

THE COMMITTEE FOR DEVELOPMENT POLICY

BRIEFING FOR THE SECOND SUBSTANTIVE MEETING OF THE

AD HOC OPEN ENDED WORKING GROUP

TO FURTHER STUDY AND STRENGTHEN THE SMOOTH TRANSITION PROCESS FOR THE COUNTRIES GRADUATING FROM THE LEAST DEVELOPED COUNTRY CATEGORY

NEW YORK, 16 MARCH 2012

ISSUES NOTE

1. Background and objective

As follow-up to the Fourth United Nations Conference on Least Developed Countries (LDCs), held in Istanbul in May 2011, the Committee for Development Policy (CDP) has reviewed the existing smooth transition mechanisms to identify how they can be further strengthened and better monitored. The Committee also considers this review a contribution to the implementation the General Assembly resolution A/RES/65/286, which urges the Committee to pay particular attention to the effectiveness of smooth transition in its monitoring of graduated countries.

The outcome of the CDP assessment will be included in its annual report to the Economic and Social Council, which will be issued sometime in late May. However, at the request of the co-Chairs of the Ad Hoc Working Open Ended Working Group to Further Study and Strengthen the Smooth Transition Process for Countries Graduating from the Least Developed Country Category, the CDP will also introduce the main conclusions of this review at the second substantive meeting of the ad hoc group on 16 March 2012. The briefing will also allow the Committee to give support to the deliberations of the ad hoc working group and facilitate further exchange of ideas on this issue.

A background report prepared by the CDP Secretariat for the Committee's deliberations entitled *Strengthening Smooth Transition from the Least Developed Country Category* (CDP Background Paper No. 14, ST/ESA/2012/CDP/14, February 2012) is available at:

http://www.un.org/en/development/desa/policy/cdp/cdp_background_papers/bp2012_14.pdf

2. Improving smooth transition

The LDC category was created due to the recognition of the need to alleviate the problems of underdevelopment of those developing countries that were persistently falling behind and to attract special international support measures for helping the least developed among the developing countries to address those problems. Graduation from the LDC category thus implies catching up with the rest of developing countries and that LDC-specific support from the international community may no longer be needed. Graduation does not mean that the need for international support vanishes, but that the nature of the support provided should reflect the developmental progress.

The aim of smooth transition is to avoid disruptions and reversal of progress achieved by the graduated country. The transition period starts after graduation, which is three years after the General Assembly takes note of a recommendation by the CDP to graduate the concerned country from the list. Within these three years, the graduating country is expected to prepare itself for graduation by preparing a transition strategy in collaboration with its trading and development partners, including the United Nations system.

Based on an analysis of the experiences made by the recently graduated countries Cape Verde and the Maldives and the graduating country Samoa as well as surveys sent to current and former LDCs and development partners, the CDP identified two areas where smooth transition provisions could be strengthened. One area covers the procedures to prepare and implement a transition strategy; the second one refers to the orderly phasing-out of existing support measures.

Uncertainty about what the LDC-specific support measures are exactly and how the international community will approach development cooperation with countries leaving the category complicates acceptance of graduation. It introduces delays in the intergovernmental process, which inevitably raises questions about fairness in the application of rules as well as undermines the credibility of the category. Reducing uncertainty is thus a central issue for improving uncertainty in both of these areas. While there is a wide range of international support measures available for least developed countries, LDCs are not sure about what these measures are, whether the support is dependent on LDC status, and how to access and use available support. Improving access to information on support measures through tools such as the LDC information portal available at www.un.org/ldcportal could, therefore, play an important role.

Greater support to the graduating country including through dedicated capacity building activities, more active participation and enhanced collaboration by the relevant UN organisations at the global and national level could also help to alleviate some of the difficulties graduating countries experience in preparing for graduation. Monitoring of transition strategy process and implementation could enhance the feedback between country-level experience and international support and identify areas for further strengthening. At the same time, improved procedures for transition strategy and its monitoring should not lead to duplications or overlaps with existing processes at the country level. Additionally, transition efforts should be commensurate with the relevance of measures being withdrawn for the particular situation of the concerned graduating country.

In several instances, the supply of LDC-specific support continues to be a binary phenomenon: available if a country is an LDC, unavailable once it graduates from the category. While the strategy to be prepared by the graduating country should cover a period appropriate to its development situation, it is not clear how this phasing out will take place and which measures it will affect. Although not all support measures may provide significant benefits or are equally relevant for all LDCs, it is important to have approaches for their phasing out established and specified prior to graduation, so that graduating countries know what to expect and can be better prepared to adjust. Clear procedures also increase the policy consistency and ensure that graduated countries are treated equally. This holds for all areas of international support measures, i.e. preferential market access, special and differential treatment under the WTO, multilateral aid, LDC-specific technical assistance funds, bilateral aid and its modalities, budget contributions to multilateral organizations and LDC-specific travel funds and benefits.