Process of Graduation

Session 1 - Process and implications for Sao Tome and Principe

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Structure of Presentation

1. São Tomé and Príncipe’s graduation eligibility
2. Impact of graduation
3. Lessons learned & Next steps
São Tomé and Príncipe’s graduation eligibility
LDCs are low-income countries suffering from the most severe structural impediments to sustainable development.

- **GNI per capita**: Measure of income
- **Human assets index (HAI)**: Measure of human development
- **Economic vulnerability index (EVI)**: Measure of structural vulnerability to shocks

Measures of structural impediments to sustainable development

Underscoring the relevance of the three aspects (social, economic and environmental) of development
São Tomé and Príncipe –
progress towards graduation criteria

**GNI**

Since 2015 São Tomé and Príncipe’s GNI is above the corresponding graduation threshold for GNI

**HAI**

Since 2006 São Tomé and Príncipe’s HAI is above the graduation threshold of 66

**EVI**

São Tomé and Príncipe’s EVI was never below the graduation threshold of 32
STP graduation eligibility

- São Tomé and Príncipe was added to the list of LDCs in 1982
- Met graduation thresholds at triennial reviews in 2015 and 2018 for GNI and HAI
- Recommended by CDP for graduation in 2018
- ECOSOC endorsed and General Assembly took note
- STP graduates with extended graduation period
Impact of graduation
Three main areas of support

=> Support LDCs to overcome structural impediments to sustainable development

1. ODA

2. Preferential trade measures & special WTO treatment

3. Other support
   a) Budget caps
   b) Special travel funds
   c) Other
Official development assistance (ODA)
**Most of bilateral and multilateral ODA is not related to LDC category**

<table>
<thead>
<tr>
<th>Partner</th>
<th>Impact of graduation on ODA</th>
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<tr>
<td>Portugal</td>
<td>No changes anticipated in national assistance to STP due to graduation.</td>
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<td>EU Institutions</td>
<td>Graduation not expected to automatically affect grants.</td>
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<tr>
<td>African Development Bank</td>
<td>LDC status not a determinant.</td>
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<tr>
<td>Global Fund</td>
<td>LDC status not a determinant.</td>
</tr>
<tr>
<td>Japan</td>
<td>STP currently receives only grants (not loans) from Japan. These are not expected to be directly affected by graduation.</td>
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<tr>
<td>OPEC Fund for International Development</td>
<td>LDC status not a determinant.</td>
</tr>
<tr>
<td>GEF</td>
<td>LDC status not a criterion for allocation of funds from the GEF.</td>
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<tr>
<td>World Bank Group (IDA)</td>
<td>LDC status not a determinant.</td>
</tr>
<tr>
<td>IMF (Concessional Trust Fund)</td>
<td>LDC status not a determinant.</td>
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<td>IFAD</td>
<td>LDC status not a determinant.</td>
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<td>GAVI</td>
<td>LDC status not a determinant.</td>
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<td>UNICEF</td>
<td>LDC status not a determinant.</td>
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Some portions of multilateral ODA are LDC specific

- **Funding from GEF**: STP will not be eligible for new funding under LDCF; however STP continues eligible for funds from SCCF and GCF
- **UNDP core funds** allocated to STP will be affected with graduation (but UNDP accounts for only 2% of total multilateral ODA)
- **Technology Bank for LDCs** will continue for five years after graduation
- **EIF (Enhanced Integrated Framework)**: LDC-specific Aid for Trade, will continue five years after graduation (small share of total AfT)
Preferential trade & special WTO treatment
Exports of STP: services dominate

- Services: 88%
- Goods: 12%
  - Cocoa Beans: 10%
  - Other consumer and capital goods: 2%
Preferential treatment for services & service supplies

• No major impacts given the nature of the preferences being given and of the services provided by São Tomé and Príncipe

• Tourism is the main component of exports of services, and is not expected to be affected by graduation
Among exports of goods: raw materials dominate

- Exports of cocoa beans and other raw materials not affected by withdrawal of LDC preferences offered by current partners (MFN tariff is zero)
Transformed products face higher tariffs

- Chocolate and other food preparations containing cocoa would face higher tariffs in EU (range 2.8% to 10.7%, depending on product), but not in the US. However such exports now account for less than 3% of exports.

- Other exports products (potential exports) such as fish and seafood face higher tariffs in the EU (up to 13.5%), but not in the US. But can be mitigated or duty free by joining EU GSP+
WTO membership

- São Tomé and Príncipe is not a member of WTO.
- WTO Guidelines on Accession of LDCs encourage members to exercise restraint in seeking market access concessions and commitments on trade in goods and services from acceding LDCs.
  
  **Guidelines do not apply after a country has graduated.**

- After graduation: no longer eligible for LDC-specific technical assistance and capacity-building for accession and post-accession.

  → **Should STP plan to engage in the accession process, it could consider doing so during the period in which it is still an LDC.**
United Nations system budget funding & travel support
United Nations system budget funding and travel support

- **UN regular budget**
  - **No impact** on STP’s contribution after graduation

- **Peacekeeping budget and other entities**
  - **Small impact** on STP’s contribution after graduation

- **Travel support**
  - General Assembly meetings: **possible extension for up to 3 years** after STP’s graduation
  - **No provisions** for gradual phasing out other travel support after STP’s graduation
Conclusion

Development finance

STP’s graduation may have only a marginal impact on support
- Funding from IFIs is not related to LDC status -> Graduation has no impacts on loans or grants from these institutions
- Major partners are likely to continue to support STP
- After graduation STP would not have access to LDC-specific mechanisms

Trade

- Loss of LDC-specific preferential market access not significant
- WTO guidelines for LDCs do not apply after STP graduates
- LDC specific Aid for Trade will be phased out

Other

- No impact on contributions to most UN entities budget contributions
- Travel support to UN meetings will be phased out

Key message

Design a development strategy and integrate loss of LDC specific support
Lessons learned and next steps
Lessons learned from other ‘graduates’

- Have clarity on what is LDC graduation
- Consider transition strategy that includes both addressing loss of LDC-specific benefits/impacts of graduation + renew support for challenges
- Work with partners to explore options to delay or compensate for impacts identified
- Coordination within government and with partners
- Strategy must transcend political cycles
- Raise stakeholder awareness on graduation
- Use Gradjet resources
Next steps for STP

• Setup graduation focal point
• Start smooth transition strategy
  – identify actions to be taken by STP
  – identify actions to be taken by partners
• Establish a consultative mechanism
• Integrate smooth transition strategy with other relevant processes
• Provide feedback to CDP monitoring reports
• Participate in new initiatives
• Request for coordinated assistance through RC and IATF
• Gradjet graduation platform

• www.gradjet.org
Thank You

CDP
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