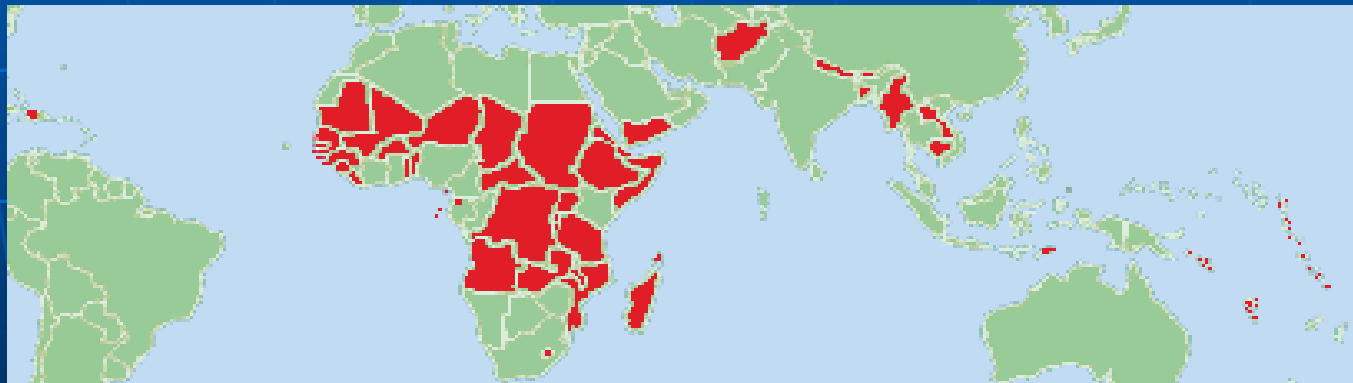




# Support for LDCs and implications of graduation: Financial support and technical assistance

*First substantive meeting of the AHWG on smooth transition  
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# Challenge of graduation

- In past **four decades** only **3** countries have graduated
- IPoA wants at least **24** to be up for graduation within **one decade**

## Issues

- What can support measures do to accelerate?
- Could loss of support with graduation cause setbacks? → rationale of “smooth transition”
  - Focus: Implications for financial and technical support

# Support measures

- **Objective:** support LDCs overcome structural impediments to sustainable development
- **Five types of support:**
  1. **ODA**
  2. Preferential trade measures
  3. Budget caps for LDC contributions to regular budget (UN Secretariat, ILO, UNIDO, IPU, WMO)
  4. Special travel funds
  5. **Other**  
(**Research, policy analysis and advice**, advocacy, support relevant intergovernmental processes)
- **Graduation:** support will be phased out

# Delivery on support through ODA

- **DAC donors:**
  - Target: 0.15-0.20 % of GNI as ODA to LDCs
  - Delivery:
    - 10 out of 23 OECD/DAC countries met this target in 2010
    - More ODA for LDCs, but absolute delivery gap against commitments is between \$20 bln - \$40 bln in 2010
    - No increase in ODA to LDCs as share of total
    - Grant element and share of untied aid have increased

# Delivery on support through ODA

- **Multilateral donors:**
  - About 45% of multilateral ODA flows to LDCs in 2010 (only 20% of bilateral flows)
  - World Bank, IMF and Regional MDB do not target LDCs
  - Some UN agencies do target:
    - **Delivery: UN Operational expenditures in LDCs reached \$7.8 billion in 2009, 51% of country expenditures and 35 % of total expenditures**
    - **Gap difficult to estimate**

# Allocation of ODA to LDCs

- More preference from multilateral than bilateral donors
- Within the LDC group, allocation favours poorer LDCs and those with low Human Asset Index.
- Allocation across LDCs is not responsive to EVI
- Sectoral allocation in use of ODA favours social sectors

## Implications for overcoming structural bottlenecks:

- Should there be more balance in support for building productive capacity and economic resilience (IPoA) and human development?
- Should donors be more sensitive to EVI?
- How should financial support be aligned with national development strategies?

# Should LDCs fear the phasing out of support when graduating?

- **General:**
  - not only shortfall on delivery, also underutilization of support measures
  - effectiveness highly depends on alignment with national development strategies
- CDP Secretariat supports with **LDC Information Portal** → <http://www.un.org/ldcportal> and capacity development projects
- **When graduating:**
  - impact of loss of support depends on usage and alignment with national policies
  - impact assessments DESA has made for countries considered for graduation so far indicate only limited effects

# How is financial support affected during smooth transition?

- **ODA flows: uncertain**
  - No defined mechanisms for phasing out of support through ODA (with few exceptions)
  - ODA supply may already come independent of LDC status (so no impact in principle)
  - Where ODA linked to multi-year programme cycles or projects, phasing out likely to be slow
- **Travel benefits: some provision**
  - General Assembly meetings: Extension for up to 3 years
  - No provisions for gradual phasing out other travel support
- **Budget caps: no provisions**



# Graduation and smooth transition strategies

- Graduation signifies (in theory) that, after a transition period:
  - the needs of the country will have changed;
  - the country will no longer require LDC-specific support;
  - the country requires non-LDC support.
- Key is to have well defined national development strategies to overcome structural bottlenecks and align international support to help cope with inevitable or unmovable vulnerabilities

# Additional information

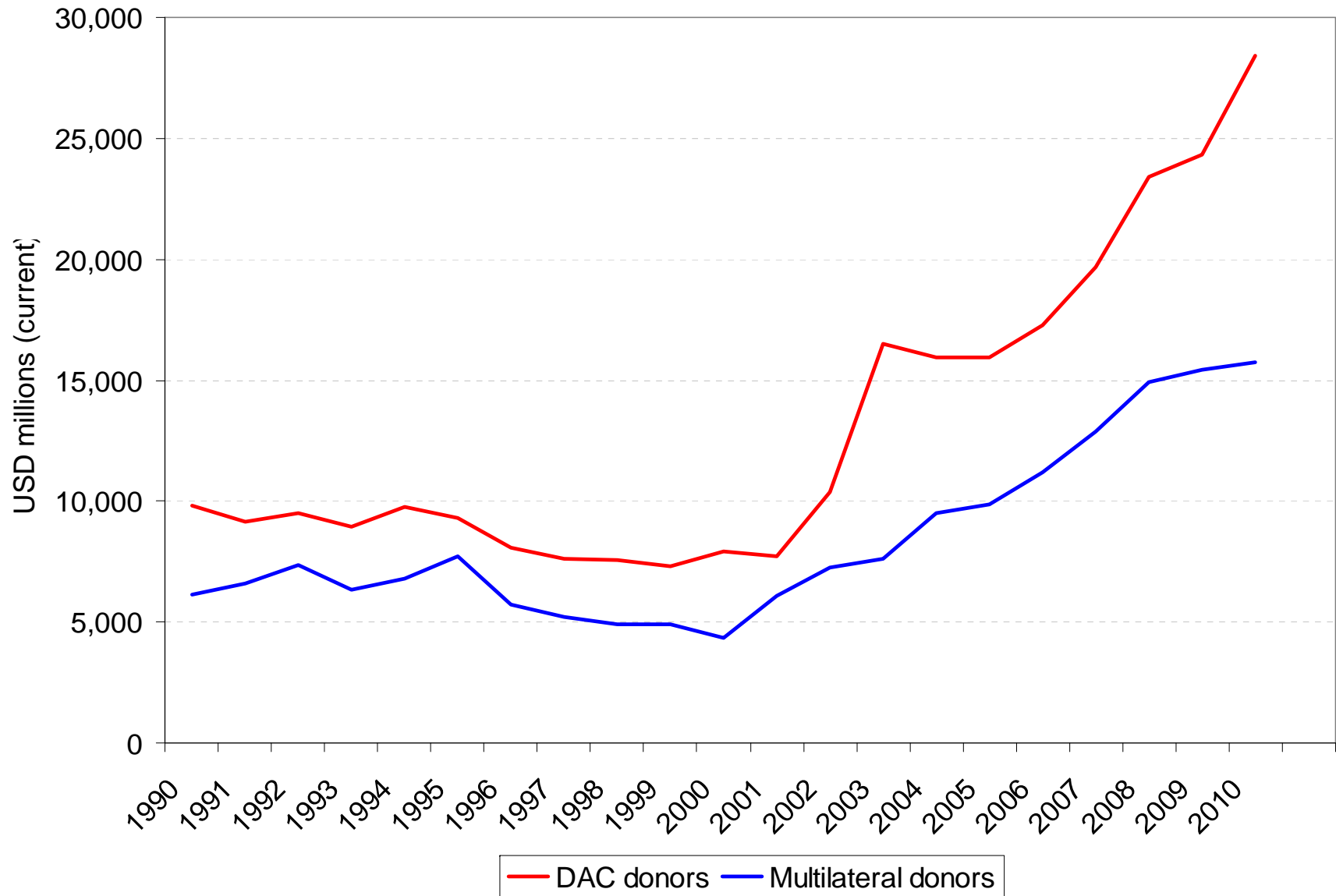
## DPAD/DESA website

<http://www.un.org/en/development/desa/policy/>

## LDC Portal website

<http://www.un.org/ldcportal>

# ODA flows to LDCs: Increasing in nominal terms...



## ...but not as a share of total ODA

