



29-30 November 2017
Dhaka, Bangladesh



Elements for Co-Chair's summary

The High-level Meeting on Achieving Sustainable Graduation for LDCs, jointly organized by the Government of Bangladesh and the United Nations Office of the High Representative for LDCs, LLDCs and SIDS, was held in Dhaka from 29-30 November 2016. The meeting brought together 150 participants representing governments, United Nations agencies, international and regional organizations, national and regional civil society, private sector, business community and think tanks. Substantive discussions took place on various facets related to graduation and smooth transition.

The IPoA has set an ambitious goal of enabling half of LDCs meeting the criteria for graduation by 2020. The agreed actions in the 8 priority areas of the Programme of Action are all geared towards enabling LDCs to structurally transform their economies and reach graduation. Both least developed countries and their development partners need to undertake more concerted and ambitious efforts to achieve the graduation aim of the Istanbul Programme of Action.

Graduation of a country from the LDC category symbolizes its long-term socio-economic progress, including a decline in its reliance on the external support for its economic development. This also implies that the country has gained sufficient competitiveness vis-a-vis other developing countries to operate in, and benefit from international markets without special, preferential and differential treatment.

Graduation is expected to generate momentum in building productive capacities, which leads towards greater diversification and production of higher value added goods and services. Graduated countries are assumed to have access to multilateral as well as public and private credits and be capable of having established new sectors with sophisticated production techniques. Such development of productive capacities leads to structural transformation of the economy, shifting labour and capital from less productive to more productive sectors and activities, and contributes to creating the jobs needed for the growing LDC population. Such a “virtuous” cycle of development can ensure sustained economic growth, thereby facilitating the realization of the Sustainable Development Goals.

Despite these positive factors, development challenges that the country faces as an LDC do not disappear overnight with the graduation. The established criteria for graduation, namely Human Asset Index (HAI) and the Economic Vulnerability Index (EVI), represent a credible state of socio-economic condition of a country. It is important to keep in mind that the graduated countries only cross the threshold by a limited margin in certain areas of their socio-economic development covered under the three criteria. This set of indicators falls far short of the Global

indicator framework for the Sustainable Development Goals. In most cases, the graduating country may remain far below the benchmarks in terms of most of the SDG indicators.

It is likely that a graduating country continues to experience a similar level of challenges during the post-graduation period as those experienced prior to graduation. Furthermore, given their structural and geographical constraints, many of them can be expected to remain particularly prone to exogenous shocks even after graduation. Most of them are characterized by facing a high degree of vulnerability to new and emerging challenges, including long-term impacts of financial crisis, commodity price volatility, public health emergencies, climate change and natural disasters. This may negatively affect the development prospects of LDCs as well as the graduated countries.

Furthermore, LDCs will lose the eligibility for special and differential treatment schemes for which they were eligible earlier. This may have an impact on narrowing the policy space available to meet their development needs. Graduation also entails the loss of flexibility in the implementation of the TRIPS and other international Agreements. This triggers substantial additional costs to put in place domestic legal and intellectual property frameworks and significantly increases the prices for technology-intensive products. All these factors pose a risk of reversion by the graduated countries to the category of LDCs, unless concerted efforts are undertaken by all stakeholders.

Therefore, overall policy approaches to graduation should be comprehensive and must go beyond the objective of overcoming the threshold for graduation. It is rather important to focus on the broader and longer-term development process by fully taking into account the challenges of development beyond graduation.

The IPoA recognizes that graduating countries should be on a sustainable development path, minimizing the risk of sliding back after graduation. In this context, sustainable graduation requires concrete strategies at 3 levels comprising pathways for pre-graduation – graduation process – and post-graduation scenarios.

The efforts of the least developed countries towards graduation should be underpinned by their ownership and leadership, as the primary responsibility for development lies with themselves. It is vitally important for the graduating country to prepare a smooth transition strategy to fully adapt to the needs and challenges arising from graduation by minimizing potential adjustment costs. This includes efforts to map out the potential loss of LDC specific support and benefits and the need to adjust institutional and legal frameworks to comply with international obligations and disciplines. As a growing number of LDCs is meeting the criteria for graduation, it is vitally important for the international community to pay careful attention to smooth transition strategies to ensure that the graduation does not disrupt the development potentials of the graduating country and they continue to receive support from their development partners that are consistent with their development needs.

The General Assembly invites development and trading partners to consider extending to the graduated country trade preferences previously made available as a result of LDC status, or reducing them in a phased manner in order to avoid their abrupt reduction. The WTO is also

invited to consider extending to a graduated country the existing special and differential treatment and exemptions available to LDCs for a period appropriate to the development situation.

The recently graduated countries experienced a reduction in the share of grants in total official flows and lost access to LDC-specific funding sources, most notably the LDC Fund under UNFCCC. While graduation entails some important costs in terms of erosion of preferences and concessionality, graduated countries are entitled to other sources of finance including commercial creditors and multilateral development banks. Furthermore, graduated countries are entitled to other non-LDC-specific support. However, their access to such sources of finance and entitlement to preferential schemes are greatly reliant upon their ability to compete with other developing countries, which is often constrained by their limited institutional, human and productive capacities.

Considering the challenges that the graduating and recently graduated countries face, there are provisions of extending some specific support measures to them for a certain period consistent with their development needs and priorities. The EU extends its Everything but Arms (EBA) initiative for a transitional period of three years. There are certain other benefits that graduated countries continue to enjoy for certain period after their graduation, which include, among others, travel support to attend the annual General Assembly session, access to Enhanced Integrated Framework, access to NAPA funding and the technology bank for LDCs.

It is important to note that the extension of benefits to the graduated countries is voluntary and based on negotiations between the graduating country and their development partners. The success in this context needs sufficient negotiating skills of the graduating country and often requires certain concessions to make or obligations undertaken in other areas. There is also a great deal of uncertainty in the predictability of support that the graduated countries will continue to receive. Furthermore, the smooth transition strategy, which is prepared through a consultative process, is primarily owned by the graduated country and does not have any intergovernmental follow-up mechanism.

Taking all these realities into consideration, there is a growing demand that the existing processes related to graduation and smooth transition should be strengthened so that graduating and graduated countries do not face any disruption of their development plans, including challenges and uncertainties in achieving the SDGs.

It is therefore vitally important to forge consensus on a package of benefits from development partners that the graduated countries will continue to enjoy in some critical areas of their economy for a certain period of time consistent with their development situations and needs. This can serve as a safeguard measure for the graduated countries to sustain their development trajectory and not to slide back to the category of LDCs, thereby facilitating the achievement of the SDGs by 2030.

Such a package could include making available information about LDC specific support measures and related smooth transition measures by all development partners. Especially general decisions on extending LDC specific support for a period of time would greatly reduce

uncertainty about the effects of graduation. Development partners should also dedicate financial and technical assistance to support the phasing out of LDC specific support, for example by enhancing support to accelerate domestic resource mobilisation and building capacity to increase resilience to external shocks and natural disasters. The use of LDC identification criteria as aid allocation criteria would have an in-built smooth transition effect.

Some important considerations for graduating countries may include the need to have some special graduation transition benchmarks to assess each year whether progress in the transition process is sufficient. It is also important to ensure enhanced coordination of all development partners for tailored support for the graduated country, including for increasing resilience. Furthermore, the exchange of experiences between countries at various stages in the graduation process should be further promoted.

It is also important that all stakeholders are included in the preparations for graduation, including all relevant ministries in the country, civil society private sector, local actors, traditional institutions, and diaspora among others in order to achieve inclusive graduation. As graduation will have a different impact on women, they need to be actively engaged in the graduation process.

In recent years, the need for international support has grown exponentially as countries embark on the implementation of the 2030 Agenda. This is particularly important for LDCs, as the ongoing impact of the global economic slowdown and various new and emerging shocks and crises are affecting them disproportionately. Thus, the current global development landscape warrants the need for paramount support from the international community to ensure a continued progress in their economy to realize the 2030 Agenda and leave no one behind.

Strengthened global partnerships for development and sustainable graduation are vitally important. Fulfilment of ODA targets, DFQF Market Access, regional trade agreements, increased FDI flows and climate change adaptation and mitigation support for LDCs are necessary. Full operationalization of the Technology Bank can bring a transformative change in productive capacity building and structural transformation of LDCs.

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