LDC Graduation: Towards smooth transition and beyond

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KEY MESSAGES

• LDCs graduation is a process, not a means
• Approaching LDC graduation through a long term development lens lays the foundation for smooth transition and beyond
• A systematic approach to ISMs that look beyond graduation point is more result-oriented
Avoiding LDC Traps

Poverty

Productivity

Commodity & Aid dependence

TRAPS
Structural and emerging risks to LDCs
Graduation

**Structural risks**
- Low human capital
- Rising fragility
- Weak economic governance
- Youth budge
- Over dependency on primary commodity

**Emerging risks**
- Climate change debacle
- Terrorism and Violent Extremism
- Managing shocks and vulnerability
- SMEs limited access to finance (high lending rate, limited access to non-debt financing, asymmetric fiscal support)
- Emergence of unpredictable diseases – Ebola & Bird flu
- Global economic crisis
- Rising cost of remittances
- Weak implementation of international support measures
Transitory opportunities

Internation al support measures

Trade related measures
  - Preferential market access
  - Special & differentiated treatment on WTO obligations

ODA
  - Measures on capacity building on trade
  - General support measures

Other support measures
  - Contribution to general budget (0.01% and 10%)
  - Education and research facilities
Structural and non-structural opportunities

Structural Opportunities
- Natural resource endowment
- Agricultural productivity
- Youthful population
- Domestic resource mobilization

Non-structural Opportunities
- Remittances
- ICT
- Regional integration
- Emerging donors
Emerging lessons for smooth graduation and transition

- **Long term development approach** – graduation as a means not an end – structural transformation matters

- **Systematic approach to smooth transition:**
  - EU’s example of extending LDCs trade-specific preferences to transition period is commendable.
  - Building LDCs capacity to access global funds like LDCF, GCF, IDA 18 Replenishment Fund

- **LDCs must invest** in maximizing opportunities and in minimizing risks for smooth graduation

- **Leveraging ISMs - Finance, Trade, Technology and TA**
  - Over concentration of ODA in few countries: in Africa 5 countries had about 50% ODA Gross Grant disbursement (Ethiopia, DRC, Tanzania, Mozambique and Uganda).
  - Of 139 Special and Differential Treatments (SDT) only 14 are specific for LDCs
  - Replenishment & scale up of LDC Fund ($1b/$5b)
  - CDM concentrated in advanced developing countries (70% in Brazil, China and India alone)
UNDP’s approach towards smooth transition and beyond over the past 2 years: Some examples

**Productive capacity**
- Transport (7 countries - Yemen, Vietnam); Energy in more than 21 countries (Mali, Malawi)

**Human and social development**
- Screening of 221,047 pregnant women for HIV (Mali); Youth empowerment (e.g. Rwanda)

**Multiple crisis and emerging challenges**
- Climate change mitigation and adaptation in 21 countries (e.g. Bangladesh, Lao PDR, Senegal, Somalia)
- DRR in 18 countries (Nepal, Sierra Leone)

**Agriculture Food security**
- Conservation farming in Zambia; solar-power pump in Niger

**Mobilizing resources**
- RTDs in Chad, BKF and Niger; TIWB in more than 20 countries (e.g. Liberia, Senegal)

**Governance at all level**
- Law and Order Trust Fund in Afghanistan; Access to Justice in Pakistan
- Truth and Reconciliation in Nepal
A developmental approach to smooth graduation and transition is key to success

Avoid urban bias development policy
- Inclusive industrial strategy
- Sound macroeconomic policies

Blended financing strategy
- Youth empowerment and employment generation
- Prioritizing women empowerment and gender equality

Aggressive policy on STI
- Climate change adaptation and mitigation
- Adoption of systematic approach to smooth transition by partners
THANK YOU