



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 - SECOND SUBSTANTIVE MEETING

16 March 2012, Conference Room 2 (NLB)

The second substantive meeting of the Ad Hoc Working Group, which was convened on 16 March 2012, benefited from a special briefing by two members of the UN Committee for Development Policy on the Committee's review of existing smooth transition mechanisms and its recommendations on ways these can be further strengthened and better monitored. Two lead discussants, namely the Permanent Representative of Nepal and the representative of the European Union, made remarks immediately after the CDP presentations in order to kick start the following exchange of views among delegations.

The meeting was co-chaired by Ambassador Jan Grauls, Permanent Representative of Belgium, and Ambassador Brian Bowler, Permanent Representative of Malawi. Mr. Cheick Sidi Diarra, Under-Secretary-General and High Representative for the LDCs, LLDCs and SIDS also attended.

Presentations and interactive exchange

Ms. Mulu Ketsela, Vice-chair of the Committee for Development Policy, presented the Committee's recommendations on how to strengthen smooth transition mechanisms by increasing transparency, reducing uncertainty, increasing engagement and commitment and establishing clear rules. First of all she pointed to the need to improve the understanding of LDC-specific support measures, through cataloguing and wider circulation of DESA's ex ante impact assessments. Technical assistance by the UN system needed to be enhanced. In this context, it was recommended that UNDP could kick start the process and act as facilitator of the consultative mechanism, while also developing a formal graduation capacity building programme. Monitoring of smooth transition should be strengthened and graduating countries could be requested to provide concise reports yearly on progress in the development, and triennially on the implementation of the transition strategy. As for the phasing-out of support measures over a long enough period of time, the CDP recommended that clear procedures be established for both bilateral and regional trade preferences and that Aid for Trade be provided to prepare affected sectors in the graduating country. In terms of bilateral ODA, Ms. Mulu pointed to the use of EVI as aid allocation criterion as a concrete way to make ODA flows more commensurate with the needs of graduating countries. Looking at multilateral ODA and UN support, she noted that clear transition procedures and transparent rules needed to be established in all cases, including budget allocations for LDCs by multilateral organizations, LDC-specific technical assistance funds, caps and discounts to LDC contributions to UN budget, just as it had been done with the LDC specific travel fund to attend GA sessions. She concluded by stressing that adopting these recommendations would send the clear message to graduating countries that they would not be 'left alone' by the international community after graduation.

Prof. José Antonio Alonso, Member of the Committee for Development Policy, underscored the problems linked to the binary nature of the LDC status and contrasted it with the continuous character of the process of development.. He also noted that it generated perverse incentives since it penalized the progress made by the graduating country leading to abrupt changes and therefore causing concern. In analyzing LDCs' economic growth over the past decade, he noted their progress but stressed that they had not succeeded in closing the gap with other developing countries. He added that LDCs formed a larger group than that of Low Income Countries and that some LDCs already belonged to the middle-income category. Prof. Alfonso also argued that the perception of the risk related to graduation from the LDC status was often overstated. Since many of the LDC-specific support measures were ineffective or underutilized, he explained that graduated countries should not be overly concerned with what they never used before and that, especially in the case of ODA, most support measures were not LDC-specific. He supported the introduction of a criterion related to the countries' vulnerability to external factors into the aid allocation process. He recommended that Aid for Trade be used to promote trade capacity building in order to address limited diversification of production in LDCs. Furthermore, insurance mechanisms could be established against catastrophic environment-related events or other adverse and unforeseen external shocks.

The Permanent Representative of Nepal, speaking as discussant on behalf of the LDC Group, stated that for LDCs graduation remained the overarching goal as stressed in the IPoA. However, more support for transition strategies was needed. Given the difficulties faced by graduating countries, reducing uncertainty was very important. He called for case-by-case in-depth assessments of the impact of graduation including on structural challenges, vulnerabilities, trade and technology. He underscored that Aid for Trade was crucial for strengthening productive capacities. He added that for LDCs as well as graduated countries participation in international fora was essential for their voice to be heard. Therefore support for travel and participation needed to be extended. Monitoring was also important, not only of the IPOA commitments but also of the national transition strategies. He called on UN country teams to play a stronger role in assisting graduating countries, along with coherent and enhanced support by development and trading partners and international financial institutions.

The Representative of the European Union, speaking as discussant, informed the meeting that, following the recent European Commission's communication on "Trade, Growth and Development: Tailoring trade and investment policy for those countries most in need", the Council of the European Union had adopted that same morning conclusions which reiterated the EU's commitment to use and further improve all available policies and instruments to make trade work for poverty reduction. From the EU's experience of partnership with LDCs, they would not want to set up new mechanisms and programmes or adding bureaucratic layers to current processes. He believed it was key that LDCs put in place national smooth transition strategies which would become the framework within which partners could work and based on which they could determine the best mix of supporting actions needed. He supported the recommendation to make information more readily available to all actors as well as that of enhancing the current consultative mechanism. While that had to clearly remain a country-led process, the EU would be open to discuss ways to improve it, including through a stronger support from the UN resident coordinator. He believed that strengthening predictability in the graduation process would be the best incentive. This could be provided by ensuring expeditious and time-framed action by the General Assembly on graduating countries, therefore concluding the work done by ECOSOC. On trade, he encouraged all trading partners to provide DFQF access to LDCs and follow the EU's example of maintaining market access benefits for a clear and known period of time after graduation. As for ODA, he stressed that structural vulnerabilities should remain a key criteria of allocation of aid to be taken into account post graduation and that Aid for Trade should be better targeted, result-oriented and coordinated.

During the interactive exchange following the discussants, a number of delegations intervened. The Representative of Bangladesh welcomed the commitments made by partners in the IPoA but pointed to lack of implementation, which needed to be monitored. He also stressed that aid was not being fully channeled through budget systems, therefore creating accountability problems. The Representative of Benin stressed that, even after having left the LDC category, graduated countries would still be close to LDC status. Strong partnerships and financial support were needed to prevent them from sliding back. The Representative of Solomon Islands underscored the continuous need for capacity building in graduating small island developing countries, given their limited economic base and high vulnerability to climate change. She stressed that more weight should be given to environmental vulnerability within the EVI criterion. Given that many graduating countries are SIDS, she called for mechanisms that could effectively support SIDS' sustainable development before and after graduation. The UNCTAD

representative noted that six out of 8 countries considered for graduation were SIDS. He underscored the limited long-term perspectives that these countries had and that this would not change with graduation. He stressed that the need for a special treatment for SIDS had been on the UN agenda for a long time and the question deserved an answer irrespective of any generous smooth transition measure. Referring to what had been proposed by Prof. Alonso, Mr. Philippe Hein, a Member of the CDP, mentioned that the idea of setting up an insurance mechanism to cover risks due to the high vulnerability of many of the graduating LDCs was fairly new within the CDP but strongly recommended. Ms. Mulu concluded that she was glad to see that many of the CDP views had been reaffirmed and stressed that the issues of reassuring graduating countries while reinforcing their capacities remained crucial.