported essentially through 'North-South arrangements such as those maintained by the European Union to benefit ACP countries, or by the United States in favour of specific regions involving island States (e.g. through the Caribbean Basin Initiative)' (Encontre, 2004: 92).

To sum it up, the UN has reproduced (i.e., has stimulated the proliferation of) bureaucratic structures dealing with SIDS (or at least has not impeded it), with little practical results in terms of: (i) reaching a consensual definition of SIDS and (ii) designing concrete special and differential treatment in their favour. In fact, some argue that politics has impeded agreement on an unequivocal definition of SIDS and the lack of an internationally agreed 'definition of the SIDS category has been the most fundamental reason for which countries that claimed to fall in that category were not able to gain special treatment on grounds of "small islandness"' (Encontre, 2004: 92).

Table 4.3 highlights the main differences between the LLDC and the SIDS categories, demonstrating the stakes involved, namely in terms of special treatment and average bilateral aid for both groups.

**Table 4.3**  
*Comparing LLDC and SIDS: bringing out the facts*

	Landlocked developing countries (LLDC)	Small island developing states (SIDS)
First discussed	1957	1972
Acceptance	informal	no
Consensus	yes	no
Initiative	UN	UN and developing countries
Number of lists	1	at least 6
Number of countries	32	ranging from 13 to 52

**Table 4.3 (continued)**

	Landlocked developing countries (LLDC)	Small island developing states (SIDS)
Number of countries not meeting the technical requirements	0	19 (These are either non-independent territories or coastal/non-island countries included in the six different SIDS lists considered. This number goes up if smallness (or lack thereof) is also taken into consideration)
Main policy documents	<ul style="list-style-type: none"> <li>▪ Almaty Programme of Action (2003)</li> <li>▪ Almaty Declaration (2003)</li> <li>▪ Roadmap for the implementation of the Almaty Programme of Action (2004)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Barbados Programme of Action/Programme of Action for the Sustainable Development of SIDS (1994)</li> <li>▪ Mauritius Strategy for the further implementation of the Programme of Action for the Sustainable Development of SIDS (2005)</li> <li>▪ Mauritius Declaration (2005)</li> </ul>
Bureaucratic apparatus/Organisational structures	<ul style="list-style-type: none"> <li>▪ UN Office of the High Representative for the LDC, LLDC and SIDS</li> <li>▪ UNCTAD's Special Programme for LDCs, LLDCs and Island Developing Countries</li> </ul>	<ul style="list-style-type: none"> <li>▪ UN Office of the High Representative for the LDC, LLDC and SIDS</li> <li>▪ UNCTAD's Special Programme for LDCs, LLDCs and Island Developing Countries</li> <li>▪ UNDESA's SIDS Unit</li> <li>▪ UNESCO's SIDS Platform/Section for Small Islands and Indigenous Knowledge</li> <li>▪ AOSIS (no budget, nor secretariat; operates out of chairman's Mission to the UN)</li> </ul>

Table 4.3 (continued)

	Landlocked developing countries (LLDC)	Small island developing states (SIDS)
Benefits/Special treatment/Support measures	<ul style="list-style-type: none"> <li>▪ EU-ACP Agreement: previews special treatment for ACP countries that are LLDCs</li> <li>▪ Debt relief under HIPC initiative: previewed for LLDCs that are also HIPC</li> </ul>	<ul style="list-style-type: none"> <li>▪ World Bank's small island exception: IDA resources to small islands whose per capita income is above the IDA eligibility cut-off but have no (or very limited) creditworthiness, which impedes access to IBRD borrowing</li> <li>▪ EU-ACP Agreement: previews special treatment for ACP countries that are also SIDS</li> <li>▪ US Caribbean Basin Initiative provides duty-free access to the US market for most goods from 17 SIDS<sup>38</sup> in the region</li> </ul>
2000-2011 average total bilateral aid disbursement (USD millions) <sup>39</sup>	<ul style="list-style-type: none"> <li>▪ 16,918.18</li> </ul>	<ul style="list-style-type: none"> <li>▪ 3,134.15</li> </ul>

Sources: compilation based on UN (1957), Hein (2004), [www.aosis.org](http://www.aosis.org), <http://www.unesco.org/new/en/natural-sciences/priority-areas/sids/about-unesco-and-sids/unesco-sids-platform/>, <http://www.ustr.gov/trade-topics/trade-development/preference-programs/caribbean-basin-initiative-cbi> (accessed May 3 2013), <http://stats.oecd.org/qwids/>

#### 4.4.2. Case study conclusions

The key characteristics of this case study are as follows: contrary to the LLDC example, there has been (i) much debate on SIDS for many years, (ii) no consensual list of SIDS defined, (iii) many SIDS-specific bureaucratic structures created within the UN, (iv) special and differential treatment in favour of SIDS only coming from *other* organisations (e.g., World Bank and EU).

If we take the LLDC category as a benchmark, these observations indicate unproductive fragmentation of efforts and uncoordinated activities, denoting wasteful competition between and within organisations. This finding may have broader implications. For example, the same sort of wasteful institutional fragmentation has been observed with respect to development assistance. For example in the case of the

United States' 'more than 50 different bureaucratic units with overlapping responsibilities involved in giving foreign assistance', Frey (2008: 340) concludes that 'negative externalities produced by the efforts to help, as well as the large fixed set-up costs may well produce poorer results'. That conclusion could also be relevant for the many SIDS lists proliferating within the UN.

Looking specifically at the size of the six different lists of SIDS considered in this chapter, one important explanation for the considerably smaller World Bank category is that the five different SIDS lists at the UN have been created in a situation of conflicting tasks related to (i) development (UNCTAD, UNDESA, UNOHRLS), (ii) environment (AOSIS), and (iii) education/science/culture (UNESCO), giving rise to mission creep; while the World Bank small islands exemption is straight forwardly related to only one aspect, that is: development finance.

Yet, looking beyond list size, what is it about SIDS that has generated all this bureaucratic activity around the category, but little practical results? Who gains from this impasse and confusing state of affairs? What is in it for IOs, developed countries, developing countries and their representatives?

Clearly, IOs and representatives (namely, bureaucrats employed by IOs and diplomats/representatives from both developed and developing countries) gain quite a lot. Specifically, while the fuss goes on, it is not surprising that they are indeed able to safeguard vested interests by maintaining and securing jobs, networking possibilities, and consultancy opportunities. Until a clear definition is reached, the lists proliferate, as demonstrated, and there continues to be reason for more international debate, more studies, more counter-studies, more meetings, more expert advice, more travel and, ultimately, more costs (often borne by developed countries). As demonstrated, the proliferation of different SIDS lists within one single organisation can, in fact, be a (i) reflection of self-interested actors maximising the likelihood of particular departments' (and their own) survival and (ii) an indication that bureaucratic motives are driving the process. In either case, it is also important to consider that the interests of certain member states might be supporting this proliferation.

The inability of developing countries to effectively plan, decide and monitor their participation in these different SIDS categories illustrates a



lag between the interests of (i) developed countries, IOs and bureaucrats, and those of (ii) poorer/weaker countries or, in the same vein, between truly vulnerable SIDS and countries that for other reasons may want to be in this category. It is indeed quite telling that the only example of a category of countries whose emergence was strongly motivated by developing countries themselves (i.e., SIDS), in sort of a bottom-up dynamics, has not been able to gain consensual recognition, despite having given rise to so many bureaucratic tentacles.

Additionally, fuelling an ever-more complex and endless SIDS differentiation exercise might also be in the interest of developed countries not so interested in according more special and differential treatment to yet another category of developing countries considered to be dealing with yet another “special situation”. Hein (2004: 12) states that

Skepticism remains about the legitimacy of SIDS as a category requiring special attention, and there has been reluctance in providing these countries with concrete forms of special treatment, although this is generally not said openly in international fora dealing with these questions.

Hence, supporting a complex situation (i.e., adding more spaghetti and noodles to the bowl), or not making a definite effort to clarify a confusing state of affairs (and agree on a single list of SIDS), can work as a tool to foster the interests of those in power positions, in detriment of smaller and weaker states. Hein’s (2004: 13) qualification of ‘a politely supportive, yet almost dismissive attitude’ would seem to be on the spot.

#### 4.5. Conclusion

I consider the spaghetti and noodles bowl of categories of developing countries to be detrimental to development and global governance. Going from very few such categories in the 1970s to too many of them nowadays does have negative implications. Firstly, the resulting overlap creates discretion. Secondly, the complexification of allocation/provision of special and differential treatment to developing countries makes it more difficult and costly to reap the benefits of special treatment since the proliferation brands more countries eligible for special treatment. This makes the treatment by definition less special (that is: more

common and widespread) and thereby less valuable. Thirdly, in the spaghetti and noodles bowl of too many overlapping categories of developing countries, specific development problems and/or countries can easily be overlooked. Fourthly, a developing country might be compelled to accept the implementation of a one-size-fits-all policy that is being proposed for one of the categories in which it has been placed (even if this would not be consistent with the policies for other classifications where it has also been placed). Fifthly, a classification may provide a misleading assurance of easier access to special and differential treatment inducing costly lobbying activities. Finally, the intention of country classifications is to provide analytical clarity and rules that govern special treatment, but country classification may also prove unproductive, as observed by Drezner (2009: 67, emphasis added): ‘Paradoxically, *after a certain point* institutional and legal proliferation can shift global governance structures from a Lockean world of binding rules to a Hobbesian world of plastic rules’. Therefore, there ought to be an optimal point of proliferation of developing countries categories, where the aforementioned negative implications can be curtailed or minimised.

Other authors have challenged the need for the proliferation of categories on other grounds. Payne (2005: 40), for example, advocates for a new critical political economy of development that ‘rejects the “exceptionalism” of a special category of countries deemed to be in particular need of development and endeavours [and] ... recast[s] the whole question of development as a universal question, a “transnational problematic”’. In line with this view, Hettne (1995: 263) defines development as ‘societal problem solving ... [implying that] a society develops as it succeeds in dealing with predicaments of a structural nature, many of them emerging from the global context’. So, the burden of development should be placed on all, and not on specific groups of countries, making it ‘a global and universal problem’ (Hettne, 1995: 266), rather than a problem for selected groups of countries.

As to the consequences of the spaghetti bowl of country classifications, rather than creating predictability, rationality and transparency about rules and principles and protecting states against the vagaries of both large countries and powerful international bureaucracies, the excessive proliferation of classifications injects the global governance system with opacity and discretion, enabling the exercise of power over smaller and weaker states.

## Notes

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<sup>1</sup> This chapter is based on a September 2013 ISS Working Paper, co-authored with Peter van Bergeijk, to whom special acknowledgement is due. Comments by Susan Newman, André Corsino Tolentino, John Cameron, Rolph van der Hoeven, Manuel Ennes Ferreira and Shigehisa “Cape” Kasahara on earlier drafts of this chapter are also gratefully acknowledged. A preliminary version was presented at the Development Dialogue Conference (ISS, the Hague, October 2013) and at the poster session of the 8<sup>th</sup> Conference on the Political Economy of International Organizations - PEIO VII (Hertie School of Governance, Berlin, February 2015). Participants’ comments are gratefully recognised, as well as the grant support provided by *Fundação para a Ciência e a Tecnologia* (FCT) and by ISS’ Economic of Development and Emerging Markets (EDEM) research group.

<sup>2</sup> The acronyms stand for Countries In Transition, Conflict Affected and Fragile States, Least Developed Countries, Low Income countries, Low Income Countries Under Stress, Heavily Indebted Poor Countries, Small Island Developing States and Structurally Weak, Vulnerable and Small Economies

<sup>3</sup> The selection of these categories was done based on a general scan of UN’s categories congregating developing countries.

<sup>4</sup> UN, *Resolution on Identification of the least developed among the developing countries*, 1971, at <http://www.unitar.org/resource/sites/unitar.org.resource/files/document-pdf/GA-2767-XXVI.pdf>, accessed 1 September 2010, p 52.

<sup>5</sup> The LDC category encompasses countries that fall within the following criteria and thresholds (reviewed/adjusted periodically), which are supposed to measure long-term structural weaknesses (UNCDP, 2012: 16-17):

- A low-income criterion, based on a three-year average estimate of per capita Gross National Income (GNI), according to which a country is classified as least developed if its per capita GNI falls under US\$992 and graduated from LDC status if it raises above US\$1,190;
- A human assets weakness criterion<sup>5</sup>, measured through a Human Assets Index (HAI) that includes indicators of nutrition (percentage of undernourished population), health (child mortality rate), education (gross secondary school enrolment rate) and literacy (adult literacy rate). For inclusion in the LDC category, countries must present a HAI of 60, and to graduate from it their HAI must be 66 or higher;
- An economic vulnerability criterion, measured through an Economic Vulnerability Index (EVI) based on the following indicators: (i) natural shocks (index of the instability of agricultural production and the share of

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population displaced by natural disasters); (ii) trade shocks (index of the instability of exports of goods and services); (iii) exposure to shocks (share of agriculture, forestry and fisheries in GDP and index of merchandise export concentration); (iv) economic smallness (the population in logarithm); and (v) economic remoteness (index of remoteness). For inclusion in the LDC category, countries must present an EVI of 36 or lower, and to graduate from it their EVI must be 32 or lower (For a complete description of the variables and methodology employed to calculate the indicators and composite indices that are used to categorise countries as LDCs, see Chapter III of UNCTAD (2008)).

<sup>6</sup> <http://www.unescap.org/ttdw/index.asp?MenuName=LandlockedCountries>

<sup>7</sup> <http://hdr.undp.org/en/statistics/>

<sup>8</sup> <http://hdr.undp.org/en/statistics/indices/hdi/>

<sup>9</sup> Adopted at UNCTAD XI, in São Paulo, Brazil

<sup>10</sup> <http://data.worldbank.org/about/country-classifications/country-and-lending-groups>

<sup>11</sup> <http://data.worldbank.org/about/country-classifications/a-short-history>

<sup>12</sup> <http://data.worldbank.org/about/country-classifications/a-short-history>

<sup>13</sup> <http://www.imf.org/external/np/exr/facts/hipc.htm>

<sup>14</sup>

<http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:20259564~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html#04>

<sup>15</sup> <http://www.imf.org/external/np/exr/facts/hipc.htm> and <http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/EXTDEBTDEPT/0,,contentMDK:20260049~menuPK:64166739~pagePK:64166689~piPK:64166646~theSitePK:469043,00.html>

<sup>16</sup> <http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/FCSHarmonisedListFY13.pdf>

<sup>17</sup> Two criteria defined LICUS (considered to be countries with weak policies, institutions and governance): per capita income within IDA threshold and performance of 3.0 or less on both the overall Country Policy and Institutional Assessment (CPIA) rating and the CPIA rating for Public Sector Management and Institutions. Depending on these criteria, a LICUS country was classified in one of three subgroups: severe, core, or marginal. Marginal LICUS scored on the edge of what was considered LICUS and were identified only for monitoring purposes ([http://www.worldbank.org/ieg/licus/licus06\\_map.html](http://www.worldbank.org/ieg/licus/licus06_map.html))

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<sup>18</sup> The Country Policy and Institutional Assessment (CPIA) rates countries according to sixteen criteria, grouped in four clusters: (i) economic management; (ii) structural policies; (iii) policies for social inclusion and equity; and (iv) public sector management and institutions ([www.worldbank.org](http://www.worldbank.org)).

<sup>19</sup>

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLICUS/0,,menuPK:511784~pagePK:64171540~piPK:64171528~theSitePK:511778,00.html>

<sup>20</sup>

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLICUS/0,,contentMDK:22310165~menuPK:6432437~pagePK:64171531~piPK:64171507~theSitePK:511778,00.html>

<sup>21</sup> <http://www.oecd.org/dacfragilestates/>

<sup>22</sup> <http://siteresources.worldbank.org/EXTLICUS/Resources/511777-1269623894864/FCSHarmonisedListFY13.pdf>

<sup>23</sup>

<http://web.worldbank.org/WBSITE/EXTERNAL/PROJECTS/STRATEGIES/EXTLICUS/0,,contentMDK:22310165~menuPK:6432437~pagePK:64171531~piPK:64171507~theSitePK:511778,00.html>

<sup>24</sup> [http://www.wto.org/english/thewto\\_e/minist\\_e/min11\\_e/brief\\_svc\\_e.htm](http://www.wto.org/english/thewto_e/minist_e/min11_e/brief_svc_e.htm)

<sup>25</sup> Non-agricultural market access

<sup>26</sup> Provides 'a set of guidelines for actors involved in development co-operation, peacebuilding, statebuilding and security in fragile and conflict-affected states ... These principles were established because fragile states require different responses than those applied in better performing countries' <http://www.oecd.org/dacfragilestates/>.

<sup>27</sup> Afghanistan is also a Low Human Development Country, but this does not give rise to benefits in terms of differential treatment.

<sup>28</sup> Of course the benefits of less costly group policymaking have to be balanced against the potential loss in individual/country-specific policymaking and assessment

<sup>29</sup> <http://www.imf.org/external/np/exr/facts/hipc.htm>

<sup>30</sup> Elsig studied the WTO, but his analysis is also relevant for other international organisations

<sup>31</sup> Considering that it is, after all, a geographical condition and, hence, countries are either landlocked or not.

<sup>32</sup>

<http://unctad.org/en/Pages/ALDC/Landlocked%20Developing%20Countries/List-of-land-locked-developing-countries.aspx>

<sup>33</sup> To our knowledge, the creation and consequent inclusion of South Sudan in this list 2011 is the only noteworthy change.

<sup>34</sup> Created in 1990 at the 2<sup>nd</sup> World Climate Conference.

<sup>35</sup> Comoros, Kiribati, Samoa, São Tomé and Príncipe, Solomon Islands, Timor-Leste, Tuvalu, Vanuatu.

<sup>36</sup> This exception, in effect since 1985, reflects the recognition, by the World Bank, that SIDS typically have to deal with higher transportation costs, fewer opportunities to pursue economies of scale and severe human capital constraints because of their small size and small populations. Thus, the small island economy exception permits the provision of IDA resources to small island economies, with per capita income above the operational cut-off for IDA eligibility.

<sup>37</sup> Allows the implementation of specific measures benefiting landlocked and island ACP countries.

<sup>38</sup> Antigua and Barbuda, Aruba, The Bahamas, Barbados, Belize, British Virgin Islands, Dominica, Grenada, Guyana, Haiti, Jamaica, Montserrat, Panama, St. Kitts and Nevis, St. Lucia, St. Vincent and the Grenadines, Trinidad and Tobago.

<sup>39</sup> SIDS average bilateral aid disbursement is based on a list of 42 countries considered as SIDS by the OECD-DAC.

# 5

## Zooming into the case of Cape Verde - Part I: Before LDC graduation<sup>1</sup>

### 5.1. Introduction

This Chapter provides a case study example of LDC trajectory, from admission to graduation. It takes on the case of Cape Verde, starting with an assessment of prevailing conditions at the time of its LDC admission. It explains the background of how, during LDC membership, power networks - supported by factors such as the availability of much-needed foreign assistance and the constellation of interests resulting from that - came to consolidate themselves in Cape Verde, leading to an opposing stance (by the country and by certain UN structures) towards LDC graduation.

Cape Verde is a ten-island Creole<sup>2</sup> archipelago, located in the North Atlantic Ocean, 455 km off the western coast of Africa, with a resident population of roughly 500,000 people<sup>3</sup>, total land surface of 4,033 km<sup>2</sup> and an Exclusive Economic Zone (EEZ) of about 700,000 km<sup>2</sup>. The country - home to the first city established by Europeans in Africa (*Ribeira Grande*<sup>4</sup>) - gained independence from Portugal in July of 1975. Independence was signed approximately 500 years after first being discovered in May of 1460, uninhabited until then.

With the arrival of the Portuguese, Cape Verde became a prominent trading centre for slaves brought in from the West coast of Africa to be shipped to the Americas. The country's strategic location between Africa, Europe and the New World and the fact that it was free of tropical diseases represented an important competitive advantage in slave trade, which made it prosper. The wealth resulting from slave trade attracted English and French pirates, who attacked and ransacked *Ribeira Grande*, on the island of Santiago, several times. These constant pirate attacks, along with the abolition of slavery in the 19<sup>th</sup> century, weakened

Cape Verde's economy tremendously. This economic decline was somewhat reversed in the 19<sup>th</sup> century with the establishment of a British coal depot in the island of São Vicente (World Bank, 1985: 1). However, the archipelago experienced frequent and serious droughts, which resulted in mass starvation and death that amounted to an estimated 40% reduction of the population (World Bank, 1985: 1). Under these conditions, even during colonial times, emigration was a lifeline for many fleeing famine and poverty.

In such critical conditions, the fight for self-determination was sparked by claims of sheer abandonment of the population by the colonial power. The independence process, headed by the legendary Amílcar Cabral, came to fruition after years of struggle with the colonising power, Portugal, which was itself under political dictatorship until 1974. Following independence, the ruling party implemented a one-party political regime and a centralised economic model, heavily dependent on foreign aid. Categorised as an LDC in 1977, in December 2007 Cape Verde became the second country to graduate from that status; 32 years after its independence from Portugal.

Cape Verde retained LDC status for 30 years. In 1994, seventeen years after its admission, the country met for the first time graduation criteria (CNUCED, 2003: 8). According to UNCTAD, 'this context was seen as resulting largely from the positive socio-economic impact of external funding received by Cape Verde' (CNUCED, 2003: 9, translated from French<sup>a</sup>). In the 1997 triennial review of the LDC list, Cape Verde again surpassed the exit threshold for *per capita* income and the exit threshold for human capital. According to the UNCDP rules, it should have exited the category at this time. However, 'as there was no framework for graduation ... the international community did not push too hard at the time. It was postponed' (Adão Rocha, currently senior Adviser to the Prime Minister. Interview. 26 April 2012) and UNCDP considered that 'Cape Verde [should be] removed from the list if it continues to satisfy the exit criteria at the next revision of the list in 2000, provided a more detailed assessment of its situation' (CNUCED,

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<sup>a</sup> ... ce contexte apparaissait comme résultant largement de l'impact socio-économique positif du financement extérieur reçu par le Cap-Vert.



2003: 9, translated from French<sup>b</sup>). In 2000, the country met, for the third consecutive time, two of the three LDC graduation criteria: per capita income and human capital (CNUCED, 2003: 10). In April of that year, UNCTAD noted that Cape Verde ‘appeared as one of the most vulnerable developing countries according to the EVI<sup>5</sup>, as the country stood at only 54% of the output threshold under this criterion’ (CNUCED, 2003: 10). Taking this into account, UNCTAD once again refrained from suggesting its graduation and recommended that Cape Verde’s graduation be re-evaluated in the 2003 triennial review of the LDCs list. In 2003, having met yet again (for the fourth consecutive time) graduation thresholds for *per capita* income and human capital (CNUCED, 2003: 12), the country was finally considered apt to graduate by UNCTAD<sup>6</sup> – a recommendation endorsed by UN General Assembly resolution A/59/210, of 20 December 2004. Following a three-year period, the country effectively graduated from LDC status on 20 December 2007.

In principle, entitlement to the international special treatment specifically aimed at LDCs, from which Cape Verde benefited since 1977, when added to the LDC list, would be lost. However, the deadline for the total phasing-out of LDC-related advantages and benefits remains unclear. While there are accounts of a 2015 deadline, there is no written formal commitment pointing in that direction. In fact, evidence collected from expert interviews shows that there is still a general sense of uncertainty regarding the transition period (in Chapter 6, I will analyse the decision-making process that led to the country’s LDC graduation).

In conjunction with Chapter 6, this chapter starts to address the questions of how was Cape Verde’s LDC graduation negotiation process characterised, and how different was it from the decision-making process that led to its LDC admission. This also includes an analysis of whose interests are at stake when countries enter and when they leave the category. Through this, I expect to find elements that can be extrapolated to developing country differentiation in general and, therefore, address the thesis’ main research question<sup>7</sup>.

Through triangulation of document analysis, descriptive statistics and semi-structured interviews<sup>8</sup> (see Appendix B), Chapters 5 and 6 zoom

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<sup>b</sup> ... *le Cap-Vert [doit être] retiré de la liste s’il continue à satisfaire les critères de sortie lors de la prochaine révision de la liste en 2000, sous réserve d’une évaluation plus détaillée de sa situation à cette date.*

into Cape Verde's LDC experience, contrasting admission and graduation decision-making processes. Guided by the power/interest analytical angle, this first part of the Capeverdean case study focuses on the country's LDC admission process, by exposing the economic and political context at the time and the events that led to it becoming an LDC in 1977. It also highlights Cape Verde's development performance while in the LDC category, showing the relevance of LDC status for the external mobilisation of development resources and its importance for the exercise of political power in the country.

The remainder of this chapter is structured as follows: Section 5.2 sets the scene by discussing the country's economic conditions and political context at the start, up until the eve of its admission into the LDC category; Section 5.3 explores the decision-making process of it becoming an LDC; Section 5.4 describes its 30-year LDC trajectory, analysing the country's development, as well as the changing structure of international assistance, from LDC admission in 1977 to graduation in 2007. Section 5.5 concludes and sets the scene for Chapter 6.

## 5.2. The setting: Cape Verde

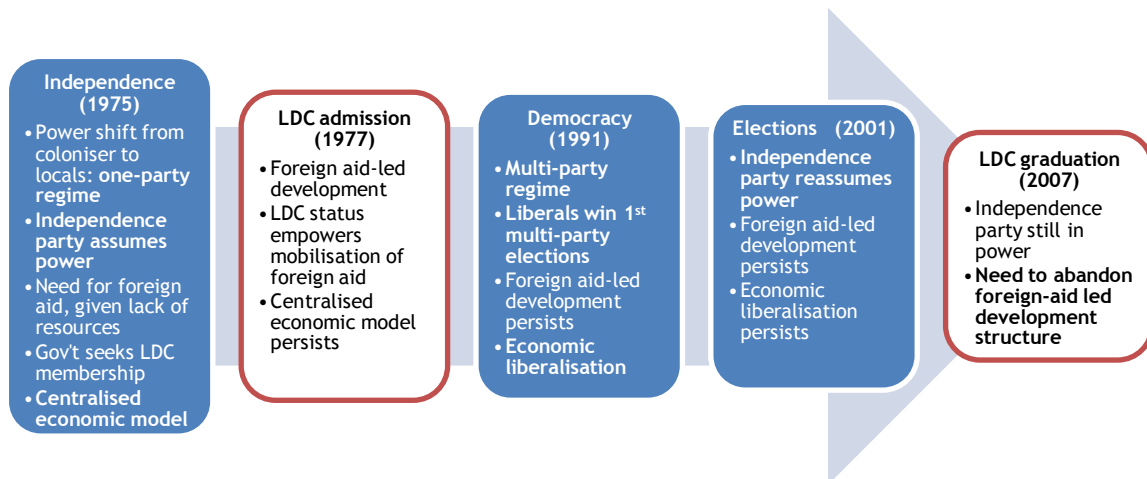
### 5.2.1. General economic and political context of LDC admission

Following its independence from Portugal, in 1975, Cape Verde was going through a particularly difficult period, considering its frail economic conditions, largely driven by persistent droughts. Concern with food security - 'haunted by the spectre of the return to the 1940s famines' (Correia e Silva, 2001: 56, translated from Portuguese<sup>c</sup>) - seems to have been key in the state-building process in Cape Verde, and in devising priorities for action. Figure 5.1 depicts the country's major milestones, highlighting power changes and changes in policy. The analysis undertaken in this particular chapter focuses on the period between LDC admission and graduation.

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<sup>c</sup> ... atormentada pelo espectro do retorno às fomes dos anos 40 ...

**Figure 5.1**  
Timeline of Cape Verde's major milestones



After independence, the country was able to survive on account of two international programs funded through emergency food aid, covering the 1975-1977 and the 1977-1980 periods (Manuel Pinheiro, former Director General for Planning at the Ministry of Finance, 2001-2009. Interview. 10 May 2012). On the eve of its LDC admission, in 1977, the one-party political system context in Cape Verde was described as follows:

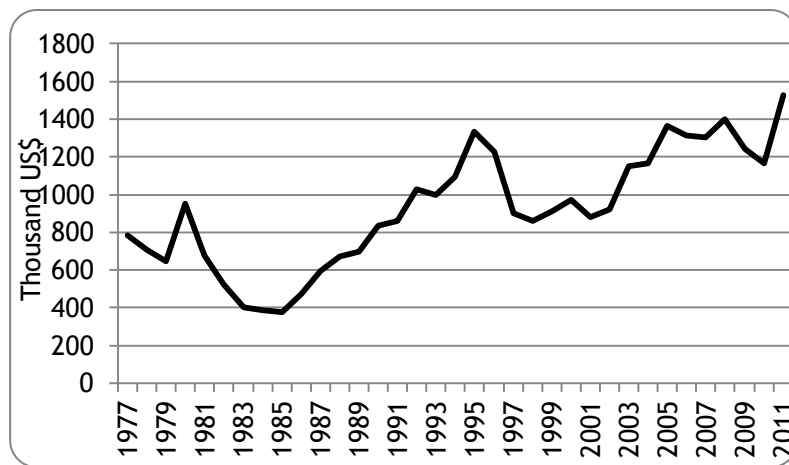
popular support of the government ... was still very large; the country was going through a major economic and social crisis caused by the cyclical lack of rainfall and therefore serious shortage of agricultural production; the UN enjoyed an image of ideological exemption and that of a good friend of Cape Verde (André Corsino Tolentino, Deputy Minister of Foreign Affairs in 1977. Written response to interview guide. 1 March 2013).<sup>d</sup>

In addition, 'hunger and the inability of the economic system to create new jobs led to mass emigration, which, on the one hand, alleviated the pressure on the labour market and, on the other hand, was, and remains, an important source of income for the country and of income to

<sup>d</sup> ... o apoio popular ao governo ... ainda era muito grande; o país vivia uma grande crise económica e social causada pela cíclica falta de chuvas e, por conseguinte, escassez grave de produção agrícola; a ONU gozava de uma imagem de isenção ideológica e de amiga de Cabo Verde.

families' (Querido, 2005: 89, translated from Portuguese<sup>e</sup>). Figures 5.2, 5.3 and 5.4, further below, show the importance of remittance in the Capeverdean economy

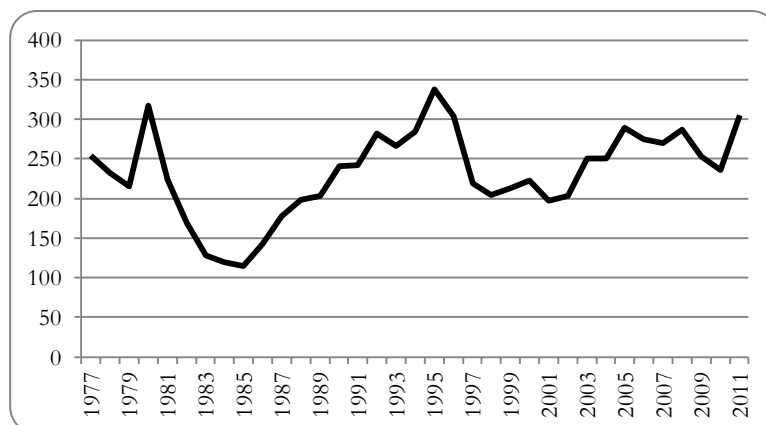
**Figure 5.2**  
Workers' remittances/receipts, BoP, constant thousand 2005 US\$ (1977-2011)



Source: World Development Indicators, World Bank, accessed 9 January 2013

<sup>e</sup>... a fome, bem como a impossibilidade do sistema económico criar novos empregos originaram uma emigração em massa que permitiu, por um lado, aliviar a pressão sobre o mercado de trabalho e, por outro, constituiu, e constitui ainda, uma importante fonte de divisas para o país e de rendimento para as famílias.

**Figure 5.3**  
Workers' remittances per capita, BoP, constant 2005 US\$ (1977-2011)



Source: World Development Indicators, World Bank, accessed 9 January 2013

However, territorial discontinuity and the negative impact caused by the lack of natural resources, adverse weather conditions and a small internal market imposed serious growth constraints to an agriculture-based economy. Estêvão explains that:

At the time of its political independence in 1975, Cape Verde lived a model of international economic integration that came from the mid-nineteenth century and which was based on three fundamental elements: services, migration and integration into the Portuguese imperial space (Estêvão, 2004: 1, translated from Portuguese).<sup>f</sup>

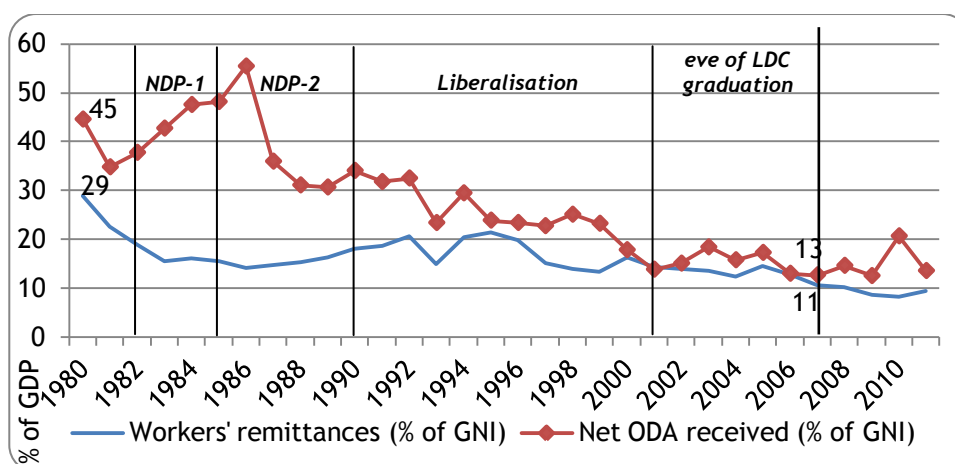
This last element enabled 'the inflow of transfers from the mainland, mainly to finance operations previewed in the country's Development Plans and to support programs to combat drought' (Estêvão, 2004: 3, translated from Portuguese).<sup>g</sup> It was this economic model, 'heavily based on migration/remittances and public transfers, which was replicated after independence. The key difference was the replacement of public

<sup>f</sup> No momento da sua independência política, em 1975, Cabo Verde vivia um modelo de integração económica internacional que vinha desde meados do século XIX e que assentava em três elementos fundamentais: os serviços, a emigração e a integração no espaço imperial português.

<sup>g</sup> ... fluxo de transferências provenientes da metrópole, principalmente para o financiamento das operações previstas nos Planos de Fomento e para apoio aos programas de combate à seca.

transfers from the metropolis by ODA' (Estêvão, 2004: 3, translated from Portuguese).<sup>h</sup>

**Figure 5.4**  
**ODA and Workers' remittances as % of GNI (1980-2011)**



Source: World Development Indicators, World Bank, accessed 17 July 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>

However, in the years right after independence, the national productive system remained fragile. Agricultural and industrial production was insufficiently strong to lift the economy from low levels of growth. Lacking internal capacity to sustain an expansion in production, Cape Verde became reliant on external funding, mainly through foreign aid and remittances (see Figure 5.4). This led to a strategic and pragmatic foreign policy, guided by the interest (and need) to foster relationships that could yield financial flows, which were essential to the viability of the state (Pais, 2012: unnumbered pages) and the survival of its population. This approach was, in effect, *realpolitik* at play. The ruling party was known by its 'pragmatic and moderate politics' (World Bank, 1985: 1). For example, the decision to sell food aid (see discussion below) and the option to join the Non-Aligned Movement

<sup>h</sup> ... fortemente baseado na emigração/remessas e nas transferências públicas, que acabou por ser reproduzido depois da independência. A diferença fundamental foi a substituição das transferências públicas provenientes da metrópole pela ajuda pública ao desenvolvimento ...

during Cold War are two examples of this pragmatic and moderate stance, both of which with positive implications in terms of improving the prospects for development.

By the end of the 1970s and beginning of the 1980s:

The quasi-totality of production remain[ed] dependent on foreign transfers. Therefore, one should not harbour illusions about rapid growth of production ... This is more of a “blistering”, resulting from the multiform recycling of transfers than true progress of production (Secretaria de Estado de Cooperação e Planeamento, 1981: 38, translated from Portuguese).

André Corsino Tolentino recalls that when diplomatic demarches were being made to have the UN categorise the country as an LDC: ‘Our main problem was to gather statistical data to support what we were saying, namely, that we had received [from the colonial power] a miserable territory’<sup>i</sup> (Written response to interview guide. 1 March 2013). With an estimated per capita GDP of only US\$ 267 in 1983, the World Bank (1985: 2) also recognised that:

In the absence of official national accounts, it is difficult to measure growth of GDP. According to preliminary estimates, the average annual rate of growth of GDP between 1977 and 1982, in constant dollars, was 2.6% per year, or 1.7% in per capita terms.

Finding solutions to poverty was indeed a crucial task. Despite the challenging economic situation following independence, the country was able to embark on deep structural reforms. Under a peaceful one-party political regime, economic and social foundations were built with relative success. In the process, considerable international support, notably foreign aid, was gathered. Certain factors were considered essential in promoting the country’s development during that period, namely

developing human resources, halting the ecological and human desertification process in rural areas, international fundraising towards a policy of capital formation, using the country’s geo-strategic position to establish industries and services that could allow it to become less

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<sup>i</sup> *O nosso principal problema foi reunir os dados estatísticos para sustentar o que afirmávamos, ou seja, que tínhamos recebido um território miserável.*

dependent from abroad (Querido, 2005: 89, translated from Portuguese).<sup>i</sup>

The Capeverdean economy has always faced problems related to insufficient scale economies, production diversification and heavy dependence on import products and external capital flows, namely ODA and remittances. For instance, on average, since 1980 (the earliest available data) imports have represented 67% of GDP (World Development Indicators, World Bank). Being an archipelago exacerbates even more these problems due to territorial discontinuity and transport and communication costs. Indeed, ‘the scattering of Cape Verde’s territory over ten islands ... and its arid Sahelian climate pose a constant development challenge’ (AfDB/OECD, 2008: 198). In addition, the lack of an important production base, that allows capital accumulation and the absence of an economically dynamic regional integration space, represent factors that significantly worsen the constraints associated with a small economy (République du Cap Vert, 2007: 10). Thus, Cape Verde has always faced important structural handicaps, namely: smallness of the internal market (preventing it from reaping the benefits of economies of scale), high trading costs associated with its insularity, ecological fragility, weak agricultural capacity (only about 10% of its soil is arable) and lack of natural resources. Because it is a 10-island archipelago, consisting of islands somewhat dispersed, it is necessary to increase the number of main infrastructures, namely ports, airports, health and educational services, among others. For example, when considering the number of airports needed to promote tourism and facilitate communication within the country and between the country and the rest of the world, it is estimated that at least 4 international airports are needed, even though one would be enough for a country of 500.000 people living in a contiguous territory (République du Cap Vert, 2007). This kind of constraint greatly affects the competitiveness of the economy (Fialho 2008).

In such a context, at its start as an independent country, the need to tackle poverty and the constant threat of hunger, and the unavailability

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<sup>i</sup> ... a valorização dos recursos humanos, o esforço no sentido de travar o processo de desertificação ecológica e humana no meio rural, a captação de recursos externos para o financiamento de uma política de formação de capital, o aproveitamento da posição geoestratégica do país para a implantação de indústrias e serviços que o tornassem menos dependente do exterior.



of internal resources to do so, created a strategic interest in belonging to the LDC category; primarily seen as a mechanism that could facilitate access to foreign aid, including much-needed food aid. This interest triggered on the ruling class the need to seek and actively move towards LDC membership.

### 5.3. Becoming an LDC (1975-1977): why and how?

Cape Verde was admitted into the LDC category in 1977, two years after its independence from Portugal and six years after the establishment of the category. In fact, as early as 1975, with a single-party political system in place, UNCDP reported having received ‘a communication ... by the Secretary-General from the Transitional government of Cape Verde requesting that Cape Verde be considered for inclusion in the list of least developed countries’ (UNCDP, 1975: 31). By 1976, UN General Assembly resolution 31/17 on *Assistance to Cape Verde* requested UNCDP, ‘as a matter of priority, to give favourable consideration to the question of the inclusion of Cape Verde in the list of least developed countries’ (UN, 1976: 56). In that same resolution, developed countries and organisations of the UN system are invited ‘to grant Cape Verde the same benefits as those enjoyed by the least developed among the developing countries in the light of prevailing conditions in Cape Verde’ (UN, 1976: 56). Subsequently, the 1977 UNCDP Report stated that:

The available data on *per capita* domestic product, the share of manufacturing in total output and the literacy ratio suggest that Cape Verde and the Comoros may be included as borderline cases in the list of least developed countries (UNCDP, 1977: 22).

The context of Cape Verde’s admission as an LDC, in 1977, is summed up as follows: ‘The country’s socio-economic situation and low level of development represented great challenges at the time, for both the national authorities and the international community’ (Republic of Cape Verde, 2005: 1). Tolentino states that Cape Verde’s admission into the LDC category did not imply ‘a negotiation process per se. We had to prove that we met the criteria ... Our merit was not to negotiate; it was to

capture the moment'<sup>k</sup> (Written response to interview guide. 1 March 2013).

The general gist of the interview (14 March 2013) with Pedro Pires, former President of Cape Verde (2001-2011) and Prime Minister when the country was admitted into the LDC category, is that the decision to seek LDC membership was essentially a no-brainer; meaning that, to Capeverdean authorities, LDC admission was the obvious path to follow given the country's extremely challenging circumstances in 1977 and great lack of resources. José Brito, Minister of Planning and Cooperation at the time, describes the country's situation right after independence:

the country had nothing, Cape Verde had absolutely nothing, the boxes were completely empty and at the time it was, I think, a loan of US\$ 500,000 from Portugal, something like that, that was used to buy basic things, because there was no money in the safe ... it was a country fully assisted, completely so (Interview. 3 April 2013).<sup>l</sup>

Tolentino recalls that in 1977 'the environment was of great patriotism, on the one hand, and of great concern, on the other. We were learning to walk on our own, in the midst of yet another major drought' (Written response to interview guide. 1 March 2013). He adds that

the hope of the vast majority of the population in the recent national independence contrasted with the consequences of the lack of rain and the opinion of several personalities who felt that, separated from Portugal or from Guinea-Bissau, Cape Verde would not endure its sovereignty (Written response to interview guide. 1 March 2013).<sup>m</sup>

Hence, with survival as the very first priority, the country followed what some have referred to as a policy of 'national salvation' (Pedro Pires. Interview. 14 March 2013). Basically, LDC admission was approached as

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<sup>k</sup> ... o ambiente de 1977 era, de grande patriotismo, por um lado, e de enorme preocupação, por outro. Estávamos a aprender a andar sozinhos no meio de mais uma grande seca.

<sup>l</sup> ... o país não tinha nada, Cabo Verde não tinha absolutamente nada, as caixas estavam completamente vazias e foi, penso, um empréstimo de Portugal de 500 mil dólares na altura, qualquer coisa assim, para comprar coisas básicas, porque não havia dinheiro no cofre ... era um país completamente assistido, completamente.

<sup>m</sup> ... a esperança da grande maioria da população na recente independência nacional a contrastar com as consequências da falta de chuvas e a opinião de várias personalidades que achavam que Cabo Verde separado de Portugal ou da Guiné-Bissau não teria pernas para aguentar a sua soberania.

‘a lifesaver’ (André Corsino Tolentino. Written response to interview guide. 1 March 2013), considering that being part of the category was seen as a condition that could greatly enhance the country’s access to aid.

Pires believes that, given the country’s dismal circumstances right after independence, it made no sense to even promote an internal debate on LDC membership/admission, let alone frame<sup>9</sup> the intention to be categorised as an LDC, considering that: ‘Poverty and [the country’s] weaknesses were so obvious that one could not dispute that ... [and in this context] food aid was essential. Nobody could deny the need for food aid. Even though it was a sign of dependence’<sup>n</sup> (Interview. 14 March 2013). In this regard, Tolentino refers to an ‘apparently full and unconditional agreement’<sup>o</sup> (Written response to interview guide. 1 March 2013). Brito corroborates this view, saying that the decision to seek LDC admission after the country’s independence ‘was an extremely peaceful process for everyone’<sup>p</sup> (Interview. 3 April 2013). He adds that

at the time it was about creating the conditions to maximise foreign aid. And so this [i.e., LDC admission] would be a great opportunity for us to be able to access favourable [financing] conditions. Incidentally, everyone, all of our partners were pushing us to enter this category ... So, it was an extremely peaceful process for everyone. (José Brito. Interview. 3 April 2013).<sup>q</sup>

For example, according to both Brito and Tolentino, UNCTAD was among the international organisations that played an important role in facilitating Cape Verde’s LDC admission in 1977. While Cape Verde took the initiative to seek LDC membership, it could count on strong encouragement from organisations such as UNCTAD and UNDP, namely through the provision of much-needed technical assistance. In addition, support is also reported to have come from ‘OAU members, the Group of 77, the majority of UN member countries ... [and from] the

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<sup>n</sup> *A pobreza e a fraqueza eram tão evidentes que não se pode discutir isso. Porque, veja, a questão da ajuda alimentar era fundamental. Ai ninguém podia negar a ajuda alimentar. Mesmo sabendo que é a mostra da dependência*

<sup>o</sup> *... concordância aparentemente total e incondicional.*

<sup>p</sup> *... era um processo extremamente pacífico, para toda a gente.*

<sup>q</sup> *... na altura para nós [tratava-se de] criar condições para maximizar a ajuda externa. E portanto isso [i.e., a admissão nos PMA] seria para nós uma grande oportunidade para podermos aceder a condições favoráveis. Aliás, toda a gente, todos os nossos parceiros, estavam a empurrar para entrarmos nesta categoria ... Portanto, era um processo extremamente pacífico, para toda a gente.*

ECOSOC and UNCTAD lobbies' (André Corsino Tolentino. Written response to interview guide. 1 March 2013). Tolentino also mentions that he believes that 'consistently anti-colonial governments supported the inclusion of Cape Verde in the LDCs, in addition to Scandinavian and central and northern European countries'<sup>r</sup> (Written response to interview guide. 1 March 2013).

To sum up, Cape Verde's LDC admission did not entail a negotiation process. Capeverdean authorities took the lead to request LDC status convinced that this would enhance the country's access to international support. This request was encouraged by both internal and external stakeholders and readily accepted by the UN. Overall, there was general agreement regarding Cape Verde's LDC admission and the process was formalised fairly quickly.

In terms of power change, independence represented a major shift in the structure of Cape Verde's political power, by transferring it from the coloniser to the local elite, within a one-party political regime (for a thorough discussion on the political transition from colony to independent country, see Évora 2001). The great majority of the new Capeverdean ruling class was composed of freedom fighters that had been involved in and deeply committed to the struggle for independence on several fronts: armed, diplomatic and intellectual. To them, this power transfer represented the need to create the necessary material conditions to exercise that power, considering that, as a result of independence, the financial responsibility of the coloniser towards the country should cease. While it was clear that political power had fallen in new hands (i.e., the Capeverdean independence party); in the aftermath of independence it was still not so clear on whose hands economic/material power would ultimately fall. In practical terms, and in a context of generalised poverty and much uncertainty, to the new ruling class, exercising political power in independent Cape Verde required being able to carry out a successful external mobilisation of financial resources. In light of this, the diplomatic experience of many of the former freedom fighters (who assumed positions of power) proved to be an asset in this context, especially considering that a reasonable international network had already been established during the years of

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<sup>r</sup> ... não me custa acreditar que governos consistentemente anticolonialistas tenham declaradamente apoiado a inclusão de Cabo Verde nos PMA. Além de países da Escandinávia e da Europa central e do norte

struggle for independence. This fact alone solidified the power position of the new ruling class.

Notwithstanding the dependence entailed in belonging to the LDC category, the route of seeking LDC admission gave the newly-appointed ruling elite the possibility to frame the external mobilisation of resources within an internationally recognised category of developing countries, enhancing, with this, the chances of success in bringing about economic growth and development. In this sense, LDC membership was also approached as an instrument of power, considering that it allowed easier resource mobilisation and facilitated the exercise of political power in a context of extreme poverty where, otherwise, that would have been more challenging. Feeding the starving and meeting the basic needs of a generally poor population was a *sine qua non* condition for state-building and sovereignty in Cape Verde. LDC membership was instrumental in this regard.

However, it is important to clarify that, as a policy option adopted in 1975, the ruling independence party, while operating a centralised economy, favoured foreign aid recycling. This means that the state acted not as a mere recipient and/or consumer of foreign aid, but mostly as a transformer or an investor of that aid, trying to multiply its effects so that, on the one hand, it could be profitable and, on the other hand, it would not create a beggar's mentality in the population. For instance, the policy implemented with regard to food aid was to never freely distribute it to the population. Instead, it was sold at affordable prices by state-owned enterprises and the proceeds were used to create jobs and build public infrastructure, in a centralised economic structure. Notwithstanding its positive aspects in such a context, this type of structural arrangement, when in place for a long time, creates a web of networks and stakeholders, along with a constellation of interests that tend to solidify over time and whose disintegration is never easy. The possibility of change is, therefore, not always welcome for actors such as state bureaucrats (from Cape Verde and its bilateral partners) and IOs' representatives who have contributed to putting those networks in place and who, over the years, have become accustomed to collecting advantages from them.

#### 5.4. Being an LDC: growth and development performance while in the category (1977-2007)

Before addressing Cape Verde's growth and development performance during its 30 years as an LDC, it is important to contextualise this performance by referring back to Figure 5.1 and highlight four important changes that marked the 1977-2007 period: (i) the political system changed from single to multi-party in 1990, (ii) the liberal party assumed political power in 1991, (iii) the economic model changed from centralised to liberalised, (iv) the independence party reassumed power in 2001, keeping in place a liberalised economy. Despite these changes, a general policy of foreign-aid led development was kept in place.

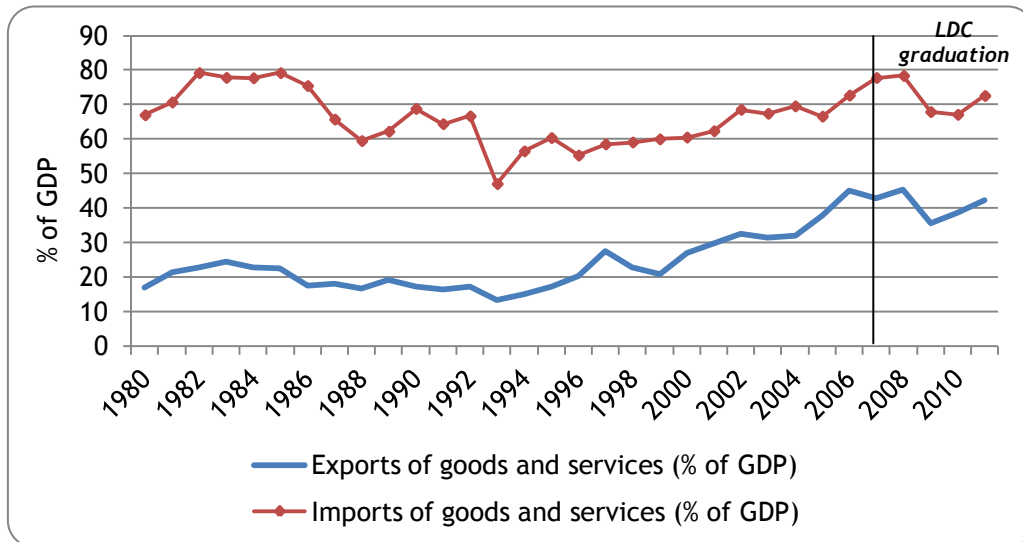
Since independence, the Capeverdean economy has functioned with the support of private and public international capital flows which, by reducing the trade gap, assist private consumption and investment, increase public financing capacity and ensure the availability of international reserves, guaranteeing access to both consumption and investment imports. Emigrants' remittances and ODA represent the two most important international resources made available to the country, (i) allowing equilibrium of the balance of payments, despite high and persistent trade deficits (see Table 5.1 and Figure 5.5), and (ii) guaranteeing part of the resources necessary to finance the public deficit (République du Cap Vert, 2007: 10). Throughout the country's LDC days this was the case, with foreign aid and remittances helping to reduce the trade gap.

**Table 5.1**  
*Cape Verde's trade gap*

	1980	1985	1990	1995	2000	2005	2010
Exports of goods and services (constant 2005 million US\$)	97,752	169,441	171,242	216,297	392,821	367,187	749,500
Imports of goods and services (constant 2005 million US\$)	135,642	188,360	231,107	323,439	452,265	647,010	981,579
<b>Trade gap (constant 2005 million US\$)</b>	<b>-37,890</b>	<b>-18,919</b>	<b>-59,865</b>	<b>-107,142</b>	<b>-59,444</b>	<b>-279,823</b>	<b>-232,079</b>

As depicted in Figure 5.5, in the 1980s the country was much more dependent on foreign finance, considering that the difference between imports and exports was larger (roughly 60%). Starting in the 1990s, structural changes (namely, economic liberalisation) brought the level of imports down and increased exports, which together decreased the trade deficit (to roughly 30%). Figure 5.5 shows that external dependence improved but not sufficiently to become sustainable.

**Figure 5.5**  
Exports vs. Imports of goods and services (% GDP) (1980-2011)



Source: World Development Indicators, World Bank, accessed 17 July 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>

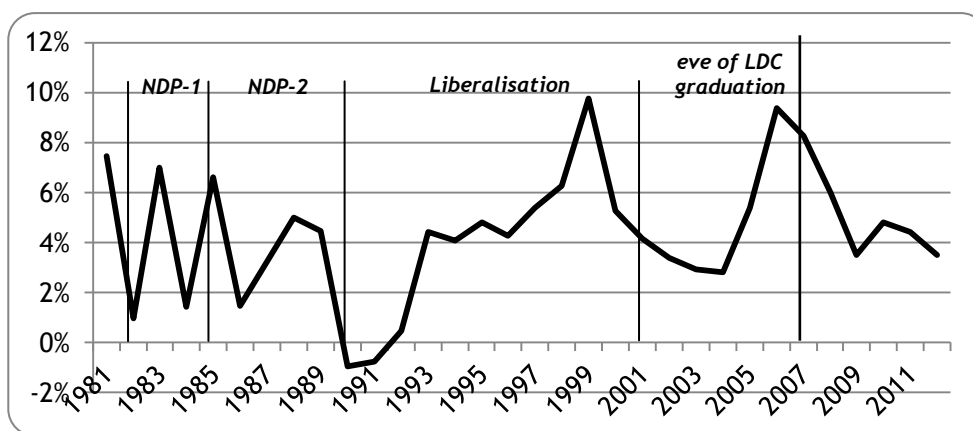
Specifically in terms of exports, it has been concentrated on the European market and based on a narrow range of goods and services, given the country’s limited industrial and agricultural capacities. In 1985, the World Bank (3) reported that Cape Verde’s trade account showed ‘a large and growing deficit. In 1983 merchandise exports represented only 2% of imports. The main exports were bananas and fish products, which accounted for more than 60% of the total’. More recently, the country has somewhat diversified its exports, but food products (mainly fish) still

represent the country's main export, particularly to Europe, its main commercial market.

#### 5.4.1. 1982-1985: the first National Development Plan

Following Cape Verde's LDC admission in 1977, the first National Development Plan (NDP) would only be devised for the 1982-1985 period and its implementation resulted in an average real per capita GDP growth of 4% (Figure 5.6)<sup>10</sup> for the triennial. The World Bank (1985: 4) considered that 'The fact that the Government delayed preparing a first Plan until seven years after independence is an indicator of the prudence with which it approaches the problems of development, given the country's human resources, institutions and physical resource limits'.

**Figure 5.6**  
*Real per capita GDP growth, percentage change (1981-2012)*



Source: World Development Indicators, World Bank, accessed 17 July 2013,  
<http://data.worldbank.org/data-catalog/world-development-indicators>

According to the World Bank (1985: 8-9),

Cape Verde is an unusual case among developing countries. It is a small economy with a poor resource base, experiencing a prolonged drought, with large deficits in the overall budget and resource accounts. However, largely due to the substantial inflows of emigrant remittances and foreign aid in the form of either grants or concessionary loans, the country has



been able to maintain a positive real growth rate, a surplus in the balance of payments, and a reasonable level of foreign reserves. Economic management has succeeded in preserving a fragile external equilibrium, while an overall strategy of economic and social development is pursued.

#### 5.4.2. 1986-1990: the second National Development Plan

Implementation of the second National Development Plan started in 1986 and aimed essentially at decreasing Cape Verde's international dependence. This called for greater investment in the internationalisation of the economy. To achieve this, the Plan previewed a greater role for the private sector in boosting national productive capacity and export level. Between 1986 and 1990, the economy presented an average growth rate of about 3%<sup>11</sup>; indicating a slight slowdown compared to the 1982-1985 period (see Figure 5.6). However, economic transformation towards liberalisation was already in progress, considering efforts towards economic extraversion, focus on institutional reforms and efforts to build public companies (banks, postal and telecommunication services and others), which could serve as important pillars of the economy.

All-in-all, the two National Development Plans implemented at the time (1982-1985 and 1986-1990) were 'concerned with valuing indigenous resources ..., with external solvency, with the unification of the internal market, with satisfying the needs of the populations (production for the internal market)' (Reis, 2000: 102). These development plans prioritised infrastructure building, focusing on the implementation of sectorial programs aimed at promoting rural development, fisheries, energy, tourism, education, health, housing and trade.

In line with its *realpolitik* inspiration, the government's political option during Cold War days was non-alignment, maintaining strong cooperation ties with countries from both major power blocs.

#### 5.4.3. 1991-2001: multi-party system and economic liberalisation

Following the end of the Cold War, the fall of Communism, and the fall of the Berlin Wall, Cape Verde opted for a democratic regime and

implemented a multi-party political system - a shift that demonstrated convergence with the emerging new world order. Hence, geopolitics and shifts in the international structure of power motivated an internal political structural rearrangement and important changes in terms of power-sharing within the country. The transformations that took place since then include successive and peaceful political change and economic liberalisation. The independence party, in power since 1975, lost the country's first multi-party elections to the liberals, who assumed power in 1991 and liberalised the economy. By 2000, the country had met graduation criteria for three times (i.e., 1994, 1997 and 2000).

In a nutshell, (i) from independence (1975) to the instauration of democracy (1991) the state played a decisive role in conducting the country's economy, and (ii) from 1991 on, it transferred part of its economic development responsibilities to the private sector (Reis, 2000: 98). In fact, in the third National Development Plan adopted right after the 1991 elections, the state maintained its responsibility in terms of infrastructure building and human capital, and the private sector started operating as a direct economic agent (Pais, 2012: unnumbered pages).

Being an open economy and very dependent on external flows, the need for economic growth and better integration in the world economy motivated, since 1998, the establishment of a fixed exchange rate regime linking the national currency to the Euro<sup>12</sup>. Considering that the Euro zone has always been the country's main commercial market and home to a considerable share of the Capeverdean Diaspora, this currency peg, by strengthening the country's foreign reserve position, has, evidently, many economic benefits. According to Braga de Macedo and Pereira (2006: 20), 'Cape Verde has "got it right" when it comes to its currency peg, as the peg apparently reflects the (...) credibility of Cape Verdian economic policy and so has successfully withstood the scrutiny of international markets'. Even before 1998, during economic centralisation, the national currency was 'pegged to a basket of nine currencies, which in broad terms, is appropriate to Cape Verde's circumstances. The escudo exchange rate has been adjusted to maintain a stable real exchange rate' (World Bank, 1985: 3). As with the general policy option favouring foreign-aid led development (which persisted through single and multi-party political systems and through centralised and liberalised economic models), also in this case, a structural change did not result in a complete policy disruption.

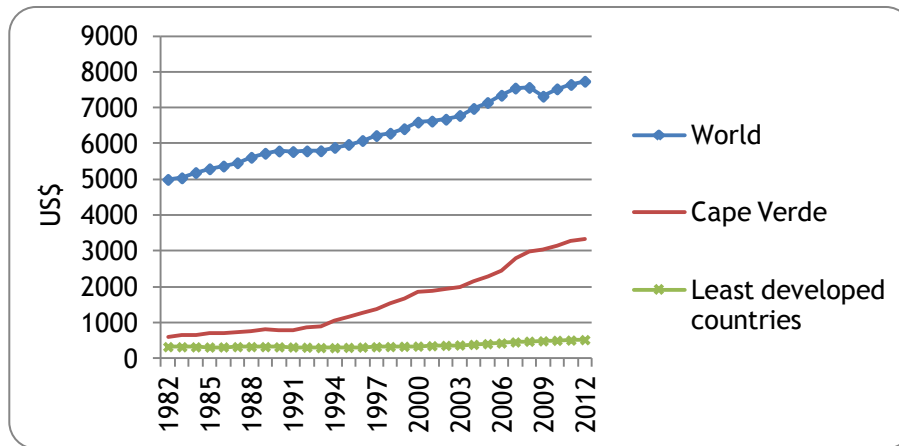
#### 5.4.4. 2002-2007: the inevitability of LDC graduation

The 2002-2005 National Development Plan stated the intention to proceed within the framework of an integrated development strategy based in the promotion of a private sector-led economy (Ministério das Finanças, Planeamento e Desenvolvimento Regional, 2002: 10).

By 2003 the country had met graduation criteria for the fourth consecutive time. The 2002-2005 National Development Plan preceded, and overlapped with, the *Agenda for Transformation and Modernisation of Cape Verde*<sup>13</sup>; a document that was motivated by the prospect of LDC graduation and the need to start devising measures to cope with the country's imminent new development status, and aimed at promoting a broad national consensus regarding Cape Verde's transformation. Hence, the need to promote a transformation (i.e., to set up a new development paradigm, considering that, as a result of the impending LDC graduation, foreign aid-led development should come to an end) was only recognised once the negotiations for graduation were close to an end, and not before. In fact, the UN decision to graduate the country was officialised in December of 2004. Ultimately, this demonstrates accommodation into a long-standing structural arrangement and lack of long-term planning.

The fact is that this foreign-aid-driven structural arrangement was actually bearing fruit. Throughout its LDC days, having gone from a centralised to a liberalised economic model, Cape Verde's growth was clear, especially when comparing its GDP per capita with that of LDCs in general (see Figure 5.7). In effect, the latter shows somewhat of a plateauing trend and little progress since the 1980s, while in Cape Verde GDP per capita grew steadily, following world trend for the most part.

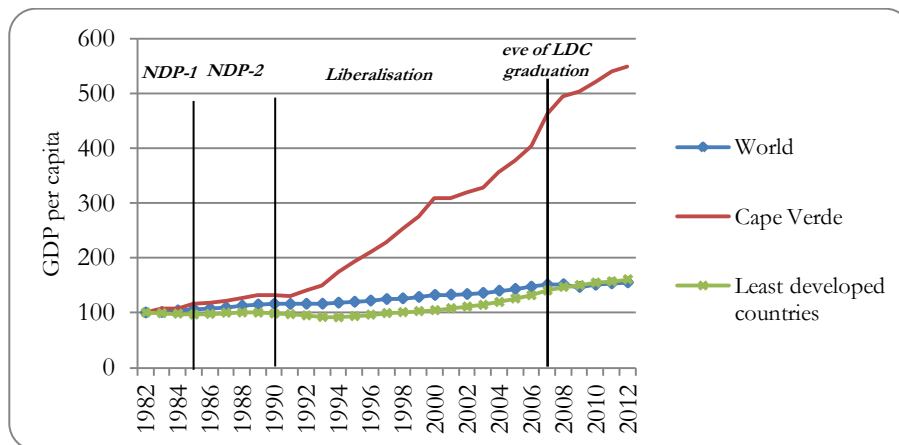
**Figure 5.7**  
Evolution of GDP per capita, constant 2005 US\$ (1982-2012)



Source: World Development Indicators, World Bank, 2 January 2014, <http://data.worldbank.org/data-catalog/world-development-indicators>

When GDP per capita is expressed in index numbers (1982=100), Cape Verde's growth is even more evident, as demonstrated in Figure 5.8.

**Figure 5.8**  
Evolution of GDP per capita, index 1982=100 (1982-2012)



Source: World Development Indicators, World Bank, 2 January 2014, <http://data.worldbank.org/data-catalog/world-development-indicators>, calculations by author

On account of this growth, while still an LDC and running a centralised economy, the country was able to upgrade its income status from low to lower-middle-income country (as measured by the World Bank) since mid-1980s. However, it is important to keep in mind that - as an escape to unemployment (see Table 5.2) - the informal sector has been an important challenge, considering that it imposes constraints on economic growth, reduces the tax base, and poses serious problems in terms of social protection.

**Table 5.2**  
*Cape Verde's official unemployment rates (2002-2012)<sup>14</sup>*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<b>Total</b>	12.9	N/A	N/A	N/A	13.4	15.2	13.0	13.1	10.7	12.2	16.8

Source: Banco de Cabo Verde, [www.bcv.cv](http://www.bcv.cv)

Accompanying Cape Verde's economic growth, other important development indicators also attest to the country's good progress over the years, as seen in Table 5.3.

**Table 5.3**  
*Selected development indicators*

	1975	1980	1990	2000	2010
<b>Life expectancy at birth</b>	57	60	65	69	74
<b>Infant mortality rate (per 1,000 live births)</b>	87	69	45	32	19
<b>Primary school enrolment (% gross)<sup>15</sup></b>	97	113	121	124	110
<b>Adult literacy rate (% of people ages 15 and above)</b>	N/A	N/A	63	N/A	84

Source: World Development Indicators, World Bank, accessed 9 January 2013

Indeed, by 2011, Cape Verde had achieved a medium human development level of 0.568 (the seventh in sub-Saharan Africa)<sup>16</sup>, compared to 0.523 in 2000<sup>17</sup>. Of the five African Portuguese-speaking countries<sup>18</sup>, Cape Verde is today the one with the highest human development index, even though at its starting point as an independent

country (1975) it was one of the poorest former Portuguese colonies in Africa and the only one with virtually no natural resources.

In fact, the country is well on its way to achieve by 2015, and in some cases possibly earlier, most of the Millennium Development Goals (MDGs) (Pires, 2007). According to UNECA (2005: 21-24), Cape Verde will successfully attain the targets related to MDG goals 2 (achieve universal primary education), 4 (reduce by two-thirds the under-five child mortality rate), 5 (reduce by three-quarters the maternal mortality ratio) and 7 (ensure environmental sustainability). Additionally, poverty reduction efforts have resulted in 27% of poor people in 2011<sup>19</sup>, compared to 37% of poor people in 2001/2002 (Ministério das Finanças e Administração Pública, 2008: 70 and World Development Indicators, World Bank, accessed 9 January 2013). These are, definitely, remarkable achievements, particularly when taking into account the country's economic vulnerabilities, geographic constraints, environmental adversities (e.g. prolonged droughts and deforestation) and lack of natural resources.

However, it is also true that, notwithstanding its relatively good performance and high per capita income<sup>20</sup>, Cape Verde is still: (i) vulnerable to external shocks, (ii) limited by its insularity and the aridness of its soil, (iii) restricted by the lack of natural resources and (iv) still dependent on variables it detains little control over, namely ODA and remittances (Fialho, 2008: 62-63). Although at a clear decreasing trend, in 2007 (upon its LDC graduation) ODA and workers' remittances - which can be considered the country's two main development pillars since independence - accounted for around 13% and 11% of GNI, respectively (refer back to Figure 5.4).

Remittances from the country's large Diaspora (which is roughly two times greater than the resident population), although not currently the main source of financing of the economy, still show an overall rising trend (refer back to Figures 5.2 and 5.3) and are significantly responsible for availability of international reserves, reduction of persistent balance of payments' imbalances and do play an important role in promoting development and alleviating poverty, as they have always done during the country's 30-year LDC trajectory.

In the past more so than now, emigration has allowed a certain control over population growth and, consequently, has somewhat reduced demographic pressure over the already limited amount of

internal resources. For instance, it is estimated that 'between 1970 and 1980, the net demographic outflow attributable to emigration corresponded to 15% of the population' (World Bank, 1985: 8). In light of this, the interest to keep strong ties with the country's Diaspora is clear and it is, to an important extent, an economic one. Politically, the relevance of the Diaspora in the country's economy has been recognised and transposed to the Constitution, by giving emigrants the right to vote in Parliament and Presidential elections, on an equal footing with citizens residing in the country.

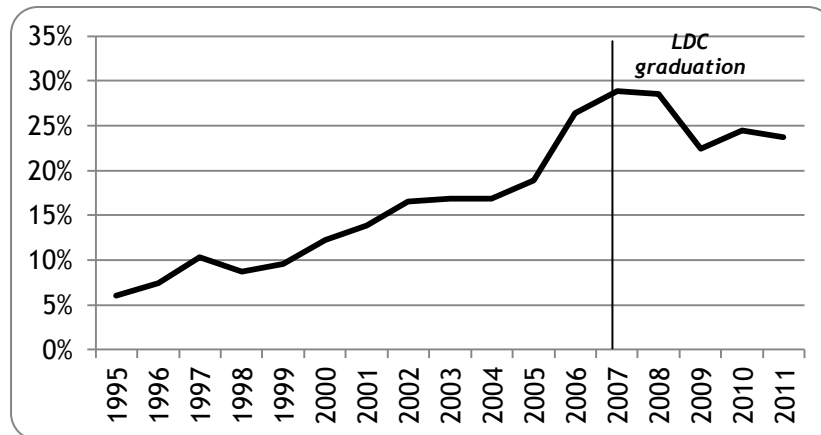
Additionally, as ODA and workers' remittances lose some ground in the economy, tourism emerged as an important source of revenue. The latest available data shows that it accounted for 28% of GDP in 2007, compared to 6% in 1995 (see Table 5.4 and Figure 5.9), and less than 2% in 1980 (World Bank, 1985: 6).

**Table 5.4**  
*International tourism receipts in relation to GDP*

	1980	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
% GDP	less than 2%	6	7	10	9	9	12	14	16	17	17	18	25	28	28	22	23	23

Source: World Development Indicators, World Bank, accessed 17 July 2013, and World Bank 1985, calculations by author

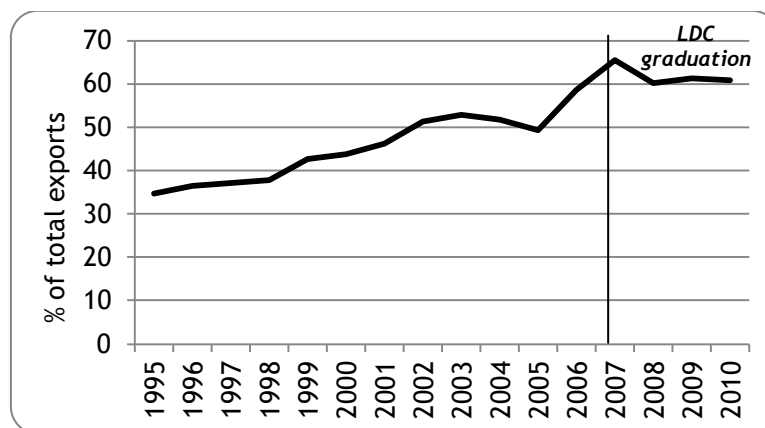
**Figure 5.9**  
International tourism, receipts (% of GNI) (1995-2011)



Source: World Development Indicators, World Bank, accessed 17 July 2013

The increasing weight of tourism in the Capeverdean economy is also attested by its growing weight in the country's total exports (Figure 5.10) and even more so by the exponential growth in tourism revenue in the 1995-2011 period (Figure 5.11).

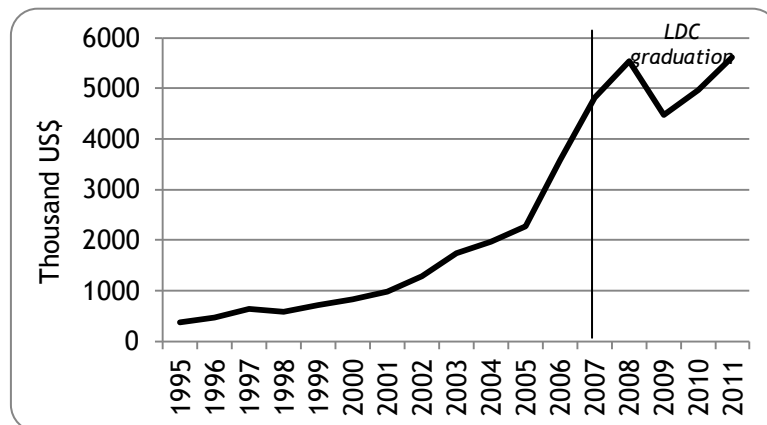
**Figure 5.10**  
International tourism, receipts (% of total exports) (1995-2010)



Source: World Development Indicators, World Bank, accessed 9 January 2013



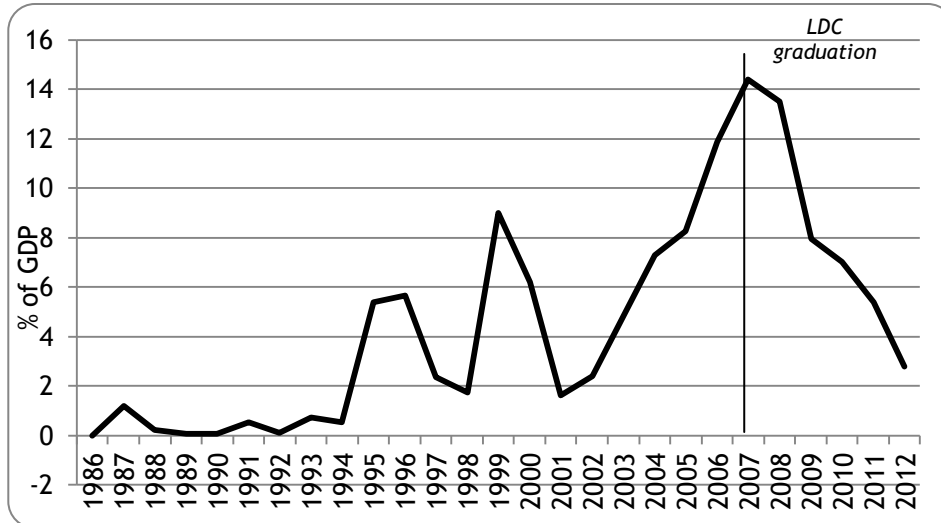
**Figure 5.11**  
*International tourism, receipts (constant 2005 thousand US\$) (1995-2011)*



Source: World Development Indicators, World Bank, accessed 17 July 2013,  
<http://data.worldbank.org/data-catalog/world-development-indicators>

In terms of foreign direct investment (FDI) (most of which is targeted at the tourist sector), in the same way that it rose steeply in 2001, it also declined steeply starting in 2008 (Figure 5.12), which demonstrates fragility and the need for economic diversification. However, this decline should also be carefully considered in the context of the 2007/2008 international financial crisis and its negative effects on the tourism industry. Additionally, it is also important to consider that, so far, most FDI in the Capeverdean tourism sector have privileged the all-inclusive model, which tends to limit positive spillover effects. Yet, the international financial crisis might explain part of the FDI decreasing performance post-2007/post-LDC graduation but possibly not all of it, considering that tourism recovers and FDI does not.

**Figure 5.12**  
Foreign direct investment (FDI), net inflows (% of GDP) (1986-2012)



Source: World Development Indicators, World Bank, accessed 17 July 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>

With regard to public debt, it is worth mentioning the considerable increase in external debt following LDC graduation, compared with its steady decrease up until that period (see Table 5.5). This is an indication of two facts: (i) grants have lost ground in relation to concessional loans, which now make up most of the ODA received by the country, and (ii) an increase in international borrowing in order to be able to take advantage of the highly concessional loans that are still made available to the country during this immediate LDC transition period. In fact, this last point - which has raised total public debt to about 97% of GDP - has been recognised by several government officials at many public occasions.

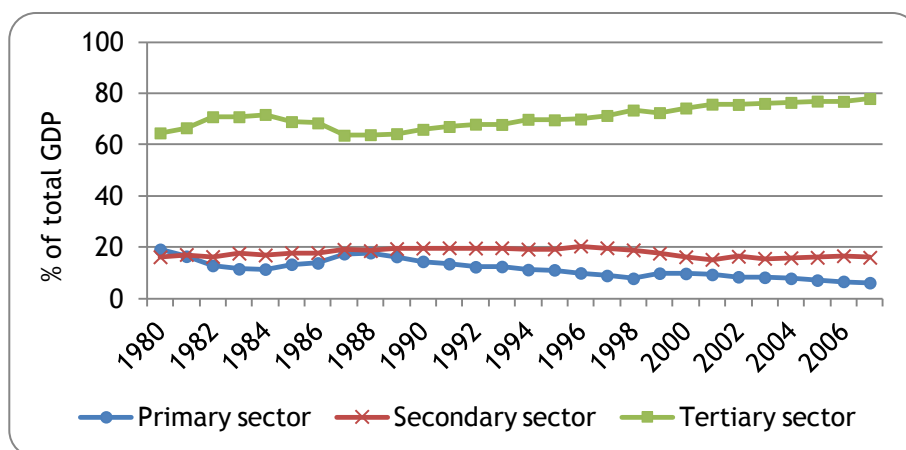
**Table 5.5**  
*External and domestic public debt (2002-2012)*

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
External public debt stock (% of GDP)	50.7	48.7	46.9	46.7	43.7	39.9	46.4	51.7	50.8	56.8	66.2
Domestic public debt stock (% of GDP)	42.3	40.3	39.6	40.7	37.1	32.0	27.1	28.3	29.6	30.2	30.3
Total public debt	93	89	86.5	87.4	80.8	71.9	73.5	80	80.4	87	96.5

Source: *Banco de Cabo Verde*, [www.bcv.cv](http://www.bcv.cv)

In terms of the structure of the economy, all throughout its LDC trajectory, Cape Verde remained an essentially service-oriented economy, as shown in Appendix G and Figure 5.13. While the weight of agriculture in the economy decreased from 19% of GDP in 1980 to 6% of GDP in 2007, services increased from 65% of GDP in 1980 to 78% of GDP in 2007. Therefore, the weight of agriculture in the Capeverdean economy decreased to the same extent that services rose. The industrial sector remained mostly unchanged, accounting for 16% of GDP in 1980 and in 2007. Hence, industrialisation-focused interventions were certainly not the driving force behind Cape Verde's economic growth. In this specific case, services - an important part of which is geared towards the tourism sector - stimulated the economy.

**Figure 5.13**  
GDP structure (% of total), constant 1980 prices (1980-2007)



Source: Instituto Nacional de Estatística

It is important to stress that during the 1977-2007 period the Capeverdean economy remained, albeit considerable advances (e.g., economic growth and positive evolution of development indicators – refer back to Figures 5.7 and 5.8 and Table 5.3), quite vulnerable and fragile, mainly due to structural handicaps, such as (Fialho, 2008: 63):

- Smallness of the internal market (small population with low purchasing power)
- Weak primary sector
- Limited production capacity and weak competitiveness of national products
- Openness of the economy negatively affected by imbalances in international trade<sup>21</sup>
- Unfavourable environmental and physical conditions

For instance, with regard to this last point, Victor Borges, former Foreign Affairs Minister (2004-2008), states that

Cape Verde's vulnerabilities are manifold. They are energy-based, food-related, security-related. They are manifold. And islands usually end up having vulnerabilities and costs beyond those of continental countries. And a mountainous insularity is even more costly. Building a 1 kilometre road in Santo Antão<sup>22</sup> is as costly as building a road of 100 kilometres in

Senegal<sup>23</sup>. There are clearly costs related to the shape of the terrain (Interview. 14 May 2012).<sup>s</sup>

Overall, political and social stability have been consistently sustained, which contributed to economic growth and development. In fact, the ruling class has, in general, favoured good governance practices and efficient use and management of ODA. In 1985, the World Bank (2) reported that ‘Public finances have by and large been carefully managed’. Commitment towards the well-being of the population has guaranteed a good level of public investment in the social sector; which in 2011 reached 42% of annual public expenditures<sup>24</sup>. Additionally, the European Commission recognises that, throughout the more than 30 years of its cooperation with Cape Verde, the resources it made available to the country have been managed ‘in a judicious manner, explaining the fact that successive Cape-Verdean administrations have been warranted renewed trust, which they have always known how to build and keep among international partners, among them the European Union’ (Comissão Europeia, 2004: 10, translated from Portuguese).

In summary, while battling considerable structural handicaps, Cape Verde went through major political and economic changes during its LDC trajectory. Politically, the independence party, in power at the time of LDC admission, went out of power and was again in power by the time of the country’s LDC graduation. Economically, a centralised model gave way to a full-blown liberalised one, as a result of the liberal party’s 10 years in power, starting in 1991, and the persistence of this model in the following decades. However, a general policy of foreign-aid led development remained in place and throughout the country’s LDC period the trade gap was kept manageable largely due to the important stabilising role played by the same two factors: foreign aid and remittances. All-in-all, this gives a sense of change and continuity over time.

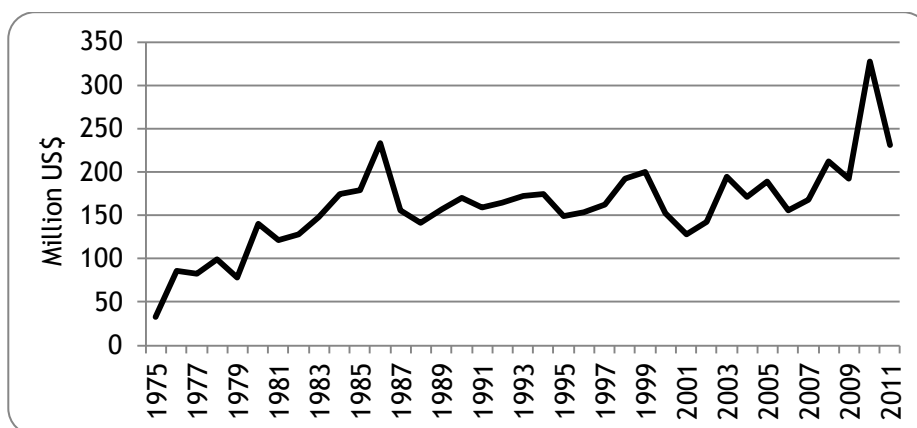
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<sup>s</sup> *E as vulnerabilidades de Cabo Verde são múltiplas. São energéticas, são alimentares, são de segurança, são múltiplas. E normalmente as ilhas acabam tendo vulnerabilidades e custos que ultrapassam o esquema de países continentais. E uma insularidade montanhosa que comporta custos também: fazer 1 Km de estrada em S. Antão daria para fazer 100 Kms no Senegal. Há nitidamente um custo de orografia.*

### 5.5. Changing trends in international assistance to Cape Verde

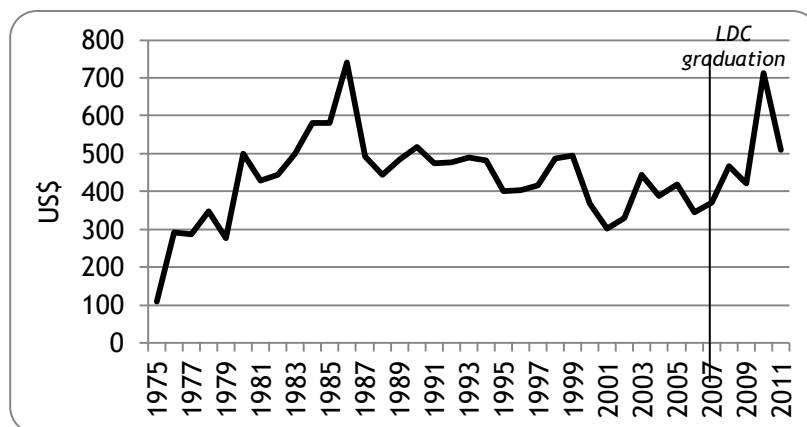
With insufficient domestic resources to autonomously fund its development, a generally positive international image sustained by overall good governance practices and political stability, have strengthened the country's bargaining power in dealing with international partners. This has been very important in the mobilisation of external resources to finance development, even though such a situation can raise concerns regarding the possibility of perpetuating aid dependence. Indeed, after the country's independence and LDC admission, ODA shows a clear rising trend until 1986. From 1986 to 2007, it presents an overall plateauing trend (Figures 5.14 and 5.15).

**Figure 5.14**  
Net ODA received, constant 2011 million US\$ (1975-2011)



Source: World Development Indicators, World Bank, accessed 17 July 2013,  
<http://data.worldbank.org/data-catalog/world-development-indicators>

**Figure 5.15**  
 Net ODA per capita, constant 2011 US\$ (1975-2011)



Source: World Development Indicators, World Bank, accessed 17 July 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>

Indeed, for most of the 1970s, 1980s and 1990s, the country ranked among the largest ODA recipients in terms of GDP, as seen below.

**Table 5.6**  
 Ranking of the largest ODA recipients

ODA/GDP (%)	Grants/Gross ODA	Country and Period
24.88	0.86	Cape Verde, 1990-95
24.76	0.90	Cape Verde, 1985-89
24.46	0.97	Jordan, 1960-64
22.19	0.74	Cape Verde, 1995-99
21.70	0.94	Vanuatu, 1975-79
19.69	0.95	Seychelles, 1970-74
19.69	0.87	Cape Verde, 1975-79
19.67	0.90	Cape Verde, 1980-84
18.33	0.70	Comoros, 1985-89
17.05	0.64	Comoros, 1980-84
16.94	0.82	Comoros, 1990-94
16.05	0.65	Guinea-Bissau, 1990-94
15.69	0.69	Mauritania, 1975-79
15.56	0.87	Vanuatu, 1990-94
14.65	0.98	Vanuatu, 1995-99
14.56	0.81	Jordan, 1985-89
14.32	0.22	Liberia, 1960-64
14.19	0.73	Guinea-Bissau, 1995-99
13.90	0.68	Guinea-Bissau, 1985-89
13.82	0.88	Botswana, 1965-69

Source: Djankov *et. al* (2006)

However, as seen earlier (Figure 5.6), ODA as a percentage of GNI has been clearly decreasing: 45% of GNI in 1980 versus 13% in 2007. This is an indication that the country is becoming less aid dependent. Yet, this last point is compromised by the fact that foreign aid still finances a considerable fraction of the country's public investments. For instance, while the country

has the highest level of education in the ECOWAS<sup>25</sup> it has never put its own money, not a penny, to build a school. Capeverdean schools, all of them, were built with international cooperation money. Only a few classrooms were built with volunteer work in 1975, at the time of independence. The rest was inherited from the colonial system. This is indicative. None of Capeverdean hospitals was built with Capeverdean money. And these two facts illustrate great vulnerability (Victor Borges. Interview. 14 May 2012).<sup>†</sup>

José Luis Rocha, diplomat and Deputy Minister of Foreign Affairs (2011-present), considers that

Cape Verde might no longer be in need of the aid that we needed in the 1970s and 1980s, but we are sure still in need of concessional credit that does not penalise Cape Verde in terms of debt, or other financing mechanisms to complete infrastructure building and to create conditions of sustainability (Interview. 22 May 2012).<sup>‡</sup>

In fact, the pattern of international assistance in Cape Verde changed over the years, following, for the most part, the development needs of the country and the development of foreign aid instruments and modalities. It has gone from strictly food aid and mostly grants right after independence (Manuel Pinheiro. Interview. 10 May 2012), in a context of generalised poverty and widespread hunger, to economic cooperation at present (through loans); having included in-between

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<sup>†</sup> *Este é um país que tem o índice mais elevado de educação da CEDEAO e que nunca meteu do seu próprio dinheiro nem um tostão para construir uma escola. As escolas de Cabo Verde, todas elas, foram construídas com dinheiro da cooperação internacional, salvo algumas salas que foram construídas com trabalho voluntário em 75, na altura da independência. O resto herdámos do sistema colonial. Isto é indicativo. Nenhum hospital de Cabo Verde foi construído com dinheiro de Cabo Verde. E esses dois factos ilustram a grande vulnerabilidade de Cabo Verde.*

<sup>‡</sup> *Cabo Verde pode já não estar a precisar da ajuda clássica que nós precisávamos nos anos 70 e nos anos 80, mas certamente que ainda vamos precisar de créditos concessionais que não penalizem Cabo Verde do ponto de vista da dívida, ou outros mecanismos de financiamento para a realização das infraestruturas e a criação das condições de sustentabilidade.*



project- and program-funded aid targeted at different social sectors and, more recently, general budget support. Obviously, the order has not been this tidy and sequential and a mix of all these aid modalities has been in place at different times. What seems clear, however, is that the country has surpassed its food aid days, in favour of a somewhat more balanced rapport with international partners (as opposed to a more hierarchical donor-recipient relationship), where economic cooperation has the potential to become the privileged policy route. For instance, the World Food Program (WFP) discontinued its school meals program immediately after the country's LDC graduation and the World Health Organisation (WHO) no longer offers vaccines free of charge, as it did in the years following independence.

Additionally, precipitated by the news of the inevitability of LDC graduation, the government turned its attention to a more purposeful development policy favouring economic diplomacy. Jorge Borges, diplomat and Minister of Foreign Affairs (2011-2014), states that LDC graduation 'forced us to rethink the development model and that is how the Agenda [for Transformation and Modernisation of Cape Verde] was developed, which gives clear guidelines, and we now have a vision, we know where we want to get' (Interview. 29 May 2012). Like graduation, he gives the example of Cape Verde's recent WTO membership<sup>26</sup>, adding that 'it is not just for the sake of entering the WTO, it actually served to accelerate modernisation, and we can also be aligned with international standards. And [that is important] for a country that wants to attract investment' (Interview. 29 May 2012).

José Luis Rocha explains that:

our foreign policy continues to advocate an understanding of the dynamics of graduation, in order to mitigate its effects, and we seek new partnerships for development, in terms of aid, credits, FDI, joint ventures. For example, the recent visit that the Minister of Finance made to China, Japan and Singapore was along these lines, with these objectives. We have identified some potential partners for each of the [development] clusters. ... So, that has been the strategy. And additionally there is an internal response that goes towards internalising the fact that

Cape Verde should innovate in constructing its own development (Interview. 22 May 2012).<sup>v</sup>

Changing policy to accommodate the diversification of partners and the diversification of the country's relationship with them also means that power is more spread out and no one partner is excessively influential, leaving room for the country to autonomously exercise agency in deciding development priorities. According to Jorge Borges, 'this transformation will also require redefinition ... of the [diplomatic] missions' (Interview. 29 May 2012).

In addition, budget support became, since 2002, a new important aid modality; so much so that the government promoted the creation of a Budget Support Group (congregating donors currently favouring budget support: the African Development Bank, the European Union, the World Bank, Austria, Luxembourg, Portugal and Spain). This Group meets periodically with the government and follows a coordinated approach by aligning their budget support with the country's Growth and Poverty Reduction Strategy Paper (Austrian Development Cooperation, 2010: 6).

Related to this is the fact that motivations for the ODA allocated to Cape Verde are difficult to clearly assess. In this regard, Adão Rocha states that:

Obviously, we cannot say that all aid received by Cape Verde was due to the fact that it became an LDC, not even remotely. Of course not. What percentage was due to that fact is extremely difficult to determine. We know [LDC admission] had a bearing. Of course it had a bearing ... The extent of it ... no one can tell. But ... The effort that the country itself

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<sup>v</sup> ... enquanto política externa, continuamos a levar esse discurso para que haja uma compreensão da própria dinâmica da graduação, para atenuar os seus efeitos, e procuramos novas parcerias de desenvolvimento, quer em termos de financiamento da ajuda, quer em termos de créditos, quer em termos de IDE, quer em termos de joint-ventures. Por exemplo, a recente missão que a Sra. Ministra das Finanças fez à China, Japão e Singapura ia neste sentido, com esses objectivos. Neste momento conseguimos identificar alguns parceiros potenciais para cada um dos clusters. ... De maneira que tem sido essa a estratégia. E por outro lado, há uma resposta interna que é no sentido de interiorizar o facto de que CV deve inovar em matéria de construção do seu próprio desenvolvimento

makes, the guarantees that the country gives, the strategic considerations also count, of course (Interview. 26 April 2012).<sup>w</sup>

Like remittances, ODA - in its many forms and modalities - has been instrumental in guaranteeing the country's financial, economic and development viability. Hence, the interest (and policy orientation) to maintain, reinforce and restructure ties with the country's main partners, to diversify the pool of partners and to extend the donor-recipient relationship to mutually beneficial levels seems obvious. In this sense, for an important period of time, resorting to the country's LDC status did provide sort of a UN seal of approval for seeking and mobilising external, non-reciprocal support. In other words, LDC status empowered Cape Verde to do so, notwithstanding the dependence entailed in the resulting donor-recipient relationship. However, such a seal of approval becomes inadequate (and, to some extent, weakens the country's bargaining power) if, having achieved a certain level of development, the goal is now to establish and sustain relationships based on more equalitarian and mutually advantageous economic exchanges with former donors, now potential business partners.

At the same time, internally mobilised resources should assume a more prominent role in revenue creation and development financing (see Neves 2010). Graduation from the LDC category should push Cape Verde in that direction. In the same way that independence meant the relocation of (political) power from the coloniser to Capeverdeans; LDC graduation should signify transferring resource mobilisation power from external to domestic sources or, at least, reducing the weight of the former in relation to the latter and being able to reap all the benefits that this can bring in terms of lessening such a long-lasting external dependence. However, it is also true that a 30-year-long dependence on international resources, motivated and justified by LDC status, is a situation that creates a constellation of internal and external vested interests and results in deeply ingrained power networks, and these are not easy to counter. It is in this context that the news of Cape Verde's LDC graduation - representing a considerable structural change in terms

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<sup>w</sup> *É claro que não se pode dizer, nem de perto nem de longe, que toda a ajuda de Cabo Verde se justificava pelo facto de ser PMA. É claro que não. ... Teve um peso, efectivamente. Que peso, ... isso acho que ninguém saberá dizer. Mas que teve um peso, teve um peso, evidentemente. ... O esforço que o próprio país faz, as garantias que o país dá, considerações estratégicas também, evidentemente tudo isso conta.*

of the country's development paradigm and gap financing model - can be demotivating to some and originate bureaucratic resistance. Additionally, Cape Verde's LDC graduation also represented a change within the UN, with bureaucratic implications in terms of interests and power rearrangement. Chapter 6 addresses these conflicting dynamics supporting resistance to Cape Verde's LDC graduation.

## 5.6. Conclusion

This chapter has revealed that, at independence, the population's basic needs were not being met and, in light of Cape Verde's lack of resources, LDC admission was considered an important means to facilitate access to international support. In fact, on the eve of its admission as an LDC, the country was going through quite a challenging economic and social situation. It faced several serious development hurdles, including mass emigration prompted by recurrent droughts and, consequently, widespread hunger. Food security was indeed one of the country's greatest concerns at the time. Because of its lack of internal resources, the country's survival and viability as a sovereign state rested, essentially, on international support measures. To an important extent, so did the possibility of the new ruling class actually exercising power and autonomously steering a viable political project in the country.

Thus, in such a circumstance, how was Cape Verde's LDC admission process characterised? Document analysis and semi-structured interviews, provide five main findings:

- a. LDC status was proactively sought by Capeverdean authorities following the country's independence
- b. Although the decision to seek LDC admission was not framed (given its unanimity among the ruling elite and the population at large), it was part of an emerging general long-term strategic plan to mobilise external resources
- c. The intention/decision to become an LDC was not contested domestically
- d. Admission into the LDC category did not demand a negotiation process with the UN and the country's request was readily accepted

- e. Cape Verde's LDC admission process was strongly encouraged by international partners, including UN structures, and the process was formalised fairly quickly

All-in-all, it can be concluded that Cape Verde's development tale since independence is one of a country overcoming extremely adverse circumstances through overall good governance practices and sensible management of international support measures, while going through structural political and economic changes. In effect, evidence shows that, after gaining independence from Portugal and becoming an LDC in 1977, the country has been politically stable and has performed relatively well economically and socially, notwithstanding its many vulnerabilities. Remittances have played an important part in this. Most importantly, good performance was essentially made possible and fuelled by internationally-mobilised resources, specifically ODA; which did increase after Cape Verde's LDC admission, albeit the progressive reduction of its importance when measured in relation to GNI.

However, it is also important to enquire on the impact of development aid and the interests it served. Eradication of recurrent famines, good human development ranking, poverty reduction, status upgrade from low-income to lower-middle-income country and LDC graduation itself are clear empirical indications that, given the country's dire point of departure, significant investments were made towards Cape Verde's development. Ultimately, this shows that, through development aid, the interests of the poor were attended and their basic needs met, in sheer contrast with the performance of the colonial administration on the eve of independence. Concurrently, at the state bureaucracy level, the long-term availability of foreign aid has fuelled the establishment and the solidification of a bureaucratic structural arrangement that, although successful in financing the country's development, also represented individual interests and power networks that have gained strength over the years and, because of this, are not easy to dismantle.

In the same way, the motivational factors for increased levels of international support following Cape Verde's LDC admission are not easy to assess. Admittedly not the purpose of this investigation, what can be stated as a result of this inquiry is that while LDC admission was pursued primarily with the intention of facilitating Cape Verde's access to international support measures, it is difficult to assert whether or not LDC membership ended up doing so. It is, in fact, a well-documented

fact that the reasons why international support is provided to developing countries are difficult to clearly and unambiguously assess and so are they in the case of Cape Verde.

## Notes

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<sup>1</sup> Parts of this chapter are based on Fialho (2008) and on a chapter recently published in Montalvão Sarmiento, C. and Costa, S. (2013), *Entre África e a Europa: Nação Estado e Democracia em Cabo Verde*, Almedina, Coimbra. Comments by Peter van Bergeijk, Susan Newman, Rolph van der Hoeven, Manuel Ennes Ferreira and Shigehisa “Cape” Kasahara on earlier drafts of this chapter are gratefully acknowledged.

<sup>2</sup> In this context, a country with such characteristic is understood as one whose people are of mixed African and European ancestry. In this case, the mother tongue is Capeverdean, a Creole form of Portuguese and African languages.

<sup>3</sup> Human Development Report 2011 (<http://hdrstats.undp.org/en/countries/profiles/CPV.html>). Its emigrant population is estimated to be two times larger than its resident population.

<sup>4</sup> *Cidade Velha*, former *Ribeira Grande*, is located on the island of Santiago and was founded by the Portuguese in 1462. It is a UNESCO World Heritage site since 2008.

<sup>5</sup> Economy Vulnerability Index

<sup>6</sup> While, in terms of economic vulnerability, it still was considered the most unstable among 128 developing countries (CNUCED, 2003: 13).

<sup>7</sup> What drives the proliferation of developing country differentiation within international organisations?

<sup>8</sup> All interview citations were translated from Portuguese. The Portuguese version of long quotes is included as footnotes.

<sup>9</sup> In this context, framing essentially means prior planning and preparation.

<sup>10</sup> It is important to stress the statistical limitations of 1980's figures.

<sup>11</sup> World Development Indicators, World Bank, accessed 17 July 2013.

<sup>12</sup> The Cape-verdean Escudo (ECV) was first pegged to the Portuguese Escudo and later to the Euro.

<sup>13</sup> *Agenda Estratégica de Transformação e Modernização*

<sup>14</sup> Some have questioned the reliability of these figures. However, they are the only available data on unemployment in the country.

<sup>15</sup> According to the World Bank, this ‘is the total enrollment in primary education, regardless of age, expressed as a percentage of the population of official primary education age. GER can exceed 100% due to the inclusion of over-aged and under-aged students because of early or late school entrance and grade repetition’ (<http://data.worldbank.org/indicator/SE.PRM.ENRR>).

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<sup>16</sup> According to the 2011 Human Development Report (<http://hdrstats.undp.org/en/countries/profiles/CPV.html>), life expectancy in Cape Verde is 74.2, education index (expected and mean years of schooling) is 0.425, and GNI per capita (PPP US\$) is 3,402.

<sup>17</sup> <http://hdrstats.undp.org/en/countries/profiles/CPV.html>

<sup>18</sup> Angola, Cape Verde, Guinea-Bissau, São Tomé and Príncipe, and Mozambique.

<sup>19</sup> [http://www.ine.cv/actualise/dadostat/files/df4e9ab7-90fa-45af-9ac2-96c5a95a4662incid%C3%Aancia,%20profundidade%20e%20intensidade%20da%20pobreza\\_quibb2007.pdf](http://www.ine.cv/actualise/dadostat/files/df4e9ab7-90fa-45af-9ac2-96c5a95a4662incid%C3%Aancia,%20profundidade%20e%20intensidade%20da%20pobreza_quibb2007.pdf)

<sup>20</sup> US\$2,986.67 in 2012 (GDP per capita, constant 2005 US\$, World Development Indicators, World Bank, accessed 17 July 2013).

<sup>21</sup> The economy is characterised by a high degree of openness, which is due to the country's dependence on import products.

<sup>22</sup> Santo Antão is one of the most mountainous islands in Cape Verde.

<sup>23</sup> Senegal is a flat country.

<sup>24</sup> [http://www.oge2011.gov.cv/index.php?option=com\\_docman&Itemid=54](http://www.oge2011.gov.cv/index.php?option=com_docman&Itemid=54)

<sup>25</sup> Economic Community of West African States

<sup>26</sup> Cape Verde became a member of the WTO in 2008.



# 6

## Zooming into the case of Cape Verde - Part II: LDC graduation negotiation process<sup>1</sup>

### 6.1. Introduction

This chapter explores the question of how was Cape Verde's LDC graduation negotiation process characterised and compares this to the process that led to its LDC admission. Emphasis is put on the country's LDC graduation negotiation process, including main decision points, key actors and other determinant factors of the graduation decision-making process. The focus, however, is much broader than the specific case of Cape Verde. The chapter deals with both LDCs' and the UN's resistance to graduation and with how this resistance is eventually overcome. Therefore, going beyond the case study, the chapter shows what the Capeverdean LDC graduation case reveals about the LDC category in general, as well as the lessons that this particular experience can represent for future graduation cases.

Heavily based on primary data collected from semi-structured expert interviews, analytically the chapter brings out the structure/agency and the principal/agent dichotomies, in a context of impending change, where power struggles and the negotiation of deeply seated interests tend to impede potentially overhauling transformations, such as that represented by the LDC graduation. Drawing on the thesis' theoretical framework on organisational behaviour (see Chapter 2), it is possible to understand that the likelihood of change, both at the organisational (UN) and at the country level, creates conflicting interests. This feeds into a contradictory dynamics that leads to dysfunctional behaviour by certain structures within the UN and by the graduating country itself. This chapter analyses these dysfunctions and under which conditions key actors, essentially moved by self-interest, are able to surpass this

dysfunctional stage and reach a new level in their relationship. Unlike the only previous LDC graduation example (Botswana) and the LDC graduations that followed Cape Verde (Maldives and Samoa), in the specific case of Cape Verde's graduation, a structural rearrangement within the UN is responsible for triggering and setting in motion this process of change. Therefore, the chapter documents and analyses Cape Verde's and the UN's move from opposition towards LDC graduation to its acceptance and support, as well as the broader organisational implications of this change.

The remainder of this chapter is structured as follows: section 6.2 explores secondary and primary data collected from documents and semi-structured interviews with representatives from IOs, governmental and non-governmental organisations, academia, public and political institutions, diplomatic missions, as well as representatives from Capeverdean trade associations, workers' unions and the media, in order to understand the country's main motivations to graduate from LDC status. Section 6.3 concludes, while relating the main findings of this chapter with those of Chapter 5, bringing together the two parts of the Capeverdean case study by comparing the processes of LDC admission and graduation and by synthesising the main implications of the latter for the LDC category as a whole and for the UN in general.

## **6.2. Motivation(s) to graduate**

How was the national decision-making process that led to Cape Verde's LDC graduation managed or characterised? This question is particularly important when considered in a context where, for Cape Verde, exiting the LDC category also meant abandoning a 30-year development model/paradigm heavily based on international support measures, along with well-established and long-standing networks sustained by a web of interests that do not always coincide with what is best for the country. Evidence collected from document analysis and expert semi-structured interviews<sup>2</sup> (see Appendix B) puts forward four main findings:

### 6.2.1. External push vs. bureaucratic pull

External/international push to accept graduation (and overcome initial reluctance to graduate), is counterweighted by a pull from national and international bureaucratic forces supporting Cape Verde's continuity in the LDC category. This push/pull dynamics is most clearly stated by Cape Verde's former Foreign Affairs Minister (2008-2011) and Ambassador to the US (2001-2006), José Brito:

UNCTAD was adamant that we should not proceed [into graduation]. The change of perspective came from the time when I was Ambassador in Washington. I felt the pressure from the US. They had the view that it does not make sense, ... after so much effort from the international community, that no country exited [the LDC category]. I had many discussions with them to clarify all our doubts, but they always insisted that there was need to show the example. I was eventually convinced, in fact, that it was time to walk with our own feet (Interview. 24 May 2012).<sup>a</sup>

Luís Fonseca, former Capeverdean Ambassador at the UN (2001-2004) corroborates:

Industrialised countries defended the thesis that LDCs that met graduation criteria should leave the group ... In this respect, the most intransigent were the US, but the same position was advocated by the EU, although bilaterally we could count on the understanding of some EU countries (Portugal, Luxembourg). ... the US was very reluctant to give up the opportunity to reduce the number of LDCs. It did not refrain from reiterating its opposition to the postponement of Cape Verde's exit [from the LDC category], both during negotiations and through their diplomatic representatives in the capital and at the UN (Written response to interview guide. 3 July 2012).<sup>b</sup>

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<sup>a</sup> ... a CNUCED, que fazia finca-pé de que não se devia avançar. A mudança desta perspectiva vem de quando eu era na altura Embaixador em Washington. Eu senti as pressões dos EUA. Eles tinham a posição de que não faz sentido ... depois de tanto esforço da comunidade internacional não há nenhum país que saia [desta categoria]. Portanto, havia sempre esta pressão. Tive muitas discussões com eles para esclarecer todas as nossas dúvidas, mas eles sempre insistentes de que havia necessidade de mostrar o exemplo. Acabei por ser convencido, de facto, de que era o momento de podermos ir e andar com os próprios pés.

<sup>b</sup> Os países industrializados defendiam a tese de que os PMAs que atingissem os critérios de saída deveriam abandonar o grupo ... Nessa matéria, os mais intransigentes foram os Estados Unidos, mas a mesma posição defendia a União Europeia, embora no plano das relações bilaterais com alguns

In search of an example that could (i) contradict the evident stagnation of the LDC category (considering its dismal graduation track record: only one case (Botswana, 1994) in over 30 years) and, hence, (ii) deflate increased criticisms of the category's futility (especially when we know that other categories that could replace it have emerged), developed countries supported and encouraged Cape Verde's graduation from the beginning. Fátima Veiga, former Capeverdean Ambassador to the UN (2004-2007), remembers that: 'For some [developed countries], the credibility of the category depended on the application of the criteria, so Cape Verde should move forward towards graduation' (Written response to interview guide. 16 August 2012). Fonseca also recalls that

the feeling on the part of industrialised countries was that the group of LDCs eternalised in time and if there were no signs that these measures were being efficient, leading some countries to leave the group, to be "graduated", the conclusion would have to be that the UN had failed in the objectives of creating the group. Cape Verde and Maldives were thus the "trophies" to present to the international community that the policies were working for the LDCs. Hence the enormous pressure exerted particularly on Cape Verde, not only at the negotiating table but also bilaterally, to accept leaving the group (Written response to interview guide. 3 July 2012).<sup>c</sup>

According to Brito,

we always had this question of vulnerability, which was Cape Verde's main argument, and the fear of exiting this category, considering that Cape Verde depended on foreign aid. And being an LDC allowed access [to funding] under extremely favourable conditions. And UNCTAD

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*países membros da UE (Portugal, Luxemburgo) contássemos com alguma simpatia para o nosso caso. ... os Estados Unidos manifestaram-se bastante renitentes em abrir mão da oportunidade de reduzir o número de PMAs. Não se coibiram de reiterar a sua oposição ao adiamento da saída de Cabo Verde, tanto no decorrer das negociações, como através dos seus representantes diplomáticos na capital e nas Nações Unidas.*

<sup>c</sup> *... o sentimento por parte dos países industrializados era de que o grupo dos PMA se eternizava no tempo e, se não houvesse sinais de que as medidas estariam a produzir efeitos, levando alguns países a saírem do grupo, a serem "graduados", ter-se-ia que concluir que as Nações Unidas tinham falhado nos objectivos da criação do grupo. Cabo Verde e Maldivas constituíam, assim, os "troféus" a apresentar à comunidade internacional de que as políticas relativamente aos PMA estavam funcionando. Daí a pressão enorme exercida particularmente sobre Cabo Verde, não só à mesa das negociações mas também bilateralmente, para que aceitasse sair do grupo.*

helped to maintain this position. UNCTAD was always on the side of Cape Verde's fear to graduate (Interview. 24 May 2012).<sup>d</sup>

Regarding this last point, Fonseca confirms 'UNCTAD's sympathy' and 'AOSIS' unreserved support' (Written response to interview guide. 3 July 2012) towards the country's initial position to postpone graduation as much as possible. Fátima Veiga also mentions that UNCTAD 'was not favourable of graduating countries like ours, with a high level of economic vulnerability, even if they fulfil the other two [graduation] criteria' (Written response to interview guide. 16 August 2012).

Alves Lopes, former *Chargé d'Affaires* of Cape Verde in Geneva (1999-2004), states that 'even when the government decided to accept graduation, [UNCTAD officials were] still trying to get the government to go back on its decision' (Interview. 5 July 2012). Carlos Semedo, diplomat and Director General of Global Affairs at the Ministry of Foreign Affairs (2010-present), considers that initially 'UNCTAD demonstrated some apprehension [towards graduation], given the nature of the organisation. But afterwards they were very engaged, alongside the Capeverdean government, to assist in this process of graduation' (Interview. 30 May 2012). Questioned about the US position regarding Cape Verde's graduation, Semedo confirms that:

The Americans were among those who supported graduation; hence the MCA<sup>3</sup> program which is based on that perspective ... No wonder Cape Verde was one of the first countries to be elected to the first MCA package. This clearly demonstrates that the US wants to change that paradigm: support development but based on merit.<sup>e</sup>

Manuel Pinheiro, former Director General for Planning at the Ministry of Finance (2001-2009) and presently Director of the government's Centre of Strategic Policy, also recalls that when first confronted with

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<sup>d</sup> ... *tinhamos sempre esta questão de vulnerabilidade, que era o argumento essencial de Cabo Verde e o medo de sair desta categoria, tendo em conta que Cabo Verde dependia praticamente da ajuda externa. E que as condições dos PMA permitiam a Cabo Verde ter acesso [a financiamento] em condições extremamente favoráveis. E para manter esta posição foi a CNUCED que ajudou. A CNUCED esteve sempre do lado do medo de Cabo Verde de graduar.*

<sup>e</sup> *Os americanos eram daqueles que apoiavam a graduação, daí esse programa MCA exactamente baseado nessa perspectiva ... Não é à toa que Cabo Verde foi dos primeiros países a ser eleito para o pacote do primeiro MCA. Isso demonstra claramente que também os EUA querem mudar esse paradigma: apoiar o desenvolvimento mas apoiando no mérito.*

the possibility of LDC graduation, the Capeverdean government drafted ‘with the help of UNCTAD ... a strategy to exit the group of LDCs, *but* this strategy was, in effect, to maintain LDC status’, given that ‘the initial objective was to study ... how to justify [Cape Verde’s] continuity in the [LDC] group’ (Interview. 10 May 2012). Indeed, the government ‘was fighting not to exit [the LDC category]’ (Alves Lopes. Interview. 5 July 2012).

The G77 was also arguing for the continuity position and ‘when Cape Verde began to manifest itself in favour of graduation, there was indeed a kind of uneasiness [within the G77 and] although that was not expressed, the proponents of maintaining Cape Verde [in the LDC category] were a bit taken aback’ (Manuel Pinheiro. Interview. 10 May 2012). Victor Borges corroborates, recalling that, among other LDCs, there was ‘some amazement regarding Cape Verde’s position [favouring graduation]’ (Interview. 14 May 2012). To Brito, some LDCs were ‘afraid that the example of Cape Verde could lead to more pressure for them to exit the group. There was some uneasiness. But we had an idea of what we wanted and we moved on. ... even with the pressure from UNCTAD, we moved forward’ (Interview. 24 May 2012). Veiga confirms, stating that

G77 and China supported the position that LDCs should not move forward to graduation, thus avoiding setting a precedent. This particular position was very marked in the group of Small Island Developing States (SIDS), since three of the countries eligible to graduate, Cape Verde, Maldives and Tuvalu, were SIDS (Written response to interview guide. 16 August 2012).<sup>f</sup>

However, at initial stages of negotiations:

The Ministry of Foreign Affairs was also afraid of losing ODA. At the time I was Minister of Economy and believed that investment should be our objective and it was time, in fact, to switch models. ... I felt that the ODA model was ending. It is a model that I helped create, as the

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<sup>f</sup> O Grupo dos 77 e China apoiava a posição dos PMA de não se avançar para a graduação, evitando-se assim a criação de precedentes. Esta posição era sobretudo muito marcada no grupo dos Pequenos Estados Insulares em Desenvolvimento, já que três dos países elegíveis à graduação, ou seja Cabo Verde, Maldivas e Tuvalu, se tratavam de PEID (SIDS).

country's first Minister of Cooperation, but came to the conclusion that this model was exhausted (José Brito. Interview. 24 May 2012).<sup>g</sup>

In fact, an anonymous informant (Anonymous 2)<sup>4</sup> mentions letters sent by Capeverdean Ambassadors and Ministers to UNCDP and to the UN Secretary General, opposing LDC graduation. José Vicente Lopes, journalist, also recalls that at first the gist of the discourse of main Capeverdean decision-makers was 'a bit plaintive: "what will become of us, poor devils?" ... but then I think that the authorities came to their senses ... and the most that they could do was postpone the decision until a little later' (Interview. 7 May 2012). In fact, in 2004, in a local newspaper article, Lopes reported that 'Cape Verde's stubborn attitude received criticism from diplomatic circles' (Lopes, 2004: 3).

José Luís Rocha, diplomat and Foreign Affairs Deputy Minister (2011-2014), affirms that

there were two kinds of feelings. On the one hand, people who feared that with LDC graduation we would immediately lose advantages in terms of access to funding, grants, and in terms of market access ... But early on there was the idea that graduation should be seen as a window of opportunities, considering that analyses made to the development of Cape Verde had shown that the aid recycling model was exhausted. It was necessary to find other ways of developing Cape Verde in the perspective of sustainable development (Interview. 22 May 2012).<sup>h</sup>

Alves Lopes also recalls that, after some time, the understanding was that it was no longer worth fighting to stay in the LDC category,

because there was a [graduation] rule and the great powers encouraged the country to exit the list. So we had partners who advised us to quietly

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<sup>g</sup> O Ministério dos Negócios Estrangeiros na altura também estava com receio de perder a APD. Eu na altura como Ministro da Economia acreditava mais que era o investimento que devia ser o nosso objectivo e era o momento, de facto, de mudar de modelo. ... Eu senti que o modelo da APD estava no fim. É um modelo que eu ajudei a criar, fui o primeiro Ministro de Cooperação do país, mas cheguei à conclusão de que este modelo estava esgotado.

<sup>h</sup> ... houve esses dois tipos de sentimentos. Por um lado pessoas que receavam que com a saída da lista dos PMA a gente perdesse imediatamente as vantagens inerentes em termos de acesso aos financiamentos, donativos e em termos de acesso aos mercados ... Mas desde cedo houve também a ideia de que a graduação deveria ser vista como uma janela de oportunidades, a partir do momento em que as análises feitas do desenvolvimento de Cabo Verde deram por esgotado o processo relativo à reciclagem da ajuda. Era necessário encontrar-se outras formas de desenvolvimento de CV, na perspectiva de um desenvolvimento sustentado.

accept, that there would be no great danger ... there was this awareness within the Cape Verdean diplomacy. And from 2000 to 2003 this idea was consolidated ... and our concern changed ... [and] the diplomats began designing a new strategy. That is, not to insist on LDC status, because it was impossible. We had to exit [the LDC group] ... And from 2000 on we tried to negotiate the exit (Interview. 5 July 2012).<sup>i</sup>

Also, despite assurances given by major donors regarding continued support in the post-LDC phase, in order to avoid a fall back into LDC conditions, the fact is that while ‘the [Capeverdean] government was trying to get some hard commitments between trading partners and donors [they were] not too willing to do that’ (Anonymous 2).

On the whole, evidence suggests that major donors did favour Cape Verde’s graduation, while national and international bureaucratic forces strived to maintain the *status quo*, at least initially, playing with the country’s uncertainty regarding a future outside of the framework of special and differential treatment promoted and facilitated by LDC status. This does reveal a thug-of-war-like setting of opposing/conflicting interests. While there were clear and major differences of interests between major donors (particularly the US) and the UN; G77’s, SIDS’ and AOSIS’ opposition can be understood in terms of perceived need to self-protect against LDC graduation. This also raises a broader question: why are all these countries so afraid of graduation?

Table 6.1 synthesises the positions of major actors at different periods of time. When referring to the UN opposition, I mean certain UN structures, considering that the decision to recommend graduate comes from within an advisory body within the UN. The decision is taken by UNCDP, recommended by ECOSOC and endorsed by the UNGA, but has found some opposition from UNCTAD (or from certain bureaucratic structures within UNCTAD). In a sense, this can be seen as a cannibalistic behaviour and a proof that bureaucratic interests drive the

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<sup>i</sup> ... porque há esta norma e havia países, enfim, as grandes potências que encorajavam o país a sair da lista. Portanto, nós tínhamos os nossos grandes parceiros que nos aconselhavam a aceitar tranquilamente, que não haveria grandes perigos ... havia essa consciência no seio da diplomacia caboverdiana. E no ano 2000 a 2003 esta ideia foi consolidada... a nossa preocupação começou a ser outra ... [e] os diplomatas começaram a desenhar uma nova estratégia. Ou seja, não fazer júnca-pé de não saída, porque a não saída era impossível. Nós tínhamos de sair mesmo ... Então, a partir do ano 2000 nós tentámos negociar a saída.



process, considering that it demonstrates that organisational structures within the UN are at odds with each other.

**Table 6.1**  
*Evolution of positions regarding Cape Verde's LDC graduation*

	Cape Verde	UN <sup>j</sup>	G77/SIDS/AOSIS	Developed countries
1994: CV meets graduation criteria for 1 <sup>st</sup> time	opposition	opposition	opposition	overall acceptance
1997: CV meets criteria for 2 <sup>nd</sup> time	opposition	opposition	opposition	overall acceptance
2000: CV meets criteria for 3 <sup>rd</sup> time	reluctance	opposition	opposition	overall acceptance
2003: CV meets criteria for 4 <sup>th</sup> time and UNCDP decides to recommend its graduation	acceptance	acceptance	opposition	overall acceptance
2004: UN General Assembly endorses decision to graduate CV	acceptance	acceptance	opposition	overall acceptance

Ultimately, these conflicting interests, as revealed in the interviews conducted, indicate three important dysfunctionalities:

- a. UN bureaucracy's incongruous behaviour: by acting as an autonomous agent, the bureaucracy served its immediate interests, instead of safeguarding the long-term interests of LDC member states; the principal. Indeed, this UN dysfunctionality can be explained by the principal/agent dichotomy. By resisting Cape Verde's graduation, certain UN bureaucrats contradicted the purpose of a development instrument (e.g., the LDC mechanism) that the organisation itself created precisely with the intention to boost the development prospects of its most vulnerable member states. This behaviour instils or reinforces a sense of dependence and entitlement to international support in those graduating countries, to the detriment of true LDCs, at the same time that it calms down the bureaucracy's apparent fear of change and it serves its interest to keep intact the organisational structure that supports its delegated, moral and expert authority<sup>5</sup> and policymaking power in this area. This functions as a stimulus

<sup>j</sup> Certain UN structures, e.g., UNCTAD (see discussion below)

for the perpetuation of the category<sup>6</sup>. Additionally, UN bureaucracy's reluctance towards Cape Verde's LDC graduations also denotes the organisation's lack of long-term planning with regard to the desirable evolution of the LDC category; i.e., the graduation of its members. Possibly due to the stagnation of the category for many years, some of the UN bureaucracy took it for granted and did not foresee its organisational role, nor planned its intervention, in a post-LDC scenario. As a result, it approached Cape Verde's graduation defensively; seeing it, at least initially, as a threat to the survival of the bureaucratic apparatus devoted to managing the category.

- b. Cape Verde's paradoxical behaviour towards its own development: by first opposing LDC graduation, the country also demonstrated fear of change. This was not just any change but a change that represented (and was a recognition of) the country's positive development performance. With its reluctance towards graduation, the country implicitly rejected this recognition and contradicted both the purpose of development and the wish to overcome foreign dependence, which was the ultimate driver of the struggle for independence. The prospect of graduation represented not just the need but the imperative for Cape Verde to start functioning within a different development structure; which the country's initial opposition revealed that it was not yet prepared for. This different structure involved abandoning, or considerably reducing the weight of, highly concessional and non-reciprocal international support measures and devising more autonomous ways to capture national and international resources to fund its development and stimulate economic growth. In effect, there was a considerable cost to this change: implementing a new development structure also meant tinkering with vested interests and rearranging and investing in the restructuring of well-established power networks.
- c. G77's, SIDS' and AOSIS' inability to overcome a position (i.e., opposition to graduation) that indicates international dependence and counters the very purpose of development. While Cape Verde was able to eventually surpass its initial opposition to graduation, these three groups of developing countries persisted in their conviction that LDC graduation should be regarded,

primarily, in a negative light. Influenced by the strong lobby of their members, the stance of these groups showed that developing countries were not able to consensually see in this status change a catalyst for developing countries to start thinking and acting outside of a framework of foreign-aid dependence and, ultimately, an opportunity for emancipation. This contradicted the very purpose of development and showed accommodation to the *status quo*, even if it meant surrendering to a dependent situation.

### 6.2.2. Lack of framing in the national decision-making process

At the country level, the graduation decision-making process was not framed. Lack of framing<sup>7</sup> can be identified in two fronts: (i) stakeholders outside of central government were not actively involved in the decision-making process; and (ii) most of the decision-making process was predominantly reactive, as opposed to proactive. On the one hand, while some believe that the contribution of stakeholders not directly involved in the negotiation of the country's LDC graduation (such as the Parliament, trade and workers' union and other civil society organisations) was not sought by decision-makers, others think otherwise.

For example, Aristides Lima, former President of Parliament (2001-2011), states that 'the issue did not have formal treatment in Parliament. I do not remember that there was an agenda item on graduation, for example. I do not recall of there having been a debate or an interpellation on graduation' (Interview. 23 May 2012). However, Victor Borges recalls having

suggested to the ex-President of Parliament [Aristides Lima] a small gathering to share information ... at the Specialised Committee on Foreign Relations. I went there and said "I think it [LDC graduation] is a serious challenge, I am ready to come back to Parliament". ... but I have no memory of having gone a second time (Interview. 14 May 2012).<sup>k</sup>

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<sup>k</sup> *Eu lembro-me de ter sugerido ao ex-Presidente do Parlamento um pequeno encontro para partilhar a informação com eles e estavam pessoas da oposição [na Comissão Especializada de Relações Exteriores]. Eu fui lá e disse "eu acho que é um desafio sério, estou pronto a vir novamente ao Parlamento". ... mas não tenho memória de ter ido uma segunda vez.*

In fact, Veiga mentions ‘a specific Parliament session which focused on this matter, on March 28, 2005’ (Written response to interview guide. 16 August 2012). Indeed, according to Assembleia Nacional de Cabo Verde (2005), the Parliament did discuss the issue of Cape Verde’s graduation but this discussion took place *a posteriori*, i.e., after the UN General Assembly’s endorsement of UNCDP’s recommendation to graduate the country.

Orlando Mascarenhas, former President of the country’s main trade association<sup>8</sup> (1995-2007), recalls that government officials did share ‘a lot of information’ with the business sector (Interview. 21 May 2012). Conversely, Júlio Ascensão Silva, Secretary General of UNTC-CS<sup>9</sup>, one of the country’s main workers’ union, states that ‘officially, we were not involved in this process, we were not even heard ... what we knew is what came out in the media ... we were never formally invited to analyse the issue, so that we could share our opinion’ (Interview. 25 May 2012). Likewise, José Manuel Vaz, President of CCSL<sup>10</sup>, another important workers’ union, seconds this view, stating that: ‘We as representatives of the union did not know what the consequences, advantages, disadvantages of graduation were ... the issue was not even brought to the Council for Social Dialogue<sup>11</sup>, which sits employers and workers’ (Interview. 14 May 2012). In the same line, Avelino Bonifácio Lopes, President of the Capeverdean NGO Platform, states: ‘we had no intervention. Not even ... information from the government on what was happening, much less any request for an opinion ... we were basically a passive subject, an observer in this process’ (Interview. 16 May 2012).

Although not at all mandatory, promoting a more purposeful engagement of all those other stakeholders since earlier stages of the graduation negotiation process (e.g., through regular information-sharing sessions) could ease the internalisation of changes in policy measures resulting from LDC graduation. In fact, Lima criticises the way that the graduation process was managed, calling attention to what he considers to have been

the omission of the internal aspect. For example, the need to appeal to people’s, businesses’, enterprises’ and citizens’ particular commitment to the new phase [post-LDC]. So I think there was a failure in communication, because it [graduation] could have stimulated self-accountability much more, if there had been more of an appeal to this

domestic policy aspect, if the issue had not been seen mostly from the external point of view. Because there was more concern with “how do we bring more external resources?” and not with “how do we maximise our internal contribution?” (Interview. 23 May 2012).<sup>1</sup>

On the other hand, the reactivity with which the LDC negotiation process was approached is explained by Fonseca:

My understanding is that one of the weaknesses of the process was that negotiations started without there having been a solid preparation of the positions and strategies to be fought for, and of alternative scenarios. The team that coordinated the negotiations was competent, well advised and could have ensured that the initial government positions were more successful, but it was building its position as negotiations progressed and under the pressure of negotiations (Written response to interview guide. 3 July 2012).<sup>m</sup>

Additionally, while Pinheiro recalls that ‘the Prime Minister made an announcement that we [at the Ministry of Finance] did not foresee in the short run and the decision to graduate caught us by surprise’ (Interview. 10 May 2012). This denotes either lack of coordination among the different government structures directly involved in the negotiations or a negotiation tactic. Fonseca states that

the position of the Prime Minister's Office evolved much faster than it could be accompanied by the Foreign Affairs Ministry. A few days after the [Foreign Affairs] Minister tried to make the case, at an AOSIS meeting, in Trinidad, for the continuity of Cape Verde in the LDC

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<sup>1</sup> ... a omissão do aspecto interno. A necessidade, por exemplo, de se apelar as pessoas, às empresas, às organizações empresariais e o cidadão para a nova fase, para um empenho particular. Portanto, eu acho que por aí se falou do ponto de vista da comunicação, porque se poderia ter estimulado a atitude de auto-responsabilização muito mais, caso se tivesse apelado mais para esse aspecto de política interna. Caso a questão não fosse vista mais do ponto de vista externo. Porque as pessoas estavam mais preocupadas é com: “e depois como é que vamos fazer para trazer mais recursos externos?” e não “como é que vamos fazer para maximizar a nossa contribuição interna?”.

<sup>m</sup> Do meu ponto de vista, um dos pontos fracos do processo foi o de se ter iniciado as negociações sem que tenha havido uma sólida preparação prévia das posições a defender e com estratégias e cenários alternativos. A equipa técnica que coordenava as negociações era competente, estava bem assessorada e poderia garantir que as posições iniciais do governo tivessem mais sucesso, mas foi construindo a sua posição ao longo de e sob pressão das negociações.

group, we [Capeverdean diplomats] were informed of the decision to accept graduation (Written response to interview guide. 3 July 2012).<sup>n</sup>

Hence, to a certain extent, the Foreign Affairs Minister at the time was ‘overridden by the Prime Minister’s decision [to no longer postpone graduation], since she advocated, like the rest of us, that we should try to prolong Cape Verde’s stay in the LDC [category]’ (Luís Fonseca. Email. 2 February 2012).

In the end, (i) divergent positions within different Capeverdean bureaucratic structures, (ii) the overall reactivity of the national decision-making process and (iii) lack of long-term policy planning by central government decision-makers reinforce the understanding that fear of change, motivated by long-standing bureaucratic interests, was indeed driving the graduation process in Cape Verde, at least initially. Foregoing a deeply-rooted 30-year-long development structure based on international support, along with power connections and all the bureaucratic interests that that structure enclosed, and having to set up new arrangements and build up new networks, proved a challenging task to the country. This was probably precisely because there had been no prior planning in the direction of a development paradigm shift. Instead, this shift was precipitated by the news of LDC graduation. Because of this, resistance to graduation (and the wish to maintain the *status quo* and continue functioning within the same foreign aid-led development structure) was the country’s first reaction. Hence, lack of framing in the national graduation decision-making process is either a reflection of that resistance or a negotiation tactic.

However, this resistance also needs to be analysed in relation to the UN bureaucracy’s contradictory behaviour towards the possibility of LDC graduations in general. Indeed, the organisation’s complacency and to some extent encouraging behaviour towards LDCs’ fear of graduation does contribute to and reinforces the dysfunctionality of perpetuating a category of countries forever in need of international support. For instance, the criterion change from EDI to EVI in 2000, proposed by

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<sup>n</sup> ... a posição do Gabinete do Primeiro Ministro evoluiu muito mais rapidamente do que pode ser acompanhado pelo Ministério dos Negócios Estrangeiros. Poucos dias depois de a Ministra [dos Negócios Estrangeiros] ter procurado defender numa reunião da AOSIS em Trinidad a extensão da permanência de Cabo Verde no grupo dos PMA, fomos informados da decisão de se aceitar a graduação.

UNCDP and endorsed by ECOSOC, can be seen as a UN decision against graduation. The introduction of the EVI criterion (which exacerbates the vulnerability aspect and makes it harder for countries to reach graduation point) was essentially a positive response to Vanuatu's and Maldives' objection towards graduation, legitimising a behaviour that supports the perpetuation of foreign dependence and setting a defensive precedent for all future graduation cases. Essentially, the rules were changed to suit the wish of certain countries, so that they could profit longer from the benefits associated with being an LDC. However, one should be aware that ECOSOC is an inter-governmental body and not an internal body of the UN bureaucracy. Thus, ultimately, it was both the UN bureaucracy (through UNCDP) and member states (through ECOSOC) that listened to these countries' views and decided to allow them to remain in the LDC group. The UN as a whole, bureaucrats and member states, caved to the lobbying pressure of countries that did not want to let go of the LDC special and differential treatment. Ultimately, this behaviour ends up perpetuating foreign dependence.

### 6.2.3. A new LDC transition framework

Cape Verde's LDC graduation negotiation process proved key in contributing to the formulation of a UN-supported LDC transition framework, non-existent until then. At the country level, initial reluctance to accept LDC graduation when that possibility first emerged was primarily justified by the lack of a UN-backed post-LDC framework that could allow decision-makers to, at least, anticipate the country's development financing future outside of LDC special and differential treatment and, with this, avoid a fall back into LDC status. Adão Rocha, senior adviser at the Prime Minister's cabinet, explains that, initially, the country's stance was as follows:

There are no conditions for Cape Verde to exit the LDCs. A country that has been so attached to the exterior in terms of development inflows, cannot, from one day to the next, see its development

framework changed without knowing where it is going (Interview. 26 April 2012).<sup>o</sup>

He adds that it made no sense for the UN to graduate an LDC ‘without saying how it works. What is the graduation framework? In fact, there was no graduation framework. Absolutely nothing! That is why everyone legitimately feared graduation’ (Interview. 26 April 2012). José Luís Rocha considers that ‘Cape Verde’s lesson is that this [graduation] process was not sufficiently prepared [by the UN]’ (Interview. 22 May 2012). In effect, the country managed to play a bit with this lack of post-LDC definition to try to impose its strategy. In a newspaper article published in February 2004, Cape Verde’s Prime Minister is quoted explaining that national authorities were well aware

that exiting this group is inevitable. We are just calling the international community’s attention to certain aspects that may affect the survival of the country in a highly competitive context and for which we are not yet ready ... we must ensure a transition period (Lopes, 2004: 3, translated from Portuguese).

In the same vein, and calling attention to a tactic of negotiation, Victor Borges considers that

to exit or not to exit the LDCs is a false issue. The matter is that accompanying measures must exist to ensure that transition is a success. There is an apparent contradiction between countries wanting to develop while not wanting to exit the group of LDCs ... If the objective is development, the aim should be to exit the group of LDCs. I always thought there should be nuances between our principle stance and our negotiation stance as a strategy to avoid adverse consequences resulting from a graduation process dealt with according to a purely bureaucratic-administrative approach, which tends to be the logic of the UN (Interview. 14 May 2012).<sup>p</sup>

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<sup>o</sup> Não há condições para Cabo Verde sair dos PMA. Porque um país que tem estado muito atrelado ao exterior em termos de fluxos para o seu desenvolvimento não pode, de um dia para o outro, ver o seu quadro de desenvolvimento alterado sem saber aonde é que a gente vai.

<sup>p</sup> ... sair ou não sair dos PMA é uma falsa questão. A questão é que medidas de acompanhamento devem existir para garantir que transição seja sucesso. Há uma aparente contradição entre os países quererem desenvolver-se e ao mesmo tempo não quererem sair do grupo dos PMA. .... Se o objectivo é o desenvolvimento, o objectivo deveria ser sair do grupo dos PMA. Sempre achei que deveríamos fazer nuances entre posição de princípio e posição como estratégia negocial, para evitar consequências nefastas



In overcoming the initial lack of enthusiasm regarding LDC graduation and openly acknowledging its inevitability, Brito recalls:

I realised that we could negotiate the transition period. That was the agreement we reached with the US: we will graduate, and this is good because it gives the example... and we can negotiate a transition agreement. From there we started to negotiate the conditions of transition. ... I must say that opposition continued in UNCTAD ... completely against it, and when we started to negotiate ... [UNCTAD believed it] was a mistake on our part to do this (Interview. 24 May 2012).<sup>9</sup>

To Adão Rocha: ‘This was the innovative vision of Cape Verde. Departing from [the principle of] rewarding merit ... first, you cannot penalise a country for good performance; second, you cannot abandon a country without telling it what the [post-LDC] framework is’ (Interview. 26 April 2012).

Eventually, this led to a new concept within the LDC mechanism: that of a *smooth transition* for countries graduating from the LDC list (UN, 2004). While it is not clear how exactly this new concept was introduced, Fonseca is ‘certain that the proposal did not come from ... our Permanent Mission [at the UN], absolutely not. Most likely it resulted from a UN effort to convince reluctant beneficiaries’ (Email. 15 January 2013). Fonseca’s assertion might also be an indication that the UN saw the new transition framework as an opportunity to safeguard the long-standing bureaucratic structures created to manage the LDC category, by structuring it according to its interests. However, Brito states that the idea of a smooth transition was always in the Capeverdean authorities’ mind, ‘taking into account Cape Verde’s vulnerability’ (Email. 15 January 2013). The fact is that this new framework - which lacked before and motivated the indispensability of an LDC transition strategy for all graduating countries - moved Capeverdean negotiations forward and,

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*para o processo de desenvolvimento de uma graduação tratada numa abordagem meramente burocrático-administrativa, que é um pouco a lógica das Nações Unidas.*

<sup>9</sup> ... *eu percebi que podíamos negociar o período de transição. Foi o acordo que chegámos com os EUA: vamos graduar, e isto é bom porque dava o exemplo ... e podemos negociar o acordo de transição. A partir daí começámos a negociar as condições de transição. ... Devo dizer que a oposição continuou na CNUCED ... completamente contra, e quando começámos a negociar [a CNUCED acreditava] que era um erro da nossa parte fazer isto.*

although not specific for the Capeverdean case, assisted in helping the country overcome its initial reluctance to let go of the LDC status.

However, in the case of Cape Verde, the lack of definition (or the lack of a consensual understanding) regarding the exact extent of the transition period seems to have played in favour of the country's continued access to certain LDC-specific benefits, even after its status upgrade. In fact, according to Semedo:

Until now there is no clear definition [of the transition period]. ... I think it was a political strategy not to set a date. ... we are saying it is by 2015, which is the UN deadline for the MDGs. But that's it, there is no date. I think it was a bit deliberate (Interview. 30 May 2012).<sup>r</sup>

The Prime Minister himself recognised that: 'We cannot say how long the transition phase will last' (Neves, 2010: 281). José Luis Rocha states that 'it was unclear what the timing for transition would be' and 'without having it written down, we ended up saying that graduation should possibly go until 2015, which is the MDGs horizon ... There are theories that defend this, and they are written down. But it is not written as a decision' (Interview. 22 May 2012). To Jorge Borges, diplomat and Minister of Foreign Affairs (2011-2014), 'there are several readings regarding ... the [transition period of] three years' (Interview. 29 May 2012). According to Victor Borges, former Minister of Foreign Affairs, national authorities accepted the 2015 deadline

because there was no other solution ... The UN insisted on 2015 because of the MDGs, but I did not want to set a deadline. I wanted to establish indicators related to economic vulnerability to determine the transition period ... to ensure that there would be no fall back in the development process (Interview. 14 May 2012).<sup>s</sup>

While, in a letter of intent to the IMF dated July 2011, the Capeverdean government guarantees: 'We have been assured by our partners that concessional financing will be maintained and the partners showed

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<sup>r</sup> *Até então não há uma definição clara [para o período de transição]. ... Também acho que foi uma estratégia política de não definir uma data. ... estamos a dizer que é até 2015, que é a meta das NU para os ODM. Mas é isso, não há uma data. Acho que foi um bocadinho propositado.*

<sup>s</sup> *... porque não havia outra solução ... As NU insistiram sobre 2015 por causa dos ODM, mas eu não queria fixar um prazo. Eu queria fixar alguns indicadores que têm a ver com a vulnerabilidade económica para determinar o período de transição, ... que garantam que não haveria retorno no processo de desenvolvimento.*

willingness to extend concessional financing until 2015' (IMF, 2011: 4), a recent study commissioned by UNDESA states that 'no formal and public statements have been made thus far by the donors in that regard' (UNDESA, 2012: 23).

Adão Rocha spells out his understanding of the extent of the transition period, mentioning a grace period, a transition period *per se* and an undefined deadline for the total phasing-out of all LDC benefits granted to Cape Verde. According to him:

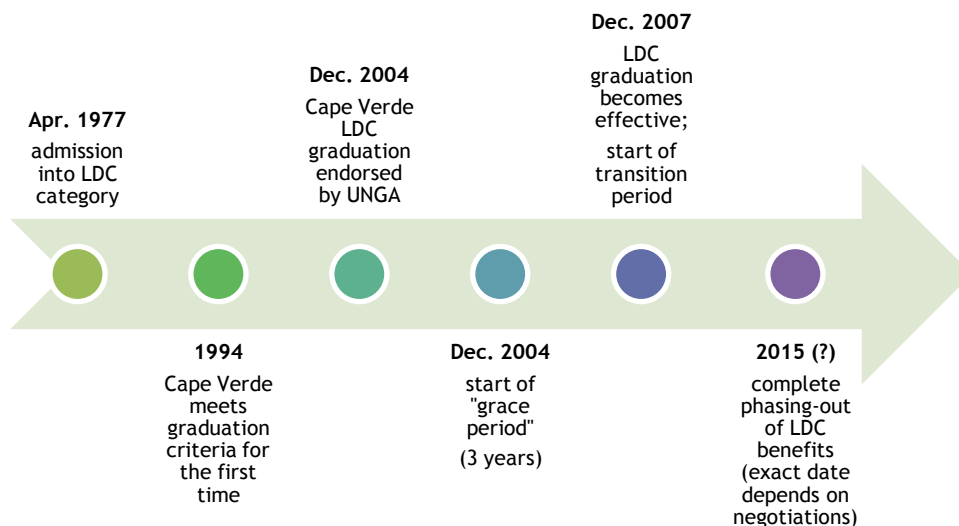
The transition period did not begin in 2004, it began in 2008. Many people were confused, even Foreign Affairs staff, even [people] in the government. ... there is a grace period, which is 3 years, 2008, and from here on starts the transition period ... no deadline. The transition period is variable; it depends on a lot of things ... this transition period is a period of variable duration and ... during that period there should be a follow-up ... We have adopted the principle that LDC advantages will not be suspended until the country has reached a stage that can allow it to forego these advantages. So that is why it [transition] is variable. It depends on negotiations (Interview. 26 April 2012).<sup>t</sup>

Figure 6.1 depicts this understanding, going back to the country's admission into the LDC category, in 1977:

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<sup>t</sup> O período de transição não começou em 2004, começou em 2008. Muita gente fez essa confusão, mesmo quadros dos Negócios Estrangeiros, mesmo a nível da governação. ... há um período de carência, que são 3 anos, 2008, e a partir daqui é que começa o período de transição. ... não tem data. O período de transição é variável, no fundo depende de muita coisa. ... esse período de transição é um período de duração variável e ... durante esse período deve ser feito um seguimento. ... Adoptámos o princípio de que as vantagens de PMA não serão suspensas enquanto o país não conseguir chegar a um estágio que possa dispensar essas vantagens. Portanto, por isso é que isso é variável. Depende de negociações.

**Figure 6.1**  
*Cape Verde LDC admission/graduation timeline*



What is clear is that there is an obvious lack of clarity regarding the exact extent of the transition period. All-in-all, the institutionalisation of the new transition framework responded to two factors that were impeding change:

- a. It calmed down the UN bureaucracy's fear of losing control over the bureaucratic apparatus that supports and is supported by the LDC category, with this, putting at risk well-established power networks and ingrained vested interests. In essence, the new transition framework renewed UN organisational structures, particularly those connected with the LDC mechanism, without upsetting individual bureaucratic interests.
- b. It also helped Cape Verde overcome the incongruence of wanting to develop and not wanting to exit the LDC group and, with this, reduce the dependence that pertaining to the LDCs entails. The smooth transition framework provided a new structure within which the country's future development financing did not seem so uncertain, and this eased most of the initial concerns. It is also worth mentioning that the framework is a product of Cape Verde's agency in wanting to negotiate and determine the conditions of its LDC graduation. The

circumstances allowed it to make use of its increased bargaining power, and the country's graduation (on which the credibility of the whole LDC category rested) became conditional on the establishment of this new instrument. For Cape Verde, it is important to consider that, on account of its LDC graduation process; this small and otherwise powerless country, at a certain moment in time, found itself in a circumstance that considerably augmented its power position to the point that it could promote change within the LDC mechanism. Not only that, but it could promote change within an influential organisation such as the UN and this change served its individual interests.

#### 6.2.4. LDC-inspired advantages persist

Following graduation, Cape Verde continued to benefit from LDC-inspired advantages despite the formal loss of LDC status. This is coupled with access to additional international financing mechanisms. Hence, the country continues to enjoy advantages designed for the LDCs, notwithstanding having exited that category. This is possibly due to the lack of concreteness regarding an exact transition period and/or to the international community's hesitation regarding the country's precise placement within the general developing country differentiation landscape. An example is the fact that, three years after Cape Verde's LDC graduation, a UN General Assembly resolution, adopted in June 2011, still deliberated that

the long standing benefit of travel-related support that has been made available by the United Nations to the least developed countries will be extended, if requested, within existing resources, to Cape Verde and Maldives for a period appropriate to the development situation of the country and for a maximum of three years, beginning immediately after the adoption of the present resolution (UN, 2011c: 2).

Furthermore, following graduation, two LDC-specific instruments were not discontinued (UNCDP, 2011: 5):

- Cape Verde was granted an additional three-year access (and a further two years subject to approval) to the Enhanced Integrated Framework (EIF) for trade-related technical assistance;

- The EU extended its *Everything but Arms* (EBA) trade preferences initiative to Cape Verde, for three years, which was later extended until January 2012.

In fact, according to several of the accounts collected through semi-structured interviews, after graduation the country continues to have access to considerable sources of financing: '[graduation] was very positive because since exiting the LDC we receive much more [funds]' (José Brito. Interview. 24 May 2012); 'not only the World Bank and the African Development Bank, but bilateral partners, such as Luxembourg, Spain, also increased their support'; 'Graduation was something positive for Cape Verde in terms of access to financing, except that, in fact, we started to borrow more' (Manuel Pinheiro. Interview. 10 May 2012).

UNDESA reports that

partners responded to the graduation in several ways. Some discontinued their assistance (financial assistance: Austria, Germany, Netherlands; trade preferences: Japan and Russia), some moved to concessional credit while keeping a smaller or larger grant component (World Bank, African Development Bank, Portugal), others maintained the same orientation (Luxembourg, US, Spain), while others re-oriented it towards other forms of political and economic cooperation (EU, France) (UNDESA, 2012: 27).

For instance, Victor Borges states that: 'The Netherlands considers that with graduation there are no conditions for traditional aid and so they entered into a phasing-out process' (Interview. 14 May 2012). Indeed, this last point was confirmed by Maarten Gischler (Interview. 28 May 2013) and Erik-Jan Oosterhout (Interview. 29 May 2013); both officials at the Netherlands' Ministry of International Trade and Development Cooperation and former *Chargés d'Affaires* based in Senegal whose duties included overseeing Dutch bilateral relations with Cape Verde.

In addition: 'Overall, the amount of financial resources externally mobilised by the government (current and capital transfers as well as loans) increased remarkably over the period 2005-2011, from €73 million in 2005 to €220 million in 2011' (UNDESA, 2012: 33). In effect,

some countries continue aiding Cape Verde, in the smooth transition spirit, keeping all the instruments and arrangements previously agreed to LDCs, and very few others said "no, you have graduated and are no longer part of the aid priority list" . ... I mean, you cannot withdraw all

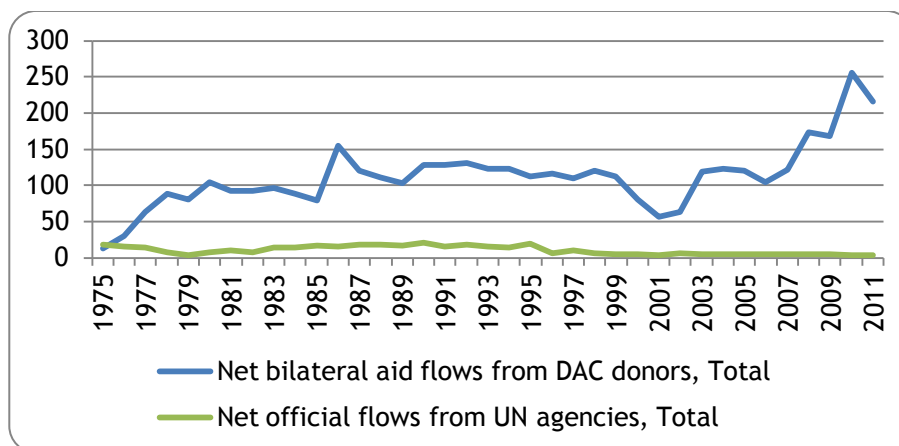
the aid suddenly, when the development process is taking off. It makes no sense. If [the graduated country] is unsuccessful, it would be bad for the international community. It would not be very encouraging (Carlos Semedo. Interview. 30 May 2012).<sup>4</sup>

The structure of the international financial support that now reaches the country is changing. Given the lack of more suitable data, we use net bilateral aid flows from DAC donors as a proxy for bilateral assistance and net official flows from UN agencies as a proxy for multilateral flows to conclude that: (i) despite increased levels of bilateral assistance after LDC graduation (reaching the highest levels ever), these flows decreased in 2011, and (ii) multilateral flows have remained rather stable since graduation (see Figure 6.2). It is, however, important to bear in mind that the decrease in bilateral assistance might be a short term event, considering that, as seen in Figure 6.2, the trend has been upward since Cape Verde's graduation in 2007.

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<sup>4</sup> ... alguns países continuaram com uma atitude de continuar a ajudar Cabo Verde, no espírito dessa transição suave, mantendo todos os instrumentos e regimes anteriormente acordados aos PMA e poucos outros disseram “não, vocês já se graduaram e não fazem parte da lista de prioridade das ajudas”. ... Quer dizer, você não pode retirar toda a ajuda de repente, no período em que começa a descolar o processo de desenvolvimento. Não faz sentido. Se for um insucesso seria mau para a comunidade internacional. Não seria muito encorajador.

**Figure 6.2**  
 Net bilateral aid flows and net official flows from UN agencies, constant 2005 million US\$ (1975-2011)



Source: World Development Indicators, World Bank, accessed 17 July 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>

Additionally, FDI has gained some ground but is yet to pick up speed, as demonstrated in Table 6.2. Nevertheless, the behaviour of FDI also needs to be carefully considered in light of the 2007/2008 international financial crisis and its negative implications on these flows. Semedo explains that

some [countries] continue to support Cape Verde as before and others have upgraded their relationship with Cape Verde. The Netherlands was one of the pioneers in helping Cape Verde make this transition from public assistance by favouring other cooperation instruments, especially economic cooperation ... or win-win cooperation. Austria followed this model and China also privileges this (Interview, 30 May 2012).<sup>v</sup>

<sup>v</sup> ... há uns que continuaram a apoiar Cabo Verde como d'antes e há outros que fizeram um upgrade no modo de relacionamento com Cabo Verde. Os Países Baixos foram um dos pioneiros a ajudar Cabo Verde a fazer essa transição da ajuda pública, privilegiando outros instrumentos de cooperação, sobretudo a cooperação económica. E temos estado a tirar algumas vantagens em relação a isso, nesta fase de cooperação mais económica, ou win-win cooperation. A Áustria seguiu um pouco esse modelo e a China também o tem privilegiado muito.



**Table 6.2**  
*Selected external financial flows (ODA and FDI) (2000-2011)*

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
FDI net inflows (BoP, constant 2005 million US\$)	379	100	160	416	698	804	1,274	1,807	1,913	1,156	1,040	887
% change		-73%	60%	159%	68%	15%	58%	42%	6%	-40%	-10%	-15%
Net ODA received (constant 2005 million US\$)	1,062	851	993	1,562	1,478	1,622	1,341	1,555	2,011	1,780	2,936	2,132
% change		-20%	17%	57%	-5%	10%	-17%	16%	29%	-11%	65%	-27%

Source: World Development Indicators, World Bank, accessed 17 July 2013, <http://data.worldbank.org/data-catalog/world-development-indicators>

Contrary to ODA, where, following the country's graduation, bilateral decisions have been more discretionary, the loss of LDC status did imply a more by-the-book loss of free, non-reciprocal access to markets. For example, Brito recalls that

If our graduation was very positive in terms of access to financial and technical resources, we cannot say the same about the issue of market access, which is a prerequisite for a structural response to the problem of uneven development, especially in such an unequal world. Being competitive requires time and the transition period that we had was not enough. For example, in terms of our main partner's market, the EU, transitioning from the *Everything But Arms* programme to the GSP+<sup>12</sup> starting January 2013 is insufficient and hinders our ability to attract export-driven investment (Email. 6 August 2012).<sup>w</sup>

<sup>w</sup> *Se a nossa graduação foi muito positiva [no que toca] ao acesso aos recursos financeiros e técnicos, não podemos dizer o mesmo sobre a questão do acesso aos mercados, que é uma condição fundamental para uma resposta estrutural ao problema do desenvolvimento, sobretudo num mundo desigual como o nosso. Ser competitivo exige tempo e o prazo da transição que tivemos não foi suficiente. Por exemplo, a nível do mercado do nosso principal parceiro, a UE, a passagem do programa Tudo Menos Armas ao de SPG+ a partir de Janeiro 2013 é insuficiente e prejudica a nossa capacidade em atrair investimentos para exportar.*

To Jorge Borges: 'Before we had a diplomacy to mobilise [funds] for development, fund raising, the so-called ODA, beyond classic diplomacy ... Now it is for investment, for the internationalisation of our companies' (Interview. 29 May 2012). In effect, among interviewees, there is the general feeling that LDC graduation - which can also be seen as a seal of quality attributed to the country - has created a more favourable environment for the attraction of FDI. José Miguel Lafuente, Spanish Ambassador in Cape Verde, corroborates this view and states that Spain's relationship with Cape Verde has evolved to a more business-driven approach, as opposed to donor-recipient (Interview. 17 April 2013). In this respect, graduation has given rise to a more intentional economic cooperation policy orientation.

Overall, Cape Verde's continued access to LDC-inspired advantages can be an indication that, also on the part of donors, changing deeply-rooted structures is not an easy task. It might also be a manifestation of the new transition framework, whose implementation means that the cessation of these LDC advantages should be done in a gradual fashion, so as not to interrupt the country's development progress. Additionally, and most importantly, the lack of a clear post-LDC structure or the inexistence of a clear label for newly-graduated LDCs is not easy to grasp by all. In fact, in terms of policy options, some donors are reported to not be so clear as to where to place these countries and how to restructure their cooperation relationship with them. The fact is that, from 2008 on, some noted 'a tremendous confusion in the international community. They could not understand where the country fits in' (Manuel Pinheiro. Interview. 10 May 2012).<sup>13</sup> José Luís Rocha adds: 'what we find is that partners do not have a homogeneous behaviour. Some continue to support Cape Verde, and even increased their cooperation ... Others use the pretext of graduation to withdraw', which has been attributed to the fact that, in general, the international community has 'no comprehensive, consensual strategy on how to deal with countries graduated from the LDC list' (Interview. 22 May 2012).

Seen as an opportunity, however, this lack of clarity presents considerable room for agency (notably on the part of the graduated country) in triggering negotiations to set up new (and possibly equally advantageous) networks and cooperation modalities. This is an especially important opportunity (and challenge) for Cape Verde, considering that

it is the first country to graduate under these transition conditions and, hence, it can set a precedent for all future LDC graduation cases.

### 6.3. Conclusion

The main differences between Cape Verde's LDC admission and graduation processes are as follows:

- a. graduation demanded a long negotiation process while admission did not (demonstrating graduation's higher potential to disturb vested interests);
- b. on the part of Cape Verde, admission was framed and proactive (demonstrating long-term planning), while graduation was not framed and a predominantly reactive process (issues denoting the country's accommodation in the foreign-aid led development structure implemented since independence and reinforced with LDC membership, and lack of future planning outside of that structure);
- c. developed countries supported admission and graduation, while certain UN bureaucratic forces supported admission but not graduation, at least not initially (which, ultimately, demonstrates that the UN's role in the category's establishment and in its management was much more planned than its role in the event of its dissolution).

Table 6.3 summarises the main differences between these two processes.

**Table 6.3**  
*Comparing Cape Verde's LDC admission and graduation processes*

	Admission	Graduation
Planning (by UN and country) anticipating admission/graduation	yes	no
Negotiation process	short	long
UN support	yes	no
Developed countries' support	yes	yes
Developing countries' support	yes	no
Admission = Universal push Graduation = More nuanced positions. US push countered by pull from UN and others. No strong position by other bilateral donors. Initial pull from CV.		

In fact, internal and external bureaucratic forces - i.e., Capeverdean government structures, UNCTAD, G77, AOSIS - were the most reluctant to unambiguously accept, from the very beginning, the inevitability of Cape Verde's LDC graduation. Graduation did threaten a long-standing *status quo* and many vested interests. The need to negotiate LDC graduation indicates its possibly overhauling nature, notably in terms of the need to rearrange interests and power relations. More specifically, unconditionally accepting graduation meant different changes and consequences to different groups:

- The Capeverdean government feared the loss of LDC advantages and the abrupt fall of a 30-year long development financing model heavily based on international support measures.
- UNCTAD (more specifically, certain bureaucratic structures within UNCTAD) demonstrated uneasiness regarding the loss of a constituent, after such a long time working with and towards a stagnant category that represented somewhat of a captive audience for its development policy prescriptions. The fact is that this was not just any constituent, but the first graduation of an island LDC: historically, the type of LDC most likely to reach graduation or near-graduation point.
- The G77 feared that Cape Verde's graduation could open a precedent that would undermine the reluctance already voiced by many of its LDC members who were possible future graduation candidates.
- AOSIS was afraid of "betraying" the solidarity that links LDC island countries, particularly considering that many of them had expressed unwillingness to accept LDC graduation, alleging extreme vulnerability.
- Bilateral donors accepted the change considering that Cape Verde's graduation represented an important example to other LDCs: it showed that special and differential treatment could actually work. Additionally, this example also conveyed an important subliminal message against perpetuation of foreign aid and the responsibility of donors in this regard.

In trying to understand the reasons behind the bureaucratic pull for Cape Verde to remain as an LDC (or at least to postpone exit from the

category as much as possible), it is in fact quite telling to realise that over the years a considerable bureaucratic apparatus devoted to the LDCs has emerged within the UN:

- the UNCDP<sup>14</sup> (and its triennial reviews of the LDC list, for which a group of experts is periodically summoned)
- the UN Office of the High Representative for the LDCs, LLDCs and SIDS (UN-OHRLLS)<sup>15</sup>
- UNCTAD's Division for Africa, LDCs and Special Programmes<sup>16</sup>
- UN Conferences on LDCs<sup>17</sup>.

Ultimately, this also means that the life of these bureaucratic structures greatly depends on the existence of the category. If, by an absurd event, all LDCs were to suddenly graduate, resulting in the dissolution of the category, these structures would, essentially, be left without (one of) their main constituencies, emptying some of their core purpose and reducing their authority and policymaking power. So, there is indeed a bureaucratic interest to keep the category alive.

My evidence suggests that both (i) UN structures directly involved in managing the LDC category and (ii) certain Capeverdean government structures wary of possible disadvantages resulting from LDC graduation (notably the loss of LDC benefits) did have self-interested reasons to:

- resist the country's status change, and
- succumb to strong incentives to hold on to the *status quo*.

In fact, Jorge Borges recognises that Cape Verde 'could be accommodated in a model and [graduation] forced us to rethink it' (Interview. 29 May 2012). Mentioning as an example the government's adoption, in 2008, of the *Transformation Agenda*<sup>18</sup>, Brito corroborates, stating that graduation ended up contributing to 'the acceleration of measures necessary for the transition of an ODA-based economy to an economy driven by investment and, therefore, more sustained development' (Email. 6 August 2012).

Considering that graduation interfered with all these long-standing interests and power relations, this push/pull dynamics that initially characterised the Capeverdean graduation negotiation process, contributed to somewhat of a stalemate, which favoured the postponement of a decision (from 1994, when Cape Verde met graduation criteria for the first time, until 2004, when the graduation

decision was finally taken). Eventually, this 10-year negotiation period led to innovation in three particular fronts, ultimately contributing to the formal recognition by the UN that: (i) LDC graduation should be preceded by a transition period, (ii) formulating a country-specific transition strategy is key, (iii) ensuring a UN-based follow-up mechanism to monitor the progress of graduated countries is also key. This innovation succeeded in helping both the UN bureaucracy and Cape Verde to accept the new reality imposed by LDC graduation, overcome their reluctance (motivated by different reasons) towards graduation and reach a new level in their relationship with each other.

While these procedures or instruments (non-existent until then) intended to guarantee the irreversibility of graduation and did advance the category (because, in the end, they allowed change), the new transition framework does play double duty: (i) by providing a platform that stimulates reluctant LDCs to graduate and, at the same time, (ii) by revamping the mandate of related UN bureaucratic structures, considering the additional work it entails, especially considering that it previews a new follow-up (bureaucratic) mechanism for newly-graduated LDCs.

In practical terms, this last point indicates the genesis of an implicit category of “graduated LDCs-in-transition” within the UN, which justifies the continued existence of the LDC bureaucratic apparatus already in place, favours the bureaucratic *status quo*, legitimises certain Western-inspired preferential treatment/interventions and perpetuates dependence and a sense of entitlement to international assistance on the part of these countries. In this sense, the establishment of the LDC transition framework took away the disincentive from the bureaucrats (at the UN and in Cape Verde). Hence, the LDC category is much more than objective criteria as it also represents different interests.

## Notes

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<sup>1</sup> Parts of this chapter are based on a chapter recently published in Montalvão Sarmiento, C. and Costa, S. (2013), *Entre África e a Europa: Nação Estado e Democracia em Cabo Verde*, Almedina, Coimbra. Comments by Peter van Bergeijk, Susan Newman, Rolph van der Hoeven, Manuel Ennes Ferreira and

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Shigehisa “Cape” Kasahara on earlier drafts of this chapter are gratefully acknowledged.

<sup>2</sup> All interview citations were translated from Portuguese. The Portuguese version of long quotes is included as footnotes.

<sup>3</sup> The Millennium Challenge Account (MCA) is part of the Millennium Challenge Corporation; a US foreign aid agency that selects beneficiary developing countries based on their performance in policy indicators measuring good governance, economic freedom and investments in citizens. It provides ‘large-scale grants to fund country-led solutions for reducing poverty through sustainable economic growth’ <http://www.mcc.gov/pages/about>).

<sup>4</sup> This informant only agreed to be quoted directly if unidentified.

<sup>5</sup> Delegated authority from member states, moral authority based on its role as guardian and diffuser of all-things-LDC, and expert authority based on the accumulated knowledge and experience in dealing with LDCs.

<sup>6</sup> This connects to the discussion in Chapter 4 on the proliferation of categories of developing countries.

<sup>7</sup> In this context, *framing* essentially means prior planning and preparation.

<sup>8</sup> *Câmara de Comércio, Indústria e Serviços de Sotavento*

<sup>9</sup> *União Nacional dos Trabalhadores de Cabo Verde – Central Sindical*

<sup>10</sup> *Confederação Cabo-verdiana dos Sindicatos Livres*

<sup>11</sup> *Conselho de Concertação Social*

<sup>12</sup> Set up in 2005 by the EU, the Generalised System of Preferences Plus (GSP+) ‘is a special incentive arrangement for sustainable development and good governance, offering additional tariff privileges ... to support vulnerable developing countries in their ratification and implementation of relevant international conventions’, [http://circa.europa.eu/irc/opoce/fact\\_sheets/info/data/relations/general/article\\_7254\\_en.htm](http://circa.europa.eu/irc/opoce/fact_sheets/info/data/relations/general/article_7254_en.htm)

<sup>13</sup> This reinforces the idea of a spaghetti bowl of too many categories of developing countries, as discussed in Chapter 4.

<sup>14</sup> A subsidiary body of the UN Economic and Social Commission whose mandate include “reviewing the status of least developed countries (LDCs) and ... monitoring their progress after graduation from the category” (<http://www.un.org/esa/policy/devplan/>)

<sup>15</sup> Its mandate includes assisting the UN Secretary General “in ensuring the full mobilization and coordination of all parts of the United Nations system, with a view to facilitating the coordinated implementation of and coherence in the follow-up and monitoring of the Programme of Action for the Least

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Developed Countries at the country, regional and global levels”  
(<http://www.unohrrls.org/en/about/>).

<sup>16</sup> Helps LDCs “derive the greatest possible benefits from this recognition and make the most effective use of the special international support measures that are extended to them, essentially to reduce their marginalization from the global economy”

(<http://www.unctad.org/Templates/Startpage.asp?intItemID=3617&lang=1&mode=more>). In addition, it is also involved in research and policy-related analysis, notably through the yearly Least Developed Countries Report.

<sup>17</sup> UN Conferences on the Least Developed Countries have been held in 1981, 1990, 2001 and 2011.

<sup>18</sup> Policy document based on the assumption that consistent and durable unemployment and poverty reduction demands profound transformation and modernisation efforts, by changing the production structure.



# 7

## Conclusions

### 7.1. Introduction: research questions, data collection methods and analytical framework

This thesis set as a challenge to answer the following four research questions:

1. What were the main motivations behind the establishment of the LDC category in 1971?
2. Why has the developing country differentiation landscape become so complex?
3. How was Cape Verde's LDC graduation negotiation process characterised and how different was it from the process that led to its LDC admission?
4. What does the Capeverdean graduation case reveal about the LDC category and its future?

All of these questions are related to the under-researched issue of developing country differentiation/categorisation. All research questions contribute to the question of: What drives the proliferation of developing country differentiation within international organisations? Most importantly, do developing countries' needs represent the main motivation for these UN categorisation efforts or are there other driving forces behind them?

Empirical observations presented in Chapter 1 point to an outburst of such differentiation within the UN starting in the mid-1980s and a persistent proliferation of developing countries' categories from then on. Yet, this change appears not to have been worthy of much academic attention. Based on the results of the literature review undertaken for this study, hardly any research has been identified on how frequent developing country differentiation/categorisation has become within the

UN. The resulting significant proliferation of categories that sub-divide the developing world has also apparently not merited much critical attention of the academia. As articulated in Chapter 1, what we do find in the literature are studies that address the special and differential treatment applied to different categories of developing countries and whether the pledges are met. The field of trade preferences, particularly focusing on the WTO, is the most prominent in this type of investigations. However, these studies do not investigate the issue of differentiation itself, which is precisely the focus of this research.

In order to understand the reasons behind such an outburst of categories of developing countries within the UN, as well as the implications of this change, this research investigates the issue of developing country differentiation in terms of two main factors: interest and power. As developed in Chapter 2, these two factors are studied separately and in relation to each other, and are analysed through (institutional) behaviour.

The thesis applied a research design that uses mixed data collection methods, including the triangulation of primary and secondary data collected through literature review, document analysis, semi-structured expert interviews and descriptive statistics (see Chapter 2 for a thorough discussion of the data collection methods, including challenges and limitations). The research engages with this data through a political economy analytical lens that highlights the role of power and draws attention to conflicting interests. As articulated in Chapter 2, this is achieved by drawing inspiration from the bureaucratic angle embedded in constructivist theories. This perspective is augmented and nuanced by aspects related to power relations (resulting from the rich material collected for this investigation) and by inputs from the structure/agency and principal/agent theories. Consequently, we see that, when we scrutinise the issue of developing country differentiation, particularly within the UN, the main contention ends up being between developing country differentiation used as a mere policy instrument (to introduce greater efficacy and efficiency in the organisation's interventions) or as an instrument of power (to safeguard and advance certain specific interests). In this last case, the thesis reveals that, if left unchecked, developing country differentiation can indeed be appropriated for the organisations' and states' own selfish ends.

The remainder of this chapter is structured as follows: section 7.2 summarises the thesis' main findings based on the empirical evidence presented in Chapters 3, 4, 5 and 6, as well as the main implications of those findings; section 7.3 assesses the impact of Cape Verde's LDC graduation, and section 7.4 develops proposals for policy change towards a less complex and more efficient system of developing country differentiation.

## 7.2. Main findings: the empirical chapters

Having engaged with the collected data through the above-mentioned political economy analytical lens, the thesis concludes that, starting in the 1970s, the differentiation created within the UN among developing countries has taken root and has:

- a. Changed the rapport of power between more advanced developing countries and LDCs. As discussed in Chapter 3, by differentiating and subdividing the general and previously undefined group of developing countries, the establishment, in 1971, of the LDC category created a clear demarcation between more advanced developing countries and LDCs. This has implications in terms of (advocacy for the) prioritisation of special and differential treatment in favour of the latter. As a result, the relationship between the two groups changed from partners to competitors;
- b. Resulted in disproportionate segmentation of the developing world, considering the large number of categories that has emerged, some of which have matching purposes. In effect, Chapter 4 investigates the substantial overlap that results from the significant proliferation of categories of developing countries, especially since the 1990s, as well as the coexistence of several lists of SIDS within the UN, resulting mainly from lack of consensus among different organisational structures; and
- c. Contributed to the institutionalisation of an LDC graduation process that while responding to the interests of graduating LDCs, also safeguards bureaucratic interests and ends up promoting even further proliferation. For instance, Chapter 6 demonstrates that, owing to the new LDC transition framework,

graduated countries are still kept “under the wings” of the UN for an undetermined period of time. This preserves the organisational *status quo*.

This thesis argues, based on the empirical evidence gathered, that despite structural organisational constraints that can serve as a check against selfish vagaries, the truism that *realpolitik* often outweighs idealism is upheld in the case of developing country differentiation. This is because, given its delegated, moral and expert authority, and despite constraints imposed by member states, the UN bureaucracy does have ample power to act autonomously and in self-interest to the detriment of the interests of some member states. For example, as analysed in Chapter 4, to preserve the ‘bureaucratic office’ and to attend to the wish of certain member states, the organisation has acted autonomously and in self-interest by promoting the creation of (or at least by not curbing the tendency to create) several overlapping categories of developing countries. In Chapter 6, I show that the institutionalisation of the LDC smooth transition framework, notwithstanding its positive aspects (see discussion below), perpetuates this propensity to continuously categorise developing countries. I argue that the continuous categorisation of developing countries, besides stimulating further proliferation of categories, also reinforces a sense of entitlement to international support on the part of developing countries. This, in turn, deepens their foreign dependence, at the same time that it reinforces the power of developed countries - in their role as donors and gatekeepers to much-needed resources - over LDCs.

In effect, as demonstrated throughout the thesis, some of the most important changes in the LDC category’s rules, criteria and procedures have been introduced also to maintain and safeguard the bureaucratic *status quo* within the UN. More specifically, (i) the introduction of the EVI criterion (which tends to harden graduation eligibility, particularly of island LDCs, at the time known to be among the most vulnerable but the most likely to graduate out of the LDC category) and (ii) the institutionalisation of the smooth transition framework (which revamps the mandate of existing LDC bureaucratic structures and renovates their reason for being) are two examples of changes (see Chapters 1 and 6) that, in the end, serve more to maintain the *status quo* than to address problems and improve the category. It is, however, important not to neglect the fact that these changes also serve the interests of member

states not interested in letting go of the benefits associated with being categorised as an LDC. There is a systemic dynamics going on, which tells us that, while UN bureaucracy does act autonomously, the fulfilment of its self-interests is facilitated whenever these interests coincide with those of certain groups of countries. Therefore, the bureaucratic angle in IOs is not the only component that affects outcomes, but it is certainly part of it, within a particular geopolitical context and agenda.

As shown in Chapter 5, given the complexity of entrenched power networks (themselves maintained by self-interest), the possibility of change - for example, the possibility of graduated countries losing LDC benefits and the likelihood of the category losing members through graduation (see Chapter 6 for an analysis of this last point) - is the factor that tends to trigger dysfunctional behaviours on the part of certain structures within the state's bureaucratic apparatus and within IOs. This dysfunctionality happens as an immediate reaction to the threat of possibly overhauling change, namely the need to considerably reorganise bureaucratic structures and networks as a result of LDC graduation. These behaviours are to be considered dysfunctional because they tend to put bureaucratic interests before the best interests of member states and their population, in the same way that, at the country level, they put individual, selfish interests before national ones. In addition, they contradict and undermine the very purpose of the LDC category itself. As put by Victor Borges: 'There is an apparent contradiction between countries wanting to develop and at the same time not wanting to leave the LDC group. ... If development is the objective, the aim should be to leave the LDC group' (Interview. 14 May 2012).

In fact, dysfunctional behaviour was reported in all four empirical chapters featured in this dissertation and is the aspect that links all these chapters:

- a. The genesis of the LDC category:
  - As shown in Chapter 3, developed countries and more advanced developing countries feud at the expense of the best interests of the most vulnerable: the LDC. In the end, it becomes more important to design a category of countries that will not budge too much with vested interests (notably, of developed and more advanced developing countries) than to create a category that congregates countries that are truly

- in need of special and differential treatment. Additionally, the same type of contradictory behaviour can be reported on the part of different organisational structures within the UN.
- b. The proliferation of categories of developing countries:
    - Several SIDS categories are created within the same organisation, indicating a clear duplication of efforts and unnecessary wasteful competition within the UN (see Chapter 4). Paradoxically, despite the coexistence of several SIDS' lists within the UN, managed by different bureaucratic structures, the organisation and its member states have not been able to agree on a consensual definition of SIDS nor on SIDS-specific special and differential treatment. This is an indication that bureaucratic motives drive the process, at the state and at the organisational level.
  - c. Cape Verde's LDC admission and trajectory:
    - Chapter 5 shows that lack of internal resources led to the decision to seek admission into the LDC category. It also demonstrates the depth of Cape Verde's foreign dependence, nurtured all throughout its LDC trajectory, and how that dependence has created a web of power networks, along with a constellation of interests, that initially stood against the country's LDC graduation and resulting development status upgrade.
  - d. The case of Cape Verde's LDC graduation:
    - As demonstrated in Chapter 6, certain structures within the UN opposed a status upgrade that the organisation itself advocates and that represents the purpose for which the LDC category was created in the first place. In addition, the graduating country for long assumed an equally defensive and contradictory position towards its own development and, with the backing of the UN; graduated LDCs continue to benefit from LDC special treatment.

Connecting these chapters are the evidences indicating that when it comes to developing country differentiation, it is, actually, *realpolitik* at play, also at the institutional level. Like graduating countries, certain structures within the UN act so as to safeguard individual interests, even if at odds with the interests of member states. In all empirical chapters, bureaucratic interests and motives (at the state and at the organisational

level) influence the process of developing country differentiation, in whatever stage it might be: genesis, proliferation, graduation or post-graduation. Ultimately, this type of dysfunctional behaviour might result in the thinning out of non-reciprocal special and differential treatment to countries that really need it.

Functioning within this reality, in a world where individual interests tend to overrule global universal ones, being the second LDC to graduate in a long time did increase Cape Verde's bargaining power *vis-à-vis* developed countries' pressing need to show movement within that up-until-then stagnant category, as shown in Chapter 6. Indeed, a stagnant LDC category was an indication that the development model based on the establishment of a resource redistribution mechanism that advocates maintaining a link between developing countries' financing needs and developed countries' resources had been unsuccessful. In this context, it is clear that 'a failed graduation would not be a failure of Cape Verde; it would be a failure of the international community' (Alves Lopes. Interview. 5 July 2012). Chapter 6 reveals that, taking advantage of its momentary power, Cape Verde successfully steered the negotiations of its LDC transition towards its best interests. Moreover, in doing so, it promoted change within a powerful organisation such as the UN, as a by-product.

### 7.3. Impact of the graduation

By shaking up a stagnant category, the Capeverdean LDC graduation case did generate positive changes within the entire LDC structure. It made graduation dependent on a newly-negotiated transition framework, replicated to all subsequent graduation cases. This new framework does serve useful purposes: it makes the transition out of the category not as abrupt as in the absence of such a transitional structure and it provides predictability in terms of immediate and short-term international support to LDC graduates. This change took away the stance against graduation in Cape Verde and at the UN and it improved a somewhat frozen structure considering that, although a lot of work had been done on admission criteria (see, for example, Guillaumont 2009 and Table 1.2 in Chapter 1), little to no procedural developments could be reported in terms of promoting/facilitating LDC graduations. Most importantly, it

also countered a clear dysfunctionality in the behaviour of certain UN bureaucratic structures towards possible LDC graduation cases.

Indeed, since the institutionalisation of the *smooth transition* framework, in 2004, besides Cape Verde, two other LDCs have graduated: Maldives in 2011 and Samoa in 2014. Furthermore, the latest LDC Conference (Istanbul, May 2011) established as one of its main commitments ‘the aim of enabling half the number of least developed countries to meet the criteria for graduation by 2020’ (UN, 2011a: 6). This is still a somewhat unrealistic target but a clear sign that change in this category - while not exactly overhauling related bureaucratic structures - is now viewed more naturally within the organisation.

Seen through this perspective, it is reasonable to expect that the new LDC *smooth transition* framework, to the extent that it creates an implicit category of “graduated LDCs-in-transition”, will also feed into the current proliferation of categories of developing countries, especially considering the ambitious 2020 target - a problem that remains to be solved. This new implicit category complexifies even further the spaghetti bowl of overlapping categories of developing countries (discussed in Chapter 4) and has potentially negative implications in terms of provision of special and differential treatment to LDCs that need it the most.

Zooming out of the Capeverdean case and looking at the LDC category in general, it is important to assess what the Capeverdean LDC graduation case reveals about the LDC category and the lessons that this particular experience can represent for future graduation cases. In this sense, what does it mean to graduate and formally lose LDC status but continue to have access to LDC benefits? To an important extent, it shows that the LDC category tends to be addressed as a purely administrative/bureaucratic process (i.e., a checklist-type situation that focuses on simply tallying the number of LDCs), and not as a true development-promoting instrument that should impose on the graduated country (and related bureaucratic structures) a *de facto* paradigm shift, away from never-ending foreign-aid led development. Graduating countries should be equated to stepping up domestic development financing, promoting good governance and investing in civil society development. These are very important factors that can make the process of development irreversible. Therefore, graduation should not be seen as an end in itself. It is, after all, one more step in a country’s



development dynamic. If the empirical evidence makes one point clear, it is that an excessively bureaucratic stance towards LDC graduation simply denotes resistance to change, inertia, and, ultimately, lack of broader development thinking on the part of the UN, but also on the part of the graduated country.

Despite the evident positive aspects of developing country differentiation (i.e., it reduces the political nature of international assistance allocation and repositions it in a rules-based sphere), this finding reveals contradictions between UN stated intentions and policy implementation. In essence, it confirms the thesis' hypothesis and answers the main research question. It indicates that the empirical reality of significant and oftentimes unnecessary differentiation among developing countries within the UN happens because the organisation also responds to its bureaucratic interests, irrespective of whether or not they concur with the interests of certain groups of member states. In the end, it is the organisation and its representatives (and not necessarily the organisation's most vulnerable member states) who benefit the most from the proliferation of developing countries' categories. Therefore, keeping intact or empowering even further the bureaucratic structures that have been put in place to support and manage these categories becomes the main purpose. This is a clear subversion of the most important purpose of developing country differentiation, which is the provision of special and differential treatment to countries truly in need of it.

As to the LDC category in particular, its discourse should be restructured in order to make clear and to reinforce the understanding that membership into the category (and hence entitlement to its benefits) should not be seen as an everlasting condition. As a result of this, graduation should be approached as a positive development paradigm change. LDC graduation is, after all, an important step towards the reduction of foreign aid dependence and, in this sense, it represents a development status upgrade.

#### **7.4. Developing country differentiation 2.0**

Recognising that, notwithstanding deeply-rooted behaviours, change is possible, it is important to address the question of how to make

developing country differentiation less complex. In effect, the new smooth transition framework is a clear indication that change can indeed be promoted within the organisation. Hence, going beyond the LDC category, the question that imposes itself and that will help to move this debate further; from observation and diagnosis of the situation to providing some direction to policymakers, is: How does one make developing country differentiation less complex and, consequently, more efficient (or at least less imperfect)?

There is merit in Payne's call for a new critical political economy of development that discards the exceptionalism of special categories of countries deemed to be in need of certain development interventions (Payne, 2005: 40). However, in light of the preceding analysis and based on the resistance to change documented in this research, it is not realistic to think that such an overhauling change in the current system of developing country differentiation would be immediately possible, precisely given ingrained bureaucratic interests and well-established national and international power networks. In effect, given the misalignment of interests (among UN structures and among countries) identified throughout the thesis, changes in the current framework of developing country differentiation should be deep but they should also be gradual, so that they can be feasible, meaningful and long-lasting.

Hence, one needs to be pragmatic and accept the fact that, at least initially, these changes will have to be promoted from within an imperfect structure. With this in mind, the following policy change proposals could be the first steps in contributing to a less dysfunctional framework of developing country differentiation:

- a. Discourage the proliferation of even more categories/classifications, to prevent further fragmentation of special and differential treatment
- b. Streamline/rationalise/reorganise existing categories of developing countries within the same organisation in order to reduce proliferation
- c. Extend the policy change proposed in (ii) through inter-organisational harmonisation/coordination efforts
- d. Depoliticise and adopt a strictly needs-based approach to country selection
- e. Work towards less institutional fragmentation of efforts and more intra- and inter-organisational coordination

- f. Strive for less bureaucracy-motivated representatives (and, hence, adopt a tighter control of their performance), in order to minimise principal/agent mismatches
- g. Introduce more accountability measures targeted at IOs and at their representatives

These policy changes could amount to fewer costs, more efficiency, less bureaucratisation, and more rationality and transparency in providing special and differential treatment to developing countries and, ultimately, more rationality and transparency in global governance. Evidently, as with all major changes, there is the need to promote a broad debate on the importance of these policy measures and, most probably, compromise on some of them. By doing this, key stakeholders can contribute with the necessary goodwill and motivation towards the successful implementation of these policy changes.

Indeed, this dissertation intends to be a contribution in that direction. While the elements provided in the thesis cannot argue for an optimal point of proliferation of developing countries categories, they can inform further studies on this subject. Finally, this thesis could also contribute with regard to two issues. Firstly, by proposing clear options to streamline existing categories, in order to avoid the current duplication of efforts and reduce the overlap and the proliferation. Secondly, by discussing the trade-off between a less complex developing country differentiation landscape (and, hence, increased rationality and transparency) and the importance of delivering customised policies for specific development-hampering conditions faced by different groups of developing countries (e.g., landlockedness, small islandness, indebtedness, state fragility, low human capital, etc.). At first glance, it seems that less proliferation of classifications/categories and less discretion in global governance can indeed be achieved at the expense of policy adaptation to specific development conditions. The question now becomes: which is less problematic?



## Appendices

### *Appendix A List of Least Developed Countries (LDCs)*

Country	Year classified as LDC	Year of LDC graduation
1. Afghanistan	1971	
2. Angola	1994	
3. Bangladesh	1975	
4. Benin	1971	
5. Bhutan	1971	
<b>6. Botswana</b>	<b>1971</b>	<b>1994</b>
7. Burkina Faso	1971	
8. Burundi	1971	
9. Cambodia	1991	
<b>10. Cape Verde</b>	<b>1977</b>	<b>2007</b>
11. Central African Republic	1975	
12. Chad	1971	
13. Comoros	1977	
14. Democratic Republic of Congo	1991	
15. Djibouti	1982	
16. Equatorial Guinea	1982	
17. Eritrea	1994	
18. Ethiopia	1971	
19. Gambia	1975	
20. Guinea	1971	
21. Guinea-Bissau	1981	
22. Haiti	1971	
23. Kiribati	1986	

24. Lao People's Democratic Republic	1971	
25. Lesotho	1971	
26. Liberia	1990	
27. Madagascar	1991	
28. Malawi	1971	
<b>29. Maldives</b>	<b>1971</b>	<b>2011</b>
30. Mali	1971	
31. Mauritania	1986	
32. Mozambique	1988	
33. Myanmar	1987	
34. Nepal	1971	
35. Niger	1971	
36. Rwanda	1971	
<b>37. Samoa</b>	<b>1971</b>	<b>2014</b>
38. São Tomé and Príncipe	1982	
39. Senegal	2000	
40. Sierra Leone	1982	
41. Solomon Islands	1991	
42. Somalia	1971	
43. South Sudan	2012	
44. Sudan	1971	
45. Timor-Leste	2003	
46. Togo	1982	
47. Tuvalu	1986	
48. Uganda	1971	
49. United Republic of Tanzania	1971	
50. Vanuatu	1985	
51. Yemen	1971	
52. Zambia	1991	

Sources: <http://www.un.org/events/ldc3/prepcom/history.htm> (10/08/2011), Guillaumont 2010, UNCDP Reports

**Appendix B***Interview guides and List of semi-structured interviews conducted**Interview guides*

<p><b>Research Question #1</b>  <i>What were the main motivations behind the establishment of the LDC category in 1971?</i></p>
<p>(Chapter 3)</p>
<p><b><u>Introductory Questions</u></b></p> <ol style="list-style-type: none"> <li>1. What do you recall about the period when the idea to create the LDC category was first brought into international discussion?</li> <li>2. How did developed countries react to the possibility of creating a new category of (poor) countries?       <ol style="list-style-type: none"> <li>a. What was the position of major donors, including European countries and the US? Was there any clear opposition?</li> </ol> </li> <li>3. What about other developing countries? What was their position regarding the creation of this new category?</li> <li>4. What was the rationale behind the LDC category? What arguments were being used to justify the creation of a sub-division within the larger developing countries group?</li> <li>5. What was the main purpose of the category?       <ol style="list-style-type: none"> <li>a. Do you think it had anything to do with normalisation of development support allocation? If so, how did this resonate within the international community?</li> </ol> </li> </ol> <p><b><u>Main Questions</u></b></p> <ol style="list-style-type: none"> <li>1. Why were the initial thresholds set up at those specific levels? Were they completely arbitrary? What informed these decisions?       <ol style="list-style-type: none"> <li>a. Initially were there larger countries being considered for inclusion on the LDC list?</li> <li>b. If so, why were they excluded? On whose insistence?</li> </ol> </li> <li>2. Were the criteria purposely chosen so as to exclude larger and more powerful countries?       <ol style="list-style-type: none"> <li>a. Which countries were (intentionally or not) left out or included because of these criteria?</li> <li>b. Why was the size criterion introduced in 1991? On whose insistence?</li> </ol> </li> <li>3. What was the role of the Bretton Woods institutions? Did they play any role at all?</li> <li>4. Do you recall of any institutional disagreements between UNCTAD and UNCDP?       <ol style="list-style-type: none"> <li>a. If so, why?</li> </ol> </li> <li>5. Were there poor countries pushing for the creation of this category? (Or was this just bestowed upon them?)</li> <li>6. How did other developing countries, specifically the more advanced</li> </ol>

among them, take this 'split' within the larger developing countries group?

#### **Closing Questions**

1. Forty years after the establishment of the LDC category, what do you think explains the extremely low number of graduations to date?
2. Which countries (LDCs *and* donors) ended up benefitting the most with the creation of the category?
3. How would you evaluate the impact of the LDC category on government policy, specifically donors' development policy? Did it change their policy at all?
4. How would you evaluate the impact of this idea on the countries that are in the category? Has it been important for them?
5. What would you consider to be the main strengths and weaknesses of the category?

#### **Research Question #3**

*How was Cape Verde's LDC graduation negotiation process characterised and how different was it from the process that led to its LDC admission?*

#### **Research Question #4**

*What does the Capeverdean graduation case reveal about the LDC category and its future?*

(Chapter 5)

#### **Introductory Questions**

1. What do you recall about the period when the possibility of Cape Verde becoming an LDC first came about?
2. What was the general political/economic environment at the time?
3. What position did you occupy in 1977, when Cape Verde became an LDC?
  - a. Was there a negotiation process in order for the country to be classified as an LDC?
  - b. If so, what did it entail?
    - i. How involved were you in this process?
4. Where there (public) discussions about the possibility of being classified as an LDC?
  - a. If so, what did it entail?
  - b. How involved were you in this process?

#### **Main Questions**

1. What do you recall being the first general reaction(s) to Cape Verde's gaining LDC status?
  - a. Was there general agreement, opposition or mixed feelings about it?
  - b. What was the rationale for agreement versus the rationale for opposition? What arguments were being used to justify either agreement or opposition?
2. What was your own personal position regarding Cape Verde's admission into the category?
  - a. Were you against or for it? Why?
  - b. Has your position changed over the years?

3. Who were the main decision makers?
4. How did main decision-makers react to the possibility of the country gaining LDC status?
  - a. What was the government's official position?
  - b. What was the position of other stakeholders within the country's political scene?
  - c. What was the reaction in the media?
  - d. What about the reaction of other segments of society?
5. Was there any outside pressure (e.g., from international partners) favouring (and pushing for) the country's entrance into the LDC category?
  - a. If so, by whom?
  - b. Was this clearly declared/stated or not?
  - c. Were there promises of benefits to the country once in the LDC category?

#### Closing Questions

1. Looking back, what would you identify as having been the main weaknesses/faults and strengths/positive points of the process that led to the country's admission into the LDC category?
2. How would you evaluate the impact of gaining LDC status on government policy, if any?
  - a. Can you identify any major changes resulting from this?
3. In your opinion, what were the benefits and costs of becoming a LDC?
4. If you could go back to the situation, what would you change?
5. Was there anything that was not asked that could have allowed you to reveal a relevant fact?

(Chapter 6)

#### Introductory Questions

1. What position did you occupy during the negotiation stage of Cape Verde's LDC graduation?
  - a. What role did you play during the LDC negotiation process?
  - b. How involved were you in this process?
2. What do you went on to do after the negotiation? What is your position today?
3. When did discussions about the possibility of graduation first started?
4. What do you recall about the period when the possibility of Cape Verde's LDC graduation first came about?
  - a. What was the general political/economic environment at the time?

#### Main Questions

1. What do you recall being the first general reaction(s) to the possibility of Cape Verde's graduating from LDC status?
  - a. Was there agreement, opposition or mixed feelings about it?
  - b. What was the rationale for agreement versus the rationale for opposition?
  - c. What arguments were being used to justify either agreement or opposition?
    - i. During negotiations at the UN, how was the country's position received by international partners?



2. What was your own personal position regarding graduation?
  - a. Were you against or for it? Why?
3. Who were the main decision makers?
4. How did main decision-makers react to the possibility of the country being graduated from LDC status?
  - a. What was the official position at the level of the Prime Minister Cabinet and the Ministry of Foreign Affairs?
    - i. Did the initial official position change over time?
      1. If so, how did it change?
      2. What official arguments were used to justify this change, if any?
      3. What brought about this change?
      4. How did this change in position impact negotiations at the UN?
  - b. What was the position of other stakeholders within the country's political scene, namely opposition parties?
  - c. What was the reaction in the media?
  - d. What about the reaction of other segments of society, namely trade and workers' unions?
5. Was there any outside pressure (e.g., from international partners) to assume a specific position regarding graduation?
  - a. If so, by whom and in what direction (for or against graduation)?
  - b. Was this clearly declared/stated or not?
  - c. Were there promises of benefits to the country in return for the adoption of a certain position?
6. Do you recall of any institutional disagreements regarding the way the LDC graduation dossier was being conducted/managed?
7. Was the way that the graduation process was managed by the government ever used for political gains of certain groups?

#### **Closing Questions**

1. Looking back, what would you identify as having been the main weaknesses/faults and strengths/positive points of the negotiation process that led to the country's graduation?
2. How would you evaluate the impact of LDC graduation on government policy, if any?
  - a. Can you identify any major changes resulting from graduation?
3. In your opinion, what have been the main outcomes of graduation in the country?
  - a. Is the country better off today?
  - b. Did the country end up benefitting more from graduation than otherwise?
4. If you could go back to the situation, what would you change?
5. Was there anything that was not asked that could have allowed you to reveal a relevant fact?

*List of semi-structured interviews conducted (2011 - 2013)*

Interviewees	Position	Interview Date	Location	How was data collected?	Main codes
1. Encontre, Pierre	Chief, Special Programmes, UNCTAD Division for Africa, LDCs and Special Programmes	11 May 2011	Istanbul <sup>a</sup>	Notes	Country reluctance to graduate
		26 July 2011	Geneva	“	
		28 September 2011	Geneva	“	
2. Hein, Philippe	Member of UNCDP; Former Senior Economist and Interregional Adviser in the UNCTAD Secretariat	28 September 2011	Geneva	Recorded (technical problems)/ Notes	Country reluctance to graduate
3. Pronk, Jan	Professor Emeritus at the ISS; Former Deputy Secretary-General of UNCTAD (1980 to 1985); Former Netherlands Minister for Development Cooperation in the early 1970s	5 July 2011	The Hague	Recorded/Transcript  (also testing of interview guide)	No large countries in original LDC list
4. Stone, Jack	Retired UN official; Former Director of UNCTAD's Research Division in 1971, subsequently Director of UNCTAD's Special Program for LDCs, cited as "father" of the LDC category	11 May 2011	Istanbul <sup>b</sup>	Recorded (technical problems)/Notes	No large countries in original LDC list
		4 October 2011	Skype (Washington, DC)	Recorded/Transcript	
		21 February 2012	Email (Washington, DC)	Email message	
5. Alves Lopes, António Pedro	Diplomat; Adviser at the CPLP (Community of Portuguese Speaking Countries), Lisbon (2009-present); Former Director General for Cooperation at the Capeverdean Ministry of Foreign Affairs (2006-2009); Former <i>Chargé d'Affaires</i> at the Capeverdean Embassy in Geneva (1999-2004)	5 July 2012	Lisbon	Recorded/Transcript	Country reluctance to graduate/ bureaucratic pull/ developed countries' push/ contribution to new transition framework
6. Ascensão Silva, Júlio	Secretary General of Workers' Union (UNTCCS)	25 May 2012	Praia	Recorded/Transcript	No framing
7. Borges, Jorge	Diplomat; Cape Verde	29 May	Praia	Recorded/Transcript	Country

<sup>a</sup> In conjunction with Jack Stone interview on the same date.

<sup>b</sup> In conjunction with Pierre Encontre interview on the same date.

	Ambassador to the EU (2014-present); Minister of Foreign Affairs (2011-2014); Former Deputy Minister of Foreign Affairs (2008-2011) (Appointed by PAICV)	2012			reluctance to graduate/ bureaucratic pull/ developed countries' push/ new development financing mechanism
8. Borges, Victor	Cape Verde Minister of Foreign Affairs (2004-2008); Minister of Education and Human Resources Development (2002-2004) (Appointed by PAICV)	14 May 2012	Praia	Recorded/Transcript	Country reluctance to graduate/ bureaucratic pull/ developed countries' push/ No framing/ contribution to new transition framework
9. Brito, José	Cape Verde Minister of Foreign Affairs (2008-2011) (Appointed by PAICV); Cape Verde Ambassador in Washington, DC (2001-2006); Minister of Planning and Cooperation (1970s)	24 May 2012	Praia	Recorded/Transcript	Country reluctance to graduate/ bureaucratic pull/ developed countries' push/new financing/ contribution to new transition framework/ pro-active LDC admission
		6 August 2012	Email (Praia)	Email message	
		15 January 2013	"	"	
		3 April 2013	Praia	Recorded/Transcript	
10. Carvalho, Luís	Journalist at "Inforpress", Capeverdean news agency	8 May 2012	Praia	Recorded/Transcript	No framing
11. Ennes Ferreira, Manuel	Professor at ISEG, Technical University of Lisbon	19 June 2012	Lisbon	Notes	Country reluctance to graduate/ no framing
12. Estêvão, João	Professor at ISEG, Technical University of Lisbon	22 June 2012	Lisbon	Notes	No framing
13. Fonseca, Luís	Retired diplomat; Cape Verde Ambassador to the UN, New York (2001-2004); Secretary General of the Community of Portuguese Speaking Countries (CPLP) (2004-2008)	2 February 2012	Email (Mindelo)	Email message	Country reluctance to graduate/ bureaucratic pull/ developed countries' push/ reactive graduation negotiation
		3 July 2012	"	Written response to interview guide	
		15 January 2013	"	Email message	
14. Gischler, Maarten	Netherlands Ministry of International Trade and	28 May 2013	The Hague	Recorded	Country reluctance to

	Development Cooperation; Former <i>Chargé d’Affaires</i> in Senegal				graduate/ new development financing mechanism
15. Hess, Frank  ‡  16. Arnal, Severine <sup>c</sup>	Head of the Policy and Cooperation Department of the EU Delegation in Cape Verde ‡ Attaché at the EU Delegation in Cape Verde	15 April 2013	Praia	Notes	Country reluctance to graduate
17. Lafuente, José Miguel Corvinos	Ambassador of Spain in Cape Verde	17 April 2013	Praia	Recorded	New development financing mechanism
18. Lima, Aristides	Member of the Capeverdean Parliament (PAICV <sup>d</sup> ); President of Parliament (2001-2011)	23 May 2012	Praia	Recorded/Transcript	No framing
19. Lopes, Avelino Bonifácio	President of the Capeverdean NGO Platform	15 May 2012	Praia	Recorded/Transcript	No framing
20. Lopes, José Vicente	Journalist at “ <i>A Nação</i> ” newspaper, in Praia, Cape Verde	7 May 2012	Praia	Recorded/Transcript	Country reluctance to graduate/ No framing
21. Mascarenhas, Orlando	Former President of the Capeverdean Trade Association ( <i>Câmara de Comércio, Indústria e Serviços de Sotavento</i> ) (1995-2007)	21 May 2012	Praia	Recorded/Transcript	Framing
22. Mollerus, Roland	Senior Economic Affairs Officer, CDP Secretariat/Development Policy and Analysis Division, UN-DESA	3 April 2013	Skype (New York)	Recorded/Transcript (in English)	Country reluctance to graduate/ bureaucratic pull
23. Morais, Júlio	Diplomat; Cape Verde Ambassador in China (2005-present); Former Director General for International Cooperation at the Ministry of Foreign Affairs (1999-2005)	2 May 2012	Email (Beijing)	Written response to interview guide	Country reluctance to graduate

<sup>c</sup> This was one of only two group interviews.

<sup>d</sup> PAICV (*Partido Africano para a Independência de Cabo Verde*) is the independence party and it has been the ruling party since 2001. Previously, it ruled from 1975 until 1991. In 1991, MpD (*Movimento para a Democracia*) won the country’s first multi-party elections and ruled for 10 years, until 2001. PAICV was the ruling party in 1977, when Cape Verde was admitted into the LDC category, and in 2008, when the country graduated from the category.

24. Mowbray, Patricia de	Former UN Resident Coordinator in Cape Verde (2005-2008)	22 May 2012	Email (London)	Written response to interview guide (in English)	No reluctance to graduate
25. Oosterhout, Erik-Jan	Deputy Head, Netherlands Ministry of International Trade and Development Cooperation, Security Policy Department Non-Proliferation, Disarmament, Arms Control and Export Control Policy Division; Former <i>Chargé d’Affaires</i> in Senegal	29 May 2013	The Hague	Recorded	Country “apprehension” towards graduation/ new development financing mechanism
26. Pinheiro, Manuel	Coordinator of the Centre for Strategic Policy, Cape Verde Prime Minister’s Cabinet (2009-present); Director General for Planning at the Ministry of Finance (2001-2009)	10 May 2012	Praia	Recorded/Transcript	Country reluctance to graduate/ bureaucratic pull/ developed countries’ push/new financing
27. Pires, Pedro	President of Cape Verde (2001-2011); Prime-Minister (1975-1991); 2011 Mo Ibrahim Laureate	14 March 2013	Praia	Recorded/Transcript	Pro-active LDC admission
28. Rocha, Adão	Senior Adviser to the Capeverdean Prime Minister	26 April 2012  16 January 2013	Praia  Email (Praia)	Recorded/Transcript  Email message	Country reluctance to graduate/ bureaucratic pull/ developed countries’ push/new development financing mechanism/ contribution to new transition framework
29. Rocha, José Luis	Diplomat; Cape Verde Ambassador in Washington, D.C. (2014-present); Deputy Minister of Foreign Affairs (2011-2014) (Appointed by PAICV)	22 May 2012	Praia	Recorded/Transcript	Country reluctance to graduate/ bureaucratic pull/ developed countries’ push/new development financing mechanism/ contribution to new transition framework
30. Semedo, Carlos	Diplomat; Director General of Global	30 May 2012	Praia	Recorded/Transcript	Country reluctance to

	Affairs at the Cape Verde Ministry of Foreign Affairs (2010-present)				graduate/ bureaucratic pull/ developed countries' push/new development financing mechanism/ contribution to new transition framework
31. Tolentino, André Corsino <sup>e</sup>	PhD and Independent Researcher; Cape Verde Minister of Education (1984-1991); Deputy Minister of Foreign Affairs (1975-1977)	1 March 2013	Email (Praia)	Written response to interview guide  (also testing of interview guide)	Pro-active LDC admission
32. Vaz, José Manuel	President of Cape Verde's Workers' Union (CCSL)	14 May 2012	Praia	Recorded/Transcript	No framing
33. Veiga, Fátima	Diplomat; Cape Verde Ambassador in Washington, DC (2007-2014); Cape Verde Ambassador to the UN, New York (2004-2007)	16 August 2012	Email (Washington, DC)	Written response to interview guide	Country reluctance to graduate/ developed countries' push/ framing (but <i>a posteriori</i> )
34. Vieira, Miryam	Diplomat; Desk Officer at the Cape Verde Ministry of Foreign Affairs (2004-present)	23 April 2012  30 May 2012  19 June 2012	Praia  "  Email (Praia)	Notes  "  Written response to interview guide	Country reluctance to graduate

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<sup>e</sup> André Corsino Tolentino is also the thesis' Field Adviser.

**Appendix C**  
**LDCs and PPP converted GDP per capita, at 2005 constant prices - in US dollars (1971 and 2009)**

<i>Africa</i>	<i>1971</i>	<i>2009</i>	<i>Asia and the Pacific</i>	<i>1971</i>	<i>2009</i>	<i>Latin America and the Caribbean</i>	<i>1971</i>	<i>2009</i>
Angola	2539	4753	<b>Afghanistan</b>	<b>878</b>	<b>1169</b>	<b>Haiti</b>	<b>1697</b>	<b>1444</b>
<b>Benin</b>	<b>884</b>	<b>1115</b>	Bangladesh	761	1397			
<b>Burkina Faso</b>	<b>523</b>	<b>902</b>	<b>Bhutan*</b>	<b>828</b>	<b>4565</b>			
<b>Burundi</b>	<b>353</b>	<b>368</b>	Cambodia	1041	1766			
Central African Republic	1010	647	Kiribati	2684	4092			
<b>Chad</b>	<b>897</b>	<b>1276</b>	<b>Lao People's Democratic Rep.</b>	<b>650</b>	<b>2633</b>			
Comoros	1250	915	Myanmar	N/A	N/A			
Democratic Rep. of the Congo	1117	231	<b>Nepal</b>	<b>665</b>	<b>1211</b>			
Djibouti	5252	2060	<b>Samoa*</b>		<b>65</b>			
Equatorial Guinea	716	22016	Solomon Islands	1375	2004			
Eritrea	N/A	592	Timor-Leste	N/A	1154			
<b>Ethiopia</b>	<b>471</b>	<b>683</b>	Tuvalu	N/A	N/A			
Gambia	808	1464	Vanuatu	3059	6534			
<b>Guinea</b>	<b>827</b>	<b>826</b>	<b>Yemen</b>	<b>N/A</b>	<b>2396</b>			
Guinea-Bissau	289	818						
<b>Lesotho</b>	<b>475</b>	<b>1311</b>						
Liberia	1919	396						
Madagascar	897	753						
<b>Malawi</b>	<b>755</b>	<b>653</b>						
<b>Mali</b>	<b>471</b>	<b>999</b>						
Mauritania	1276	1573						
Mozambique	432	759						
<b>Niger</b>	<b>813</b>	<b>534</b>						
<b>Rwanda</b>	<b>785</b>	<b>1031</b>						
São Tomé and Príncipe	1159	1679						
Senegal	1232	1492						
Sierra Leone	966	872						
<b>Somalia</b>	<b>929</b>	<b>460</b>						
<b>Sudan</b>	<b>1465</b>	<b>2188</b>						
Togo	1308	734						
<b>Uganda</b>	<b>805</b>	<b>1151</b>						
<b>United Rep. of Tanzania</b>	<b>624</b>	<b>1188</b>						
Zambia	2380	1764						

*Source:* Alan Heston, Robert Summers and Bettina Aten, Penn World Table Version 7.0, Centre for International Comparisons of Production, Income and Prices at the University of Pennsylvania, May 2011, [http://pwt.econ.upenn.edu/php\\_site/pwt70/pwt70\\_form.php](http://pwt.econ.upenn.edu/php_site/pwt70/pwt70_form.php)  
The original/1971 “hard core” LDCs are in bold (with the exception of Sikkim, which is not represented on this table because it is now part of India).

\*In 1971, when UNCDP was deciding which countries to include in the LDC category, unavailability of statistical data for these countries was considered proof of their underdevelopment (see UNCDP 1971).

**Appendix D**  
*Number of classifications per country (as of end 2013)*

	LDC	LLDC	TDC	LIC	LMIC	LHD	MHD	HIPC	FS	SWVSE	SVE	# of classifications	# of classifications, besides LDC
Afghanistan	X	X		X		X		X	X	X		7	6
Albania											X	1	1
Algeria							X					1	1
Angola	X		X		X	X			X	X		6	5
Antigua & Barbuda										X	X	2	2
Armenia		X			X						X	3	3
Azerbaijan		X										1	1
Bahamas										X		1	1
Bahrain										X		1	1
Bangladesh	X			X		X						3	2
Barbados										X	X	2	2
Belize					X					X	X	3	3
Benin	X		X	X		X		X		X		6	5
Bhutan	X	X			X		X			X		5	4
Bolivia		X			X		X	X		X	X	6	6
Bosnia & Herzegovina									X			1	1
Botswana		X					X			X		3	3
Brunei Darussalam										X	X	2	2
Burkina Faso	X	X		X		X		X		X		6	5
Burundi	X	X		X		X		X	X	X		7	6
Cape Verde					X		X			X		3	3
Cambodia	X		X	X			X			X		5	4
Cameroon					X	X		X		X	X	5	5
Central African Rep.	X	X		X		X		X	X	X		7	6
Chad	X	X		X		X		X	X	X		7	6
China							X					2	2
Comoros	X			X		X		X	X	X		6	5
Congo, Rep.					X		X	X	X	X		5	5
Congo, Dem. Rep.	X		X	X		X		X	X	X		7	6
Costa Rica										X		1	1



	LDC	LLDC	TDC	LIC	LMIC	LHD	MHD	HIPC	FS	SWVSE	SVE	# of classifications	# of classifications, besides LDC
Côte d'Ivoire					X	X		X	X	X		5	5
Cuba											X	1	1
Djibouti	X		X		X	X				X		5	4
Dominica										X	X	2	2
Dominican Rep.							X			X	X	3	3
Ecuador											X	1	1
Egypt					X		X					2	2
El Salvador					X		X			X	X	4	4
Equatorial Guinea	X						X			X		3	2
Eritrea	X		X	X		X		X	X	X		7	6
Ethiopia	X	X		X		X		X				5	4
Fiji					X		X			X	X	4	4
Gabon							X			X	X	3	3
Gambia	X			X		X		X		X		5	4
Georgia					X						X	2	2
Ghana					X		X	X		X	X	5	5
Grenada										X	X	2	2
Guatemala					X		X			X	X	4	4
Guinea	X		X	X		X		X	X	X		7	6
Guinea-Bissau	X			X		X		X	X	X		6	5
Guyana					X		X	X		X	X	5	5
Haiti	X			X		X		X	X	X		6	5
Honduras					X		X	X		X	X	5	5
Indonesia					X		X					2	2
India					X		X					2	2
Iraq					X		X		X			3	3
Jamaica										X	X	2	2
Jordan							X				X	2	2
Kazakhstan		X										1	1
Kenya				X		X					X	3	3
Kiribati	X				X		X		X	X		5	4
Korea, Dem. Rep.				X		N/A						1	1
Kosovo					X	N/A			X			2	2
Kyrgyzstan		X		X			X				X	4	4
Lao People's Dem. Rep.	X	X			X		X			X		5	4

	LDC	LLDC	TDC	LIC	LMIC	LHD	MHD	HIPC	FS	SWVSE	SVE	# of classifications	# of classifications, besides LDC
Lesotho	X	X			X	X				X		5	4
Liberia	X			X		X		X	X	X		6	5
Libya									X			1	1
<i>Macao, China</i>											X	0	0
Macedonia		X					N/A				X	2	2
Madagascar	X			X		X		X		X		5	4
Malawi	X	X		X		X		X		X		6	5
Maldives							X					1	1
Mali	X	X		X		X		X		X		6	5
Marshall Is.					X		N/A		X	X		3	3
Mauritania	X		X		X	X		X		X		6	5
Mauritius										X	X	2	2
Micronesia					X		X		X	X		4	4
Moldova		X			X		X				X	4	4
Mongolia		X			X		X			X	X	5	5
Morocco					X		X					2	2
Mozambique	X		X	X		X		X		X		6	5
Myanmar	X		X	X		X			X	X		6	5
Namibia							X			X	X	3	3
Nauru										X		1	1
Nepal	X	X		X		X			X	X		6	5
Nicaragua					X		X	X		X	X	5	5
Niger	X	X		X		X		X		X		6	5
Nigeria					X	X						2	2
Oman										X		1	1
Pakistan					X	X						2	2
Palau										X		1	1
Palestinian Territory					N/A		X					1	1
Panama										X	X	2	2
Papua New Guinea					X	X				X	X	4	4
Paraguay		X			X		X			X	X	5	5
Philippines					X		X					2	2
Rwanda	X	X		X		X		X		X		6	5
Saint Kitts & Nevis										X	X	2	2
Saint Lucia										X	X	2	2
Saint Vincent & Grenadines										X	X	2	2

	LDC	LLDC	TDC	LIC	LMIC	LHD	MHD	HIPC	FS	SWVSE	SVE	# of classifications	# of classifications, besides LDC
Samoa	X				X		X			X		4	3
S. Tomé & Príncipe	X				X	X		X		X		5	4
Senegal	X		X		X	X		X				5	4
Seychelles										X		1	1
Sierra Leone	X			X		X		X	X	X		6	5
Solomon Is.	X				X	X			X	X		5	4
Somalia	X			X			N/A	X	X	X		5	4
South Africa							X					1	1
South Sudan	X	X			X		N/A		X			4	3
Sri Lanka					X		X				X	3	3
Suriname							X			X	X	3	3
Swaziland		X			X		X			X	X	5	5
Syria					X		X		X			3	3
Sudan	X		X		X	X		X	X	X		7	6
Tajikistan		X		X			X					3	3
Tanzania	X		X	X		X		X		X		6	5
Thailand							X					1	1
Timor-Leste	X				X	X			X	X		5	4
Togo	X		X	X		X		X	X	X		7	6
Tonga					X					X		2	2
Trinidad & Tobago										X	X	2	2
Turkmenistan		X			X		X					3	3
Tuvalu	X				X		N/A		X	X		4	3
Uganda	X	X		X		X		X		X		6	5
Ukraine					X							1	1
Uruguay										X	X	2	2
Uzbekistan		X			X		X					3	3
Vanuatu	X				X		X			X		4	3
Vietnam					X		X					2	2
<i>West Bank &amp; Gaza</i>					X		N/A		X			2	2
<i>Western Sahara</i>					N/A		N/A		X			1	1
Yemen	X				X	X			X	X		5	4
Zambia	X	X			X	X		X		X		6	5
Zimbabwe		X		X		X			X	X	X	6	6

Sources: UN, World Bank, UNDP, IMF, WTO

Non-independent territories are in *italics*

**Appendix E**  
*Developing country categorisation/differentiation landscape (as of end of 2013)*

	LDC	LLDC	TDC	LIC	LMIC	LHD	MHD	HIPC	FS	SWVSE	SVE
<b>Number of countries</b>	<b>49</b>	<b>31</b>	<b>14</b>	<b>35</b>	<b>57</b>	<b>46</b>	<b>47</b>	<b>39</b>	<b>36</b>	<b>92</b>	<b>45</b>
Afghanistan	X	X		X		X		X	X	X	
Albania											X
Algeria							X				
Angola	X		X		X	X			X	X	
Antigua and Barbuda										X	X
Armenia		X			X						X
Azerbaijan		X									
Bahamas										X	
Bahrain										X	
Bangladesh	X			X		X					
Barbados										X	X
Belize					X					X	X
Benin	X		X	X		X		X		X	
Bhutan	X	X			X		X			X	
Bolivia		X			X		X	X		X	X
Bosnia and Herzegovina									X		
Botswana		X					X			X	
Brunei Darussalam										X	X
Burkina Faso	X	X		X		X		X		X	
Burundi	X	X		X		X		X	X	X	
Cape Verde					X		X			X	
Cambodia	X		X	X			X			X	
Cameroon					X	X		X		X	X
Central African Rep.	X	X		X		X		X	X	X	
Chad	X	X		X		X		X	X	X	
China							X				
Comoros	X			X		X		X	X	X	
Congo, Rep.					X		X	X	X	X	
Congo, Dem. Rep.	X		X	X		X		X	X	X	
Costa Rica										X	
Côte d'Ivoire					X	X		X	X	X	
Cuba											X
Djibouti	X		X		X	X				X	

Dominica										X	X
Dominican Rep.							X			X	X
Ecuador											X
Egypt					X		X				
El Salvador					X		X			X	X
Equatorial Guinea	X						X			X	
Eritrea	X		X	X		X		X	X	X	
Ethiopia	X	X		X		X		X			
Fiji					X		X			X	X
Gabon							X			X	X
Gambia	X			X		X		X		X	
Georgia					X						X
Ghana					X		X	X		X	X
Grenada										X	X
Guatemala					X		X			X	X
Guinea	X		X	X		X		X	X	X	
Guinea-Bissau	X			X		X		X	X	X	
Guyana					X		X	X		X	X
Haiti	X			X		X		X	X	X	
Honduras					X		X	X		X	X
Indonesia					X		X				
India					X		X				
Iraq					X		X		X		
Jamaica										X	X
Jordan							X				X
Kazakhstan		X									
Kenya				X		X					X
Kiribati	X				X		X		X	X	
Korea, Dem. Rep.				X		N/A					
Kosovo					X	N/A			X		
Kyrgyzstan		X		X			X				X
Lao People's Dem. Rep.	X	X			X		X			X	
Lesotho	X	X			X	X				X	
Liberia	X			X		X		X	X	X	
Libya									X		
Macao, China											X
Macedonia		X				N/A					X
Madagascar	X			X		X		X		X	
Malawi	X	X		X		X		X		X	
Maldives							X				
Mali	X	X		X		X		X		X	
Marshall Is.					X	N/A			X	X	

Mauritania	X		X		X	X		X		X	
Mauritius										X	X
Micronesia					X		X		X	X	
Moldova		X			X		X				X
Mongolia		X			X		X			X	X
Morocco					X		X				
Mozambique	X		X	X		X		X		X	
Myanmar	X		X	X		X			X	X	
Namibia							X			X	X
Nauru										X	
Nepal	X	X		X		X			X	X	
Nicaragua					X		X	X		X	X
Niger	X	X		X		X		X		X	
Nigeria					X	X					
Oman										X	
Pakistan					X	X					
Palau										X	
<i>Palestinian Territory</i>					N/A			X			
Panama										X	X
Papua New Guinea					X	X				X	X
Paraguay		X			X		X			X	X
Philippines					X		X				
Rwanda	X	X		X		X		X		X	
Saint Kitts and Nevis										X	X
Saint Lucia										X	X
Saint Vincent and the Grenadines										X	X
Samoa	X				X		X			X	
S. Tomé and Príncipe	X				X	X		X		X	
Senegal	X		X		X	X		X			
Seychelles										X	
Sierra Leone	X			X		X		X	X	X	
Solomon Is.	X				X	X			X	X	
Somalia	X			X		N/A		X	X	X	
South Africa							X				
South Sudan	X	X			X	N/A			X		
Sri Lanka					X		X				X
Suriname							X			X	X
Swaziland		X			X		X			X	X
Syria					X		X		X		
Sudan	X		X		X	X		X	X	X	
Tajikistan		X		X			X				

Tanzania	X		X	X		X		X		X	
Thailand							X				
Timor-Leste	X				X	X			X	X	
Togo	X		X	X		X		X	X	X	
Tonga					X					X	
Trinidad and Tobago										X	X
Turkmenistan		X			X		X				
Tuvalu	X				X	N/A			X	X	
Uganda	X	X		X		X		X		X	
Ukraine					X						
Uruguay										X	X
Uzbekistan		X			X		X				
Vanuatu	X				X		X			X	
Vietnam					X		X				
<i>West Bank and Gaza</i>					X	N/A			X		
<i>Western Sahara</i>					N/A		N/A			X	
Yemen	X				X	X			X	X	
Zambia	X	X			X	X		X		X	
Zimbabwe		X		X		X			X	X	X

Sources: UN, World Bank, UNDP, IMF, WTO, Non-independent territories are in *italics*

**Appendix F**  
**Six different lists of SIDS**

	World Bank's small island exception (13) <sup>a</sup>	UNCTAD's unofficial list of SIDS (29)	UNDESA's (SIDSnet) list of SIDS (39)	AOSIS' members and observers (44)	UNESCO's list of SIDS (45)	UN-OHRLLS' list of SIDS (52)
Since:	1985	1994 (?)	1997	1991	2008	2001
<i>American Samoa</i>				X (observer)		X
<i>Anguilla</i>						X
Antigua and Barbuda		X	X	X	X	X
<i>Aruba</i>					X (associate member)	X
Bahamas		X	X	X	X	X
Barbados		X	X	X	X	X
Bahrain					X	
Belize			X	X	X	X
<i>British Virgin Is.</i>					X (associate member)	X
Cape Verde	X	X	X	X	X	X
<i>Commonwealth of Northern Marianas</i>						X
Comoros		X	X	X	X	X
<i>Cook Is.</i>			X	X	X	X
Cuba			X	X	X	X
Curuao					X (associate member)	
Dominica	X	X	X	X	X	X
Dominican Rep.			X	X	X	X
Fiji		X	X	X	X	X
<i>French Polynesia</i>						X
<i>Guam</i>				X (observer)		X
Guinea-Bissau			X	X	X	X
Grenada	X	X	X	X	X	X
Guyana			X	X	X	X
Haiti			X	X	X	X
Jamaica		X	X	X	X	X
Kiribati	X	X	X	X	X	X
Maldives	X	X	X	X	X	X
Marshall Is.	X	X	X	X	X	X
Mauritius		X	X	X	X	X
Micronesia	X	X	X	X	X	X
<i>Montserrat</i>						X
Nauru		X	X	X	X	X

<sup>a</sup> This list is periodically reviewed. The list on this table reflects the one considered in the October 2012 IDA16 Mid-term Review.



<i>Netherlands Antilles</i>				X (observer)		X
New Caledonia						X
<i>Niue</i>			X.	X	X	X
<i>Northern Mariana Is.</i>						X
Palau		X	X	X	X	X
Papua New Guinea		X	X	X	X	X
<i>Puerto Rico</i>				X		X
<i>Sint Maarten</i>					X (associate member)	
St. Kitts and Nevis		X	X	X	X	X
St. Lucia	X	X	X	X	X	X
St. Vincent and the Grenadines	X	X	X	X	X	X
Samoa	X	X	X	X	X	X
S. Tomé and Príncipe		X	X	X	X	X
Seychelles		X	X	X	X	X
Singapore			X	X	X	X
Solomon Is.		X	X	X	X	X
Suriname			X	X	X	X
Timor-Leste		X	X	X	X	X
<i>Tokelau</i>					X (associate member)	
Tonga	X	X	X	X	X	X
Trinidad and Tobago		X	X	X	X	X
Tuvalu	X	X	X	X	X	X
<i>US Virgin Is.</i>				X (observer)		X
Vanuatu	X	X	X	X	X	X

Sources: compilation based on Encontre (2004), UNDESA (<http://www.sidsnet.org/country-profiles>), AOSIS (<http://aosis.info/members-and-observers/>), UN Office of the High Representative (UN-OHRLLS) ([http://www.unohrlls.org/UserFiles/File/UN\\_SIDS\\_booklet\\_5x6-5\\_062811\\_web.pdf](http://www.unohrlls.org/UserFiles/File/UN_SIDS_booklet_5x6-5_062811_web.pdf)), World Bank ([http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/10/24/000333038\\_20121024232535/Rendered/PDF/733630BROIDA0R0Official0Use0Only090.pdf](http://www-wds.worldbank.org/external/default/WDSContentServer/WDSP/IB/2012/10/24/000333038_20121024232535/Rendered/PDF/733630BROIDA0R0Official0Use0Only090.pdf)), UNESCO (<http://www.unesco.org/new/en/natural-sciences/priority-areas/sids/about-unesco-and-sids/sids-list/>), accessed 5 May 2013.

Non-independent territories/Non-UN members are in *italics*.

**Appendix G**  
*GDP structure (% of total), constant 1980 prices*

	1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
<b>Agricultural Sector</b>	<b>19</b>	<b>16</b>	<b>13</b>	<b>12</b>	<b>11</b>	<b>13</b>	<b>14</b>	<b>17</b>	<b>18</b>	<b>16</b>	<b>14</b>	<b>14</b>	<b>12</b>	<b>12</b>	<b>11</b>	<b>11</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>10</b>	<b>10</b>	<b>9</b>	<b>8</b>	<b>8</b>	<b>8</b>	<b>7</b>	<b>7</b>	<b>6</b>
agriculture, livestock, forestry	13.7	12.1	8.9	7.6	8.0	10.3	11.2	15.1	16.1	13.8	12.4	11.2	10.2	10.1	8.9	8.8	7.8	7.0	6.0	8.1	8.1	7.8	7.0	6.7	6.3	5.6	5.0	4.6
fishing	4.8	3.8	3.5	3.1	2.7	2.1	1.8	1.5	0.8	1.7	1.2	1.3	1.0	1.2	1.3	1.3	1.1	1.0	0.9	0.9	0.9	0.7	0.6	0.7	0.7	0.6	0.7	0.6
mining industry	0.6	0.5	0.4	0.8	0.7	0.9	0.8	0.8	0.9	0.8	0.8	1.0	1.1	1.1	1.0	1.0	1.0	0.9	0.9	0.8	0.7	0.8	0.8	0.8	0.8	0.9	0.9	0.9
<b>Industrial Sector</b>	<b>16</b>	<b>17</b>	<b>16</b>	<b>18</b>	<b>17</b>	<b>18</b>	<b>18</b>	<b>19</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>19</b>	<b>19</b>	<b>20</b>	<b>20</b>	<b>19</b>	<b>18</b>	<b>16</b>	<b>15</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>16</b>	<b>17</b>	<b>16</b>
freezing, canned fish	1.2	0.9	1.3	0.9	1.0	0.7	0.6	1.3	0.4	0.7	0.2	0.5	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1
other food industries	1.0	0.8	0.8	0.9	0.8	1.0	0.9	1.1	1.3	2.0	2.3	2.3	2.2	2.1	2.3	2.2	2.5	2.6	2.4	2.2	1.9	1.2	1.1	0.9	0.9	0.7	0.7	0.9
tobacco	0.1	0.1	0.2	0.2	0.3	0.2	0.3	0.3	0.2	0.1	0.1	0.1	0.0	0.3	0.2	0.1	0.1	0.1	0.3	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.0	0.1
mechanics and naval repair	0.2	0.1	0.0	0.5	0.3	0.5	0.5	0.6	0.9	0.7	0.6	0.2	0.3	0.4	0.2	0.2	0.5	0.1	0.2	0.3	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0
carpentry	1.0	1.1	1.2	1.1	0.9	1.1	1.5	1.2	0.9	0.9	1.2	1.0	1.0	0.8	0.9	0.9	1.0	0.8	1.0	0.9	1.0	0.9	1.0	1.0	0.9	1.0	1.0	0.9
other manufacturing industries	0.9	0.9	0.8	1.2	1.1	1.8	1.4	1.9	1.2	0.9	0.8	1.0	0.9	1.3	1.5	1.8	2.0	2.1	1.8	1.7	1.4	1.2	1.1	1.0	0.9	1.1	0.9	0.7
electricity and water	(0.3)	(0.3)	(0.3)	0.2	0.3	0.7	0.7	0.3	0.1	0.1	0.5	0.7	1.0	1.0	0.9	1.3	1.4	1.7	1.7	1.2	1.7	1.8	2.2	2.3	3.0	2.4	2.7	2.1
construction	12.1	13.5	12.3	12.6	12.2	11.8	11.9	12.4	13.6	14.0	13.9	13.9	14.0	13.6	13.0	12.6	12.7	12.1	11.3	11.0	9.9	9.7	10.7	10.2	9.8	10.6	11.2	11.2

Services Sector	65	67	71	71	72	69	68	64	64	64	66	67	68	68	70	70	70	71	73	72	74	76	76	76	76	77	77	78
trade	29.0	30.3	31.1	29.5	29.2	27.4	27.1	22.7	23.5	24.6	23.3	21.6	20.4	19.8	19.8	20.0	19.3	18.9	18.7	17.4	18.5	19.4	20.9	20.7	20.9	20.7	19.1	19.5
hotels and restaurants	0.8	0.8	1.2	1.3	1.4	1.9	1.6	1.4	1.8	1.6	1.4	1.2	1.2	1.5	1.5	1.2	1.3	2.0	2.4	2.3	2.9	3.5	3.3	3.8	4.1	4.5	5.7	7.6
road transport	2.8	2.7	2.9	2.7	2.6	2.4	2.5	2.7	2.8	2.7	2.8	2.9	2.8	3.5	3.7	3.5	3.8	3.5	3.4	3.2	3.6	3.5	4.2	4.1	4.7	4.4	4.1	3.9
shipping	1.8	1.7	1.6	2.1	2.2	1.9	1.9	2.3	2.8	3.1	3.3	2.8	2.8	2.7	2.5	1.8	1.9	3.2	3.1	3.6	3.5	2.4	2.5	0.8	0.9	1.1	1.0	1.7
air travel	0.8	1.0	1.6	1.8	1.7	1.7	1.8	1.0	0.4	(0.7)	0.7	2.4	2.7	2.1	3.5	3.3	3.1	2.4	3.9	3.7	3.3	3.8	1.3	3.5	3.2	2.5	2.6	1.6
transport services	2.9	3.8	4.0	4.5	4.7	3.8	3.1	2.9	2.7	3.0	2.8	2.9	3.1	2.6	2.6	2.7	2.7	3.0	2.9	2.7	2.7	3.1	2.7	2.2	2.1	2.2	2.2	2.9
communication	0.7	0.9	1.4	1.5	2.0	2.1	2.1	2.4	2.4	2.4	2.6	3.0	3.7	4.4	4.6	4.7	4.7	5.6	6.5	7.1	8.1	8.7	8.8	9.0	9.1	8.4	9.8	9.5
banks and insurance	2.6	2.3	2.4	2.1	2.1	2.0	1.9	1.9	1.4	2.6	1.5	1.6	1.3	1.9	1.8	3.0	2.9	3.8	4.5	3.5	2.7	3.0	3.0	2.7	2.7	2.4	2.8	3.2
housing	6.4	6.3	6.7	6.4	6.6	6.5	6.8	6.7	6.7	7.3	7.7	7.7	7.8	7.7	7.5	7.3	7.2	7.2	6.9	6.5	6.4	6.4	6.5	6.6	7.1	7.3	7.1	7.1
government services	9.6	9.9	10.4	10.5	11.2	11.4	12.0	13.1	12.5	12.1	13.1	13.1	13.3	14.1	13.2	13.6	14.4	15.1	13.5	13.3	12.6	12.0	11.9	12.2	12.4	12.1	11.3	10.6
other services	0.8	0.9	0.9	0.9	0.9	0.8	1.0	1.3	1.3	1.4	1.3	1.4	1.4	1.6	1.7	1.8	1.5	1.5	1.7	1.6	1.6	1.6	1.5	1.6	1.6	1.9	1.9	1.8
banking services not charged	(1.9)	(1.7)	(1.7)	(1.6)	(1.7)	(1.6)	(1.7)	(1.9)	(1.4)	(2.3)	(1.5)	(1.4)	(1.3)	(2.0)	(1.4)	(2.2)	(2.4)	(3.4)	(3.6)	(2.7)	(2.1)	(2.1)	(2.2)	(2.4)	(2.4)	(2.3)	(2.5)	(3.2)
rights and duties/imports	8.2	7.6	8.3	9.1	8.8	8.6	8.3	7.1	6.9	6.4	6.9	7.8	8.7	7.9	8.8	8.9	9.5	8.5	9.5	10.2	10.4	10.4	11.2	11.2	10.0	11.7	11.7	11.7
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: *Instituto Nacional de Estadística, www.ine.cv*

**Appendix H**  
**Example of an interview transcript**

**Interview with Jan Pronk**

The Hague, 5 July 2011

**Djalita Fialho (DF):** *Discussions to create the category started in '64, during the 1<sup>st</sup> UNCTAD. What do you recall about that period? What was the main “vibe” of the negotiation process?*

**Jank Pronk (JP):** *I was not involved in negotiations on the category, nor on policies with regard to LDCs in the 60s and 1970s. I know about the context: 1964 in Geneva. It was quite logical to have that. I don't think there was much resistance, neither from the G77 itself nor from the B group. As a matter of fact, B group countries were interested because it might make the whole group of developing countries qualifying for development assistance a bit smaller. So, there was also self-interest in B group countries accepting this category.*

*I became involved very intensely when I became the deputy SG of UNCTAD. That was in 1980. UNCTAD was the lead agency on LDCs and, as a matter of fact, hardly anything had been accomplished for LDCs, in terms of common policymaking or special assistance. It was an overall discussion on the category, on what ought to be done, but not much had been done, internationally, together. The category was quite abstract. And there was quite some disillusionment amongst developing countries because the category had not delivered much for them. When I became the Deputy SG of UNCTAD, the SG of UNCTAD asked me to take, as part of my mandate, the LDCs. There was a conference in the making for the LDCs, in 1981. That was in Paris and I was in charge of the preparation. We did have a special unit for the LDCs in UNCTAD; a group of economists, mainly, some political scientists, mainly economists, and the leader of that group had led that unit for many years. He was very devoted. That was Stone, Jack Stone.*

*So the preparation for that conference took a lot of my time. What we did do was to beef it up with country studies. So, country by country, in addition to all the overall thematic approaches. And we did organize country group conferences to prepare the conference in*

*Paris, on a regional basis. I attended all of them, I think. They took about two weeks per region and we did have country meetings in an overall setting, with donor countries at the same time also, in order to have a good preparation for the Paris conference. It brought data analysis and common policies to the Paris conference, but the outcome of the Paris conference was a declaration; some promises, and we had to follow that up after the conference.*

*A number of LDCs did indeed mature, grow economically. There was an overall reluctance of LDCs to leave the group, but that is a well-known phenomenon. ... Whether the call for a special group and the policies based upon that call, internationally accepted in the form of declarations, have resulted in an improvement of the situation in particular in LDCs, of course it is questionable. The attention was necessary. These were developing countries. They were politically less relevant for the major powers, which meant that they were being disregarded. Bringing them together in an overall group did create attention, political attention, support not to forget the LDCs. You may say that they asked for special treatment to get more than the other developing countries, because they in fact had received less aid and trade preferences than the others, which economically had more to offer to developed countries. So, to bring them together in a separate category was already a certain accomplishment.*

**DF:** *So you would say that among the larger developing countries group were there any ...*

**JP:** *They were not interested. They accepted the category. But they didn't like special treatment, preferential treatment. And I can understand the political tension, because you can graduate from a LDC status into a developing country status, but you can also graduate from a developing country status into a developed status. But, of course, there were developing countries that in the eyes of western countries hardly qualified for preferential treatment in the form of aid. So all developing countries were afraid that they would have to graduate and they would no longer qualify for GSP, trade preferential treatment or for softer credits. All of them. They knew that western countries thought that at a certain moment developing countries would no longer qualify for special assistance. So, they were afraid that LDCs would take over that particular place, which is understandable. So there was always some reluctance amongst the other developing countries to give special attention to LDCs. Always. You felt that in international meetings also. There was perhaps more interest amongst B group countries in the LDCs*

*than amongst the other developing countries. They couldn't say so, but it was clear from the ... well, not from the official statements but from the way in which they behaved during talks.*

**DF:** *So, for example, you would say that countries like India and other bigger, more robust countries, in the end were happy with the fact that the category only had small and politically insignificant countries?*

**JP:** *Yeah!*

**DF:** *Because they were not their direct competitors ...*

**JP:** *They were not, of course. But there was not a big fight. There were not so many countries which were being discussed as potential members of the group of LDCs. The group at a certain moment got established. And I think about 300 million people in total were living in LDCs at the time. It was sizeable, not negligible, but at the same time not that much compared to some of the other countries.*

*For India, there was a special problem because of Bhutan, which was seen by the Indians as kind of an Indian protectorate. It was the first time in the history of the country that it was considered by other countries as a special entity, with its own policies. And the Indians demanded that all foreign relations with Bhutan would go through Delhi. And they did so, because nobody was interested in Bhutan. But the UN could not accept that. So we didn't accept that. We said 'Bhutan is a country, is a nation state, whether they're small or whatever is not important'. It's a nation state, so we want to have direct contact with Bhutan. For Bhutan, it helped a great deal that they were a part of that category, because they became a political, independent, autonomous, sovereign entity in practice, in reality. They could make their own statements, their own policies. They didn't have to ask Delhi whether it was ok or not.*

*Afghanistan was another problem, because it was invaded by Russia. But we were dealing with Afghanistan as an independent country, sovereign, so-called sovereign because there was an internationally recognized regime set up by the Russians. We were dealing with Afghanistan at the time from an economic, development angle. But, of course, it was to a certain extent fake, because of the Russian invasion.*

*Most of the countries, of course, were Africans. That was the interesting part. But in Africa you always have the problem of LDC and the ACP as a category. There was always a kind of competition because countries were part of so many groupings.*

**DF:** *Creating the category also meant for donors prioritizing aid or trade preferences to those specific countries. Some of the papers I looked at, talk of countries like France and Great Britain that used to be colonial powers, “fitcheting” with the negotiation process so that the group would include countries with which they were already traditionally and commercially linked to ...*

**JP:** *Yeah. But that was more or less in the beginning of the process, during which I was not involved. In 64 I was still a student.*

**DF:** *But then it set a precedent, no?*

**JP:** *Yeah, but at a certain moment (and I forget when) the group was more or less established. But there were not many efforts, at the time that I was involved, oriented towards enlargement of the group. The group didn't want it. The UN as a whole didn't want it. We thought more or less that this is it. We were developing criteria, looking at the criteria again, but it didn't result in a major change. And individual countries such as France or the UK didn't have much influence. It was a multilateral approach. So, if France was lobbying for specific countries, all the other countries did raise their eyebrows. Very often it was counterproductive. Because then you would open Pandora's Box. A much bigger problem was how can you really materialize a special relation with the LDCs, whoever they are, more than aid. Aid yes, ok, but that's easy. Because trade relations were not so intense. What we were doing was on the basis of country by country studies, trying to identify what could be done for an individual country. But it is difficult to have special general treatment in the field of trade. Then you fall back on capacity building and technical assistance. They're the usual, not so political, but usual. We were involved at UNCTAD; we did have UNCTAD/GATT ITC in trade promotion, through technical assistance. It's difficult to have a special regime for trade preferences for LDCs.*

**DF:** *And what do you recall about the position of the US towards the category? At least today it is not so enthusiastic about giving these countries preferential treatment. As far as*

*I can understand, the US policy towards development is very unique; it goes by its own rules and not necessarily with the majority. So, at the time, did it stand out?*

**JP:** *They were not interested, but they were not interested in anything. But they didn't resist general conclusions. We had difficult negotiations in Paris. And the final declaration was a very good piece of work. But you had to implement it. We got it by consensus, on the basis of tough negotiations, very tough. ... In the end we were not negative, on the contrary. The Paris conference I think was the best. I think you will have to admit that it is very difficult to have a general policy for a very diversified group such as the LDCs. The most important thing is special attention for an individual LDC because it is an LDC, and then on a country by country basis try to give assistance. That has helped.*

*(JP and DF chat about IV LDC conference in Istanbul, in May 2011)*

**DF:** *So, 40 years later, you think that what explains the low number of graduations also has to do with lack of leadership and not so much ...*

**JP:** *Yeah. The social, psychological dimension should not be underestimated. And of course promises have to be kept. Many promises, of course, were phrased in very cautious language, but ... I don't know the figures at the moment, I cannot judge that. A number of LDCs did receive quite some development assistance from some B group countries because they were in the category of the LDCs. That helped bilaterally.*

**DF:** *You think so?*

**JP:** *Yeah, yeah, definitely. We had here in Holland our criteria for the choice of countries and, of course, the LDCs would qualify for Dutch assistance. It changed a couple of times, for political reasons, with the change of government over the years. But the fact that the country was still on the list of LDCs was an important reason to keep the country on, because the promises had been made. That is important, of course. But there were no big international funds for LDCs.*

**DF:** *But in a way the creation of the category itself did change policy at the level of donors ...*



*JP:* Yeah, yeah, definitely. Some donors, definitely. Yeah, by giving more attention to these countries, keeping them on the list of countries which would qualify for bilateral assistance in the longer run, definitely.

*DF:* And would you say that that played more of a role than national interests, for example?

*JP:* No. There are so many factors which influence decisions when countries give assistance to another country. National interests do play a role. Commercial interests also do play a role. Presently the Dutch give assistance to countries which are interesting commercial partners and also focus on programs for development assistance which benefit the Dutch economy. In my approach you have to base development cooperation, and assistance, on demand and not on supply. You have to help a country because they are in need.

*DF:* But it's a tough balance ...

*JP:* It's a tough balance if you really want to think about your own commercial interests. ... Then, you don't give assistance to LDCs because they are commercially not interesting. And then you go to sectors which are not having a priority in the country and you want to use your own enterprises, commercial enterprises, and you go for tied assistance. That follows the decision to give aid on the basis of supply criteria, rather than on the basis of demand criteria. It's more costly and less in accordance with the needs of people.

*DF:* So, would you say that the creation of the category was an attempt to try to normalize that assistance? Trying to make it less power-dependent or less politically-motivated?

*JP:* Yeah, sure. That was one of the reasons why the UN was in favor: a multilateral approach, a special category for forgotten countries. Because a number of these countries were forgotten. And there was already, in the 1960s, a huge difference in economic potential between the big and the small developing countries and between very poor countries and the others. And if in 1964 at the Geneva conference you really are focusing on trade - because "trade not aid" was the slogan in the 1950s which did lead to

UNCTAD, it was “trade not aid”, it was “aid plus trade”, but “trade, trade, trade” in particular and foreign investment and everything that was related to the market - then you put aid in a no longer first category of priorities. But if you focus so much on international economic relations, trade and investment relations rather than on aid, then you tend to forget the poorest countries because they are not yet very often, in 1964, able to enter the market. What are their products? What are their market relations? And then you need special attention for them to enable them to enter the market and to give particular development assistance to them. Behind it there was an economic reasoning, also. It was developmental reasoning at the same time, of course, and always the political aspect plays an important role.

**DF:** *which was not explicit at all; the political aspect of it ...*

**JP:** *No, not in 1964, but you may have to read the statements at the conference to understand. I was not there. For me, the LDC category became a real category when I became a Minister myself and had to take decisions in 1973. Before then I didn't want to make much of a distinction, as a member of parliament and as a scientist in the 60s. Because, for me, the group as a whole was emancipating. India was independent only since 20 years. Many countries were not yet independent. So, the important thing was to have all developing countries as an independent category and not to try to divide and rule. It is a fact that the G77 always was afraid, in the 70s, for too much attention to the LDCs, because it might split the common position of the G77. Understandably, every group wants to be unified, however you can only stay unified if you are stronger within the group and take care of the interests of the weaker. They didn't do that very well. And there were other forms of diversification in the 70s already. You had the OPEC. OPEC promised to do a lot for the poorer developing countries. They didn't. In terms of diversified oil price, or preferential oil price, or special assistance for development projects. Promises were not kept. And you had the newly industrialized countries in the 1970s, mainly Asian countries. Western countries had a special interest in OPEC, to please them in order not to have another major setback like in 1973. They had special interest in newly industrialized countries because of imports and exports of the newly industrialized countries. So, you got all these special relations and attention because there was an interest of the West. And LDCs didn't represent any interest to the West. And the other developing countries were not so much interested in them. So, that's one of the reasons why it didn't work out very strongly in the 1970s. So, I think the Paris conference helped a*

*lot. I think we did prepare it quite well in order to bring them back as a category that needed attention and some form of preferential treatment. However, what type of preferential treatment is possible beyond financial aid and technical assistance? It's difficult. And so, if you continue with financial aid and technical assistance mainly, in the period of 30 years - 50s, 60s and 70s -, you go back to the old-fashioned instruments, rather than the new instruments with regard to trade and investment and all types of intellectual property and etc., and insurance regimes for developing countries. It's only aid and technical assistance. So they were brought back in business, as a group, qualifying for special treatment but with the old-fashioned instruments, in particular old-fashioned in the eyes of western countries, which also themselves were not increasing their development assistance. To the contrary, it went down.*

**DF:** *So, just a final question: So, 40 years after the creation of the category, would you say that the main weakness (given the only 3 cases of graduation) has been operationalizing the political foundation of the category? Which was to prioritize those countries and allow them to develop, or is the blame to be put on the countries themselves?*

**JP:** *It's very difficult to give a general answer, a common answer, because the group is diverse. You have to do it country by country. You are Capeverdean; you know your own country quite well. Afghanistan is a disaster for a very specific Afghani reason. Chad is a disaster as well, also for very specific reasons. I think it is very difficult to come up with an overall, general conclusion. There are some elements and we are touching upon them, but I think you have to do it on a country by country basis. Because I foresaw that, we did go - in 1980, 1981 - into a country by country approach, within an overall category.*

*(As an example, JP explains the rationale behind the World Bank's consultative groups set up in the 1960s, based on a country by country approach, which did not include LDCs)*

*There was no LDC in that category. And the structure helped a lot. So, one of the things which I had in mind was trying to build kind of a shadow of that. The Bank was not interested. We (UNCTAD) asked the Bank whether they would be interested to enlarge their approach: not only having the large, bigger developing countries, but also LDCs. They were not interested.*

**DF:** *The Bank never recognized the category ...*

**JP:** *No, they were not interested. We asked them not to take all of them (LDCs) but to enlarge the group, and to take some. No, they didn't. Then we tried to build a system whereby we can have also such groups, with the UN assistance with meetings with all partners of a country, also on a country by country basis. So, we did have that before the conference. That helped a lot, because there was a discussion about the special problems of Cape Verde (for example) in a common setting. Useful! But it died out later. But I still believe in that approach. You don't do it forever, but you can do it for quite a number of years. Later on, we did have it for special problems of a country, but they were indebted. But then it becomes a crisis operation. But you can do that on a regular basis for 10/15 years. But that original pattern – I left UNCTAD in 85/86 – died out. It became again UNCTAD as a whole, and that is another issue. I think it was the heyday of the LDCs in a multilateral framework. In the early part of the 80s UNCTAD was so much under attack by, in particular, the Americans. It was not accepted as a negotiating partner. We did have negotiations on each and every issue, each week, twice: negotiations on copper, together with negotiations on debt policy. So, the whole year round, negotiations on issues: commodities, debt, trade, aid, etc. After the beginning of the 80s, in particular with the attacks by the Reagan administration, UNCTAD became a think tank. And the functions were taken over also by GATT, later the WTO, with UNCTAD being credited, in particular, for developing countries to bring trade in relation to development. The WTO didn't do that.*

**DF:** *Why was the US so against ...*

**JP:** *The US was against multilateralism as such. They stepped out of ILO, they stepped out of UNESCO and UNCTAD. We were very strongly oriented towards developing countries; that was our mandate. And we were, of course, also criticizing sometimes western countries for not doing enough. They thought that we were an instrument in the hands of developing countries, which was not the case, absolutely not. But we had this mandate. We did help, of course, also the Group of 77. Because in the negotiations – we had a special unit in UNCTAD dealing with the G77 – because many G77 countries ...*

**DF:** *... had no experience ...*

***JP:** they didn't even have an embassy in Geneva. So, if you have to negotiate all year long and you don't even have an embassy ... So, that was another issue. The smaller developing countries were not always around, and their interest was also at stake.*

*Appendix I*  
*Selected documents from UN Archives in Geneva*

25 February 1964

Dear Reull,

I believe you will be interested in having some information on the meeting of the Gatt Working Party on Preferences held on 25 February, i.e. on the second day of the Gatt Plenary Session.

Although it was known before the meeting started that there was no change in the positions of the United States and the European Economic Community, the meeting was called primarily to consider a statement presented by Uganda (document I/2141) dated 17 February 1964) and also (I understand) at the request of the developing countries who wished to make a demonstration of their solidarity in order to erase the impression of disarray given at the meeting last December. In its memorandum the Government of Uganda suggested differential or two-tiered preferences designed so that the least-developed of the less-developed countries would receive the greatest preferences (within each group of the less-developed countries, however, preference would be given on a non-discriminatory basis). This proposal would run counter to the proposals made by India, Brazil, United Arab Republic and other less-developed countries. The preferences would be given only to Gatt members although there would be no requirement that they be limited to these members. The preferences would be granted on an across-the-board basis with allowance for a limited list of exceptions. The percentage preferences granted would apply to all products included and there would be no differentiation on a product-by-product basis. Preferences would be automatically eliminated when a tariff was reduced to zero. Regarding the level of preferences, the less-developed developing countries would be given free entry and the more advanced less-developed countries would be entitled to a preference equal to one-half

there would be no requirements that preferences would be granted on an across-the-board basis with allowance for a limited list of exceptions. The percentage preferences granted would apply to all products included and there would be no differentiation on a product-by-product basis. Preferences would be automatically eliminated when a tariff was reduced to zero. Regarding the level of preferences, the less-developed developing countries would be given free entry and the more advanced less-developed countries would be entitled to a preference equal to one-half the m.f.n. level.

The meeting was dominated by the less-developed countries which stood together and did not allow themselves to be drawn into discussions of the differences among them. In fact, Uganda did not even speak in defense of its paper. Brazil, Chile, Ghana, Pakistan and Indonesia particularly stressed the need to have an indication of the attitudes of the developed countries to the idea of preferences in principle before entering upon discussions of the details. Chile also referred to the decisions reached by the Latin American countries recently at Brasilia regarding preferences; Indonesia particularly emphasized that an answer was needed from the developed countries before the U.N. Conference took place.

The United States' delegate referred to the views put forward on behalf

Dr. Raúl Prebisch,  
Secretary-General of the U.N. Conference on Trade and Development,  
United Nations,  
NEW YORK

TD/B/AC.9/Conf. Room Paper 1  
page 2

SPECIAL MEASURES IN FAVOUR OF THE LEAST DEVELOPED  
AMONG THE DEVELOPING COUNTRIES

I. Characteristics of the least developed countries

1. It is recognized that the least developed among the developing countries confront special problems in their efforts to accelerate their economic and social development. To a large extent these problems are closely connected with the fact that these countries are at a very early stage of economic development. As such they tend to exhibit certain characteristics which make it difficult, if not impossible, for them to derive full benefit from measures designed for countries at a relatively higher stage of economic and social development.

2. It would be futile to attempt to define in precise terms the concept of least developed countries, still more to name those countries which would qualify as least developed among the developing countries. The level of development is, by its very nature, a continuum so that countries tend to shade imperceptibly from being least developed, to developing and from developing to fully developed. To try to draw a demarcation line between one group of countries and another is at best an arbitrary exercise. In most instances it would be an over-simplification of a highly complex problem.

3. That the concept of the development level is not capable of precise definition does not mean that the concept is meaningless. It is a concept which is used in many ways and that at the

1. As instructed I am representing the ECE Secretariat at the above UNCTAD Meeting. I sit in for approximately one hour per day. ECE's representation has been acknowledged from the chair and recorded in the attached list of participants, from which it can be seen that the Secretariats of the three other regional economic commissions are also taking part.

2. I have informed the Secretary of the Meeting (Mr. Mo Myit) that I have a watching brief and have told him that if ECE's views are to be solicited in any way I would wish to have advance notice to enable me to seek instructions. In these circumstances it seems wise to give you a brief progress report on the general complexion of the Meeting which is scheduled to last until 5 December.

3. The discussions appear to be falling into two parts: a) the specification of the common characteristics of the least developed countries to facilitate, at a later stage, a de facto country identification; and b) the elaboration of recommended measures to assist such countries.

4. The discussions at the moment are centered on a) above, and the attached rather interesting paper (TD/B/AC.9/Conf. Room Paper 1) has been produced by the drafting group. The discussions have however tended to be a little diffuse in an attempt to supplement the paper and the Chairman has quite correctly 1) reminded the Group that the discussions should concentrate on the characteris-



UNCTAD

memorandum  
~~Letter~~ Pérez-Guerrero (UNCTAD), 11/11/69

- invitation to Group of experts on special measures for the least developed among the developing countries

AND letter in answer for signature, dated 18/11

\_\_\_\_\_

to: Kostelecký

19/11

He can well take such a laconic letter as a lack of politeness. I consider that the letter should at least explain that there is hardly a country in the region of ECE which could consider itself as least developed. But I would like to know that Malta is not considered as one, and possibly Albania as well. If so, then I should send there at least one of the younger people from Research who are not fully employed.

earnings. ... vicissitudes of world markets. The problem of extreme concentration in the commodity composition of their exports is aggravated by extreme geographic concentration of export markets. In many cases more than half of their exports go to a single export market.

7. The special measures to be recommended in favour of the least developed countries should be so designed as to eliminate, or at least to attenuate, these basic characteristics and handicaps. The aim is to enable these countries to accelerate their rate of growth and derive full benefit from measures taken in the context of international development strategy for the United Nations second Development Decade. However, in considering any specific measure we have been aware of the requirement of resolution 24(II) that:

"... it should not be the objective of any special measure taken in favour of the least advanced developing countries to create discrimination among the developing countries but to ensure due benefits for the least developed among them so that all developing countries can gain equitable benefits..."

Admittedly, the demarcation line between any special measure which constitutes discrimination and one which does not is far from clear. However, we believe that the equal treatment of countries which are starkly disparate in their level of development could in fact constitute inequality. The international community should have as much interest in reducing the gap among developing countries as in reducing the gap between developing countries as a whole and developed countries.



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