



GENERAL ASSEMBLY
AD HOC OPEN ENDED WORKING GROUP
TO FURTHER STUDY AND STRENGTHEN THE SMOOTH TRANSITION PROCESS FOR
THE COUNTRIES GRADUATING FROM THE LEAST DEVELOPED COUNTRY CATEGORY
FIRST SUBSTANTIVE MEETING

16 February 2012

ISSUES NOTE

1. Background and objective

The Istanbul Declaration recognizes that “the graduation process of LDCs should be coupled with an appropriate package of incentives and support measures so that the development process of the graduated country will not be jeopardized”. Member States agreed “to work on the development and implementation of smooth transition strategies for graduating and graduated LDCs.”

Broad areas of international support measures of smooth transition were identified by the GA in resolution 59/209. Development partners are urged to support the transition of graduating countries from LDC to post-LDC life, and to avoid abrupt disruptions in the assistance provided to a graduating country. Trading partners are invited to maintain trade preferences or to phase them out in a gradual manner. WTO members should consider extending to any graduating country the special and differential treatment and exemptions that are available to LDCs, for a period appropriate to the development situation of the country.

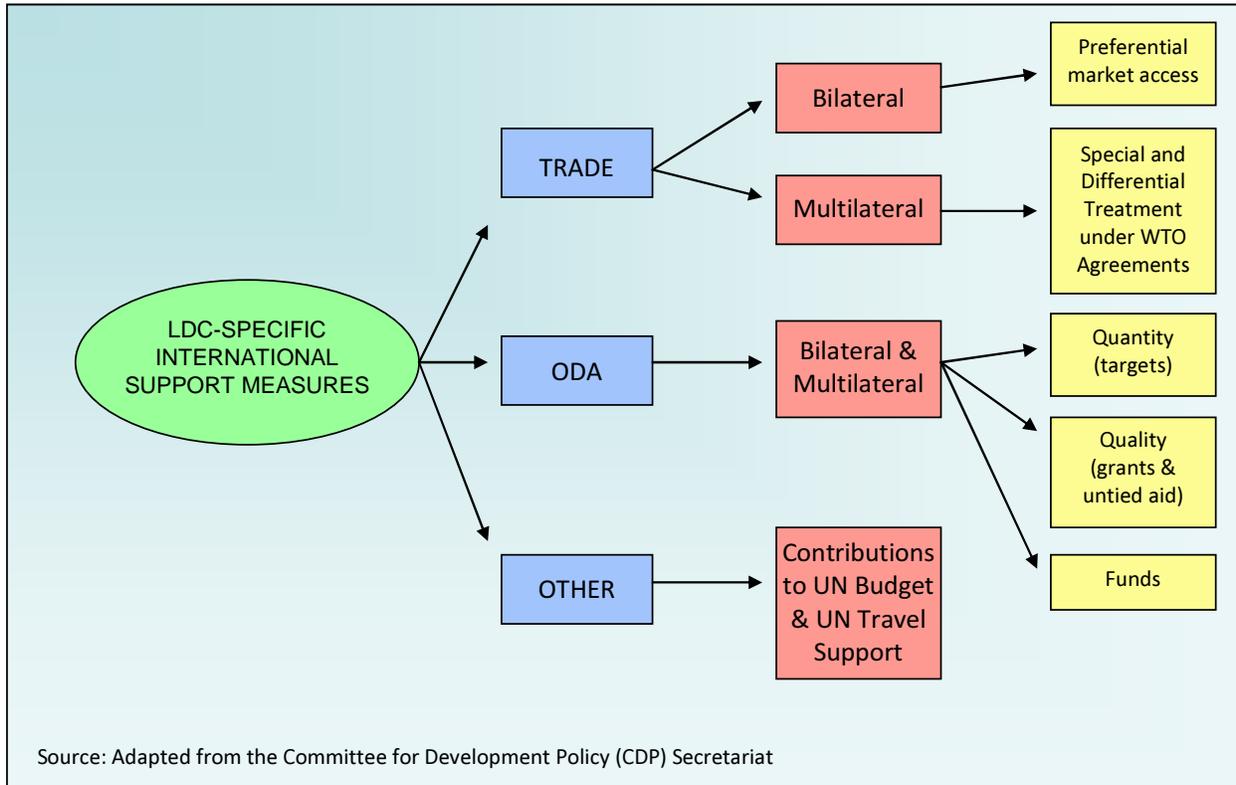
The topics of the first meeting will include special measures for LDCs, implications of graduation and existing smooth transition measures as per the agreed programme of work for the working group. The main objective of the first substantive meeting of the Ad Hoc Working Group is to take stock of the current situation regarding LDC-specific international support measures and phasing out policies so as to: bring all stakeholders to a common level of understanding of issues at stake; identify gaps and LDC concerns related to the phasing-out of LDC benefits; and exchange views on what possible approaches to these gaps and concerns could be developed.

2. Special support measures for LDCs

There is a variety of special support measures for LDCs provided by development partners, including bilateral donors and multilateral organizations. The main LDC-specific international support measures can be grouped under Official Development Assistance (ODA), Trade-related, and Other measures (see figure on the next page).



Figure: LDC-specific international support measures



3. Implications of graduation

Graduation from LDC status represents the achievement of a major milestone for LDCs' development, including significant progress towards the fulfilment of development goals in respect of per capita income, human assets, and economic vulnerability. Graduating countries may lose access to LDC-specific support measures, but their exit implies new opportunities and potential inherent in the observed structural progress.

The implications of graduation for each country that is found eligible by the Committee for Development Policy (CDP) are the subject of in-depth analyses carried out by UNCTAD and DESA. UNCTAD prepares a "Vulnerability Profile" assessing the extent of external economic and natural shocks on the economic performance and economic structure of the country under review. DESA prepares an ex-ante "Impact Assessment" of the likely country-specific consequences of graduation on economic growth and development. Both reports are circulated to the country for comments and are made available to the CDP before its subsequent triennial review. Furthermore, the CDP monitors the development progress of graduated countries at its triennial reviews.

A thorough understanding of existing support measures and the impact their withdrawal would have for countries meeting the criteria for graduation is needed to make recommendations for their extension during the transition period.



4. Existing Smooth Transition Measures

The GA resolution 59/209 identifies broad areas of international support measures for which smooth transition measures are recommended. These can be divided into procedures applicable to all graduated countries and case-by case decisions by development and trading partners made through the consultative process.

Existing smooth transition measures, which are available to all graduated countries, can be further grouped into bilateral initiatives, such as the extension of duty-free quota-free (DFQF) market access by the European Union under its Everything But Arms initiative, and continued access to LDC-dedicated funds, such as the extension of access to the Enhanced Integrated Framework, the LDC Fund of the Global Environment Facility (GEF-LDCF) and the extension of UN travel-related support to graduated countries (GA resolution A/RES/65/286 of 29 June 2011).

The effective implementation of a smooth transition strategy will be monitored by the graduated country with the support of a UN-coordinated consultative mechanism. The CDP monitors the development progress of graduated countries during its triennial reviews, as per General Assembly resolution 59/209. Information provided on existing smooth transition measures will build a basis for the review of the current smooth transition strategy.

4. Questions for the interactive exchange

There is a general perception that the smooth transition process needs to be strengthened with a view to reassuring graduating LDCs so that they can envisage their further development process with confidence, with LDC-specific support being phased out gradually if it cannot be maintained, with due consideration of country-specific conditions.

The following questions could be addressed during the meeting:

- What are the main challenges for graduating and graduated countries?
- What general lessons can be learned from the impact assessments?
- What are the potential benefits of graduation?
- What are the shortcomings of existing support measures from development partners, including bilateral donors, trading partners and the UN system, in favour of graduating and graduated countries?
- What additional support may be needed from development partners to ensure smooth transition?