Strengthening Smooth Transition from the LDC Category

Second substantive meeting of the AHWG on smooth transition
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Mulu Ketsela, Vice-chair
UN Committee for Development Policy
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**