United Nations A/70/292

General Assembly

Distr.: General
7 August 2015

Original: English

Seventieth session
Item 23 (a) of the provisional agenda*
Groups of countries in special situations: follow-up to the Fourth United Nations Conference on the Least Developed Countries

Implementation, effectiveness and added value of smooth transition measures

Report of the Secretary-General

Summary

The present report is submitted pursuant to General Assembly resolution 67/221, in which the Assembly requested the Secretary-General to report on the implementation, the effectiveness and the added value of smooth transition measures, including initiatives taken by the United Nations system to support countries during their graduation from the least developed country category.

* A/70/150.

I. Introduction

1. The overarching goal of the Programme of Action for the Least Developed Countries for the Decade 2011-2020, which was adopted at the Fourth United Nations Conference on the Least Developed Countries, held in Istanbul, Turkey in 2011, is to overcome the structural challenges faced by the least developed countries in order to eradicate poverty, achieve internationally agreed-upon development goals and enable graduation from the least developed country category. The Programme of Action sets an ambitious objective of enabling half of the least developed countries to meet the criteria for graduation by 2020. It is also the first global programme of action for least developed countries to contain a full-fledged chapter on graduation and smooth transition, in recognition of the need to do more in this area if the overarching goal is to be attained.

2. In the Istanbul Declaration, which was adopted at the same Conference, it is recognized that the graduation process of least developed countries should be coupled with an appropriate package of incentives and support measures to ensure that the development process of the graduated country will not be jeopardized. It was agreed to work on the development and implementation of smooth transition strategies for graduating and graduated least developed countries.

3. In its resolution 59/209, the General Assembly set out a smooth transition strategy for countries graduating from the list of least developed countries. It established the process for graduation and invited graduating countries to prepare a transition strategy to adjust to the phasing out of special support measures for least developed countries.

4. However, recently graduated and graduating countries have expressed concern that the existing smooth transition process did not work well in practice and that there was considerable uncertainty about how the international community would approach development cooperation with graduating and graduated countries. It was therefore deemed necessary to encourage an intensive exchange of views and information about the smooth transition process among Member States. An ad hoc working group of the General Assembly was established in 2012 to further study and strengthen the smooth transition process for the countries graduating from the least developed country category. It submitted a report to the General Assembly at its sixty-seventh session (A/67/92).

5. In its resolution 67/221, the General Assembly took note of the report of the ad hoc working group. The resolution builds on resolution 59/209 with respect to improving the availability of smooth transition measures and facilitating graduation.

6. Pursuant to resolution 67/221, the present report has been prepared to provide updated information about graduation and smooth transition measures, in particular with regard to the implementation of the new provisions contained in the resolution. The report draws on existing resources, including the support measures portal for least developed countries, and on replies to questionnaires sent to development partners and United Nations organizations by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States on graduation support and smooth transition measures that are made available to graduating and graduated countries.

II. Progress towards graduation

7. While only Botswana, Cabo Verde and Maldives had graduated by the time the Fourth United Nations Conference on the Least Developed Countries was held in 2011, this picture has changed significantly over the past four years, with 10 least developed countries reaching the graduation thresholds as of March 2015. In addition, several least developed countries have expressed their aspiration to graduate from the category around 2020.

Graduation process

8. The identification of least developed countries is currently based on three criteria: per capita gross national income, human assets and economic vulnerability to external shocks. The latter two are measured by two indicators of structural impediments, namely, the human assets index and the economic vulnerability index, which, along with the income criterion, are explained as follows:

(a) *Income criterion*, based on a three-year average estimate of gross national income per capita for the period 2011-2013, using the World Bank Atlas method (under $1,035 for inclusion and above $1,242 for graduation, as applied in the 2015 triennial review by the Committee for Development Policy);

(b) *Human assets index*, based on indicators of: (i) nutrition: percentage of population undernourished; (ii) health: mortality rate for children five years of age or under; (iii) education: gross secondary school enrolment ratio; and (iv) adult literacy rate;

(c) *Economic vulnerability index*, based on indicators of: (i) population size; (ii) remoteness; (iii) merchandise export concentration; (iv) share of agriculture, forestry and fisheries in gross domestic product; (v) share of population in low elevated coastal zones; (vi) instability of exports of goods and services; (vii) victims of natural disasters; and (viii) instability of agricultural production.

9. In the review process, the Committee for Development Policy determines threshold levels for each of the three criteria with a view to identifying the countries to be added to or graduated from the category. The thresholds for graduation are higher than those for inclusion.

10. To become eligible for graduation, a country must reach threshold levels for graduation for at least two of the above-mentioned three criteria or its gross national income per capita must exceed at least twice the threshold level, and the likelihood that the level of gross national income per capita is sustainable must be deemed high. To be recommended for graduation, a country must be found eligible at two successive triennial reviews by the Committee for Development Policy.

11. A country graduates from the list of least developed countries three years after the General Assembly takes note of the endorsement by the Economic and Social Council of the recommendation of the Committee for Development Policy, in line with resolution 59/209. During that three-year period, the country remains on the list of least developed countries and continues to benefit from the special support measures for least developed countries.

12. In its resolution 67/221 the General Assembly emphasized that a successful transition needed to be based on the national smooth transition strategy elaborated

as a priority by each graduating country, before graduation, under national leadership, involving all stakeholders of the Programme of Action. It also recommended that the national smooth transition strategy include a comprehensive and coherent set of specific and predictable measures that are in accordance with the priorities of the graduating country while taking into account its own specific structural challenges and vulnerabilities as well as its strengths.

13. In the same resolution, the General Assembly also recommended that the consultative mechanism specified in resolution 59/209 be established by the graduating country, in cooperation with its bilateral and multilateral development and trading partners, to facilitate the preparation of the transition strategy and the identification of the associated actions and the negotiation of their duration and phasing out for a period appropriate to the development situation of the country. The smooth transition strategy is to be implemented only after the graduation of the country. The graduation process is described in the table below.

The graduation process

Year	*United Nations*	*Member State*
0	First finding of eligibility by the Committee for Development Policy. The country is notified.	
0 to 3	United Nations Conference on Trade and Development prepares a vulnerability profile, assessing the extent of external economic and natural shocks on the economic performance and economic structure of the country under review, and the Department of Economic and Social Affairs prepares an ex ante impact assessment of the likely consequences of graduation on economic growth and development. Both reports are circulated to the country for comments.	The eligible country prepares a graduation strategy, including how to use specific support measures for least developed countries and other support for sustainable development, with support from the United Nations system.
3	Second finding of eligibility by the Committee. The Committee reviews the vulnerability profile, impact assessment and country inputs. The Committee recommends graduation. The Economic and Social Council takes action on the Committee's findings. The General Assembly takes note of the Committee's recommendation. Graduation takes place after three years.	The eligible country provides additional information to the Committee on challenges related to graduation.
3 to 6	The Committee monitors socioeconomic development progress of the graduating country annually. The United Nations system provides information on general smooth transition measures for all graduated countries and support for the consultative mechanism.	Graduating country prepares smooth transition strategy in cooperation with development and trading partners, with support from the United Nations system (consultative mechanism).
6	The country graduates from the least developed country category.	

Year	United Nations	Member State
Post-graduation	The Committee monitors the development progress of the graduated country during triennial reviews.	The graduated country implements its smooth transition strategy. The graduated country, with the support of the consultative mechanism, monitors the implementation of the smooth transition strategy and keeps the Secretary-General informed.

Graduation thresholds increasingly met

14. As mentioned above, progress towards graduation has accelerated since 2011. Samoa graduated from least developed country status in January 2014. Equatorial Guinea and Vanuatu are scheduled to graduate in 2017. While Tuvalu was recommended for graduation by the Committee for Development Policy in 2012, the Economic and Social Council deferred a decision on its graduation until 2018. Angola and Kiribati met the graduation thresholds for the second time in 2015. A recommendation on the graduation of Kiribati was deferred by the Committee to the 2018 triennial review. The Council endorsed the recommendation of the Committee that Angola be graduated from the least developed country category. Five additional least developed countries met the graduation thresholds for the first time in 2015: Bhutan, Nepal, Sao Tome and Principe, Solomon Islands and Timor-Leste (see E/2015/33).

15. The increase in the number of countries meeting the graduation criteria indicates accelerated progress towards the goal of the Programme of Action. It also implies that the issue of smooth transition after graduation will become more relevant in the coming years.

16. It is encouraging to note that a number of least developed countries have announced their ambition to graduate around 2020. Among these countries are Bangladesh, Bhutan, Cambodia, the Lao People's Democratic Republic, Myanmar and Nepal, which have included clear timetables for graduation in their national development plans. Many of these countries have begun to prepare assessments of the impact that graduation would have on official development assistance flows and trade preferences, including through an exchange of views with already graduated countries. In Africa, several least developed countries plan to become middle-income countries in the next decade or so. The aspirations expressed in the national development plans of Ethiopia, Rwanda, Uganda and the United Republic of Tanzania, among others, which are all anchored in long-term visions, reflect the defining criteria of graduation from least developed country status. The current five-year development plan in Ethiopia, known as the growth and transformation plan, seeks to foster economic growth, eradicate poverty, bring about structural transformation and enable the country to reach middle-income status between 2020 and 2025. A similar ambition is also a key feature of the second economic development and poverty reduction strategy of Rwanda and the second national development plan of Uganda, both of which set the goal of reaching middle-income status by 2020 and outline ambitious infrastructure investment programmes that are expected to help to diversify the economies of these countries into dynamic sectors. In addition, the national five-year development plan of the United Republic of

Tanzania is the first in a series of three five-year implementation tools to be deployed in the pursuit of middle-income country status by 2025.

17. Policy discussions relating to ways to accelerate progress towards graduation for least developed countries were held during two regional meetings organized by the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States. Ministers and government representatives from the least developed countries of the Asia Pacific region met in Kathmandu from 16 to 18 December 2014 to discuss graduation and the post-2015 development agenda. The ministerial meeting of African least developed countries, held in Milan, Italy, from 8 to 10 June 2015, examined issues related to structural transformation, graduation and the post-2015 development agenda in the context of the 2015 world's fair in Milan on the theme of "Feeding the planet, energy for life". Both meetings served as a platform for an exchange of country experiences.

18. At those meetings, Government participants emphasized that graduation should not be seen as an end, but should rather be viewed as a way to achieve structural change, poverty eradication and economic diversification in least developed countries and thereby contribute to the achievement of the goals of the Programme of Action and the post-2015 development agenda in an accelerated and effective manner.

19. Both meetings also stressed that efforts towards graduation needed to be underpinned by ownership and leadership of the least developed countries, given that the primary responsibility for development lay with the countries themselves. The need for least developed countries to be supported by specific and substantial international measures in a spirit of shared responsibility and mutual accountability was also underlined. Least developed countries needed to identify key drivers of graduation on the basis of their national development strategies.

Targeted United Nations system support

20. In its resolution 68/224, the General Assembly requested all relevant organizations of the United Nations system, led by the Office of the High Representative, to extend necessary support to least developed countries that aspired to graduate in the elaboration of their graduation and transition strategy. Some of the most recent activities of United Nations system organizations in providing substantive support to least developed countries that aspire to graduate and graduating least developed countries are reported in the following paragraphs below.

21. The Economic and Social Commission for Asia and the Pacific (ESCAP) and the Department of Economic and Social Affairs, in cooperation with the Government of Bangladesh, jointly organized a workshop in October 2014 on financing graduation gaps in the 12 least developed countries of the Asia Pacific region, where estimates of the financial resources needed by each of those countries in closing their graduation gaps were discussed. The workshop was also aimed at identifying the sources of financial resources, including international support measures and national resources.

22. At the request of the Government of Angola, the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States led a national workshop on

graduation strategies in Luanda in July 2013, in close cooperation with the United Nations country team, the United Nations Development Programme (UNDP) and the Economic Commission for Africa (ECA), which resulted in a road map charting milestones in the graduation process. The United Nations Conference on Trade and Development (UNCTAD) also organized a national training and capacity-building workshop on the progress of Angola towards graduation. The Government of Angola set up a high-level committee to oversee the graduation process.

23. In addition, the Office of the High Representative led a joint United Nations mission with the Department of Economic and Social Affairs, ESCAP, UNCTAD and UNDP to Myanmar in December 2014. The mission worked with the Government of Myanmar on the preparations for a strategy for graduation. To date, Myanmar has established a high-level committee on graduation headed by the Vice-President and specific subcommittees for each of the graduation criteria. Myanmar is also currently preparing a national comprehensive development plan, which should facilitate its goal of graduation through an alignment of priorities with the economic sectors, which are key drivers for graduation.

24. Several United Nations entities supported the twelfth round table meeting between Bhutan and its development partners, in which the Government of Bhutan presented the eleventh five-year plan for the period 2013-2018. The plan strongly reiterates that graduation from the list of least developed countries by 2020 is one of the top priorities of the Government. The meeting also had the objective of ensuring better alignment of development assistance with national priorities for improved aid effectiveness.

25. In addition, several United Nations entities provided advisory services and awareness-raising and capacity-building workshops on graduation. UNCTAD organized workshops for Cambodia, the Lao People’s Democratic Republic, Tuvalu and Vanuatu. UNDP also organized workshops in the Lao People’s Democratic Republic and Samoa. ECA assisted Lesotho in refocusing its development plan towards graduation. Furthermore, country offices of various United Nations agencies contributed to the impact assessments and vulnerability profiles, as well as to monitoring the progress of graduated countries.

III. Smooth transition measures

International support measures

26. Various special support measures exist for least developed countries. These are provided by development partners, including bilateral donors and multilateral organizations. The main international support measures for least developed countries can be grouped under three categories: official development assistance, measures related to trade and other measures.[1]

27. The goal of allocating 0.15 to 0.2 per cent of official development assistance/gross national income to least developed countries, which is contained in the Programme of Action, Millennium Development Goal 8 and the Addis Ababa Action Agenda of the third International Conference on Financing for Development,

[1] Detailed information is available on the support measures portal for least developed countries (available from http://esango.un.org/ldcportal).

was met by only nine out of the 28 countries of the Development Assistance Committee of the Organization for Economic Cooperation and Development (OECD) in 2013. A 15 per cent decline in official development assistance flows to least developed countries was recorded in 2014, and Member States at the Conference committed to reversing that decline.

28. There are no clear provisions for the allocation of official development assistance among least developed countries. It is well established that donors do not consistently allocate aid according to the needs and capacities of recipient countries, but use other factors for country allocations. In general, bilateral assistance appears to be guided by humanitarian, economic or political considerations and not by country categories or least developed country criteria. It therefore cannot be stated that graduation from the list of least developed countries would necessarily lead to changes in official development assistance allocations. Even though 0.15 to 0.20 per cent of official development assistance/gross national income should go to least developed countries, currently out of $140 billion total official development assistance, only $36 billion, or approximately one third, is allocated to least developed countries. Two thirds of total official development assistance is still allocated to countries that do not have least developed status.

29. The Development Assistance Committee recommends untying official development assistance to the least developed countries to the greatest extent possible, removing legal and regulatory barriers to open competition for aid-funded procurement, which generally increases aid effectiveness by reducing transaction costs. However, 13 per cent of official development assistance flows channelled to least developed countries in 2013 was still subject to requirements regarding suppliers in donor countries.

30. In the Addis Ababa Action Agenda, the importance of focusing the most concessional resources on those with the greatest needs and the least ability to mobilize other resources is recognized. OECD also recommends mainly providing grants to least developed countries. In 2012 and 2013, grants accounted for 83.7 per cent of total official development assistance going to all developing countries, while they accounted for 98.6 percent of official development assistance going to least developed countries. In December 2014, Development Assistance Committee countries decided that, in order to ensure that loans to least developed countries and other low-income countries were provided at highly concessional terms, only loans with a grant element of at least 45 per cent would be reportable as official development assistance, whereas loans to lower- and middle-income countries only needed to have a grant element of at least 15 per cent, and those to upper-middle-income countries of at least 10 per cent, in order to be reportable as official development assistance.

31. The terms of bilateral financial assistance might change after graduation. For example, concessional interest rates available for least developed countries on the funds provided by Japan through its yen loan project service would no longer be accessible for graduated countries. In general, the degree of concessionality of loans could decrease after graduation, as could the share of untied official development assistance. The decrease in concessionality could increase the debt burden of some graduating least developed countries, especially those in the Pacific region.

32. Trading partners have committed to providing trade preferences through duty-free, quota-free market access for least developed countries. In addition,

development partners have agreed to provide various forms of technical and financial support to least developed countries to increase diversification and enhance productive capacity. Most developed countries provide nearly full duty-free, quota-free access to products originating in least developed countries, in line with the 2005 Hong Kong Ministerial Declaration and the 2013 Bali World Trade Organization (WTO) ministerial decision on duty-free and quota-free market access for least developed countries. A number of developing countries, including Chile, China and India, apply comprehensive duty-free, quota-free schemes for least developed countries. Some 60 per cent of least developed country exports, excluding oil and arms, benefited from true preferential treatment in 2014, excluding duty-free access under the most-favoured-nation treatment, compared with 35 per cent in 2000. However, the use of preferential market access varies widely among least developed countries, depending on their supply-side constraints.[2]

33. Other trade-related support to least developed countries concerns special provisions for WTO accession and provisions in the Trade-Related Aspects of International Property Rights agreement. In the area of trade in services, a waiver was adopted by WTO at its Eighth Ministerial Conference, in 2011, allowing member States to grant preferential market access to services and service suppliers from least developed countries. Following the decision on the operationalization of the waiver, the least developed countries made a collective request, indicating for which services and service modes they would like to receive preferential market access. Australia and Canada were the first countries to notify WTO about sectors and modes of supply in which they would grant preferential treatment. The Canadian notification includes, among other things, temporary movement of natural persons, facilitation of student exchanges and financial services. The Australian notification includes several service sectors, including tourism, transport and business services. Sixteen other WTO member States reaffirmed their commitment to submit a notification of preferential market access for least developed country services and service suppliers by 31 July 2015.

34. Under the United Nations Framework Convention on Climate Change, financing sources were created to address the special needs of developing countries in the area of climate change mitigation and adaptation. Among others, the Global Environment Facility Trust Fund was made operational in 1994. In 2001, the Conference of the Parties to the Convention established the Least Developed Countries Fund to support least developed countries in carrying out the preparation and implementation of national adaptation programmes of action. To date, 51 least developed countries, including the graduated countries of Cabo Verde, Maldives and Samoa, accessed funding of $12.2 million from the Fund for the preparation of their respective programmes of action and 48 countries have accessed a total of $726.25 million for 138 programme of action projects to address urgent and immediate adaptation needs.

35. The Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries is a multi-donor programme that supports least developed countries by increasing their participation in the international trading system. Following an extensive review, a second phase of the Framework was

[2] See "Millennium Development Goals report 2015" (available from http://www.un.org/millenniumgoals/2015_MDG_Report/pdf/MDG%202015%20rev%20(July%201).pdf).

launched at the Fifth Global Review of Aid for Trade of WTO in 2015. For the first time, the programme can fund regional, as well as national, projects. The second phase of the Framework will cover the period 2016-2022. To date, 47 least developed countries and 3 recently graduated countries, namely, Cabo Verde, Samoa and Maldives, have received support from the Framework.

36. The United Nations provides financial support for the participation of representatives of least developed countries in annual sessions of the General Assembly. The United Nations pays for the travel, but not subsistence expenses, for up to five representatives per least developed Member State attending a regular session of the General Assembly, one representative per least developed Member State attending a special or emergency session of the General Assembly and one member of a permanent mission in New York designated as a representative or alternate to a session of the General Assembly.

37. Contributions to the United Nations budget are capped at 0.01 per cent for least developed countries. To date, no smooth transition measures have been considered in this regard.

Existing smooth transition measures

38. In its resolution 67/221, the General Assembly called on development partners to make efforts so that their bilateral and multilateral strategies and aid programmes support the national transition strategy of the country for some time after graduation.

39. In the same resolution, the General Assembly also invited development partners to consider least developed country indicators, gross national income per capita, the human assets index and the economic vulnerability index as part of their criteria for allocating official development assistance. This would constitute a built-in smooth transition measure and make the allocation of official development assistance more stable and predictable.

40. In the case of the Least Developed Countries Fund, if a national adaptation programme of action is prepared before the country graduates, then access to the Fund can continue, but only for a few projects, after which the funds may no longer be accessible. Cabo Verde and Maldives benefited from this extension. Both countries received funds for implementing a project of the national adaptation programme of action after they graduated from the least developed country category.

41. Beneficiary countries of the Enhanced Integrated Framework for Trade-related Technical Assistance to Least Developed Countries that graduate from the least developed country category will automatically continue to access Framework benefits for three years after graduation and, subject to justification and approval by the Board of the Framework, another two years.

42. In the area of trade preferences, since 2012 the European Union has applied a general smooth transition measure that extends the benefits under the Everything but Arms initiative for a transitional period of at least three years for countries that graduate from the least developed country category. The objective is to alleviate any adverse effects that may be caused by the removal of the tariff preferences granted under the special arrangement for least developed countries. Cabo Verde, which graduated from the least developed country category in 2007, was allowed to

continue to benefit from the Everything but Arms preferences until 2010, at which point the European Union decided that the transitional period had not allowed the time necessary for Cabo Verde to overcome its overreliance on one key export sector and thus alleviate potential adverse effects of its removal from the Everything but Arms initiative. The smooth transition period was therefore extended for an additional two years. After that period ended, the European Union granted "GSP+" (Generalized System of Preferences) status to Cabo Verde, which provides preferential access to the European market when certain conditions of good governance are met.[3] Maldives continued to benefit from Everything but Arms preferences granted under the special smooth transition arrangement for least developed countries until 31 December 2013. Similarly, Samoa, having graduated in 2014, continues to benefit from those preferences for a transitional period of three years.

43. In its resolution 67/221, the General Assembly invited trading partners that had not established procedures for extending or phasing out preferential market access, inter alia, duty-free and quota-free treatment, to clarify in a predictable manner, as a general measure or at the consultative mechanism, their position with regard to the extension of the least developed country-specific preferences, the number of years of the extension or the details concerning the gradual phasing out of the measures.

44. The General Assembly, in its resolution 65/286, decided to extend the long-standing benefit of travel-related support, if requested, within existing resources, to Cabo Verde and Maldives for a period appropriate to the development situation of the country and for a maximum of three years. The same benefit would be granted to any other country that graduated from least developed country status.

45. The International Telecommunication Union (ITU) provides fellowships to representatives of Member States to attend meetings of the Telecommunication Development Advisory Group. The Group meets annually to advise the director of the Telecommunication Development Bureau on the implementation of the action plan of the World Telecommunication Development Conference, which is held every four years. Within the limits of the available budget, fellowships are granted to delegates from least developed countries and developing countries with a per capita gross domestic product of less than $2,000, with priority given to the least developed countries. ITU allows a grace period for an undetermined length of time to newly graduated countries, such as Cabo Verde and Maldives, which have continued to receive the fellowships after graduation.

Access to non-least developed country specific treatment

46. Graduated countries will still be able to benefit from official development assistance and trade preferences and receive special treatment under other arrangements. Some of this support, which is closely related to the measures discussed above, is described below.

[3] The GSP+ enhanced preferences mean full removal of tariffs on essentially the same product categories as those covered by the general arrangement. These are granted to countries that ratify and implement core international conventions relating to human and labour rights, the environment and good governance.

47. Given that only approximately one third of total official development assistance has been allocated to least developed countries over the past years, it is clear that graduated countries will still have access to such flows. The World Bank, the International Monetary Fund and regional development banks do not use the least developed country category as a criterion for aid allocation. There are 77 countries considered eligible for the highly concessional support by the International Development Association of the World Bank. The seventeenth and most recent replenishment of the resources of the Association was finalized in December 2013, resulting in a record replenishment size of special drawing rights of 34.6 billion ($52.1 billion) to finance projects over the three-year period from 2014 to 2017. Eligibility is defined as gross national income per capita below an established threshold and is updated annually ($1,215 in fiscal year 2016). The Association also supports some countries, including several small island economies that are above the operational cut-off, but which lack the creditworthiness needed to borrow from the International Bank for Reconstruction and Development. To become eligible, small islands need to have a population below 1.5 million, significant vulnerability due to size and geography and very limited creditworthiness and financing options. They have, on average, four times the Association's operational cut-off and, in some cases, as high as six times the operational cut-off. Cabo Verde, Kiribati, Maldives, Samoa, Sao Tome and Principe, Tuvalu and Vanuatu have access to Association assistance through the small island economies exception.

48. Several least developed countries might also continue to benefit from preferential market access after graduation. For example, the least developed countries of Kiribati, Samoa, Solomon Islands and Tuvalu can access markets on a preferential basis owing to their membership in the South Pacific Regional Trade and Economic Cooperation Agreement, which allows duty-free and unrestricted or concessional access to markets in Australia and New Zealand for most products.

49. The African Growth and Opportunity Act is a non-reciprocal trade preference programme that provides duty-free treatment to exports of certain products from eligible sub-Saharan African countries into the market of the United States of America. The programme was recently extended for another 10 years. There are 39 currently eligible beneficiaries, of which 26 are least developed countries. In terms of tariff benefits and general eligibility criteria, the Act is similar to the Generalized System of Preferences programme of the United States that applies to more than 120 developing countries. The Act, however, covers more products, notably apparel, and includes additional eligibility criteria beyond those found in the Generalized System of Preferences. The Act has had a considerable impact on the clothing industry in sub-Saharan Africa and contributed to the establishment of several textile plants throughout the region. Graduation would not have any impact on Act eligibility.

50. Economic partnership agreements are trade and development agreements negotiated between the European Union and African, Caribbean and Pacific countries engaged in a regional economic integration process. They are intended to replace the unilateral trade preferences provided by the European Union to countries in those regions under the Partnership Agreement between the Members of the African, Caribbean and Pacific Group of States of the one part, and the European Community and its Member States, of the other part. Economic partnership agreements have been negotiated with seven regions, which cover 37 least developed countries and three

graduated countries (all except Maldives). However, the agreements are at various stages of negotiation, conclusion and ratification.[4] Graduated countries that have not signed an agreement will have access to the European Union market under its Generalized System of Preferences after the expiration of the smooth transition measures under the Everything but Arms initiative.

51. The Least Developed Countries Fund is available exclusively to least developed countries, while other funds are available for all developing countries. The Special Climate Change Fund was established in 2004 to finance activities, programmes and measures relating to climate change. It had financed projects in 79 countries, including 12 least developed countries, as of April 2015. The Adaptation Fund, made operational in 2009, was established by the Parties to the Kyoto Protocol of the United Nations Framework Convention on Climate Change to finance specific adaptation projects and programmes in developing countries.

52. The newly established Copenhagen Green Climate Fund aims to attain an equal allocation of its resources towards mitigation and adaptation, while ensuring that at least half of the funding for adaptation is for vulnerable countries, including small island developing States, least developed countries and African States. There would therefore be no major change in access to the funds by several African and small island States when they graduated from least developed country status.

IV. Experiences of graduating and graduated countries with smooth transition

Formulating smooth transition strategies

53. In its resolution 67/221, the General Assembly emphasized that a successful transition needed to be based on the national smooth transition strategy elaborated as a priority by each graduating country, during the period between the date the recommendation that the country be graduated is taken note of by the Assembly and the effective graduation date, under national leadership, involving all stakeholders of the Programme of Action for the Least Developed Countries for the Decade 2011-2020. Furthermore, graduated countries were invited to prepare reports on smooth transition after graduation.

54. Vanuatu was found to meet the graduation criteria for the first time in 2006, for the second time in 2009 and for the third time in 2012. At the end of 2013, the General Assembly decided that graduation should become effective at the end of 2017. The Government of Vanuatu has established a committee to work on policy interventions to address the possible negative impacts of leaving the least developed country category. The committee is working with development and trading partners on a smooth transition strategy and to review and monitor the transition process to ensure that Vanuatu will continue on a sustainable development path. The smooth transition strategy should focus on minimizing the potential adverse effects of graduation. The high vulnerability of Vanuatu, owing to its smallness and susceptibility to negative impacts of climate change and natural disasters, needs to be addressed. International support should be further strengthened to address continued vulnerabilities following graduation.

[4] See http://ec.europa.eu/trade/policy/countries-and-regions/development/economic-partnerships/.

55. Equatorial Guinea met the graduation criteria for the first time in 2006 and for the second time in 2009. At the end of 2013, the General Assembly took note of the recommendation of the Economic and Social Council and decided that graduation should become effective in mid-2017. The impact assessment prepared by the Department of Economic and Social Affairs indicates that the loss from access to least developed country-specific support is likely to be minimal, given that the country does not receive significant amounts of official development assistance, owing to its classification as a high income country by the World Bank. Similarly, in the area of trade, tariffs on oil, its main export product, are in general zero or very low and there is therefore little scope for trade preferences. Nevertheless, a smooth transition strategy should be prepared to make the most use of still accessible least developed country-specific support and to ensure a sustainable development path for which structural transformation is crucial.

56. Samoa graduated on 1 January 2014, after the General Assembly decided to postpone its original graduation date in December 2010, owing to a tsunami that hit the country in 2009. The Government of Samoa prepared a smooth transition strategy in 2012. That strategy is an integral part of its national development plan. The Government continues to hold participatory consultations with its development partners with regard to the continuation of support programmes. A joint policy matrix was agreed to in 2011, with most of the development partners of Samoa building the basis for the delivery of performance-linked aid.

57. Samoa was able to negotiate an extension of the duty-free, quota-free scheme with China, with zero tariff treatment on noni juice and other agroprocessing products until 2017. It also continues to receive preferential market access to Australia and New Zealand under the South Pacific Regional Trade and Economic Cooperation Agreement and other schemes. Japan took Samoa off the list for preferential market access in April 2014, shortly after graduation. The value of Samoan exports of fresh fish decreased in 2014, compared with 2013, while beer, noni juice, taro and coconut oil, which are its other main export products, all increased during the same period. It is still too early to identify the causes of recent export fluctuations.

58. Aid programmes of the main bilateral donors, namely, Australia, Japan, New Zealand and the European Union, continued in 2014 without any major impact owing to graduation. According to recent estimates, China is now the second largest donor to Samoa and provides three quarters of its aid in the form of concessional loans. Samoa managed to secure most of its aid in grant form in 2014, but the increase in loans from multilateral financial institutions and emerging bilateral donors raised concerns about the level of the country's external debt. Furthermore, Samoa continued to have access to the travel-related benefits provided by the United Nations after its graduation in 2014.

Impact of graduation on official development assistance and trade

59. Cabo Verde and Maldives are two countries where possible changes in external support after graduation and a smooth transition phase can be observed.

60. Maldives was found eligible for graduation for the first time in 1997, for the second time in 2000 and for the third time in 2003. The General Assembly took note of the recommendation of the Economic and Social Council in 2004. However, in 2006 the Assembly decided to defer the graduation of Maldives to 1 January 2011,

owing to the tsunami that hit the country in December 2004. Maldives formulated a smooth transition strategy focusing on trade development and development financing.

61. Official development flows to Maldives had increased significantly before 2011, the year of its graduation.[5] In 2013, both total official development assistance and that from Development Assistance Committee donors fell back to the levels of the first half of the decade. This was owing in part to the completion of major infrastructure projects and a decline of flows from the Asian Development Bank, to given the classification of Maldives as an upper-middle income country by the World Bank in 2010. According to estimates from the Government, the inflow of grants rebounded in 2014.

62. Maldives continued to benefit from the Everything but Arms initiative of the European Union, the member States of which are some of the main importers of its canned and processed tuna, until 2013. In 2014, the country benefited from the Generalized System of Preferences of the European Union, with average duties on its tuna exports between 0 and 9.25 per cent. Owing to its classification as an upper-middle-income country by the World Bank, the country ceased to benefit from those preferences and is facing tariff rates between 4.4 and 11 per cent on its tuna exports. Japan applied most-favoured-nation tariffs of 3.5 per cent to tuna imports from Maldives in 2011, immediately after its graduation. The value of exports by Maldives remained constant for the most part after its graduation, at more than $300 million for the period 2011-2013. The value of fish exports increased during the same period. However, the conditions in the fisheries sector deteriorated in 2014 because of the decline in fish catch and a significant fall in international tuna prices. Additional careful monitoring of the fish industry over the next few years is required to properly assess the impact of the loss of trade preferences on this important economic sector in Maldives.

63. Cabo Verde graduated in 2007 after meeting the graduation thresholds in 1997, 2000 and 2003. Its smooth transition was supported by a strategy devised by the Government in cooperation with a donor support group. Total official development assistance, as well as assistance commitments by Development Assistance Committee donors, continued to increase until 2009. After a dip in 2010 and 2011, which was in line with previous fluctuations, official development assistance increased to its highest level since 2000 in 2012 and 2013. With regard to exports, the trend of fast growth continued after 2007. Total exports increased from $19 million in 2007 to $69 million in 2013.

V. Conclusion and recommendations

64. Member States, including development partners, have recognized that the graduation process of least developed countries should be coupled with measures to ensure that the development process will not be jeopardized and that progress towards the sustainable development goals will be sustained and irreversible.

65. The provisions in General Assembly resolution 67/221 have provided a solid basis for a more predictable graduation and smooth transition process and support

[5] Given that both Maldives and Cabo Verde are small islands, official development assistance often fluctuates, rendering it difficult to draw firm conclusions from a short period of time.

mechanism that will ensure that the loss of least developed country-specific international support measures will not jeopardize the development progress of graduated countries.

66. The recently graduated countries of Cabo Verde, Maldives and Samoa continued on their development path, with similar levels of official development assistance flows and exports to date. Their smooth transition strategies also received support from some development partners.

67. However, much still needs to be done to effectively implement the wide-ranging provisions of General Assembly resolution 67/221, with a clear focus and leadership by the graduating and graduated countries and equally strong support from the development partners and the United Nations system.

68. Graduation and smooth transition strategies should be integrated into national development strategies and donors' aid strategies. The cycle of preparation of such strategies needs to be taken into account at an early stage in the graduation process. Countries that are found eligible for graduation need to begin the consultative process on their transition strategy as early as possible, engaging all relevant donors and stakeholders. The strategy should be sufficiently flexible to adjust to the new challenges that may arise during the process.

69. Development partners should provide timely information about support measures directed specifically towards the least developed countries and about smooth transition measures to allow graduating countries to adjust to a phasing out of least developed country-specific support.

70. Development partners should apply the least developed country criteria, namely, the gross national income per capita, the human assets index and the economic vulnerability index, to their process of aid allocation. Doing so would constitute a built-in smooth transition measure and make the allocation of official development assistance more stable and predictable.

71. The level of concessionality of international public finance should take into account the level of development of each recipient, including their income level and institutional capacity and vulnerability, as well as the nature of the project to be funded, including its commercial viability. Doing so would help graduated countries to make their transition more sustainable.

72. Several graduating countries have expressed concern about their access to funding from multilateral development banks and institutions on a concessional basis as well as for climate change adaptation and mitigation. The least developed and graduated countries of the Pacific region, in particular, continue to face a high degree of vulnerability to the effects of climate change, owing, among other things, to their small size and remoteness. It is therefore important not only that the funding available to least developed countries be increased but also that concessional funding be made accessible for graduated countries, taking into account their vulnerability and geographical constraints.

73. United Nations entities that have committed to allocating a certain percentage of their resources to least developed countries need to consider the extension and gradual phasing-out of least developed country-specific support to graduated countries for a fixed period of time in a predictable manner and applied in accordance with the specific development situation of each graduating country.

74. At the request of graduating and aspiring-to-graduate countries, United Nations support, under the leadership of the Office of the High Representative for the Least Developed Countries, Landlocked Developing Countries and Small Island Developing States, has been stepped up in recent years. This is a positive trend. In this regard, the institutionalization of the efforts by the Office of the High Representative to coordinate United Nations system organizations, including the establishment of a dedicated working group as part of its inter-agency consultative group mechanism, needs to be further pursued. The substantive activities and operational programmes of the Office of the High Representative in support of graduating least developed countries need to be strengthened and enhanced to match the increasing demand, given that more least developed countries are moving towards graduation in the coming years.

75. In order to enhance the effectiveness of smooth transition measures, monitoring and follow-up on these measures need to be further strengthened. It is therefore important to prominently include the issues of graduation and smooth transition in the comprehensive high-level midterm review of the Programme of Action for the Least Developed Countries for the Decade 2011-2020, to be held in 2016, in order to generate momentum for additional support towards graduation and new smooth transition measures. This should include comprehensive support measures in the areas of official development assistance, trade, investment and debt sustainability to ensure a smooth transition of countries that have graduated from least developed country status.