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Accelerating Development in the Least Developed Countries through International Support Measures: Findings from Country Case Studies

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ABSTRACT

The least developed country category was established by the international community for countries requiring special support measures for dealing with their structural impediments to growth. Despite the availability of these measures and the efforts of the LDCs themselves, relatively little progress has been achieved. This paper reviews some of the main international support measures from the perspective of five LDCs. It highlights country approaches to the support received and the challenges confronted in accessing the measures. For an effective use of the special support, the report stresses stronger country ownership and improved donor support.

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Acronyms

AAP	African Adaptation Plan
AfT	Aid-for-Trade
AGOA	Africa Growth and Opportunities Act (US)
APTA	Asia and Pacific Trade Area
ATC	Agreement on Textiles and Clothing
BIMSTEC	Bay of Bengal Initiative for Multi-sectoral Technical and Economic Cooperation
BWFs	Bonded warehouse facilities
CBI	Caribbean Basin Initiative
CDP	Committee for Development Policy (United Nations)
CTA	Chief Technical Advisor
DAC	Development Assistance Committee
DDA	Doha Development Agenda
DFQF	duty-free quota-free
DSB	Dispute Settlement Body
DTIS	Diagnostic Trade Integration Study
EBA	Everything But Arms (Agreement)
EC	European Community
ECOWAS	Economic Community of West African States
EIF	Enhanced Integrated Framework
ESPS	Environment Sector Programme Support
EU	European Union
FDI	foreign direct investment
FTA	Free Trade Agreement
GAT	Group d'Appui a la Transition (Cape Verde)
GDP	Gross Domestic Product
GFSQA	Gambia Food Safety and Quality Authority
GM	genetically-modified
GNI	gross national income
GSB	Gambia Standards Bureau
GSP	Generalized System of Preferences
HAI	Human Assets Index
IF	Integrated Framework
INAM	National Institute of Meteorology (Mozambique)
INGC	National Institute for Disaster Management (Mozambique)
ISMs	international support measures
ITC	International Trade Centre
LDCs	Least Developed Countries
LDCF	Least Developed Country Fund (UNFCCC).
MDGs	Millennium Development Goals
MEAs	multilateral environment agreements
MFA	Multi-Fibre Agreement
MICOA	Ministry of Environment (Mozambique)
MoFTR	Memorandum on the Foreign Trade Regime
MOTIE	Ministry of Trade, Regional Integration and Employment (Gambia)
MPD	Ministry for Planning and Development (Mozambique)
NAFTA	North American Free Trade Agreement
NAP	National Adaptation Plan
NAPA	National Adaptation Plan of Action
NIA	National Implementation Arrangements
NIU	National Implementation Unit
NSC	National Steering Committee
NTBs	non-tariff barriers
ODA	Official development assistance
OECD	Organization for Economic Cooperation and Development
PARP	Action Plan for Poverty Reduction (Mozambique)
PIF	Project Identification Form
PPCR	Pilot Programme for Climate Resilience
RMGs	Ready-made garments
RoO	Rules of Origin
SAFTA	South Asian Free Trade Area
SDT	special and differential treatment
SCCF	Special Climate Change Funds
SDTF	Standards and Trade Development Facility
SDS	Strategy for the Development of Samoa
SIDS	Small Island Developing States
SPARTECA	South Pacific Regional Trade and Economic Cooperation Agreement
SPS	Sanitary and Phytosanitary Standards
TA	technical assistance
TBT	Technical Barriers to Trade
TPRM	Trade Policy Review Mechanism
TRIPs	Trade-related Intellectual Property Measures
TRIMs	Trade-related Investment Measures
UNCDF	United Nations Capital Development Fund
UNDP	United Nations Development Programme
UNFCCC	United Nations Framework Convention on Climate Change
WAEMU	West African Economic and Monetary Union
WAQP	West Africa Quality Programme
WP	Working Party (WTO)
WTO	World Trade Organization

I Introduction[1]

In 1971, the General Assembly introduced the concept of Least Developed Countries (LDCs) as a group of countries whose development challenges were particularly acute and needed special support from the international community to confront them (United Nations, 2007). Over the years the global community has adopted a number of 'international special measures (ISMs) to assist these countries in addressing structural handicaps. Despite these measures and the continued efforts of the LDCs themselves, no country made sufficient progress to graduate from LDC status until Botswana was able to do so in 1994. Meanwhile, several other countries were added to the list which currently comprises 48 countries. Since 2007, four more countries have graduated from the category, but overall progress has been slow.

This seeming disappointing outcome may be due, in part, to a variety of difficulties within the LDCs themselves, but it also suggests that the LDC-ISM framework has not been effective in addressing the challenges faced by these countries. This might have occurred for a number of reasons, notably that the measures were insufficient, not properly designed or not properly implemented. Research carried out by the Committee for Development Policy (CDP) Secretariat has also concluded that beyond issues of design and implementation, lack of effectiveness of measures may have to do with lack of awareness of the existence of such measures or with difficulties to understand and to access these measures (UN-DESA/CDP Secretariat, 2011a).

There is a rich literature that analyses issues of poor design and efficiency of ISMs for LDCs, but it is not our intention to review it here.[2] While the deficiencies of some LDC-specific ISMs are well known (preferential market access being a case in point), little is known about the LDCs' perceptions about the usefulness of these measures and about their experience in making use of the measures as a tool to address structural handicaps. The analysis provided here attempts to close this gap.

While having some well-defined common characteristics, the LDCs are a diverse group, with some countries with greater capacity to tap existing support than others. The ISMs also vary widely, both in scope and in their usefulness for LDCs.[3] LDC-specific support can be grouped into three main areas: official development assistance, which includes financial and technical cooperation; measures related to international trade (preferential market access and other forms of special and differential treatment in WTO agreements); and, general support including support in preparation for graduation and after graduation from the LDC category. The role of the various ISMs is likely to differ among countries and, in most cases, it is difficult to disentangle them from other types of support. To obtain some specific insights into the relevance of the different ISMs for addressing specific challenges confronted by LDCs, case studies were undertaken to identify the main issues related to the use of special measures for LDCs, evaluate the usefulness of the measure for the country concerned and propose some recommendations on how to tackle identified deficiencies.[4] In selecting the measures for case-study analysis, an important concern was to choose ISMs that could be exclusively associated with LDC status. Country selection was guided by the availability of relevant experience and information and geographic representation while the

1 The authors would like to thank Charles Gore for his valuable comments and suggestions. The content, findings, interpretations, and conclusions as expressed in this paper reflect the views of its authors and do not necessarily represent the views of the United Nations or those of the Committee for Development Policy.

2 See for instance UNCTAD, 2010 and United Nations, 2010.

3 A comprehensive compendium of LDC-specific support is available at http: www.un.org/ldcportal.

4 Five country case-studies were undertaken under a United Nations project on capacity-building for graduation strategies for LDCs in Asia and Africa which sought to improve the capacity of LDCs to understand and utilize the benefits derived from membership in the LDC category. For additional information see Dionizo, 2012; Lopez, 2012; Lunenborg, 2012; Pandey et. al, 2012; and Rahman, 2014. The results of the project can be accessed at www.un.org/ldcportal.

reports were commissioned to international experts. The main analysis and findings presented in the case studies were used as inputs presented in this document. The following measures and countries were selected:

- Official development assistance (ODA): the Least Developed Countries Fund (LDCF) operated by the Global Environment Facility (GEF) (Mozambique);
- Trade support:
    - Preferential Market access (Bangladesh)
    - Accession to WTO (Nepal)
    - Special and differential treatment in WTO agreements and the Enhanced Integrated Framework (EIF) (Gambia)
- General support: Smooth transition (Cape Verde)

The nature of the exercise was such that the findings are specific and selective, rather than comparative or comprehensive, but they provide some concrete evidence on countries' approaches to the support received, and challenges confronted when making use of that support and, hopefully, practical lessons for improving existing measures. The rest of this paper is organized as follows. Section II introduces the main findings derived from the first four case studies, while section III analyses the experience of Cape Verde in preparing for graduation and the extent of support received. Smooth transition from the LDC category has received considerable attention by the General Assembly in recent years (UN General Assembly, 2012a). Support in addressing structural handicaps may differ from support needed in leaving the LDC category. It was thus felt appropriate to treat ISM related to smooth transition separately. Section IV concludes.

II The use and effectiveness of ISMs – selected countries' perspectives

Conceptually, a distinction might be made between the special support that a country receives because it is an LDC and the support it receives for other reasons. It might then be possible to examine differences among countries in the use of the various measures and the resulting benefits. In reality, it is very difficult to make such distinctions in all types of measures extended. For example, while there are specific targets for ODA flows to LDCs, it is in most cases not possible to determine whether the amount of ODA to these countries is allocated on the basis of their LDC status. While preferential market access may be specific to LDC status, technical assistance to build up export capacity may not necessarily be LDC specific. Additionally, as countries' conditions matter, not all LDCs benefit from the ISMs the same way. For instance, LDCs may be eligible to benefit from preferential market access schemes, but the benefits accrue only to those LDCs that export, or have the potential to export products that are subject to tariffs or quotas to the market concerned under that specific arrangement. Even in the case of joining the WTO, all acceding LDCs have to enter into negotiations with bilateral partners and the extent of any 'restraint in seeking concessions and commitments', an LDC-specific provision, differs in each case. Thus, both the use and impact of ISMs vary widely among LDCs, making it difficult to generalize about their effectiveness. The country case studies are intended to shed light on some of these differences and on the relevance of the various measures in different circumstances. Lessons learnt from individual country's experiences suggest possible ways to facilitate the use and enhance the effectiveness of the particular ISMs considered here.

1. Preferential market access – the case of Bangladesh

Since the 1990s, Bangladesh has been increasing its integration into the global economy through trade in manufactures, as evidenced by the growing ratio of exports and imports of both goods and services to the country's GDP (Rahman 2014, table 1). The most dynamic export sector has been ready-made garments (RMGs); such exports increased more than seven-fold between 1991-1995 and 2006-2010

(Rahman 2014, table 2). Export growth has been particularly rapid during more recent years and has made a substantial contribution to Bangladesh's investment, employment and GDP and has thereby reduced poverty and contributed importantly to social transformation, including the empowerment of women. A partial and indirect corollary of this increase in export revenues is that ODA – usually seen as the most critical ISM – has assumed relatively less importance in Bangladesh's development over time. However, because of its size, the country has remained one of the largest LDC recipients of ODA in absolute terms.

The RMG sector emerged in Bangladesh as a result of a longstanding "starting condition", namely that "the production of textiles and RMG was very familiar to ordinary women (and also men) and … had deep roots in the country" (Rahman 2014, p. 5). The factors which subsequently contributed to this sector's success included both a national ability and capacity to take advantage of the opportunities offered by the global market and domestic policy changes (in the forms of trade liberalization, market-oriented reforms, removal of an anti-export bias and the pursuit of an export-oriented growth strategy in general). However, domestic capacities and measures alone do not fully explain Bangladesh's success: international support also played a critical role.

Foreign direct investment (FDI) was important in launching Bangladesh's RMG sector on to world markets. The first foreign investment in the sector was an indirect consequence of the trade preferences available to Bangladesh as an LDC. Under the then-prevailing Multi-Fiber Agreement (MFA), developing countries were subject to quotas on their textiles exports to developed countries but LDCs were exempt from such quotas (Rahman 2014, p. 6). In order to take advantage of this exemption and in view of Bangladesh's large low-cost workforce familiar with textiles production, a textiles company from the Republic of Korea created a joint venture with a Bangladeshi company in 1979. The industry grew when, in a classic case of successful technology transfer, Bangladeshi employees from this joint venture used the experience they had gained to establish their own production facilities. For its part, the Government of Bangladesh introduced measures which substantially reduced the capital required to launch a new company, namely bonded warehouse facilities (BWFs) and back-to-back letters of credit, as well as a cash compensation scheme which encouraged backward linkages. Although initially launched with some foreign investment and technology transfer, the subsequent growth of the RMG sector in Bangladesh has relied primarily on domestic resources, including capital and semi-skilled labour.

Having initially benefited from the MFA, Bangladesh feared that its replacement by the WTO Agreement on Textiles and Clothing (ATC) in 2005 would harm the country's RMG exports as the elimination of quotas would allow other, more competitive, countries to expand their exports at Bangladesh's expense. However, by reducing prices, the abolition of the MFA increased global demand for textiles, creating additional opportunities. In addition, in a large and highly segmented market, Bangladesh remained competitive in low-cost products. At the same time, it made some movement to higher value-added products and a shift from woven-wear to knitwear, partially as a result of successful backward linkages in the latter sub-sector. This combination of factors caused the growth of Bangladesh's RMG exports to accelerate in the post-MFA period although it was temporarily slowed by the global economic slowdown from 2008.

At the same time, the preferential treatment accorded to Bangladesh as an LDC has been one of the factors sustaining the growth of the country's RMG exports. As an LDC, the country has received four forms of preferential treatment in international trade: (a) various WTO provisions providing special and differential treatment (SDT); (b) autonomous, non-reciprocal initiatives through various countries' Generalized System of Preferences (GSP) schemes; (c) preferential market access initiatives that are part of regional trade agreements (RTAs) that have special provisions for members that are LDCs, such as the South Asian Free Trade Area (SAFTA), the Asia and Pacific

Trade Area (APTA) and Bay of Bengal Initiative for Multisectoral Technical and Economic Cooperation (BIMSTEC) Free Trade Area, and; (d) other trade initiatives of developing countries, including bilateral arrangements, notably those with India.

Bangladesh has been able to take significant advantage of these various preferential market access arrangements. Reduced-duty or duty-free entry to foreign markets has enhanced the competitiveness of Bangladesh's apparels sector to varying degrees in different markets. In the EU, for example, average tariffs on the apparels items exported by Bangladesh are over 12 per cent, so that the duty-free treatment that Bangladesh's exports receive under the EU's Everything but Arms (EBA) Initiative gives it a substantial price advantage. This has contributed to the rapid growth of Bangladesh's RMG exports to the EU since the early 1990s.

In contrast, the US GSP scheme for LDCs includes only 84 per cent of its tariff lines and excludes the majority of textile and apparel items. As a result, Bangladesh not only has to compete in the US market with major non-LDC exporters, some of which receive preferential treatment under other US trade initiatives, but also has to pay tariffs averaging over 16 per cent. Bangladesh's success in penetrating and increasing its share of this market, despite the tariffs, demonstrates the global competitiveness of its RMG sector. Nevertheless, such tariffs amounted to close to $600 million in 2008. This revenue – a payment from manufacturers in one LDC to the government of one developed country - was more than four times that government's bilateral aid to Bangladesh in that year; it is also more than the total resources mobilized by the EIF and the Least Developed Country Fund (LDCF) for all LDCs since the inception of these two funds.

Rules of Origin (RoO) requirements can severely constrain the application of trade preferences. In the case of clothing, exporters are required to meet specified levels of domestic value-added at different "stages of production"[5] in order to qualify for duty-free treatment. One rationale behind such requirements is that they encourage backward linkages in the exporting LDC and thereby contribute to the country's economic diversification and development. This has occurred in the knitwear sub-sector in Bangladesh with the emergence of fabric producers. In the woven-wear sub-sector, on the other hand, backward linkages have proven more difficult to develop because they are more capital- and technology-intensive and the domestic cost of producing fabrics is higher than the cost of imports.

The Government of Bangladesh, therefore, faced a dilemma in formulating a negotiating position when the EU decided to relax its RoO: the prevailing two-stage RoO were favoured by the knitwear sub-sector but were considered too restrictive by woven-wear producers. After long debate, the EU decided to relax its RoO for LDCs from two-stage to one-stage transformation as of 1 January 2011, while other developing countries remain subject to the two-stage requirement. This 'qualitative' preference for LDCs in the RoO assumes more importance as the 'quantitative' preferences (i.e., tariff margins) for LDCs are eroded by bilateral, regional and other trading arrangements.

Outside the RMG sector, Bangladesh has not been able to take similar advantage of the preferential treatment made available by developed and developing country trading partners: exports remain heavily concentrated in RMGs. The reasons for lack of diversification rest partially in Bangladesh's weaknesses in enhancing productivity and improving competitiveness in other industries and partially in weaknesses in the design of the preferential schemes, notably RoO requirements and other barriers to trade. In order to realize the potential of other products,

5 There are four different phases in textiles production (cotton, yarn, fabrics and apparel) and therefore three possible stages of production (or transformation). In simplifying RoO, two stages are yarn to fabrics to apparel, while one stage is fabrics to apparel.

including those that are eligible for preferential market access, Bangladesh needs to enhance its supply-side capacities, as well as improve its ability to comply with sanitary and phytosanitary (SPS) and technical barriers to trade (TBT) requirements. This requires new physical capacity in both production facilities and trade-related infrastructure, as well as strengthened trade-related institutions and human and technical capacities. These, in turn, call for aid-for-trade in two forms – financial and project assistance and technical co-operation, respectively. This may suggest that there is need for several factors to happen for preferential market access to support the country in diversifying exports: a minimum capacity is necessary, but support in the form of technical assistance is also needed to facilitate further transformation of the economy.

The composition of the ISMs required to stimulate diversification may differ. Bangladesh seems likely to rely more heavily on exports of manufactured products, where tariffs can be an impediment but where preferential market access, at least for an initial period, can be an advantage. But, for countries with greater comparative advantage in agricultural, horticultural and animal products, importers' standards, notably SPS, are usually a more significant barrier to entry (as in the case of exports of shrimp by Bangladesh). Duty-free, quota-free (DFQF) cannot address this problem and assistance for the country to meet food safety and other standards is necessary. Moreover, preferential treatment may serve as a catalyst for the development of an activity that, because the country has some comparative advantage, is globally competitive over the long term. In other instances, where domestic conditions are less favourable, preferences may artificially foster the development of activities that may not be viable in a more competitive global market. If, or when, a country becomes exposed to such competition, these activities go into decline and the country suffers economic losses and social disruption.

2. International support to facilitate accession of LDCs to the WTO – the case of Nepal

In April 2004, Nepal became the first LDC to join the WTO since the establishment of the Organization in 1995. Nepal wished to join the WTO primarily as part of its overall strategy to promote broad-based economic growth by improving economic efficiency through integration into the international trading system. It also hoped to benefit from improved market access as a member of WTO, from the SDT available to LDCs within the WTO and, if required, from the right to apply WTO rules and disciplines to its trading partners.

SDT provisions contained in WTO legal texts are not applicable to acceding LDC members. Accessions are ruled by article XII.1 of the Marrakesh Agreement which states that parties "[…] may accede to this Agreement, on terms to be agreed between it and the WTO." Terms of accession are detailed in the Protocol of Accession which is negotiated between the acceding state and a Working Party composed of interested members. The process is complex and long. Applicants to the WTO have to have different sets of negotiations – with a multilateral Working Party on their trade regime and with bilateral partners on tariffs on goods and on trade in services. LDCs have complained, both individually and collectively, about the nature of the procedures required to join the Organization and about the excessive demands that are made in the course of the required negotiations. All the LDCs that have sought to join the WTO since its creation have faced difficulties in the accession process. In particular, Vanuatu once suspended its accession bid due to the stringent conditions called for by WTO Members and the fear of domestic political backlash. As of August 2014, of the 15 LDCs that have applied for membership since 1995, seven (Cambodia, Cape Verde, Lao PDR, Nepal, Samoa, Vanuatu, and Yemen) have been successful in their efforts to join the

Organization. The Nepal case study identifies the difficulties that it faced in this process.

Nepal applied for the General Agreement on Tariffs and Trade (GATT) membership in 1989. But, as the GATT became the World Trade Organization (WTO), fundamental changes were introduced in the mandate and the modalities of the institution, including the way new members accede to it. Acceding countries are obliged to accept rules as a "single undertaking", that is, they can no longer pick and choose among different agreements as it was the case of the GATT. WTO members can also invoke the provision of non-application of WTO agreements towards an acceding country. This gives rise to asymmetric power to established members who may use it as a negotiating lever to obtain concessions from the acceding country. As a result, the cost of accession has increased significantly and the process has become complicated and cumbersome (Pandey, Adhikari and Wagle, 2012).

In 2002, the WTO General Council adopted the Decision Guidelines on the Accession of LDCs. The Decision calls upon WTO Members to simplify and streamline the negotiating process for aspiring LDC Members, and to exercise restraint in seeking concessions and commitments on trade in goods and services from acceding LDCs (WTO, 2003a).[6] It also indicates that transitional periods shall be granted by taking into account countries' individual development, financial and trade needs, while acceding LDCs shall offer commitments and concessions on trade in goods and services that are commensurate with their individual development. It envisages the provision of technical assistance and capacity building for the negotiation process and in the implementation of the accession package. Other provisions of the Decision reinforce the uniqueness of the accession process and its country-by-country approach thus reflecting—rather than guiding—the negotiations between the working party and the acceding country (Cortez, 2011). The Decision was in effect only during the later stages of Nepal's accession negotiations, but it might have played some, albeit minor role, in constraining WTO members from imposing "WTO-plus" conditions (beyond what is required by WTO disciplines) on the country. Although some of the offers made by Nepal prior to the General Council Decision could not be altered, Nepali negotiators found that they were able to contain the demands for additional commitments to a significant extent after the adoption of the Decision (Pandey, Adhikari and Wagle, 2011). Despite this, the commitments made by Nepal (and other acceding LDCs) are more stringent than those applicable to existing LDC members of the WTO. Table 1 below summarizes main commitments made by the country.

One of the underlying reasons for these demands would appear to be that existing Members are seeking to secure their own trade interests rather than recognizing that the acceding LDC's application for membership is part of that country's development process and not purely trade-oriented. The negotiators for the Members may have little direct personal experience or knowledge of the development challenges of the acceding LDC. Rather, with a view to protecting their future position, they often appear reluctant to make any concessions that might establish a precedent for any other applicants, including non-LDCs, even though the trade profile and development circumstances of such countries will probably differ very substantially from those of the LDC. Some of the demands are often of only marginal importance for the trade relationships of LDCs and appear more a matter of principle on the part of Members than of practical relevance for the LDC. Exercising the restraint and flexibility agreed upon in WTO's 2002 Decision (and a further Decision in 2012) regarding the accession of LDCs would produce a speedier accession process than the overly legalistic approach that is usually adopted.

Domestic inter-ministerial and inter-agency coordination, as well as informal consultations and other inputs from a wide range of civil society

6 The WTO General Council adopted a further Decision on this matter in 2012, after Nepal had joined the Organization. See further below.

Table 1

Major commitments made by Nepal during accession

	Measures	Initial Offer	Final Offer	Deadline
1	Agricultural tariffs	Average 51%	Average 42%	31/12/2006
2	Industrial tariffs	Average 39%	Average 24% *	31/12/2013
3	Liberalization of services sector			31/12/2009
4	Full implementation of TRIPS Agreement			31/12/2006
5	Full implementation of SPS Agreement			31/12/2006
6	Full implementation of TBT Agreement			31/12/2006
7	Full implementation of Customs Valuation Agreement			31/12/2006
8	Not to introduce export subsidy on agriculture			Accession date
9	Not to impose new Trade Related Investment Measures (TRIMS)			Accession date
10	Zero tariff on information technology products			31/12/2008
11	Complete phasing out of Other duties and charges (ODCs)			31/12/2013

Source: Pandey, Adhikari and Wagle (2011); WTO (2003b).

* Includes categorical commitment to reduce tariff peak on motor vehicle from 130 per cent at present to 40 per cent at the end of implementation period, implying an annual reduction of 9 per cent.

organizations and other stakeholders in the country, assisted the Government of Nepal in its negotiations. The consultations with, and contributions from, non-governmental stakeholders during the accession process were the result of personal actions by the trade negotiators at the time. They enhanced national ownership of the negotiation process and enabled the Government to achieve two key objectives. First, it ensured that Nepal's membership of the WTO would contribute to the country's overall development objectives. Second, it strengthened the Government's efforts to resist some of the demands made by WTO Members in the negotiations and to secure better terms of accession than several other LDCs, particularly when viewed from the overall development perspective. While these ad hoc domestic processes yielded results, Nepal's experience shows that an acceding country's negotiating position would be strengthened by a formal, institutionalized consultative mechanism involving all stakeholders within the country, with a clear demarcation of the rights and obligations of participants. As a further measure to strengthen its negotiating position, Nepal also used the LDC platform and the support of other LDCs to ensure that the need for the speedy accession of LDCs to WTO was included prominently in the declaration of every pertinent international forum.

The WTO Secretariat and other international partners provided Nepal with **technical assistance** during its negotiations. This proved invaluable in elaborating negotiating positions, preparing documentation and building national capacity. It thereby contributed to Nepal's ability to negotiate better terms of accession with respect to the policy space that it retained and the transition period for implementation of the Protocol of Accession. In addition, Nepal was unique among the early acceding countries in securing an implicit pledge of external technical support to assist it in implementing its commitments in the Protocol of Accession. However, little of the promised technical assistance was forthcoming after WTO membership had been secured.

The Protocol of Accession entered into by new WTO members includes deadlines for meeting various commitments made during the accession negotiations. The Government of Nepal informally divided the implementation of its WTO commitments into binding and non-binding categories. It complied with the binding commitments, such as tariff reductions, the phasing out of other duties and charges and the establishment of enquiry points, within the prescribed deadlines. It also enacted, belatedly, legislation on competition. However, laws relating to access and benefit-sharing, anti-dumping and plant variety protection had not been enacted by 2010, six years after accession. In some areas, the failure to access the promised technical assistance prevented the government from upgrading the infrastructure required to comply with, among others, the implementation of the SPS and TBT agreements. In other instances, developments since accession reduced the urgency of implementation or explicitly allowed the government to delay some of the required legislation.[7]

In addition, there was a lack of assistance to help the country address supply-side constraints. As a result, Nepal found it difficult to achieve one of its main objectives in seeking WTO membership, namely, to diversify its trade and to narrow its trade deficit. This experience suggests that the respective undertakings by the acceding LDC and by Members should be equally binding, with implementation of the LDC's commitments being made conditional on the receipt of timely and effective technical assistance from partners.[8] Acceding countries with the support of WTO should establish a mechanism to monitor both sets of commitments.

In the period since Nepal joined the WTO, the General Council has adopted new guidelines to enable LDCs to negotiate membership of the WTO (WTO, 2012). The new guidelines have five key components:

- Benchmarks for agricultural and industrial goods.
- Broad parameters for market access for services.
- Transparency in accession negotiations.
- Access to special and differential treatment provisions and favorable consideration of requests for additional transition periods.
- Enhanced technical assistance for the accession process.[9]

Nepal's experience illustrates that the flexibility promised to aspiring LDC Members of WTO in the WTO Ministerial Decision of 2002 was rarely forthcoming in either the speed of the accession process, the terms and conditions of membership or the assistance provided following accession.[10] As mentioned above, six other LDCs joined WTO after Nepal. One of the few benefits received by these successful countries was technical assistance in their negotiations.[11] However, as Nepal did, these countries often had to assume more stringent responsibilities or accept fewer dispensations than LDCs that were WTO Members from its inception. The new Decision on Accession (WTO, 2012) rectifies some of these issues, allowing for some limits to the extent of trade liberalization demanded, but acceding countries are still expected to liberalize their trade in goods and services beyond what LDCs that are WTO "founding fathers" have done. It is still too early to pass judgment on the new guidelines. The outcome of future accessions will shed additional light on whether these guidelines have a positive impact on curbing the demands for WTO-plus and -minus commitments.

3. Special and differential treatment in WTO legal texts and the EIF – the case of The Gambia

The case study of The Gambia addressed the issue of awareness and knowledge about the numerous

7 For example, in November 2005 (i.e., after Nepal joined WTO), the WTO Council for TRIPS extended the deadline for LDCs to comply fully with the TRIPS Agreement to 1 July 2013.

8 In this regard, it is interesting to note that preliminary versions of the Agreement on Trade Facilitation had precisely this approach, that is to say, some of the disciplines of the agreement would only be implemented by LDCs and developing countries pending the delivery of necessary technical assistance (WTO, 2013). The approach however was no longer reflected in the final version of the text adopted by the Ninth WTO Ministerial in Bali, in December 2013.

9 For details, see www.un.org/ldcportal at http://esango.un.org/ldcportal/web/10447/-/additonal-measures-adopted-to-streamline-accession-by-ldcs-to-wto?groupId=19799

10 It is inappropriate to pass judgement on the response to the revised Decision of July 2012 since the case study had been completed before it came into effect.

11 For reasons similar to those mentioned in the preceding paragraphs, more efficient forms of assistance might have expedited the negotiations.

ISMs for LDCs, focusing on the area of trade. It involved the compilation of an inventory of the ISMs for LDCs that are contained in various multilateral trade agreements and identified the priority attached to each trade-related ISM; it then focused on the use of two trade-related ISMs to which The Gambia attached the highest priority.

The inventory identified 52 trade-related ISMs. The Ministry of Trade, Regional Integration and Employment (MOTIE) in The Gambia was then asked how important each trade-related measure was from their point of view, whether they already benefited from the measure, what the benefits might be and what assistance they required in order to utilize it. They were not asked whether they were previously aware of the ISM as this had already been ascertained in a separate survey conducted on a group of LDCs, including The Gambia.[12]

The answers showed that The Gambia had not benefited from the majority of trade-related ISMs but that it would like to be able to benefit from most of them. The Government identified 25 such ISMs that were deemed high priority needs. Of these, The Gambia had already made some use of only nine. Broadly speaking, the measures that The Gambia had benefited were the EIF, technical cooperation to national standardizing bodies and financial assistance to participate in meetings of international regulatory bodies. The additional ISMs that it thought it could benefit from were those that would enhance its compliance with international trade law (e.g., regarding intellectual property) and standards (e.g., regarding SPS). However, the benefits that The Gambia anticipated it would receive from these ISMs were generic and few were explicitly related to The Gambia's specific trading activities.

The government indicated that its two trade-related ISMs with high priority were EIF financing and assistance in establishing a national standardizing body. In both cases, while the country's needs were clear, it had encountered procedural difficulties in obtaining the assistance it required.

The EIF requires the country to prepare a Diagnostic Trade Integration Study (DTIS) in order to qualify for project support. It starts from the country's overall macroeconomic framework and culminates in an examination of individual sectors and sub-sectors, including value-chain analysis. The study contains a list of proposed activities, "Action Matrix". In addition to the preparation of the DTIS, the EIF has an elaborate set of institutional requirements that have to be fulfilled before projects are eligible for approval (see Annex 1).

Gambia's DTIS was completed in July 2007, while the country's National Implementation Arrangements (NIA) were approved in December 2009. With only three staff, The Gambia's National Implementation Unit (NIU) does not have the technical expertise necessary to formulate specialized projects; it therefore had to call upon external consultants for this purpose. It used the International Trade Centre (ITC) to elaborate sector competitiveness and an export diversification project, and a European private sector company to develop a proposal to improve international safety standards and to build facilities to export fish, flowers and other fresh produce. ITC was able to absorb the cost of preparing the first proposal while the NIU shared the cost of the second with the Gambia International Airlines (which expected to be a beneficiary of the resulting project). The first proposal was submitted to the EIF for Tier 2 financing in August 2011; $2.36 million was approved for the project in January 2012, meaning that about five years elapsed from the identification of the project in the DTIS to the time when it became operational.

In the meantime, EIF funding for the NIU in the Gambia was expected to expire in December 2012. An extension of EIF funding for further two years required an evaluation of the NIU's activities, but to complicate matters, the post of donor facilitator became vacant in March 2011. It was difficult to find a donor willing and able to assume this responsibility,

12 See www.un.org/ldcportal at http://esango.un.org/ldcportal/web/10447/-/survey-results?groupId=19799

in part because of the small number of donor representatives in the country.

The second high priority need for trade-related assistance identified by the Gambian Government was in the area of standards. The Gambia had already received technical assistance in this area through the West Africa Quality Programme (WAQP), a regional project that was funded by the EC, executed by the United Nations Industrial Development Organization (UNIDO) and implemented by the Economic Community of West African States (ECOWAS) from 2007 to 2011. The lack of personnel in the executing and implementing agencies impeded the implementation of the project and the multiplicity of national institutions involved posed challenges to the Government in terms of building the required capacities (Lunenborg, 2012, p. 25).

Nevertheless, WAQP assisted the Gambia's SPS and Codex Committee in developing standards related to labelling and advertising for edible oil; assisted in formulating the legal instrument for the Gambia Standards Bureau (GSB); contributed to the establishment of a metrology laboratory in the GSB; supported the development of other testing laboratories; and contributed to the establishment of the Gambia Food Safety and Quality Authority (GFSQA). These activities were important first steps in establishing an institutional framework for standards in the Gambia: the GSB started its operations in the end of 2011 and the GFSQA in 2012. However, neither of these institutions had practical experience in setting or enforcing standards. In addition, none of the laboratories had been accredited to ISO/IEC 17025:2005, the global standard which is necessary if such facilities are to meet the requirements of export markets. The Gambia, therefore, needs extensive technical support to develop these capacities.

Following the completion of the case study, and drawing on the good offices of an international adviser, the Gambia submitted a request for assistance from the SDTF. The SDTF noted that the development of a Strategic Plan to address the capacity gaps of the plant health system should be a top priority and agreed to provide $50,000 for these purposes (STDF, 2012). However, this financing will result only in the preparation of a project proposal and the Gambia will have to seek further financing for the project itself. It will have been some time before the urgently required project becomes operational. Meanwhile, the institutions concerned are functioning in name only.

The Gambia's experience suggests that the provisions of the WTO Agreements regarding technical assistance are difficult to operationalize. These Agreements recognize the LDCs' need for technical assistance but provide no framework for action at the country level, nor any mechanism indicating where or how to acquire the necessary financial and technical resources. In practice, much of the support takes the form of an extensive array of workshops and training programmes conducted by the WTO secretariat with a view to strengthening both LDCs' knowledge of WTO Agreements and their capacity to implement their commitments. Some support in this area is also provided by bilateral and other multilateral donors. But not enough support is available to enhance countries' capacities to actually participate in the multilateral trading system as an exporter. In all cases, these are mostly supply-driven events which may not respond to the differing specific needs of individual LDCs.

The use of ISMs should not be based on what donors decide to make available, i.e., supply-driven, but determined by the needs of the LDCs, i.e., demand-driven. An LDC should decide upon its development strategy, programmes and actions, identify the specific constraints which could be addressed by international assistance, and then ascertain what ISMs that are available to provide that assistance. While it may draw upon the international community to undertake this process, an LDC should not limit its requests for international support to what donors offer but rather should, ideally, be able to identify what it requires, or been assisted to do so. In this regard, the experience of a few LDCs (Bangladesh, Sierra Leone and Uganda) in identifying their priority needs with external assistance within the context of the 2005 TRIPS extension is indicative of the need for such support (UN-DESA/CDP Secretariat, 2011b). Achieving the objectives of the EIF to mainstream trade into national development plans, strengthening trade institutions, and building trade policy capacity and country ownership should lead to enhanced capabilities of LDCs to identify their technical assistance needs and determine priorities for accessing trade-related ISMs.

Procedural bottlenecks underlined the delay in, or lack of, follow-up activities. Fulfilling the EIF's institutional requirements has been a cause of delay in the follow-up to the DTIS in The Gambia. Moreover, the EIF (and also the LDCF, discussed below) process is subject to discontinuities, which both contribute to delays and possibly compromise projects. At present, the EIF's Action Matrix identifies 'urgent' projects, but the originators of those proposals do not necessarily have responsibility for or involvement in their subsequent development. The formulation of some of these proposals into well-defined projects and the mobilization of the necessary finance are seen as second and third stages before activities can begin. In most instances, the LDC itself does not have the technical capacity to undertake these preparatory activities and external expertise has to be mobilized for project formulation. This inevitably involves discontinuity and delay and possibly duplication in the process: the project preparation team may re-do or revise some of the work of the DTIS (or the National Adaptation Programme of Action team in the case of the LDCF) team. Once formulated, the project has to be approved and funding mobilized before activities can begin. This gives rise to further discontinuity, delay and possible duplication and revision in the project. Procedural delays of this nature would appear to be one reason why, for example, no EIF Tier 2 projects had been approved, let alone started implementation, some four years after the EIF was re-launched. Even if they did not provide the financing, the Governments of the respective LDCs invested in the preparation of these studies, in terms of support staff and other resources, as well as political commitment; they are likely to be disappointed by the lack of prompt implementation, particularly since such delays have a cost in terms of development.

Remedying these problems calls for greater continuity in the EIF (and also in NAPA/LDCF) process. It has to be recognized that the Government, even when it has established an NIU under the EIF, is unlikely to have all the expertise necessary to formulate and implement the project proposals that are identified in the DTIS; if it did, these exercises would probably not be necessary. Development partners, therefore, need to provide continuous support to such ventures in the form of long-term technical expertise. Those who identify the need for a project should also undertake at least the first phases of project preparation, until any necessary more specialized expertise assumes responsibility. Similarly, those responsible for project preparation should at least launch the first phases of project implementation until long-term experts are in position. The possibly higher costs of this continuous approach would probably be less than the largely hidden and intangible costs of the delays, duplication and lack of accountability that result from the segmented approach. Another possibility is to bring the diagnostic and financing processes closer together through continuous interaction and exchange of information as priorities are identified by experts supporting the country and agreed upon by the Fund/donors. Even when a final project document is not yet available, long delays can be avoided if some form of pre-funding is available to shorten the period going from the diagnostic to the implementation stage.

4. LDC-specific ODA: the Least Developed Countries Fund (LDCF)–the case of Mozambique

In view of the increasing recognition of the disproportionately adverse impact of climate change on the LDCs, it was felt that the Least Developed Countries Fund (LDCF), an ISM directed explicitly and exclusively at the LDCs, warranted specific attention among the case studies selected. As this African country is considered to be the third most exposed to risks from such climate-related events as drought, flooding and cyclones, Mozambique was selected. Despite the clear indication and magnitude of these threats, there used to be little understanding in Mozambique of the need for or nature of adaptation to climate change and no capacity to address the subject.

The LDCF, operated by the Global Environment Facility (GEF), was established under the United Nations Framework Convention on Climate Change (UNFCCC) to assist LDCs to carry out the preparation and implementation of National Adaptation Programmes of Actions (NAPAs). The steps for the preparation of the NAPAs include synthesis of available information; participatory assessment of vulnerability to current climate variability and extreme events and of areas where risks would increase due to climate change; identification of key adaptation measures as well as criteria for prioritizing activities; and selection of a prioritized short list of activities. The implementation phase includes the design, development, and implementation of projects on the ground. It requires not only the mobilization of significant additional resources but also the identification and involvement of key agencies, individuals, communities and entities with relevant expertise to address the problems given priority in the NAPA.

While launched in 2002 the NAPA for Mozambique was not completed until 2007. The majority of countries that have elaborated NAPAs have taken a similarly lengthy period of time. The main reasons identified for these delays include prolonged consultation processes, drawn-out recruitment and procurement procedures, delays in providing funds and a lack of administrative capacity within the LDC. As in almost all LDCs, the underlying reason for the delay in preparing the NAPA in Mozambique and in developing the resulting projects was due to an insufficient level of human and institutional capacity. Since this lack of capacity was one of the reasons for undertaking the NAPA, it should have been recognized that this same constraint would bedevil the preparation of the NAPA itself.

The NAPA for Mozambique identified four priorities: strengthening early warning systems; strengthening the capacities of agricultural producers to deal with climate change; reducing the impact of climate change in coastal zones; and managing water resources within the framework of climate change. To implement these priorities, it proposed over 120 activities and established almost 30 expected results. The total cost of implementing the activities in the NAPA was estimated at $9.2 million over a five-year period. The overwhelming majority of activities identified in Mozambique's NAPA were field-oriented 'technical' projects. Despite the recognized lack of human and institutional capacity relating to climate change, there were few proposed activities aimed directly at alleviating this constraint, the exceptions being allocations of about $350,000 for seminars, education, sensitization, training and capacity-building and $500,000 for the creation of disaster management committees.

The adoption of the NAPA served its primary purpose in that funding began to become available for climate-related activities in Mozambique. Nevertheless, its implementation was fragmented, dispersed and delayed. In the first instance, Mozambique did not obtain approval of any funding from the LDCF until 2010, three years after the adoption of the NAPA. The resulting project, for adaptation in the country's coastal zones, was due to start in 2012 with an estimated cost of almost $10 million.

In addition to this project, a number of other externally-supported climate change activities involving various partners and sources of funding were approved after the adoption of the NAPA. These programmes and projects cover some of the activities in the NAPA, but they do not constitute a concrete collective effort to implement the NAPA. Meanwhile, none of the main projects that were identified in the NAPA in 2007 as urgent and immediate was expected to be completed before 2012 and some not until 2017(Government of Mozambique/MICOA, 2007). This indicates the need to further enhance coordination and cooperation under the climate change adaption assistance framework. Assuming no further delays in implementation, it will have been some 15 years from the launching of the NAPA process in Mozambique until completion of some of its most pressing priorities.

Despite this weakness, the NAPA exercise was valuable because it advanced the agenda for climate change adaptation in Mozambique. A major accomplishment of the NAPA was that its preparation, in itself, contributed to building the capacity to address climate change in Mozambique, including strengthening the capacities of the Ministry of Environment (MICOA), the National Institute for Disaster Management (INGC), the Ministry for Planning and Development (MPD) and the National Institute of Meteorology (INAM) to deal with climate change issues. This was an important side-benefit of the process that may not necessarily be included in any appraisal of the NAPA *per se*. Such institutional capacity is a necessary prerequisite for effective climate change activities, as reflected in the fact that, although not always called for in the NAPA, most of the resulting projects have continued to address this weakness. In Mozambique, the NAPA also raised awareness of climate change in general and its adoption contributed to putting adaptation to climate change high on the government's agenda. Critically, climate change has been mainstreamed into the country's development planning process. In particular, the issue was introduced into the objectives and expected results of the Five Year Plan and the Action Plan for Poverty Reduction (PARP), the country's two main economic planning instruments. In both documents, the climate change objectives are broader than those in the NAPA because the former includes mitigation as well as adaptation.

Sectoral planning also now addresses climate change issues; for example, the Strategic Plan for Agricultural Development for the period 2010-19 includes strategies very similar to those identified in the NAPA. Moreover, as a further example of institutional strengthening, the Government has proposed the creation of an inter-sectoral committee to deal with climate change issues. By improving coordination among the different sectors, this committee could play an important role in ensuring coherence in climate change policies and strategies, as well in the design and implementation of projects.

Overall, the experience of Mozambique suggests that the preparation of the NAPA made a useful initial contribution to essential institution-building, but that the NAPA itself was less effective than hoped in rapidly mobilizing the sizeable volume of resources necessary to implement the projects identified in its Action Plan. In some senses, the NAPA in Mozambique was the victim of its own success. Highlighting the need for adaptation to climate change resulted in the identification of numerous additional requirements and the NAPA quickly became obsolete. At the same time, the Government recognized that one of the shortcomings of the NAPA was that it did not clearly identify what was fundable, achievable and measurable. It may be considered a tribute to the success of the NAPA concept, if not the process, that the Government soon recognized the need to update the NAPA to address newly-discovered issues and concerns. Mozambique now needs to develop and implement operational projects and to continue to build and strengthen institutional and technical capacities in adaptation to climate change. This additional capacity is required in a vast range of areas, not only throughout the Government but also in the private sector, academia and NGOs.

III Smooth transition from the LDC category – the case of Cape Verde

In December 2007, Cape Verde was the first country to graduate from the LDC category for 13 years and the first to graduate after the General Assembly had adopted resolution 59/209 on a smooth transition strategy (UN General Assembly, 2004). Cape Verde's graduation was promptly followed by the country's successful accession to the WTO in 2008. These two landmarks in Cape Verde's development coincided with a sequence of global economic crises.

The decade that preceded its graduation was marked by rapid economic growth in Cape Verde, culminating in a 17 per cent increase in GDP per capita over the period 2005-2007 (Dionizio, 2012). The incidence of absolute poverty declined steadily and the Human Assets Index (HAI), one of the criteria to identify countries as LDC, improved. Graduation occurred at the time of a jump in world oil and food prices. These, in turn, were followed by the financial crisis and the economic slowdown in the developed countries. In Cape Verde, these consecutive crises manifested themselves in a decline in both migrants' remittances and, subsequently, FDI. Migrants' remittances continued a decline that had started in 2005, whereas FDI increased from 2005 to 2008 but declined in 2010. There was also a slowdown, but not a reversal, in the growth of tourism earnings. After graduation, GDP growth decelerated from an average of some 10 per cent annually in 2005-2007 to about 5 per cent in 2008-2010.

Prior to graduation, Cape Verde received a fairly steady flow of ODA, apart from a decline in 2001-2002. On the other hand, the country made almost no use of preferential market access. This was not because of difficulties with the measures themselves (such as RoO) or lack of knowledge or understanding, but because Cape Verdean companies were not competitive on world markets, even with preferential treatment. Previously, FDI, coupled with a favourable investment climate in Cape Verde, had resulted in some export-oriented activities in the clothing and footwear sector, but these closed down when the demise of the MFA made them uncompetitive (Dionizio, 2012). Because Cape Verde's few remaining exports received little benefit from tariff preferences when the country was an LDC, graduation had little impact in this area.

Cape Verde was not member of WTO for most of the time when it was an LDC, so that the SDT within WTO Agreements was not pertinent. On the other hand, it benefitted from the technical support that is available to LDCs in their negotiations to join WTO. With accession achieved, such support is no longer required. However, like Nepal, it still needs assistance to implement its accession commitments. In the case of the EIF, implementation in Cape Verde has been sluggish because of delays in the establishment of the required management structure by the Government. This has limited flows of aid-for-trade.

At the same time, Cape Verde benefited from substantial external technical assistance to support its graduation. In conformity with the General Assembly's recommendation in 2004, three years before prospective graduation in 2007, Cape Verde set up a consultative body to prepare and implement a strategy for smooth transition from LDC status. The Grupo de Apoio à Transição (GAT) was chaired jointly by the Government and the United Nations Development Programme (UNDP) and comprised representatives of various branches of the Government and all donor agencies. It fulfilled the role of preparing a transition strategy that was fully consistent with the Government's development strategy.

1. International support after graduation

To date, graduation has not involved any disruption in total external financial flows from development partners. On the contrary, the external resources mobilized by the Government increased remarkably between 2005 and 2010. There was, however, a shift from grants to loans, which could also reflect increased creditworthiness due to graduation, with most of this borrowing coming from a small number of countries. Adjustments in the terms of financial assistance have been more significant than a decrease in volume. The international community continued to be highly supportive, although the reactions from individual development partners to Cape Verde's graduation varied widely. Some partners discontinued their assistance; some re-oriented their support towards other forms of political and economic co-operation; some (notably multilateral institutions) moved from grants to concessional credit, often while continuing some grant assistance; a final group maintained their pre-graduation approach. Finally and paradoxically, there was substantial growth in ODA from a few donors, with the US recording particularly large increases after graduation. It is difficult to establish whether these reactions were linked explicitly to graduation per se, or were adjustments in partners' overall development cooperation strategies in response to Cape Verde's continued economic and social progress.

In all, the country did not suffer a large or sudden "shock" from a loss of ODA or other ISMs following graduation, and consequently did not need a complex transition strategy or large programme of activities to respond. The experience of Cape Verde since graduation is that, while LDC status may be binary, international support is less so. More importantly, despite the external crises and the accompanying domestic economic slowdown, Cape Verde has made a generally sound transition from LDC status. The domestic economic deceleration from 2008 appears to have been more a consequence of the global slowdown than of graduation and WTO membership.

Sustained development progress in the post-graduation period is visible in continued sound economic performance and further advances in social indicators, as a result of which Cape Verde is likely to achieve several of the MDGs. This transformation has been a policy-led process, based on a growth and poverty reduction strategy that has been sustained domestically by coherent socio-economic planning, a consistent and stable macroeconomic policy, institutional reforms and improved governance. The latter measures have included reforms in the management of public finance and in public administration which, in turn, have created a favourable environment for trade and investment.

Cape Verde now faces two main, interrelated challenges: (i) to move to a more diversified economic structure, possibly one with a higher information content, in order to offset its geographical constraints; and (ii) to evolve from a situation of aid dependence to a more advanced economic relationship with its development partners without compromising its development success.

Despite long-term development success, progress in Cape Verde remains susceptible to disruption. Over the short term, the global economic slowdown continues to pose an external threat. Currently, Cape Verde is especially exposed to this vulnerability because the economic and financial crises plaguing its two primary development partners may adversely affect their ODA flows. In addition, receipts of workers' remittances are also likely to be adversely impacted because a large proportion of the country's emigrants live in countries affected by the crises. With the loss of its LDC status, Cape Verde is likely to face higher external financing costs unless special dispensations continue to be made. This requires the Government to ensure more efficient use of both public and private resources. From the partners' side, it requires continued and effective support to sustain the country's economic and social development progress.

In light of the country's continued challenges, it has been suggested that the duration of the graduation transition period be extended in two phases: i) a first phase until 2015, to coincide with the MDG target date and with the final stage of the country's Growth and Poverty Reduction Strategy in 2016; ii) a second phase, with a duration of at least three years, focusing on the consolidation of the graduation strategy. Such extensions, it is argued, would put Cape Verde in a more secure position to absorb external shocks (such as those resulting from the on-going global economic slowdown), while creating adequate conditions to finance its third Growth and Poverty Reduction Programme (Dionizio, 2012).

IV Conclusions and recommendations

The sample of country case studies discussed in this paper, not necessarily fully representative of the experiences of the group of LDCs, provides additional insights into some broader aspects of ISMs identified in the literature and suggests possible improvements and avenues for further investigation

Although not a 'special measure' for LDCs in the narrow sense, ODA seems to be most widely used and the most flexible ISM for most LDCs. It plays a particularly important role in the LDCs because it can be used to increase their human, physical and productive capacities and, therefore, addresses directly some of the key constraints impeding these countries' development. As a result, countries graduating from the LDC category are often concerned about the possibility of suffering a reduction not only in the financial support but also and, more importantly (for some LDCs), in the technical and capacity building assistance they receive. It has been argued that, in principle, global support should be allocated on the basis of some indicators of relative need or similar criteria, such as those used to determine LDC status, namely per capita GNI, human assets and economic vulnerability (Guillaumont, 2011). Paragraph 23 of the General Assembly resolution 67/221 on smooth transition invites development partners to consider these three variables as part of their criteria for allocating ODA (UN General Assembly, 2012b). Making ODA more progressive with respect to needs would facilitate a smooth transition in flows to graduating LDCs.

Trade has an important role to play in promoting development and joining the WTO brings considerable advantages in terms of the provision of a multilateral trading regime with credible and enforceable disciplines. Accession has been facilitated by guidelines issued by the WTO General Council. The adoption of new accession guidelines in 2012 is a welcome development, although the process remains quite demanding for countries with limited institutional and human capacity as it is the case of the LDCs.

The second most significant form of ISMs is preferential market access. Trade preferences for LDCs played an important catalytic role in launching RMG exports in Bangladesh and in contributing to their subsequent growth. On the other hand, despite its export orientation, preferences appear to have contributed little to the diversification of Bangladesh's exports. In the other countries, preferences also seem to have had limited success in promoting export diversification. This is, in part, a consequence of shortcomings in the preference arrangements themselves (such as RoO). At the same time, preferential access needs to be grounded on some sort of incipient productive capacity within the country and complemented by interventions in other areas by the LDC government itself (e.g., a well-designed strategic plan for the sector) and other forms of assistance by development partners (say strengthening of productive capacities through technical and financial assistance).

In order to improve their competitiveness, LDCs need increased assistance in addressing their wide variety of domestic capacity constraints. Aid-for-Trade is not directed exclusively at the LDCs but offers great potential to support productive capacity building in LDCs. However, in recent years, it has increased less in LDCs than in other developing countries, despite the efforts of the EIF to build and strengthen trade institutions and processes in the LDCs. In fact, there are still challenges that undermine the effectiveness of the EIF in delivering anticipated benefits as seen in the case of the Gambia. Similar difficulties have been experienced by Mozambique during its NAPA exercise. The case studies suggest that one of the main benefits of the DTISs and the NAPAs has been to draw governments' attention to the need to integrate trade and adaptation to climate change, respectively, into their development strategies. These sectors have been "mainstreamed" and there has been broader public participation in policy formulation. The result has been greater national ownership of policies in these critical areas.

Another common characteristic in the outcomes of the DTISs and the NAPA in the case study countries was the substantial lag between the adoption of their respective 'action plans' and the commencement of any operational activities to implement those plans. Relatively few of the projects identified in the action plans have been implemented. In both cases, other donors may have implemented some of the proposals in the 'action plans' more quickly, but also may have identified them independently, not as a result of their appearance in the respective 'action plans'. Better coordination seems thus required.

An additional difficulty with both initiatives refers to the fact that the estimated costs of the individual activities, if they are identified, often fall short of what is required in practice. In addition to the lack of resources from donors, many LDC Governments seem unlikely to have all the counterpart resources necessary to complement the external support called for in the DTISs and the NAPAs. To avoid such difficulties, there should be some indication of the orders of magnitude, even if they are optimistic, of the external support and government inputs that are expected to be available for the implementation of each 'action plan' when it is being drawn up. Similarly, when identifying project proposals, greater attention should be paid to costing, and specific potential sources of financing for each proposal should be identified at an earlier stage.

Countries that have been recommended for graduation from the LDC category in recent years, together with their development partners, have broadly followed the procedures for transition from LDC status that have been embodied in the General Assembly's resolutions on the subject. Indeed, they have, to some extent, served as test cases for the approach initially elaborated in 2004 (UN General Assembly, 2004). Their successes, as well as the lessons learned, were embodied in the Assembly's 2012 resolution (UN General Assembly, 2012b).

Most importantly, recently graduating countries do not appear to have suffered any significant losses of ISMs, despite concerns about such prospects, particularly the loss of ODA. Countries that are approved for graduation in the future can expect a similarly favourable outcome as long as both they and their development partners adopt timely and effective strategies for a smooth transition.

The degree of discontinuity in ISMs upon graduation and its impact depend on the nature and role of the support that the country has been receiving as an LDC. These differences in the relative importance of various ISMs are a pre-eminent reason why strategies for transition from LDC status have to be customized to the individual LDC. The transition strategy should be seen as an adjustment to the graduating country's national development strategy that is made necessary by any prospective loss of LDC benefits.

Looking ahead, there are two over-arching requirements that critically affect the impact of ISMs in LDCs, including in the transition out of the LDC category. First, the LDC itself must have a sound development strategy that is being implemented effectively. In conformity with the principle of national ownership of development strategies and programmes, the use of any ISM by the LDCs must be the prerogative of the recipient countries, i.e., demand-driven, not supply-driven. Individual LDCs have to formulate programmes and projects that reflect their specific circumstances, if necessary with external assistance, and then articulate the support required.

Second, by the same token, development partners need to have equally effective arrangements to support LDCs' development strategies. They need to recognize the LDCs' ownership of their development processes, provide sufficient resources to support them, attune their support to the needs and circumstances of individual countries, and coordinate their collective activities effectively. At the same time, their other polices should take development concerns into account so that there is coherence in development outcomes: efforts should be made to ensure that, for example, the benefits of ODA are not offset by tariffs on imports from LDCs or by damage to producers in LDCs caused by support to producers in developed countries.

The number and complexity of ISMs, coupled with the lack of institutional capacity within LDCs, mean that it is difficult for individual LDCs to be familiar with all ISMs and with the arrangements necessary to utilize each of them. This should not, however, be necessary and, moreover, is unlikely to be efficient. One element of international support should be to assist each LDC, as required, in identifying the ISMs that are appropriate to its specific needs. An international clearing house or a universally accessible and comprehensive database or other form of information system could assist each LDC in identifying potential sources of support. DESA has developed a web portal intended to contribute to such a process.[13] With such a tool and with further improvements in the ISM architecture (United Nations, 2010; UNCTAD, 2010), LDCs should be able to make more effective use of the support that is available from development partners and embark on the road to graduation.

13 See also United Nations, 2012.

Annex 1. Brief overview of the EIF modus operandi

The EIF has two "tiers" of projects. The objective of Tier 1 activities is to increase trade policy capacity and ownership within LDCs. The aim of Tier 2 projects is to assist in the implementation of priority trade-related human and institutional capacity-building projects which are identified in the DTIS Action Matrix and which complement existing projects or fill gaps.

In order to be eligible for Tier 2 (project) funding from EIF, National Implementation Arrangements (NIA) have to be in place. The NIA requires the establishment of a National Implementation Unit (NIU) and a National Steering Committee (NSC) and the appointment of a donor facilitator (DF). All three components of the NIA have to be operational to obtain Tier 2 funding.

The role of the NIU is to mainstream trade in development strategies, to identify, design and monitor trade-related projects (including for Tier 2 financing) and to increase ownership of trade-related aid. The purpose of the NSC is to involve the private sector, academia and civil society in the planning and monitoring of projects. Tier 1 financing, usually $300,000 per annum for the first three years, is available to meet the human resource and equipment costs and some local running costs of the NIA, to prepare the DTIS and to mainstream trade through workshops and studies. It is hoped that other resources will be used to sustain these efforts after the first three years.

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