

**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**

Draft recommendations by the Co-Chairs

Below is an outline of possible recommendations to be put forward by the Co-Chairs summarizing issues and proposals presented by Member States and development partners so as to facilitate possible further consideration at the United Nations.

(1) STRENGTHENING THE SMOOTH TRANSITION PROCESS

A. Information about and understanding of existing support measures are key

- i. Need to further enhance information sharing and understanding of available LDC-specific international support measures and related transition measures (from all partners), their characteristics and modalities.
- ii. More transparency and timely information can improve the LDCs capacity to prepare smooth transition strategies and, more generally, reduce uncertainty and ensure predictability. Need for one source of information sharing (the DESA portal).
- iii. Need for wider circulation of DESA's ex ante impact assessments and UNCTAD vulnerability profiles as well as all relevant documentation.
- iv. Regular exchanges of information between LDCs and graduated countries on experiences and lessons learned should be intensified.

B. Strong national transition strategies are the basis for successful transition

- i. Importance of strong national ownership and leadership in designing and implementing a country specific national transition strategy.
- ii. Recognition of the specificity of such transition strategies, to be designed on a case by case in-depth assessment of the possible impact of graduation, taking into consideration the structural challenges of the countries concerned. In this context, the particular vulnerabilities of the graduating country should be given special attention.
- iii. Technical assistance by the UN system should be enhanced. UNDP should kick start the process and act as facilitator of the consultative mechanism, while also developing a formal graduation capacity building program.
- iv. Within the consultative mechanism, all development and trading partners should be stronger involved in the design of the national strategies as frameworks within which partners could work and based on which they could determine the best mix of supporting actions needed.

- v. National strategies should enhance predictability in the graduation process. Benefits should be phased out taking account of each country's particular development situation and vulnerabilities, as outlined in the IPoA.
- vi. Monitoring of smooth transition should be strengthened and graduating countries should be requested to provide concise, but regular reports on progress made, in particular using existing ECOSOC mechanisms (not adding to reporting burden). Monitoring should be about preparation and implementation of national transition strategies.

C. Coherence is crucial

- i. Necessity to keep up political awareness/leadership within the graduating country, the UN system and the development community on the need for coherence when dealing with graduation and transition processes.
- ii. The national transition strategy should be integrated in existing longer-term comprehensive national development plans.
- iii. An effective consultative mechanism should be established for designing the transition strategy and for integrating it with other regular consultative processes between the graduating country and its development and trading partners.
- iv. Need to discuss with development and trading partners bilateral and multilateral strategies and aid programs to ensure that they fully support the national transition strategy.

D. Support from the UN system should be increased

- i. UN Country Teams should play a stronger role in assisting graduating countries.
- ii. Better coordination within the UN development system on the ground in supporting the elaboration of national transition strategies by each graduating country.
- iii. Upon request from the country, role of the UN Resident Coordinator as focal point for the UN support to the graduating country, kick-starting the process and acting as facilitator of the consultative mechanism.
- iv. More effective engagement of ECOSOC in the monitoring process.
- v. Other UN entities should also be more pro-active in assisting graduated countries in their preparations of transition strategies.

E. Some aspects of the GA role in the transition process should be clarified

- i. An appropriate time-framed and expeditious process by the GA for taking action on ECOSOC decisions related to graduation of individual LDCs should be agreed.
- ii. Explicit references to the elements of the smooth transition process, including the consultative mechanism, should become part of the ECOSOC and General Assembly resolutions on graduation of specific countries, with a view to increasing awareness about the process among all member states and the country concerned.

(2) STRENGTHENING SMOOTH TRANSITION MEASURES

A. Characteristics of the support measures during the transition period

Support measures during the transition period should focus on

- i. predictability: measures should be clear with regard to their scope, timeframe and modalities
- ii. confidence building: for graduating countries confidence in their own capacities and in the support of development and trade partners is the strongest incentive in the graduation process
- iii. specificity: a differentiated approach is needed taking account of each country's development situation, vulnerabilities, strengths and weaknesses, as outlined in the IPoA.
- iv. certainty: certainty about what will happen to support measures after graduation would be another incentive.
- v. transformation: development and trading partners and graduating countries alike should, as appropriate, adapt their transition support and strategies to the development situation of graduating countries after graduation.

B. An early start of discussions on transition measures is strongly recommended

- i. Starting up discussions with development partners on the extension and phasing out of measures and benefits at an early stage is strongly recommended, i.e. discussions should start during the early pre-graduation phase in order to allow the results of these discussions to be integrated in the national transition strategy.

C. Continued need for Official Development Assistance (ODA)

- i. Development partners should consider the extension and gradual phasing out of LDC-specific support measures to graduated countries for a fixed period of time in a predictable manner, without prejudice to ODA resources available to LDCs.
- ii. UN entities, which are committed to allocating a certain percentage of their resources to LDCs, should consider the extension and gradual phasing out of specific LDC-specific support to graduated countries for a fixed period of time in a predictable manner, without prejudice to resources available to LDCs.
- iii. While considering extension of access to UN and other donors' LDC-specific funds, allocations or measures beyond graduation, development partners should be clear about the timeframe and modalities of the gradual phasing out of these support measures, taking into account the specific situation, challenges, vulnerabilities and prospects of the graduated countries concerned.
- iv. Graduation by LDCs which are recipients of large amounts of ODA would have an impact on bilateral donors meeting their commitments regarding

ODA allocation for LDCs¹. This issue of conflicting objectives between ODA targets and supporting graduated LDCs needs to be addressed before LDCs receiving substantial amounts of ODA (in absolute terms) become eligible for graduation.

- v. As in the case of the allocation of bilateral aid resources to LDCs and graduated countries, the conflicting objectives of supporting graduated countries versus meeting budget allocation targets set by multilateral donors need to be addressed urgently.

D. Adapting trade-related measures to the new development situation

- i. Trading partners who have not established procedures for extending and/or phasing out preferential market access should be encouraged to express, as a general rule or at the consultative mechanism, their commitment to extend their LDC-specific preferences, the number of years of the extension and/or the details concerning the gradual phasing out of the measures.
- ii. The transition strategy should include the commitments made by the main trading partners.
- iii. Preferential tariffs should be extended over a period long enough to allow affected sectors to prepare themselves.
- iv. While negotiating their WTO accession, graduating countries and their trading partners should use these negotiations to agree on specific extensions of Special & Differential Treatment (SDT) through transitional arrangements.
- v. The possibility to obtain non-reciprocal preferential market access through a blanket, time-bound waiver, covering all Special & Differentiated measures, including –but not limited to– market access measures, extended for a transitional period to graduated countries, should be explored.
- vi. Members of the WTO are encouraged to adopt formal procedures and extended time frames for phasing out LDC-specific Special and Differential Treatment (SDTs).

D. Technical assistance remains a valued companion

- i. Aid for Trade should remain a valued companion for strengthening LDC's capacities (institutional, structural,...) and for enabling graduating countries to cope better with the gradual phasing out of LDC-specific measures. Aid for Trade should be better targeted, result-oriented and coordinated.
- ii. LDC-specific funds other than the Enhanced Integrated Framework should be encouraged to continue implementation of the technical assistance programs for graduated countries over a period appropriate to the development situation of the country.
- iii. Technical assistance commitments should clearly be made part of the commitments to be undertaken by development and trading partners in the

¹ When a large ODA recipient leaves the category, a donor may no longer be able to easily reach its aid target of 0.15-0.20 per cent of GNI due to the fact that aid to this large recipient will no longer be classified as ODA to LDCs.

transition strategy and implemented through EIF, Aid for Trade or other instruments.

E. Travel benefits to be broadened to new organs/institutions

- i. The GA provisions extending smooth transition provisions for UN travel benefits should be used as a precedent that may facilitate extending travel benefits from other organs/institutions for a given number of years to graduating countries.

F. New mechanisms of support for smooth transition

- i. Development partners should take into account the three LDC-identification criteria used (GNI/pc, HAI and EVI) as aid allocation criteria. This should would allow a more gradual phasing out of support and, as a result, address the concerns of those countries exiting the category which are still facing challenges in overcoming remaining structural handicaps (particularly those captured by EVI)
- ii. Including structural vulnerability (measured by the EVI or other suitable indicators) as allocation criterion could also be relevant for the allocation of flows (not necessarily reported as ODA) by development finance institutions, which promote private sector activities in developing countries through loans, guarantees and investments.