



Strengthening Smooth Transition from the LDC Category

***Second substantive meeting of the AHWG on smooth transition
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Structure

1. Observations on smooth transition
2. Strengthening the transition process
3. Strengthening the phasing out of specific support measures

I. Key observations

1. Graduating countries are concerned about a possible loss of support
 - LDC status is binary (either you are LDC or not); development progress is continuous
 - Nature of support changes as country advances in its development
 - **Uncertainty faced by graduating countries**
 - What support is available for LDCs only?
 - Are we utilizing the support?
 - How relevant is this support for addressing LDC specific handicaps?
 - What support will be available after graduation?
 - How will phasing out proceed?

II. Key observations (cont'd)

2. Graduating country needs to be driver of the process

- Importance of National development strategy:
 - Current LDC support and future graduation to be taken into account in development strategies of all LDCs
- Transition strategy and processes need to be aligned with country needs and capacities
- Development partners, including the UN system, must be responsive

II. Recommendations: preparing for transition

1. Improve understanding of LDC-specific support measures

- Cataloguing of these measures (e.g., www.un.org/ldcportal)
- Ex-ante impact assessment circulated more widely
- Stronger involvement of development and trading partners, including the UN system in impact assessment

2. Enhanced inter-agency technical assistance

- If requested, UNDP could kick start the process and facilitate the consultative mechanism
- A formal graduation capacity building programme could be developed

II. Recommendations: preparing for transition

3. Stronger and clear commitment by partners

- Commitments included in the transition strategy
- Developing a transition strategy template can be helpful.
- Mechanism to be kept simple:
 - Take size and nature of the adjustment into account
 - Reflect administrative situation in the graduating country

4. Improved monitoring and reporting

- Annual concise progress reports on outcome of consultations
- Triennial reports on implementation: input to CDP monitoring and reporting to the Council

III. Recommendations: phasing out measures TRADE

1. Preferential market access

- Establish clear procedures for phasing-out: bilateral and regional trade as well
- Withdraw preferences over long enough time period
- Provide technical assistance to prepare affected sectors (relate to Aid 4 trade)

2. Other SDT provisions under WTO

- Adopt formal procedures for extension/phasing-out of LDC specific SDT provisions

III. Recommendation: phasing-out measures

Bilateral ODA Flows:

- Few bilateral LDC-specific programmes, the impact potentially small.
- Allocation of ODA for LDCs often depends on human assets and income.
- If EVI could play a larger role as aid criterion: impact of graduation on ODA smoother and more commensurate with needs of graduating countries.

III. Recommendations: phasing-out support Multilateral ODA and UN system

Clear transition procedures and transparent rules exist only in few cases, but need to be established for all LDC-specific support measures:

- Budget allocations for LDCs (targets) by multilateral organizations
- LDC-specific technical assistance funds
- Caps and discounts to LDC contributions to UN budget
- LDC specific travel funds

Summing up:

- **Clearer message:** graduated LDCs will not be 'left alone' by the international community after graduation
- **Smooth transition mechanisms need to be strengthened**
 - Increasing transparency
 - Reducing uncertainty
 - Increasing engagement and commitment
 - Establishing clear rules
 - Increasing coherence
- **The CDP stands ready to provide further inputs to the ad-hoc working group**