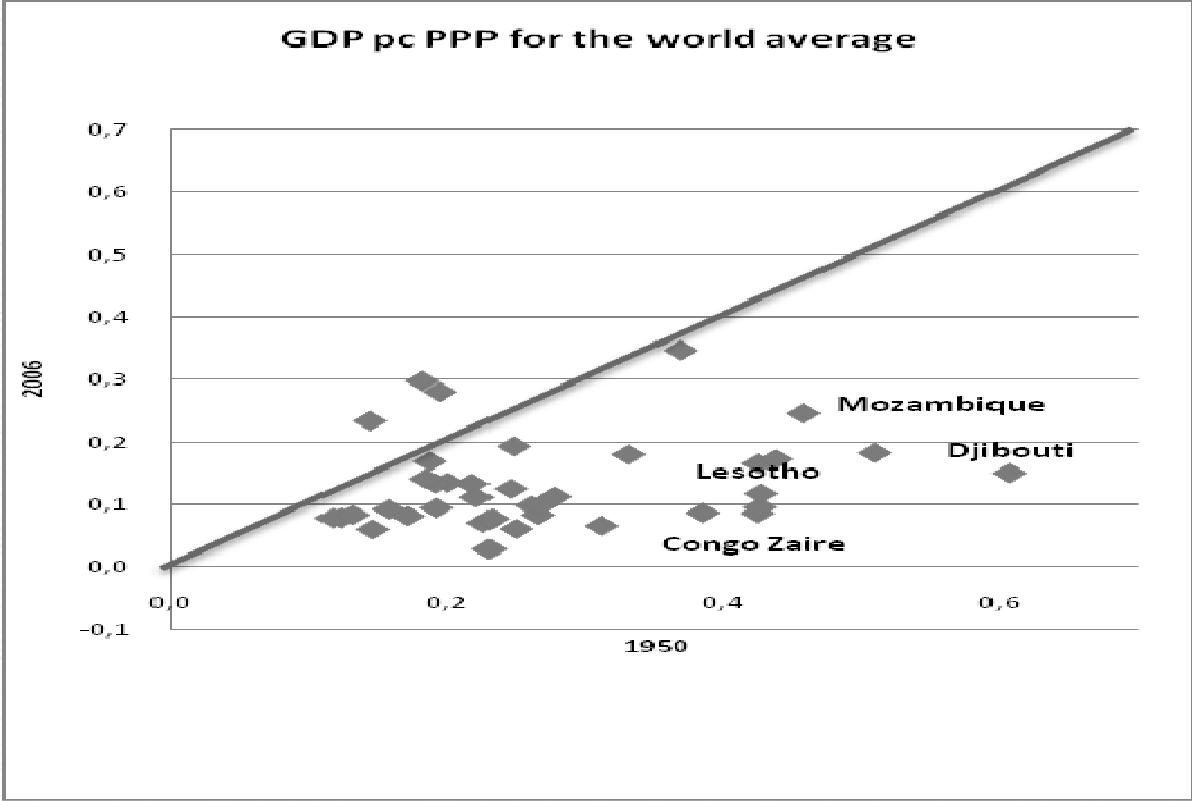


# Smooth transition: some proposals

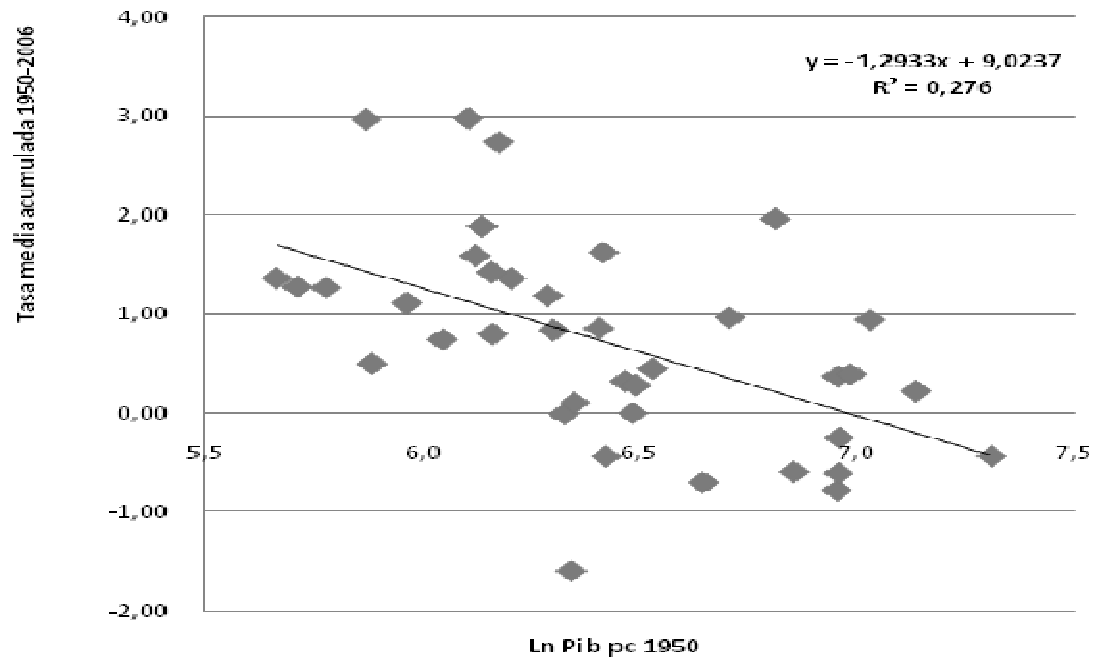
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# LDCs


- 1.- Group of low income countries suffering from most severe structural impediments to sustainable development
- 2.- Recognition of the need to alleviate the problems of underdevelopment of those developing countries
- 3.- LDCs category was defined as a club (with rules of eligibility and graduation) and exclusive measures of support



### Growth rate and level of development (without Equatorial Guinea)



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- While LDCs advanced absolutely in the last decade, they did not succeed in closing the gap with other developing countries
  - LDCs is today a group larger than Low-Income countries. So some LDCs are in the Middle-Income category
  - Some LDCs have begun their transition process

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- The problems of the binary logic:
    - Firstly, it is not adapted to the process of development: the process of development is continuous (not discontinuous).
    - Secondly, it generated perverse incentives, in terms of development, because it penalizes the progress of the country.
    - And finally, binary logic implies graduation in an apparently abrupt change in the country status.


# Preparing and implementing the transition strategy

- i) increasing information about international measures, their utilization and related transition measures based on DESA Information Portal;
- ii) supporting countries (through the UN system) in their preparations of transition strategies, that should be integrated in their national development strategies;
- iii) assuring that all development partners mainstream the smooth transition needs in their approaches and strategies; and
- iv) monitoring the process of graduating countries to avoid setbacks.

# Orderly phasing-out

- i) the extension of markets access preferences to enable graduated countries to adjust to the new conditions;
- ii) phasing out LDC-specific Special and Differential Treatment in the WTO;
- iii) avoiding abrupt reductions in official development aid provide to graduated countries, both from bilateral donors and from multilateral institutions;
- iv) maintaining other support measures as a cap on LDC contributions to the multilateral budget of certain institutions or financial support for LDC participation at the annual and extraordinary sessions of the General Assembly.



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- 1.- Introduce some criteria related to the countries' vulnerability in the process of aid allocation.
  - 2.- Some of the risks that can harm a graduated countries have to do with their limited productive diversification. Two measures can be useful here:
    - a) Extend the program of Aid for Trade in order to promote trade capacities in developing countries.
    - b) Use of mechanisms of the Development Finance Institutions
  - 3.- Insurance mechanisms against catastrophic environment related events or other adverse and unforeseen external shocks