



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

SUMMARY RECORD - THIRD SUBSTANTIVE MEETING

26 March 2012, Conference Room 2 (NLB)

The third substantive meeting of the Ad Hoc Working Group, which was convened on 26 March 2012, benefited from a keynote presentation by Prof. Patrick Guillaumont, FERDI, Université d'Auvergne, and ex-member of the Committee for Development Policy. H.E. Ambassador Ertuğrul Apakan, Permanent Representative of Turkey, delivered remarks on the role of development and trading partners in supporting smooth transition strategies. The meeting also heard a presentation on the experience of Maldives as a recently graduated country. The meeting was very well attended by about 70 participants and there was a lively exchange of views among delegations.

The meeting was co-chaired by Ambassador Brian Bowler, Permanent Representative of Malawi, and Ambassador Jan Grauls, Permanent Representative of Belgium. Ambassador Anwarul K. Chowdhury also attended on behalf of the President of the General Assembly. The Co-Chairs announced that the next meeting of the working group would be held on 8 May 2012.

Presentations and interactive exchange

Prof. Patrick Guillaumont briefly recalled the basic framework for graduation and smooth transition. He stated that starting in 1997 attitudes towards graduation had progressively worsened and turned into resistance, such as in the case of Equatorial Guinea. He noted that LDC-support measures could only be temporarily extended after graduation. Postponement of termination of all support measures would in effect postpone graduation itself. In contrast, support measures for LDCs taken on a case by case basis could be more easily adapted to make the transition smoother. In the case of aid, his proposal was based on the principle to make the transition less abrupt by using continuous criteria rather than the binary LDC status. In the context of the present debate about the reform of aid allocation criteria, in particular the PBA formula based on governance used by the multilateral development banks, Prof. Guillaumont underscored the benefits of taking into account the 3 LDC-identification criteria used (GNlpc, HAI and EVI) as aid allocation criteria: the LDC group would benefit as a whole; the transition would be smoother for graduating countries, especially the most vulnerable; principles of equity, effectiveness and transparency would be met. He stressed the need for graduating countries to maintain ownership of the transition strategy, making maximum use of available information, in particular through the DESA LDC Portal, the impact assessments prepared for the CDP recommendations and ensuring full mobilization of the UN system and development partners. He recommended that graduating countries set up a consultative mechanism, with the support of the UN RC, so as to obtain in a consistent way the implementation of transition measures and to ensure that other international schemes not specifically designed for LDCs and/or graduating countries, but appropriate to

address graduation issues, such as the Aid for Trade initiative, would be well mobilized in the transition context. As for the risks ahead for graduating countries, he focused on recurrent shocks associated with high levels of economic vulnerability. While graduated countries were more resilient than LDCs given their middle income level and relatively high HAI, he noted that the adequacy and effectiveness of present schemes of compensatory financing of exogenous shocks, either external or natural, was debatable. Vulnerability to climate change could be addressed through an appropriate allocation of available resources for adaptation, using an index of physical vulnerability to climate change developed by Ferdi that was complementary to the EVI and evidenced a high level of such vulnerability in countries graduated or likely to be so.

The Permanent Representative of Turkey recalled that the IPOA contained the expectation that by the end of the current decade many LDCs would reach a level of development that would allow them to graduate. He noted that the main objective of the transition process was not that of creating additional incentives but rather that of setting the rules of engagement, adjusted to country circumstances, between the graduating country and its development and trading partners. In that context, South-South cooperation and support of emerging countries were crucial. He stressed that emerging countries should participate in the consultative mechanisms and incorporate graduated LDCs in their technical and financial assistance programmes. He concluded referring to Turkey's plans to extend its assistance package to graduated countries in order to further support their development process.

The Representative of Maldives stated that Maldives' transition strategy focused primarily on trade development with a secondary objective of maintaining development financing. He recalled the crucial role played by Maldives' lobbying and advocacy efforts in obtaining the granting of favourable new trade measures and waivers, such as the TRIPS extension till 2013 granted in the aftermath of the 2004 Tsunami, which was later applied to all LDCs. Maldives' promotion of its SVE status articulated during the Trade Policy Review (TPR) resulted in the extension of the Everything but Arms (EBA) trade agreement with the EU. The representative also recalled their zero tariff agreement with China for 60% of Maldives' exports, while noting that other regional trade objectives had remained unmet. Lack of progress was also recorded in the area of development assistance and access to concessionary finance. He stated that following a successful donor conference, only a small portion of those pledges had been fulfilled. An economic reform program had been recently introduced, but it was yet too early to yield substantial results. Furthermore he noted that graduation did not bring increased FDI except for the tourism industry, leaving his country's structural vulnerabilities as a small island unchanged. He underscored the paramount importance for graduating countries, of developing a coherent national strategy for smooth transition, which should be monitored in its implementation phase on an annual basis, instead of only triennially. He then reiterated the call for the official recognition of the SIDS category at the United Nations. He stated that SIDS high per capita income often masked high economic vulnerability and structural handicaps. Referring to the extreme vulnerability of the Maldives to external shocks and the high infrastructure development costs due to the Maldives' dispersed geographical, he stressed that the country's key productive capacity was inextricably linked to the natural environment and the durability of its fragile ecosystem. He recalled the numerous external shocks that the Maldives had to face, the most significant being the 2004 tsunami which devastated the nation's social and economic infrastructure, with its effects still being felt 8 years later.

The Permanent Representative of Nepal, speaking on behalf of the LDC Group, stated that many LDCs had started to move on a higher development path and that in order to achieve the aspirational goal of the IPOA, strong and effective delivery of the commitments contained therein was needed. He believed that the Ad Hoc Working Group process had been very informative and useful, stressing the need for further support to ensure transition to post-LDC life remained a milestone. He recommended that the graduation process needed to be based on close consultation of LDC governments with UN counterparts and other development partners, looking at the reality on the ground. DESA and UNCTAD were requested to provide through their reports a better understanding of support measures and assess their effects in a holistic and comprehensive manner. He also stressed that the aid allocation

proposal should not affect the level of ODA going to LDCs. Furthermore he called for greater support from UNDP to the countries during their smooth transition phase and for ECOSOC to be more effectively engaged in monitoring this process.

Ambassador Anwarul K Chowdhury stressed the importance of support and active participation in the working group activities by all relevant UN System entities.

Prof. Patrick Guillaumont clarified that using the EVI as aid allocation criteria would have two benefits: it would lead to greater volumes of aid allocated to LDCs and it would ensure a smoother transition out of the category.

The Permanent Representative of Cape Verde stated that smooth transition was a global responsibility. He called for the UN to refine its support to graduating countries. He argued that behind the resistance to graduation lied a lack of information on the graduation process and its consequences. He pointed to the difficulties in accepting graduation for countries whose structural vulnerability would remain unaffected. Looking at some of the smooth transition measures, he noted that, while it might have seemed an issue of small importance, the extension of UN travel benefits for graduated countries had been instead crucial to ensure their participation in UN meetings and conferences, since not participating equaled being put out of the process. He underscored that enhanced support was needed to increase resilience of small island graduated and graduating countries vis-à-vis external shocks, and in particular drought, desertification and sea-level rise which affected Cape Verde.

Prof. Patrick Guillaumont noted that lack of information was part of the reasons behind the increased resistance to graduation among LDCs. He believed the situation had much improved in terms of sharing of information on the effects of graduation, notably through the DESA ex-ante impact assessments.

The Permanent Representative of Costa Rica asked whether the quality and coherence of policies could be included as part of the criteria for graduation.

Prof. Patrick Guillaumont clarified that the LDC category was defined by structural deficiencies and that the indicators partly reflected results of past policies but were not affected by current policies, therefore avoiding moral hazard.

The representative of UNDP mentioned the ongoing efforts within the UN system, and UNDP in particular, to enhance coordination on a wide range of activities in support of LDCs and graduating countries. She reaffirmed that UNDP will actively participate in the following meeting of the working group.

The Permanent Representative of the Solomon Islands noted that predictability was key in transitioning out of the LDC category. He underscored that IPoA was a vehicle for LDCs to achieve the MDGs and therefore graduate. However he stressed that many LDC country programmes were not related the BPoA/IPoA: their focus was on institutions, gender, etc. but not on the productive sector, with limited resources to focus on a few game-changing issues, e.g. agriculture or energy. He also stressed the need for better coordination of the UN system activities on the ground.

The Permanent Representative of Benin recalled the normative target set for LDC graduation in the IPoA. He stated that the recognition of the LDC category in IFIs was crucial.

Prof. Patrick Guillaumont underscored the importance of strong UN involvement, with UNDP at the forefront, in the consultative mechanism. International support should focus more on strengthening LDCs' and graduating countries' productive capacity so as to increase their resilience, which would by itself make the transition smoother.

The Permanent Representative of Cape Verde expressed his concern that many countries identified by the CDP for graduation were SIDS, even though their level of economic vulnerability remained very high.

Prof. Patrick Guillaumont stated that a good sample of SIDS had reached relatively a high level of human capital which had led to growth in income per capita, thereby overcoming one of LDCs' joint handicaps and qualifying for graduation despite their vulnerability. He noted that the number of countries that were low income countries but no more LDCs had decreased, which showed that overcoming the LDC-related joint handicaps opened the door for further economic growth.