

Graduation and Smooth Transition Expert Meeting, NY, 14 DEC 2017
Talking Points, Jose Luis Rocha, Ambassador, Cabo Verde

All Protocol Observed.

In bringing the experience of Cabo Verde, I would like to highlight successively the dynamics linking, graduation and economic vulnerability, graduation and MIC, graduation and SIDS, and the way forward.

I. GRADUATION AND ECONOMIC VULNERABILITY

1. Development Policy Committee (CDP) reviews the status of developing countries for their inclusion to or graduation from the LDC list based on three criteria: Income or GDP per capita, human asset index (HAI) and economic vulnerability Index (EVI).
2. After two consecutive and positive assessment in 1997 and 2000, the Development Policy Committee - CDP in the 2003 review qualifies Cabo Verde for graduation, ECOSOC in resolution 2004/67 endorses this recommendation and the General Assembly in its resolution 59/210, takes note of that recommendation, and as per resolution 59/209 decided on the concept of smooth transition
3. At its last review of Cabo Verde in 2012, CDP concluded that the country showed no signs of reversing its progress in development. Comparing the graduation threshold indicators with Cabo Verde values, these were respectively 1190/3110 USD, GDP per capita, 66 / 86.8 HAI points and 32/35 EVI.
4. Cabo Verde's graduation of the LDCs list based on GDP per capita and human asset criteria, did not consider the economic vulnerability of the country, which remained high, as pointed out by many reports which raises the question of whether the criteria of economic vulnerability should not be mandatory or should not have greater weight in the graduation decision.
5. Moreover, the postgraduate transition period was set based on a fixed period rather than on indicators of progress to reduce economic vulnerability. In the

case of Cabo Verde, a Transition Support Group (GAT) was set but did not prevent many partners from phasing out soon after. Finally, graduation coincided with the international financial crisis of 2008, the latter affecting negatively on the country, which highlighted its exposition to exogenous shocks.

6. Indeed graduation was a learning experience for both Cabo Verde and CDP, since Cabo Verde was a pilot experience and presented as new window of opportunities for the country. As such, graduation itself is not a problem if properly accompanied with policies for the country to build resilience and adapt to the new circumstances.

II. GRADUATION AND MIDDLE INCOME COUNTRY (MIC) CATEGORY

7. By graduating from the LDC list at the UN system, a graduated country fits within the large developing country group while, if it is a SIDS like Cabo Verde, it faces unequal competition with the biggest or highest graduated countries.
8. Graduation of the LDCs list leads outside the UN system to the category of middle-income countries (MIC). The concept of MIC by the World Bank ranks middle-income countries only by income, including the low rent (where Cabo Verde is included), the middle and the high rent. The concept fails to consider the multidimensional approach both to the reality and to the responses to the problems of those countries. According to existing data, MICs are the majority of the world's countries (105), with the majority of the population (75%) and poverty (71%).
9. This dichotomy ultimately imposes the concept of MIC within the UN without taking into account the need for greater coherence and inclusiveness in the treatment of graduated countries within the United Nations system and elsewhere. Furthermore, the concept of MIC penalizes the countries classified in this category since bilateral and other institutions have adopted a policy of phasing out MICs from public aid, concessional financing, trade preferences, possibility of debt restructuring and eligibility for other benefits. At the same time, access to innovative financing remains complexed.

III. GRADUATION AND SMALL ISLANDS DEVELOPING STATES - SIDS

10. Notwithstanding the graduation of the LDC list or the consequent classification as a Low rent MIC, Cabo Verde is or remains first and structurally a Small Island Developing State (SIDS) and as many other SIDS, with specific needs regarding their economic, social and environmental vulnerabilities.
11. Because of their similar conditions and challenges, SIDS were considered a distinct group within developing countries since the Earth Conference in 1992 to the 2030 Agenda in 2015 which reinforced and brought recognition of the specificities of this group for appropriate policies and differentiated treatments.
12. However, as consequence of being a MIC and a SIDS, meaning a **graduated SIDS**, Cabo Verde has been losing on these two fronts, due to the exclusion of category as MIC, and due to insufficient attention or capacity as a SIDS.
13. For Cabo Verde, MIC and or SIDS, the biggest challenge resides in building a sustainable and high-growth economy to overcome the vulnerabilities it presents
 - a) **Economically**, Cabo Verde it imports 80% of its food, 75% of its energy, has high infrastructures costs from insularity and orography, has a critical fiscal moment with an external debt of 130% of GDP and struggles to mobilize endogenous funding and FDI to balance the reduction of 2/3 of the ODA since graduation;
 - b) **Socially**, poverty still represents 24.2% of the population and an unemployment rate of 15% (or 41% in the age group between 15 and 24 years
 - c) **Environmentally**, desertification and devastating cyclical droughts as currently experienced in the 2017/18 campaign, and climate change all impact negatively;
 - d) **In terms of security**: due to its location, extension of the coast and the exclusive economic zone, Cape Verde exposes itself to several threats such as drug trafficking, people trafficking and international crime.

IV. THE WAY FORWARD

14. In order to avoid a leap in the dark, countries in a position to graduate should obtain guarantees that they receive support in their transition and subsequent phases. So, to encourage LDCs to make the graduation step and to adequately assist graduating and graduated countries in their persistent vulnerabilities and need to build resilience, **the way forward** recommends:

- 1) To take in account **the economic vulnerability index (EVI)** as a mandatory or more important criteria for the graduation decision and at the same time to enlarge the scope of metrics included in the EVI in order to assess and assist a country in the process of graduation and post - graduation. At the same time to set up a coherent and sustained smooth transition with concrete indicators of progress. The DESA **Vulnerability and Resilience Country Profile** (VRCP) Project is most welcomed, as a tool to assist countries in this context.
- 2) To address **the issue of MIC**, which remain a “gray” or an “exclusion zone”.. Precisely the UN could play a catalytic role in joining efforts and proposing universal and consensus-based guidelines followed by all major stakeholders in terms of assessment, eligibility criteria and support mechanisms to MIC.
- 3) To assess the specific situation of **graduated SIDS** where special conditions and economic, social and environmental vulnerabilities as SIDS overlap and are determinant with respect to graduation.
- 4) To **facilitate access to funding**, in particular in the case of graduated SIDS confronted with, inter alia, insufficient and fragmented resources, lack of eligibility criteria and internal capacity to mobilize domestic and international financing, in particular innovative financing moved by complexed procedures. **UN assistance to development financing projects** is suitable, to mapping funding needs, as a way to implement the Addis Agenda in its seven areas of action, by tailoring the individual reality of each country, avoiding the "one size fits all" and "Leaving no one behind".

- 5) To **support national strategies** for the implementation of the Agenda 2030 at national level. Cabo Verde is implementing its Sustainable Development Strategic Plan (PEDS). Aligned with the 2030 Agenda its objective is to address the vulnerabilities and build resilience and progress in areas of governance, economic growth and social inclusion, having the environment as a cross cutting issue.
- 6) To **reevaluate the graduated countries and the risks** they incurred to fall in the **MIC trap**. In June 2017 the CDP questioned Cabo Verde to see if there had been any impact since graduation due to the country's failure to participate in the intergovernmental process regarding the LDCs / LDCs
- 7) To **adopt mixed strategies to support graduated countries**. In one hand through **competitive approach**, such as aid to capacity-building for trade, investment, industrialization and private sector participation in infrastructures and productive sectors. In another hand through **cooperative approach** as public aid, support for the mobilization of domestic financing, support for debt restructuring, aimed at strengthening resilience in health, education and other social issues, environment and climate change, etc.
- 8) To assure, finally, that **the UNDS reform** in its delivery will be effectively inclusive, while addressing this question of categorization of countries inside the UN System, according to their specific needs.