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Strengthening smooth transition from the least developed country category

*Background report by the Secretariat of the Committee for Development Policy (CDP)**

ABSTRACT

This report makes some preliminary suggestions for actions to be taken by the international development community and the graduating countries to strengthen the process of preparing for graduation from the least developed country (LDC) category. The report also offers concrete proposals for addressing in a systematic manner, the current concerns among LDCs about the ad-hoc nature of the extension and phasing out of measures provided by certain development and trading partners.

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Strengthening smooth transition from the Least Developed Country category

1. Introduction

The Fourth UN Conference on LDCs, held in Istanbul in May 2011, adopted the Istanbul Programme of Action (IPoA) for the Least Developed Countries for the Decade 2011-2020. The overarching goal of the Programme of Action is to overcome the structural challenges faced by the LDCs in order to eradicate poverty, achieve internationally agreed development goals and enable graduation from the least developed country category. The Programme of Action also sets an ambitious goal of enabling half the number of LDCs to meet the criteria for graduation by 2020.

As a follow up to the Fourth UN Conference on LDCs, the Committee for Development Policy (CDP) will review the existing smooth transition mechanisms as specified in General Assembly resolution 59/209 (Annex 1) to identify how they can be further strengthened or improved and better monitored. The work by the Committee will also feed into the recent General Assembly Resolution on implementing the smooth transition strategies for countries graduating from the list of LDCs, in which the GA urges the Committee to pay particular attention to the effectiveness of smooth transition for graduated countries and to report thereon to the Economic and Social Council at its substantive session. In addition to the resolutions directly addressing the CDP, the work of the Committee in this area may also feed into the other inter-governmental process related to smooth transition recently initiated by the General Assembly (see Annex 2).

The purpose of this report is to provide a background to the current experience with smooth transition from the LDC category, to present preliminary recommendations on how to improve the smooth transition process of LDCs from the category, and to reflect on how to facilitate the gradual phasing out of LDC-specific international support measures. Section 2 of the report gives a brief overview of the existing smooth transition framework and the experiences from recently graduated and graduating countries. Section 3 suggests areas where processes could be strengthened so as to facilitate graduation from the LDC category. Section 4 identifies LDC-specific support measures requiring continued attention from development partners and suggestions for improved procedures for phasing out their support. Section 5 concludes.

This report has been prepared by the Secretariat of the Committee for Development Policy as an input to the Committee's discussions on this subject at its next plenary meeting during 12-16 March 2012. As such, it does not necessarily reflect the views of the Committee. Recommendations by the Committee will be included in its annual report to the Economic and Social Council.

2. Graduating from the LDC category

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 inherently means that a country has reached a level of development that no longer requires LDC-specific support from the international community. In this regard, lack of access to

these LDC-specific support measures should not prevent the country from having access to other forms of support available to all developing countries.

Currently, the major support measures extended by the international community vary among development and trading partners but often fall within one of the following areas: (a) international trade, such as LDC-specific preferential market access and LDC-specific special and differential treatment provisions in WTO agreements; (b) official development assistance, including development financing and technical cooperation specifically designed for and targeted at the LDCs by multilateral and bilateral donors; and, (c) other forms of assistance, such as travel-related benefits and special discounts in country assessments to the financing of some international organizations.¹

The possibility of losing access to the support measures available to the category causes a great deal of concern among countries meeting the eligibility criteria for graduation, particularly among those countries that feel that support available outside the LDC category is insufficient or does not meet their specific needs. The graduation of small-island developing states (SIDS) is a case in point.

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.

Specific procedures and principles were introduced by the United Nations (General Assembly resolution 59/209²) to provide a better understanding of the process of graduation and to guide graduating countries and their trading and development partners through the transition from the category to avoid disruptions and reversal in the progress achieved by the graduated country (see Annex 1). While these procedures have been a welcome and much needed development, they seem not to have been enough to assuage the concerns of graduating countries, and need to be further strengthened and enhanced.

Since the adoption of resolution 59/209, two countries graduated from the category (Cape Verde and Maldives). A third country is earmarked for graduation in 2014 (Samoa), while the General Assembly still has to act on the recommendation to graduate Equatorial Guinea. Additionally, Vanuatu and Tuvalu are currently being considered for graduation by the CDP.

The experience accumulated with these country cases – though still recent and incomplete, as described in Annex 3 – points to two main areas for improvement. The first area relates to procedures adopted to assist countries in preparing and implementing their transition strategies. The second area relates to the orderly phasing out of LDC-specific support measures. Both areas are not comprehensively addressed in resolution 59/2009. Moreover, the resolution itself appears to be only partially implemented.

The experiences of Cape Verde, Maldives and Samoa in these two areas are summarized in Table 1. The table provides an overview of the operational paragraphs of General Assembly resolution 59/209 and the corresponding actions taken by graduating LDCs and their development and trading partners. It shows the differences in the preparations for smooth transition among the three countries and the support received

1 Committee for Development Policy, Handbook on the Least Developed Country Category: Inclusion, Graduation and Special Support Measures, United Nations publication, Sales No. E.07.II.A.9; and UN-DESA, The Least Developed Countries Information Portal (<http://www.un.org/ldcportal>).

2 General Assembly resolution [A/RES/59/209](#) on the smooth transition strategy for countries graduating from the list of Least Developed Countries.

from multilateral and bilateral development and trading partners. Aspects requiring additional attention from the international community to make smooth transition a well functioning process will be further discussed in section 3 below.

Table 1. Assessment of the implementation of the provisions of GA Resolution 59/209

RES 59/209 paragraph and topic	Cape Verde	Maldives	Samoa
4 Transition strategy prepared	Written document prepared by Government	No written document prepared by Government	No written document prepared by Government
5 Establishment of consultative mechanism	Yes	No formal mechanism	Unknown
6 Support from UNDP to consultative mechanism	Yes	--	Unknown
7 Development partners' support to the transition strategy and avoidance of abrupt reductions in support	Scaled down assistance: Austria, Germany, the Netherlands; Maintained assistance: Luxemburg, Spain, USA, UN travel benefits can still be requested for up to 3 years; Changed orientation: AfDB, Portugal, World Bank. Unknown: other partners	Maintained assistance: UN travel benefits. Unknown: other partners	Not yet known
8 Continuation/extension of LDC-specific trade preferences	Ongoing: Australia, Canada, New Zealand, Norway; 4 years: EU, Switzerland and Turkey; 2 years: USA; No: Japan	Ongoing: EU, Australia, Canada, New Zealand, Norway, Switzerland, Turkey; 6 months: Japan; Not applicable: USA	At least 3 years: EU, Turkey; Not yet known: Australia, Canada, New Zealand, Norway, Switzerland, Japan, USA
9 WTO extension/phase out of LDC-specific SDTs	No	No	Not yet known
10 EIF extension/phase out	Yes	Yes	Not yet known but entitled to
11 Inform SG of the implementation of transition strategy	Yes but only once Dec 07, before effective graduation	No	Not applicable
12 CDP monitoring of graduated countries	Yes: 2009, 2012	Yes: 2012	Not applicable

3. Incentives and strengthening the smooth transition process

In article 14 of the Istanbul Declaration, Member States “[...] recognize that the graduation process of least developed countries should be coupled with an appropriate package of incentives and support measures so that the development process of the graduated country will not be jeopardized. In this context, [Member States] will work on the development and implementation of smooth transition strategies for graduating and graduated least developed countries.[...]”

Article 14 contains two contradictory messages: the first one refers to the need for a package of incentives, which implies the introduction of a new set of measures in support of graduated and gradating countries. The subsequent sentence, however, seems to confine the idea of incentives to the development and implementation of smooth transition strategies. The Istanbul Plan of Action calls for an *ad hoc* working group on the General Assembly to be established “to further study and strengthen the smooth transition process” but makes no further reference to incentives for graduation. Are incentives necessary?

On the one hand, the recognition that a country is no longer lagging behind in the group of developing countries and has made considerable progress in some crucial areas should be considered a big enough incentive. It reflects international recognition of the achievement of an important stepping stone in a country's development efforts. Naturally, such an accomplishment should not be interpreted as the limit or pinnacle of what that country can achieve as seen by the actions constantly being undertaken by all developing countries to improve the welfare of their populations. The fact that the country met certain critical thresholds should therefore be celebrated, and not a cause for apprehension.

On the other hand, from an LDC perspective, graduation may not be consistent with an incentive-compatible system that tries to maximize the country's developmental efforts. If an LDC improves its economic or social situation, international support may be withdrawn – at least support that is LDC specific. Even if the amount of support to be withdrawn is small, a graduating country appears to be losing rather than gaining support as a result of developmental progress. At the same time, LDC-specific support was given to address LDC-specific handicaps. If those LDC-specific handicaps become less binding, the need for LDC-specific support becomes less evident. In this regard, graduating from the list does not imply that support will cease, rather that the nature of that support should evolve according to countries' needs.

Albeit recent experience with the smooth transition has been limited, it is possible to argue that in the case of Cape Verde, there was not a sudden or sizeable loss of support. While many development partners made no formal commitments regarding the graduation process, in practice, donors adopted a smooth transition and phased out their LDC-related measures in a gradual fashion. Moreover, Cape Verde did not suffer a large or sudden "shock" from a loss of support and consequently did not need a complex strategy or an extensive programme of activities to respond to its new status.

If graduation is currently approached with concern and anxiety, this is largely due to the fact that countries do not have clarity as to what part of the support that they are currently receiving is LDC-specific, or what support they will be receiving from their development and trading partners in the future. Thus, the main issue is not so much to create additional incentives for graduation – which among other things could lead to the unnecessary creation of another category of countries with associated measures – but: i) to improve and clarify the rules of engagement with development partners after graduation; and, ii) to adjust those rules to the situation of the country, that may still require support as a developing country, although it is no longer an LDC. These are the elements that need to be strengthened in the transition strategy. The following actions are recommended.

3.1. Improved understanding of available LDC-specific support measures can facilitate the preparation of a smooth transition strategy

LDC-specific support and smooth transition measures are offered by a wide range of development and trading partners, and these measures change over time. Currently, a centralized source of information is made available through the DESA LDC Information Portal at www.un.org/ldcportal.

- A central source of information cataloguing all LDC-specific international support measures, their utilization and related transition measures should facilitate the process of developing a smooth transition strategy and could be further supported by all partners by providing, on a regular basis, accurate information about the support and transition measures they offer to LDCs.

A country has to meet the graduation criteria in two subsequent triennial reviews of the list of LDCs before being recommended for graduation by the CDP. Currently, as an input to the CDP decision-making

process, DESA prepares an ex-ante impact assessment on the likely impact of the withdrawal of LDC-specific measures for countries which met the criteria for graduation at the previous triennial review of the LDC category. The report is circulated to the country concerned, which is invited to make comments on the report. This can be considered as a step towards a better understanding of LDC-specific measures available to the country, and of their relevance for removing obstacles to development. However, experience has shown that support often combines LDC-specific and country-specific elements of development assistance. This complicates the process of disentangling LDC-specific support from assistance extended to developing countries independently of their particular status, and compounds the complexity of assessing the impact of graduation to some extent.

- A possible way of improving understanding of the LDC-specific support measures while also strengthening the usefulness of the impact assessments for the countries concerned is to circulate the DESA report to the relevant UN Regional Commission³ and to the UN resident coordinator and invite them to give their views on and complement the report. This would not only allow the country and some of its main partners to have a common understanding of the possible implications of an eventual graduation, but also draw attention to the need to elaborate a transition strategy should the country be recommended for graduation. In this regard, it is important that a precise timeline be established for drafts to be circulated and commented on for this exercise to be useful.

3.2. Enhanced inter-agency technical assistance for smooth transition preparation

On the basis of available information, it seems there is some delay in countries taking the necessary steps to start the consultations and preparations for their transition strategy, and in establishing a consultative mechanism (see paragraphs 4 and 5 of resolution 59/209). Part of this delay could be due to lack of institutional and technical capacity, which includes not having a clear understanding of procedures as well as implications of future graduation. Additional support may be needed from the UN system.

- According to 59/209 the country can *request* support of the UN Resident Coordinator and the UN country team (paragraph 5). While the process has to be country-led and country-owned, as called for in resolution 59/209, as well as in the Paris, Accra and Busan Declarations, support could be instead *offered* by the Resident Coordinator (once his/her office is informed about the GA decision to graduate the country). It would be also useful if the Resident Coordinator formally informs the CDP that he/she contacted the country with a view to discussing the implications of graduation and setting in motion the preparations of its transition strategy.
- In line with the above, a “Graduation Capacity Building Programme” could be established by UNDP as a formal mechanism which can be called on by LDCs for technical assistance and capacity-building activities related to preparing a transition strategy. After graduation, programmes such as the one suggested below could prove useful to assist countries in the first years of graduation.

3.3. Stronger commitment by partners is needed to reassure the graduating and graduated countries that they will continue to receive the support appropriate to their development situation

It is important to recognize that graduating LDCs’ needs change over time and that the nature of the required support changes as well; but this recognition has to be clearly specified. The consultative mechanism,

3 Currently the Regional Commissions (as well as UNCTAD) are invited to the CDP EGM preparing for the triennial review of the list of LDCs.

the elaboration of the transition strategy and its monitoring can go a long way in providing countries with such assurances, particularly if the process has the participation of multilateral organizations and is followed up by the relevant intergovernmental process in an effective way. Additionally, smooth transition needs to be mainstreamed in the approaches and strategies of development partners even if they do not offer LDC-specific support. For example, debt sustainability assessments carried under the HIPC initiative framework (which is not an LDC-specific programme but has a few LDCs as beneficiaries) should take into account potential impacts of graduation on export revenues (due to the possible loss of preferential market access by a graduated country) and on future financial assistance inflows.

- A standard procedure could be put in place to invite development and trading partners to the consultative mechanism. For instance, based on the information provided by the impact assessment and other sources, the graduating country, in collaboration with the UNDP country office could be requested to send out an official invitation to all relevant development and trading partners to a meeting of the consultative mechanism within six months after the General Assembly takes note of the recommendation of the CDP to graduate a country. In this regard, expeditious action by the General Assembly (similar to the timeline subscribed to ECOSOC in resolution 59/209, paragraph 3d, on the CDP recommendation would contribute to the removal of uncertainties regarding graduation and lead to a timely start of preparations for transition from the category.
- The meetings of the consultative mechanism should take stock of the country's development partnership, further develop a common understanding of the elements in the partnership that are LDC-specific, and lead to recommendations that can be used as an input to the transition strategy, including identifying preliminary actions that need to be taken by the relevant parties involved.
- To clarify and strengthen commitments of continuous support made by partners, a transition strategy template can be developed. The template could also facilitate the graduating countries' information gathering related to LDC-specific support from development and trading partners. The template will focus on the current LDC-specific international support measures provided by partners (as identified by DESA's impact assessment – prepared and complemented – where applicable, by development and trading partners) as well as the partners' available plans for extending and/or phasing out their support.
- The template may also be a useful tool for facilitating the identification of gaps and areas of support requiring additional attention by partners.
- Improved coherence is needed. Smooth transition should be taken into account and mainstreamed in approaches and strategies also by development partners not offering LDC specific support.
- At the same time, it is important that the institutional arrangements for preparing, implementing and monitoring the transition strategy be commensurate with the size and nature of the adjustment to be made and with the administrative situation in the country concerned.

3.4. Improved annual monitoring of smooth transition preparations of graduating countries

Under the current smooth transition procedures there is no information officially made available about the status of the preparations of the transition strategy, the establishment of the consultative mechanism and decisions thereof. Information provided by the graduating country could complement the annual monitoring of graduating countries that ECOSOC currently requests the CDP to undertake. This would also assist the country in focusing on the preparation of its transition strategy. At the same time, it will give the graduating country the ability to show whether commitments of continuous support are forthcoming and what approaches the development and international partners are taking to phase out or extend support provided.

- Graduating countries⁴ will submit to the CDP a short progress report on the preparation of a transition strategy, the establishment of, and progress made by the consultative mechanism, its composition and actions identified by the country and its partners toward the transition strategy (see paragraphs 4 and 5 of resolution 59/209). CDP will include the information in its monitoring of the graduating country and provide its views on the preparation of the transition strategy, including identifying areas that need further attention, if any. It will report thereon to ECOSOC in its annual report to the Council.

3.5. Reporting on the implementation of the transition strategy

Currently, graduated countries are invited to monitor the implementation of their transition strategy and to keep the SG informed on a regular basis. So far, only Cape Verde has done that, and only once – before graduation became effective in December 2007.⁵ Additionally, the CDP is requested to monitor the development progress of graduated countries at its triennial review of the list of the LDCs.

- It would be useful if the graduated country reports on the implementation of its strategy to the CDP prior to the triennial review. The CDP could add the country's views to its report to ECOSOC and highlight areas, if any, where implementation could be strengthened.⁶
- It is strongly stressed that monitoring should not involve an overall assessment of the development progress of the economy as a whole (as this is already done by the World Bank and the IMF, among others). The objective of this report would be to inform the international community how the graduated country and its partners implemented and adjusted to the loss of LDC benefits (and, again, not on the overall progress of the country) and identify areas for further action.
- The monitoring (both of the strategy and the development progress) should be restricted to 2 triennial reviews, except in the case of countries where the graduation takes place in the year preceding the triennial review (which was the case for both Cape Verde and the Maldives). In such cases, CDP monitoring of the graduated country should be undertaken during 3 triennial reviews.

4. Implementing the transition strategy and phasing out LDC specific support measures: an incomplete process

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.⁷ While the strategy to be prepared by the graduating country should cover a period appropriate to its development situation so it can adjust to the phasing out of the international support measures, there are many uncertainties on 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 LDCs⁸, it is important to have approaches for their phasing out established and specified

4 Alternatively, one could think about asking UNDP to do the reporting instead (in consultation with the country) or assisting the country in preparing a short report as part of the Graduation Facility referred to under 2.2.

5 <http://www.un.org/en/development/desa/policy/cdp/ldc/profile/capeverdereport07.pdf>

6 See also footnote 4 above

7 Patrick Guillaumont (2011). On the smooth transition from the LDC status: few remarks. Presentation made at the event organized by the Mission of the Maldives and OHRLLS on 10 March 2011. <http://www.ferdi.fr/uploads/sfCmsNews/html/87/smooth%20transition.ppt>

8 Not to be forgotten, trading partners still offer preferential market access, and development partners extend financial and technical assistance, to developing countries that need such assistance and support.

prior to graduation, so that graduating countries will know what to expect and can be better prepared to adjust. Clear procedures also increase policy consistency and ensure that graduated countries are treated equally.

Decisions on establishing smooth transition procedures will be made by different entities. Any new General Assembly resolution on smooth transition can only include concrete decisions (regarding actions to be taken by graduating and graduate countries and their development and trading partners) for those LDC-specific measures directly falling under the Assembly's authority. For actions related to entities falling outside the General Assembly's authority (for example, UNCDF, UNDP, UNFCCC and WTO) the Assembly can *de facto* only 'recommend', 'urge' and 'invite'. The issue will then need to be picked up by the governing bodies of those institutions.

4.1. Preferential market access

In line with paragraph 8 of General Assembly resolution 59/209, a number of trading partners have adopted a policy of extending their LDC-specific trade preferences to the graduated countries (see Annex 4 for further details). Other trading partners did not follow the suggestion of the General Assembly.

While not all trading partners are equally important as export destinations for all graduating countries, a gradual phasing out and/or extension of market access preferences is necessary to enable the export sectors of graduated countries to adjust to the new conditions. This is more relevant, the greater the effective preference (compared with the terms applied to the exporters' main competitors) and the affected volume of trade are.⁹

- Trading partners who do not have established procedures in place for phasing out preferential markets access should be encouraged to express, at the consultative mechanism, their commitment to extend their LDC-specific preferences, the number of years of the extension and/or the details concerning the gradual phasing out of the measures.
- The transition strategy should include the commitments made by the main trading partners.
- Preferential tariff rates should be withdrawn over a period long enough to allow affected sectors to prepare themselves (e.g., 5-10 years). In case of substantial tariff margins that have been utilized by the country before graduation, preferences could be withdrawn gradually, according to an established/agreed schedule.
- As part of commitments made to the graduating country, trading partners could provide technical assistance to facilitate the phasing out of the preferential market access. This should be part of the transition strategy and implemented through the EIF and/or Aid for Trade initiatives. For example, programmes within the Aid for Trade framework that increase the competitiveness of productive sectors affected by a withdrawal of preferential market access should be supported to offset the phasing out of these measures.

4.2. Special and Differential Treatment (SDT) provisions in WTO

As analysed elsewhere¹⁰, LDC-specific SDTs in the WTO cover a wide range of provisions (exemptions, extensions, ease of complying, capacity-building, etc.). Some of these provisions are more relevant for the

9 The relevance of market access preferential treatment for countries considered for graduation (Equatorial Guinea, Kiribati, Tuvalu and Vanuatu for the 2009 triennial review) is addressed by ex-ante impact assessments prepared by DESA for the consideration of the CDP and available at <http://www.un.org/en/development/desa/policy/cdp/ldc/profile/>.

10 Survey on the International Support Measures related to WTO Provisions and Preferential Market Access for LDC Responses by Least Developed Countries Summary and Analysis. Available at: webapps01.un.org/ldcportal/c/document_library/get_file?uuid=024b355f-d56c-47d1-a5b9-2ec92f06a6ac&groupId=10136

development of LDCs than others, while not all are understood, used or efficient to the same extent.¹¹ Yet, currently there is no phasing out or extensions of SDT provisions for graduated countries, which could present some challenges for countries leaving the category.

Whereas in the past there was no apparent need for provisions phasing out or extending SDTs to graduated countries due to limited graduation from the list (only Botswana until 2007), this is no longer the case as LDCs advance in their development and meet graduation requirements in greater numbers than before. The explicit goal of the Istanbul Plan of Action to have half of the LDCs meeting graduation criteria by 2020 reinforces the need to introduce procedures on how to phase out LDC-specific SDTs. Moreover, an increasing number of LDCs is in the process of acceding to the WTO. While not all SDTs are equally relevant, their withdrawal would require adjustment if used by a graduating country, in particular those related to the use of export subsidies, trade related investment measures (TRIMS), priority given to LDCs in technical assistance (technical barriers to trade – TBTs, for instance), the anticipated level of commitments expected from a developing country, and TRIPS.

- Members of the WTO should be encouraged to adopt formal procedures for an orderly phase out of the LDC-specific SDTs (beyond preferential market access) contained in WTO legal texts¹².

4.3. Budget allocations in favour of LDCs by multilateral organisations

Some multilateral organisations have explicit rules earmarking a given share of their resources to LDCs. UNDP, UNICEF (at least 60 per cent for both organizations) and WFP (at least 50 per cent) are cases in point. While these organisations often follow programme cycles and are unlikely to interrupt projects due to a change in LDC status, it is possible that once a graduated country completes its programmed projects, it will be accorded a different level of priority and will have to share resources with other developing countries. Countries receiving a small amount of resources (in absolute terms) can be easily accommodated, but the same may not apply to those countries absorbing greater volumes of resources. This is more so when organisations need to comply with their budget allocation instructions, and it will become a challenge when larger numbers of LDCs are graduating and/or recipients of large volumes of multilateral ODA graduate. The same type of issue arises in the bilateral cooperation if priority in funds allocation is based on binary conditions: being an LDC or not (see below).

- The conflicting objectives of supporting graduated countries versus meeting budget allocation targets need to be addressed urgently.

4.4. The volume of aid - ODA flows in favour of LDCs

ODA provided by bilateral donors is not necessarily LDC-specific, and a graduated country will continue to have access to development cooperation. Only a few bi-lateral donors have established LDC-specific programmes. The Netherlands Finance Company is a case in point. Nevertheless, DAC members adopted certain goals for the amount of resources they should target to LDCs. In 1981, donor countries agreed to allocate 0.15 per cent of their GNI to LDCs; in 2001 those who met that target, agreed to expand it to

11 CDP Secretariat (2011), *Survey on International Support Measures related to WTO provisions and Preferential Market Access for LDCs. Summary and Analysis of Responses by LDCs*, and Ana L. Cortez (2011), *Beyond market access: Trade-related measures for the least developed countries. What strategy?* *DESA Working Paper Series*, ST/ESA/2011/DWP/109, December. Available at http://www.un.org/esa/desa/papers/2011/wp109_2011.pdf

12 Negotiations are ongoing in the WTO concerning a monitoring mechanism of special and differential treatment (SDTs) provisions in the WTO. These negotiations, however, are not and should not related be to the gradual phasing out of LDC specific SDTs.

0.2 per cent. These goals were reaffirmed in Istanbul in 2011. Net ODA disbursements to LDCs from DAC countries reached \$44 billion in 2010, corresponding to 0.11 per cent of DAC's aggregate GNI. Currently, only 9 of the 23 DAC member countries meet the UN lower bound target of providing aid of 0.15 per cent of GNI to LDCs. Nonetheless, the allocation of aid to LDCs has increased somewhat as a share of total disbursements by bilateral DAC donors from 13.1 per cent in 1999-2000 to 19 per cent in 2009-2010.¹³

Graduation by any of the largest ODA recipients in the LDC category (in absolute terms) — although not anticipated in the near future — would have an impact on donors meeting their commitments on ODA allocation for LDCs. If a large ODA recipient leaves the category, a donor may no longer be able to easily reach its 0.15-0.20 target due to the fact that aid to this large recipient will no longer be classified as ODA to LDCs.

According to the survey conducted by the CDP Secretariat, donors do not necessarily use the LDC status to guide their ODA allocation. However, several of the components of the CDP criteria to classify countries as LDCs, mainly those in HAI, are used for establishing ODA priorities and aid allocation. Consequently, many priority countries identified by donors are indeed LDCs. However, it is not clear whether they are priority due to their LDC status or due to the fact they have development gaps donor countries consider important to address. Other factors are also taken into account by donors, such as conflict and/or post conflict situations, history of development partnership, development plans and governance performance by recipient country. Within the LDC group, ODA allocation by donors seems to favour those having low income per capita and a low HAI score. In contrast, high economic vulnerability expressed by EVI does not seem to have attracted resources.¹⁴

- A possible way to facilitate the smoothing out of ODA flows, should donors find it necessary to reduce flows to those countries at all, is to extend the use of the LDC identification criteria in donors' aid allocation criteria to include other indicators of needs and gaps. This would allow for a more gradual phasing out of support and, as a result, address the concerns of those countries exiting the category which are still facing challenges in overcoming remaining structural handicaps (particularly those captured by EVI).¹⁵ This recommendation is in line with the President's Summary of the Development Cooperation Forum 2010, which noted the need to increase the proportion of aid going to countries with structural vulnerabilities to external shocks.¹⁶
- Including structural vulnerability (measured by the EVI or other suitable indicators) as allocation criterion could be also relevant for the allocation of flows (not necessarily reported as ODA) by development finance institutions, which promote private sector activities in developing countries through loans, guarantees and investments.
- As in the case of the budget allocation targets by international organizations referred to above, the issue of conflicting objectives between ODA targets and supporting graduated LDCs needs to be addressed before any LDC receiving a substantial amount of ODA in absolute terms becomes eligible for graduation.

13 OECD. Statistics on Resource Flows to Developing Countries. Available at http://www.oecd.org/document/9/0,3746,en_2649_34447_1893129_1_1_1_1,00.html.

14 CDP (2010), *Strengthening International Support Measures for LDCs*, CDP Policy Note, United Nations publication, Sales No. E.10.II.A.14.

15 Patrick Guillaumont (2009). An Economic Vulnerability Index: Its Design and Use for International Development Policy, *Oxford Development Studies*, Vol. 37, No. 3, September, pp.193-228; Patrick Guillaumont (2011). Making Development Financing in LDCs More Conducive to Development. *FERDI Working Paper Series*. May.

16 See http://www.un.org/en/ecosoc/newfunct/pdf/2010_dcf_president_long_summary.pdf.

4.5. Grant element of aid and tied aid

ODA flows include either grants (financial support and technical assistance) or loans. The majority of OECD bilateral donor aid to all countries is now provided as grants. Some donors, however, still provide a small portion of their aid as concessional loans. Official financial loans can only be considered ODA if they have a grant element of at least 25 per cent.

The grant element in the ODA to LDCs specified in the 1978 DAC Terms and Conditions Recommendation suggests two alternative guidelines: 90 per cent of annual commitment to all LDCs, and 86 per cent of three year average commitments for each LDC. For other developing countries, the norm is that 86 per cent of ODA commitments should be delivered through grants.

The average grant element of total ODA to developing countries was 95.8, while the corresponding figure for LDCs was 99.4 in 2010. In their answers to a CDP Secretariat survey, some bilateral donors indicated that the grant element to graduated countries is expected to decrease gradually, but it is not clear how this would be operationalized.¹⁷

- Should donors decide to revise the grant element in their ODA flows to graduated countries, they should inform countries of this decision, the terms of future ODA flows, and how the change will be implemented.

LDCs are also supposed to benefit from the 2001 OECD-DAC Recommendation on untying ODA.¹⁸ According to recently released data by OECD/DAC, some 16.3 per cent of ODA provided to developing countries is tied. There is no information available on the corresponding figure for the group of LDC countries.

- There is a risk that some donors might increase the share of tied aid (within the agreed terms of the Paris Declaration) for graduated countries. However, almost all donors that participated in the CDP Secretariat survey indicated that they will continue to take measures on untying aid to graduated countries.¹⁹

4.6. LDC-specific technical assistance funds

The CDP Secretariat has identified three main funds exclusively targeted to LDCs: the Least Developed Countries Fund (LDCF) which was established to address the special needs of LDCs under the UNFCCC, and is operated by the Global Environment Facility (GEF); the Enhanced Integrated Framework Trust Fund (EIF-TF), and the United Nations Capital Development Fund (UNCDF). Of these, smooth transition procedures have been clearly defined for the EIF-TF only.

- In its resolution 59/209, the General Assembly recommends that the continued implementation of the technical assistance programmes under the IF be considered for graduated countries over a period appropriate to the development situation of the country. A similar recommendation could be made for the other LDC-specific funds, including a request to report to the GA on the implementation of such invitation.

¹⁷ It is important to note that concessional finance by the World Bank and the IMF is not offered on the basis of LDC status.

¹⁸ DAC recommendation on untying official development assistance to the least developed countries is available at <http://www.oecd.org/dataoecd/14/56/1885476.pdf>

¹⁹ United Nations (2011), "Survey on LDC-specific International Support Measures related to Bi-lateral Official Development Assistance (ODA) Responses by Donor Countries," available at http://webapps01.un.org/ldcportal/c/document_library/get_file?uuid=2cf25aca-a16f-452e-b5ce-ebeca6906a66&groupId=10136

- If organisations with LDC-specific funds have no specific mechanism in place for smooth transition, they should be invited to participate in the consultative mechanism, where applicable, and provide inputs (see also under 2.3 regarding the transition strategy matrix) to the transition strategy indicating their commitments to extending their support and modalities for phasing out the support.

4.7. Caps and discounts to LDC contributions to the budget of multilateral organizations

A few multilateral organizations, including the United Nations, apply a cap on the LDC assessment to the budget, often keeping the contribution of these countries to a minimum required level, independent of the factors normally taken into account when determining members' assessment rates.²⁰ Additionally, the UN offers discounts to LDCs in their contribution to peacekeeping operations. Currently, there is no smooth transition provision for these measures.

- The UN needs to adopt formal procedures for gradually phasing out the cap on the assessment of graduated countries for contributions to its regular and peacekeeping budgets.

4.8. LDC-specific travel funds and travel benefits

Several International organizations have travel funds to facilitate the participation of LDCs at their meetings.²¹ Additionally, the UN provides financial support for LDC participation at the annual and extraordinary sessions of the General Assembly. These provisions can amount to substantial savings for the public finances of very small economies. At the initiative of the Government of the Maldives, smooth transition provisions for UN travel benefits were adopted by the General Assembly in 2011 (resolution A/65/L.66/rev1). The resolution states that travel related benefits may be provided up to a period of three years after graduation if so requested.

- Apart from the extension to participate in meetings of the General Assembly, it is not yet clear how LDC travel funds from other UN funds, agencies and programmes will be affected by smooth transition. The GA resolution does set a precedent that may facilitate extending travel benefits from other organisations for a given number of years to graduated countries.

5. Conclusions

The current framework for guiding LDCs through the process of graduation from the LDC category has not been sufficiently successful in moderating the apprehension about graduation of LDCs. The recent experience with the process of graduating LDCs indicates that further work needs to be done on smooth transition in order to provide assurances to LDCs that the international community will ensure that the continued development progress is a shared objective, and that assistance to the country will not be withdrawn in a manner inconsistent with that objective.

In recent resolutions by ECOSOC and the General Assembly, Member states confirmed that the existing smooth transition process should be strengthened so that future graduating countries will not be faced with the same concerns as those expressed by the graduating and recently graduated countries. These concerns are related to the lack of understanding about the functioning of the existing smooth transition strategy process and the uncertainty related to the continuation of support measures from the international

20 For details see CDP Secretariat (2011), *Survey on the International Support Measures Related to Multilateral Development Assistance for LDC. Summary and Analysis of Responses by Multilateral Organisations*.

21 See CDP Secretariat (2011) *Responses by Multilateral Organisations*, op. cit.

community. An important limitation of the current graduation process is the lack of a concrete legislative mandate or guidelines for development and trading partners to continue their support or phase out their support in a manner consistent with the development progress of the graduated country.

This report makes some preliminary suggestions for actions to be taken by the international development community and the graduating countries to strengthen the process of preparing for graduation from the least developed country (LDC) category. The report also offers concrete proposals for addressing in a systematic manner, the current concerns among LDCs about the ad-hoc nature of the extension and phasing out of measures provided by certain development and trading partners.

Annex 1. General Assembly resolution 59/209 on smooth transition from the LDC category

**General Assembly
February 28, 2005**

*Fifty-ninth session
Agenda item 12*

Resolution adopted by the General Assembly

59/209. Smooth transition strategy for countries graduating from the list of least developed countries

The General Assembly,

Recalling its resolution [46/206](#) of 20 December 1991,

Recalling also Economic and Social Council resolution [2004/66](#) of 5 November 2004,

Reconfirming Economic and Social Council resolutions [2000/34](#) of 28 July 2000, [2001/43](#) of 24 October 2001, [2002/36](#) of 26 July 2002 and [2004/3](#) of 3 June 2004,

1. *Re-emphasizes* the need for a smooth transition for countries graduating from the list of least developed countries;
2. *Reconfirms* that graduating from the list of least developed countries should not result in a disruption of development plans, programmes and projects;
3. *Decides* that the process to ensure a smooth transition of countries graduating from the list of least developed countries shall be as follows:
 - (a) When the Committee for Development Policy, in its triennial review of the list of least developed countries, identifies a country that meets the criteria for graduation for the first time, it will submit its findings to the Economic and Social Council;
 - (b) After a country has met the criteria for graduation for the first time, the Secretary-General of the United Nations will invite the Secretary-General of the United Nations Conference on Trade and Development to prepare a vulnerability profile¹ on the identified country, as described in paragraph 3 (a) above, to be taken into account by the Committee for Development Policy at its subsequent triennial review;

- (c) At the subsequent triennial review undertaken by the Committee for Development Policy, referred to in paragraph 3 (b) above, the qualification for graduation of the country will be reviewed and, if reconfirmed, the Committee will submit a recommendation, in accordance with the established procedures, to the Economic and Social Council;
 - (d) The Economic and Social Council, in turn, will take action on the recommendation of the Committee for Development Policy at its first substantive session following the triennial review of the Committee and will transmit its decision to the General Assembly;
 - (e) Three years following the decision of the General Assembly to take note of the recommendation of the Committee for Development Policy to graduate a country from the list of least developed countries, graduation will become effective; during the three-year period, the country will remain on the list of least developed countries and will maintain the advantages associated with membership on that list;
4. *Invites* the graduating country, in cooperation with its bilateral and multilateral development and trading partners and with the support of the United Nations system, to prepare, during the three-year period, a transition strategy to adjust to the phasing out, over a period appropriate to the development situation of the country, of the advantages associated with its membership on the list of least developed countries, and to identify actions to be taken by the graduating country and its bilateral and multilateral development and trading partners to that end;
 5. *Recommends* that the graduating country establish, in cooperation with its bilateral and multilateral development and trading partners, a consultative mechanism to facilitate the preparation of the transition strategy and the identification of the associated actions;
 6. *Requests* the Administrator of the United Nations Development Programme, in his capacity as Chair of the United Nations Development Group, to assist countries graduating from the list of least developed countries by providing, if requested, the support of the United Nations Resident Coordinator and the United Nations Country Team to the consultative mechanism;
 7. *Urges* all development partners to support the implementation of the transition strategy and to avoid any abrupt reductions in either official development assistance or technical assistance provided to the graduated country;
 8. *Invites* development and trading partners to consider extending to the graduated country trade preferences previously made available as a result of least developed country status, or reducing them in a phased manner in order to avoid their abrupt reduction;
 9. *Invites* all members of the World Trade Organization to consider extending to a graduated country, as appropriate, the existing special and differential treatment and exemptions available to least developed countries for a period appropriate to the development situation;
 10. *Recommends* that the continued implementation of technical assistance programmes under the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries be

considered for the graduated country over a period appropriate to the development situation of the country;

11. *Invites* the Government of the graduated country to closely monitor, with the support of the consultative mechanism, the implementation of the transition strategy and to keep the Secretary-General informed on a regular basis;
12. *Requests* the Committee for Development Policy to continue to monitor the development progress of the graduated country as a complement to its triennial review of the list of least developed countries, with the assistance and support of other relevant entities, and to report thereon to the Economic and Social Council.

*74th plenary meeting
20 December 2004*

Annex 2. The intergovernmental process related to the ongoing work on smooth transition

As a follow up to the Fourth United Nations Conference on LDCs, the CDP will review the existing smooth transition mechanisms to identify how they can be further strengthened or improved and better monitored.²² The work by the Committee will also feed into the recent General Assembly Resolution on implementing the smooth transition strategies for countries graduating from the list of LDCs²³ in which the GA urges the Committee to pay particular attention to the effectiveness of smooth transition for graduated countries, and to report thereon to the Economic and Social Council at its substantive session.

In addition to the resolutions directly addressing the CDP, the work of the Committee in this area may also feed into the following two additional requests made by the General Assembly.

The first request relates to a request addressed to the UN Secretary-General to report to the General Assembly at its sixty-seventh session (2012-2013) on the national transition strategies prepared by Governments of graduating countries and the support measures provided by development and trading partners for the States that have graduated or are graduating from LDC status, in line with resolution 59/209, including on the possible need and likely ways to reinforce the smooth transition.²⁴

The second request is addressed to the President of the General Assembly to establish, in consultation with Member States and the Secretary-General, an Ad Hoc Working Group to further study and strengthen the smooth transition process for countries graduating from the LDC category as agreed upon in the Istanbul Programme of Action and requests the Ad Hoc Working Group to submit a report to the General Assembly at its sixty-seventh session with specific recommendations, and in this regard requests the Secretary-General to provide the necessary backstopping support to the Ad Hoc Working Group.²⁵

On 12 December 2011, the General Assembly adopted the terms of reference of the Ad Hoc Working Group on the smooth transition strategy for countries graduating from the list of least developed countries.²⁶ As stated in the terms of reference, the overall objective of the Ad Hoc Working Group is to strengthen the smooth transition process and to facilitate consensus between graduating or graduated countries and their development partners to provide additional reassurances to LDCs that they will not fall back in their development process.

22 ECOSOC Resolution [E/2011/L.34](#) "Report of the Committee for Development Policy on its thirteenth session", paragraph 4.

23 General Assembly resolution [A/RES/65/286](#) "Implementing the smooth transition strategy for countries graduating from the list of least developed countries".

24 General Assembly Resolution [A/RES/65/171](#) "Fourth United Nations Conference on the Least Developed Countries", paragraph 21.

25 General Assembly draft resolution [A/C.2/66/L.8](#) "Fourth United Nations Conference on the Least Developed Countries", paragraph 14.

26 Draft decision [A/66/L.30](#) by the President of the General Assembly on the ad-hoc Working Group of the General Assembly on the smooth transition strategy for countries graduating from the List of LDCs.

More specifically, in its decision, the General Assembly lists the following objectives of the working group:

Review the existing smooth transition strategy including the concessions and measures that have been granted by the development partners to graduating or graduated countries;

Analyse the potential impacts of losing access to LDC-specific support measures by graduating country both in terms of benefits and obligations;

Assess the challenges faced by LDCs and development partners, including international organisations, in negotiating and implementing smooth transition measures, including the determination of the smooth transition period;

Provide recommendations on how the incentives provided by smooth transition strategies and their implementation could be improved;

Make specific recommendations on the continuation of benefits in some of the critical areas by all development partners for the graduating countries and phasing them out in a gradual manner consistent with countries' development situations and needs in a structured manner.

Annex 3. Recent experiences from graduating countries in preparing for smooth transition

The case of Cape Verde

In 2003, the CDP reconfirmed its assessment of 2000 that Cape Verde was eligible for graduation, but ECOSOC postponed its decision for a year, seeking consensus among the Member countries. During 2003-2004, the rules of graduation were clarified and ECOSOC endorsed the Committee's recommendation in its 2004 session. Cape Verde entered the 3-year "pre-transition phase" in December 2004, immediately after the General Assembly's took note of the ECOSOC recommendation, to prepare for its change of status.

The Government of Cape Verde accepted the Committee's recommendation for graduation in early 2004 but emphasized the importance of having smooth transition from an LDC status, with coordinated support of development and trading partners.

The Grupo de Apoio à Transição (GAT) was created by the Government in May 2006, in response to Resolution 59/209, which recommends that a graduating country establish, in cooperation with its bilateral and multilateral development and trading partners, a consultative mechanism to facilitate the transition strategy, and to identify related support actions.

Before the country's graduation, four GAT meetings were held. The first two meetings did not generate decisions or recommendations. Only at the third meeting, on the eve of graduation, a document on the transition strategy was approved. No monitoring procedures were approved to follow the implementation of the strategy.

Cape Verde completed its 3-year pre-transition period in December 2007 and was removed from the list of LDCs, entering into the 3-year transition period.

GAT's role was mainly felt before the graduation became effective. It provided a discussion forum between the Government and the development partners envisaging a coordinated effort to support Cape Verde during the transition process, and therefore it was quite effective in raising awareness on the challenges and possible effects of the graduation. Furthermore, the GAT systematically made the development partners aware of the need to support the Government's development effort.

After Cape Verde's graduation, the GAT lost momentum as meetings were diluted in the regular meetings that the Government started to organize with the development partners on a regular basis with the main purpose of mobilizing donors' support to the financing of its development strategy. The last GAT meeting was held in February 2010.

In parallel with the meetings, another forum emerged as a preferred channel for a structured policy dialogue between the Government and its development partners in the so-called Budget Support Group (BSG). The BSG consists of donors providing budget support and meets twice a year with the purpose of monitoring the progress in the implementation of the Poverty Reduction and Growth Strategy.

The meetings of the BSG did not deal with the implementation of the transition strategy because not all the partners previously involved in the GAT are involved in, or cooperate with, the BSG (e.g. the UN agencies).

The development partners of Cape Verde responded to the graduation in several ways. Some scaled down their assistance (Austria, Germany and the Netherlands), others maintained it (Luxemburg, Spain and USA, and others re-oriented it towards other forms of economic cooperation (African Development Bank, Portugal and World Bank). In general, there were no dramatic changes in the cooperation strategies of the development partners of Cape Verde as a response to the graduation, before or after they became effective in January 2008. Other than the extension of the EU's EBA and funding under the EIF, no formal commitments were made specifically related to the graduation process.

The case of the Maldives

In 2000, the CDP found that Maldives qualified for graduation. The Committee, however, recognized the country's concern over the consequences of a possible rise in the sea level over the longer term and thus suggested that ECOSOC consider what special circumstance might be provided in response to the challenges that the country faces from climate change. In 2000, the ECOSOC decided to defer the consideration of the case to its next session and, in 2001, it decided to extend the transition period of the country until the next triennial review in 2003. In 2003, the CDP again found that Maldives met the graduation criteria, but ECOSOC postponed its decision for a year, seeking consensus among the Member countries of the Council. During 2003-2004, the rules of graduation were clarified and, as in the case of Cape Verde, ECOSOC endorsed the Committee's recommendation in its 2004 session; graduation was then to be effective by the end of 2007. However, only 6 days after this endorsement, a tsunami struck the island. Subsequently, the General Assembly decided to postpone the start of the country's 3-year transition period from 2005 to January 2008 and its effective graduation to 1 January 2011.

Prior to graduation, the Government of Maldives argued that the recommendations of the CDP were unjustified because the Committee's assessment ignored critical characteristics of the Maldives' development status and did not give adequate attention to a number of issues, inter alia related to the inaccuracy or unavailability of data, failure to capture the most pervasive structural handicaps by the country and, that achievements made by the country could not be maintained if external aid programmes were withdrawn.

In the area of preferential market access, the Maldives' major concern associated with graduation related to the duty-free market access for its tuna exports to the EU market, where it enjoys a preference margin of 24 per cent under the EBA. As in the case of Cape Verde, the EU agreed to extend the EBA benefits for an additional period of three years. With respect to its tuna exports to Japan, the applied MFN tariff rate of 3.5 per cent since the country's graduation is rather small and may be easily accommodated.

The Maldives expressed concerns about its WTO Membership obligations with respect to the implementation of certain provisions of the WTO Agreements and indicated the need for technical assistance in order to understand the full implications. For instance, with respect to the TRIPS Agreement, upon graduation the country would no longer be eligible for the transition period granted to LDCs. However the Maldives did not expect to have the TRIPS-compliant legislation in place before 2013.

There is no explicit reference to LDC status in development financing schemes, but the Maldives expressed concern about a possible decrease in ODA from bilateral donors. With respect to the LDC-related

travel benefits from the UN, the Maldives initiated efforts to extend these benefits beyond its graduation from the LDC category. This resulted in General Assembly resolution A/65/L.66/Rev.1 on implementing the smooth transition strategy for countries graduating from the list of LDCs and the extension of travel benefits for a period appropriate to the development situation of the country (to a maximum of three years).

In order to provide a platform for discussion and dialogue between the Government and its development partners on key development objectives, Maldives began in 2006 to host an annual Partnership Forum with bilateral donors and multilateral aid agencies. The 2009 Forum was focused on graduation and on formulating economic policies and strategies.

The Government reportedly established an inter ministry “Working Group on Smooth Transition from LDC Status” with the main task of preparing a transition strategy in partnership with international partners such as UNCTAD and UNESCAP.²⁷ Both organizations have actively supported the Government through various missions and reports. The Secretariat is not aware of the establishment of a consultative mechanism to prepare for a smooth transition strategy.

In parallel with the above activities, the Government also sought support for creating an official SIDS category, which would entail access to special international support measures. These efforts resulted in an ECOSOC resolution on the review of UN support for SIDS requesting the CDP to submit a report to the Council. The requested report should focus on how to advance the implementation of the Barbados Programme of Action and the Mauritius Strategy and consider what improved and additional measures might be needed to address the vulnerabilities and development needs of SIDS.²⁸

The case of Samoa

In 2003, the CDP found Samoa eligible for graduation. The 2006 review confirmed that the country had met two graduation criteria (GNI per capita and HAI) and thus qualified for graduation.

On several occasions, Samoa refuted the grounds on which the Committee had established the country’s eligibility for graduation. For instance, in a letter addressed to the President of the ECOSOC in 2006, Samoa’s Prime Minister argued that EVI should become one of the two criteria to be met before a country graduates from the list of LDCs.

In July 2007, the ECOSOC endorsed the recommendation of the CDP that Samoa graduate from the list of LDCs and the Prime Minister of the country made “an acceptance speech” at the Council.²⁹ The Council recommended to the GA to take note of the recommendation of the Committee.³⁰ The country was expected to graduate by the end of 2010. However, due to the losses which Samoa suffered as a result of the tsunami of September 2009, and to the impact of this natural disaster on the socio-economic progress of the country, the General Assembly decided to extend the transition period until 1 January 2014, before graduation from LDC status takes place.

There is no indication of activities undertaken by the Government of Samoa in establishing a consultative mechanism and in preparing a smooth transition strategy.

27 WTO, Trade Policy Review, Report by Maldives (WT/TPR/G/221).

28 ECOSOC Resolution E/2011/L.52 ‘Review of United Nations support for small island developing States’.

29 A copy of the statement is available, but no title nor documentation symbol is recorded.

30 ECOSOC, Report of the Committee for Development Policy on its eighth session (E/2007/L.35), 26 July 2007.

Annex 4. Brief overview of experiences with phasing out support measures

Preferential Market Access

The European Union extends preferential treatment under its Everything-but-Arms (EBA) initiative for an initial period of three years to graduated countries³¹; currently, Australia, Canada, New Zealand, Norway, Switzerland and Turkey also extend LDC treatment to both Cape Verde and Maldives. The United States removed Cape Verde from the list of least developed beneficiary developing countries (LDBDC) in its GSP programme only in 2010. At the same time, other trading partners have not yet introduced smooth transition provisions with respect to this measure. Japan is a case in point. In fact, Japan has applied Most-Favoured-Nation (MFN) treatment to the Maldives as early as 6 months after the country's effective graduation.³² Maldives did not have LDBDC status in the American GSP.

Special and Differential Treatment (SDT) provisions in WTO agreements

An example of an LDC-specific special and differential treatment provision is Article 1 of the Decision of the Council for TRIPS (29 November 2005) on the extension of the transition period under article 66.1 of the TRIPS Agreement. This article states that "Least-developed country Members shall not be required to apply the provisions of the Agreement, other than Articles 3, 4 and 5, until 1 July 2013, or until such a date on which they cease to be a least-developed country Member, whichever date is earlier."³³ An additional extension is being considered by the Council on TRIPS which should report on the issue to the Ninth WTO Ministerial.³⁴ This indicates that, 16 years after the adoption of TRIPS, LDCs still face considerable difficulties to implement it. In this example, the fact that there is no smooth transition for LDCs in the WTO provisions implies that a graduating LDC would have 3 years (from the moment the GA takes note of the recommendation for graduation to the effective date of graduation) to implement all WTO disciplines from which they had been previously exempted (extensions applied to other developing countries have already expired).

LDC contributions to the budget of multilateral organizations

With respect to the regular UN budget, the minimum level of assessment or floor is set at 0.001 per cent. For 2011, the minimum level was set at \$23,487 for the regular UN budget. Only 3 LDCs benefitted from the measure, namely, Angola, Bangladesh and the Sudan (savings for these countries have been estimated at around \$300 to \$600 thousand per country for the 2011 budget).

Turning to the peacekeeping budget, LDCs are included in the 'J level' and receive a 90 per cent discount on their regular budget assessment of 0.001 per cent. Taking the case of Tuvalu as an example, should the country graduate from the LDC category, it will be included in the 'I level' which consists of the non-LDCs with GNI per capita below a \$6,708 (2010-2012) threshold, receiving 80 per cent discount rate. The ten percentage point margin of the discount rates would translate to an extra contribution of \$7,060, calculated from the total peacekeeping budget of \$7.06 billion for the fiscal year, 1 July 2011-30 June 2012.³⁵

31 See Council Regulation (EC) No. 980/2005 of 27 June 2005 applying a scheme of generalised tariff preferences.

32 CDP Secretariat. *Survey on the International Support Measures Related to WTO Provisions and Preferential Market Access for LDCs. Responses by Trading Partners: Summary and Analysis*. Available at <http://www.un.org/ldcportal>.

33 Available at: http://www.wto.org/english/news_e/pres05_e/pr424_e.htm

34 WTO, Annual report (2011) of the Council for TRIPS. Addendum (IP/C/59/Add.2) 17 November 2011.

35 DESA (2011), Ex-ante impact assessment of likely consequences of graduation of Tuvalu from the least developed country category (2012 triennial review), November (DRAFT)

LDC-specific technical assistance funds

The EIF Board approved an automatic extension of full EIF benefits for all graduated LDCs for an initial period of three years, with the possibility of an extension of up to two additional years thereafter, to be decided on a country-by country basis and needs to be requested and justified by the graduated country. Resources available in the Fund amounted to \$148 million by the end of November 2011.

The GEF-LDC fund (currently at \$537 million) finances the development and implementation of National Adaptation Programmes of Action (NAPA), aimed at addressing urgent and immediate needs for adaptation to climate change. According to information received from the UNFCCC Secretariat, countries that were LDCs at the point of preparing their NAPA have access to funds for implementation of one or two projects once they graduate. UNCTAD reports that access after graduation is capped at \$7 million per country.³⁶ While this is welcoming, this smooth transition provision would benefit from more specific guidance from the conference of the parties to the UNFCCC. The UNCDF has no established smooth transition provisions.

LDC-specific travel funds and travel benefits

Several international organisations have trust funds to facilitate the participation of LDC Government representatives in their meetings (see table 1). Additionally, the UN itself provides financial support for the participation of representatives of LDCs in annual sessions of the General Assembly. The United Nations pays the travel, but not subsistence expenses for LDC participation in the General Assembly as follows: (a) up to five representatives (per LDC) attending a regular session of the General Assembly; (b) one representative (per LDC) attending a special or emergency session of the General Assembly; and (c) one member of a permanent mission in New York designated as a representative or alternate to a session of the General Assembly. The total travel costs to the United Nations for the participation of qualifying LDC members to General Assembly sessions for the years 2005 and 2006 were \$1,124,407 and \$980,417, respectively. Assuming all LDCs used this benefit, this would correspond, on average, to about \$20,000 per country per year.

36 UNCTAD (2010). The LDC Report 2010: Towards a New International Architecture for the LDCs. United Nations publication; Sales no.: E.10.II.D.5

Table 1

LDC-specific travel benefits from international organizations

Entity	Description
FAO/WHO Codex Alimentarius Commission*	Trust Fund to fund the participation of LDCs in meetings of the Codex Alimentarius Commission.
International Criminal Court	Trust Fund for the participation of LDCs in meetings of the International Criminal Court Assembly of State Parties
United Nations Secretariat	Trust Fund to facilitate LDC attendance to the annual review of the Programme of Action for the LDCs for the Decade 2001-2010 - Trust Fund to facilitate LDC attendance of the United Nations Consultative Process on Oceans and the Law of the Sea
UNCCD	Trust Fund for participation of LDCs in meetings of UN Convention to Combat Desertification (UNCCD)
UNFCCC	Trust Fund to facilitate LDC participation in the UNFCCC Process
UNEP CMS	Trust Fund to fund the participation of LDCs in meetings of the Convention on Migratory Species (CMS)
UNEP Montreal Protocol	Trust Fund to fund the participation of LDCs in meetings of the Vienna Convention for the Protection of the Ozone Layer and its Montreal Protocol
UNEP Stockholm Convention	Trust Fund to fund the participation of LDCs in meetings of the Stockholm Convention on Persistent Organic Pollutants (POPs)
UNIDO	Trust Fund for Assistance for LDCs to facilitate the participation in its meetings
UNODC	Trust Fund to fund the participation of LDCs in sessions of the Commission on Crime Prevention and Criminal Justice and the sessions of related conferences of States Parties

* See also "Survey on the International Support Measures related to WTO Provisions and Preferential Market Access for LDC. Responses by Least Developed Countries, Summary and Analysis", available at www.un.org/ldcportal.