PACIFIC SUBREGIONAL WORKSHOP ON PREPARING FOR A SMOOTH GRADUATION FROM THE LDC CATEGORY

Smooth transition measures and additional support for graduating countries

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OHRLLS

Where to find information and support?
Use of existing LDC specific support measures to prepare for graduation

Examples:
• ODA → increase DRM, FDI etc.
• Climate finance (LDC Fund) → enhance resilience
• AfT, including EIF → increase diversification
• WTO Accession - some preferences before graduation (Sao Tome & Principe and Timor Leste)
Existing smooth transition measures

- WTO benefits end, but can be negotiated with members
- Extended DFQF market access for LDCs, e.g. EU extends EBA for 3 years
- EIF support continues for 5 years after graduation
- UNCDF projects continue for 3-5 years
- Technology Bank will strengthen STI capacity, access extended for 5 years
- Travel support for GA sessions extended for 3 years

Beyond smooth transition

Challenge for graduating countries
- Uncertainty surrounding the loss of ISMs (lack of knowledge)
- LDC graduates still face development constraints and challenges

Absence of link between results achieved by graduating countries, and incentives to encourage further results
- Measures put in place by the international community are mainly smooth transition measures (a delay in the loss of LDC-specific support, rather than appropriate incentives designed for countries that are no longer going to be LDCs)

Opportunity
- Identify an assistance package for graduating and recently graduated LDCs, including analytical inputs, advisory services and new forms of concrete development cooperation aimed at smoothing the impact of graduation.
Development progress of graduated countries continued

- Continued access to external support
- Changes in ODA modalities (less concessionality)
- FDI increased in some graduated countries
- Some at high risk of debt distress
- Affected by other factors, like global economic crises

Challenges of graduated SIDS

- Vulnerability to economic and climate shocks
- Dependence on imports of food and energy
- Dependence on primary commodities
- High levels of debt
- Institutional capacity
- Intellectual Property Protection
Support measures for graduating countries

- Specific capacity building to enhance access to new sources of financing
- Centralised information on available sources of concessional finance
- Dedicated support for the preparation of bankable projects in priority sectors
- Inform other actors like credit rating agencies about graduation
- Debt sustainability of graduated countries needs to be addressed
- Capacity building for government officials
- Capacity building for exporters to navigate different types of market access

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Graduation

LDC specific support | Smooth Transition measures

Additional support for graduating LDCs

Non-LDC specific support
Stages of a smooth transition strategy

• In depth analysis of potential effect of graduation, building on DESA Impact assessment
• Identify areas where continued/extended support is needed
• Consult stakeholders, build awareness
• Negotiate with development and trading partners
• Prepare a Smooth Transition Strategy linked to national development plan
• Implement the Smooth Transition Strategy
• Report to Committee for Development Policy

THANK YOU

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