Graduation criteria, process, and the priorities for Doha Programme of Action

Subregional Workshop on

Structural transformation towards a sustainable graduation from the category of least developed country

Yak and Yeti Hotel
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Oliver Paddison
Chief
Section on Sustainable Development and Countries in Special Situations
Office of the Executive Secretary
ESCAP
Least Developed Countries

• Category created in 1971
• Defined as “low-income countries confronting severe structural impediments to sustainable development”
• 11 LDCs in the Asia-Pacific region; 46 LDCs globally
• Have exclusive access to certain international support measures (ISMs) in the areas of development assistance and trade.
International support measures (ISMs)

- **Trade-related ISM**: preferential market access; special and differential treatment (SDT) provisions; trade-related technical assistance; accession to WTO

- **Technical assistance**: Enhanced Integrated Framework (EIF); Aid for Trade

- **Finance-related ISM**: ODA volume and modalities; climate finance

- **Technology-related ISM**: Aid for science, technology and innovation; agreement on Trade-related aspects of intellectual property rights (TRIPS); climate change-related technology transfer; Technology Bank

- **Other general ISM**: contribution to international organizations; travel and research
LDC graduation

- The Committee for Development Policy (CDP) reviews the list of LDCs every three years.
- The graduation thresholds must be met for any two of the three criteria in two consecutive triennial reviews (or income-only).

<table>
<thead>
<tr>
<th>Gross national income (GNI) per capita</th>
<th>Human assets index</th>
<th>Economic and environmental vulnerability index</th>
</tr>
</thead>
<tbody>
<tr>
<td>$1,222 or above</td>
<td>66 or above</td>
<td>32 or below</td>
</tr>
<tr>
<td>Income-only:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>$2,444 or above</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Status of Asia-Pacific LDCs at the 2021 review

- Of the region’s 11 LDCs, 10 met the thresholds for graduation as of 2021.
- Bhutan (2023) Solomon Islands (2024), Bangladesh, Lao PDR, and Nepal (2026) are due to graduate.
- CDP will consider Cambodia, Myanmar and Timor-Leste for graduation in 2024 due to special circumstances.
- ECOSOC will make decision on Kiribati and Tuvalu in 2024.

<table>
<thead>
<tr>
<th>Country</th>
<th>GNI per capita</th>
<th>HAI</th>
<th>EVI</th>
<th>Graduation year</th>
</tr>
</thead>
<tbody>
<tr>
<td>Afghanistan</td>
<td>$ 513</td>
<td>42.0</td>
<td>44.8</td>
<td></td>
</tr>
<tr>
<td>Bangladesh</td>
<td>$ 1 827</td>
<td>75.3</td>
<td>27.2</td>
<td>2026</td>
</tr>
<tr>
<td>Bhutan</td>
<td>$ 2 982</td>
<td>79.5</td>
<td>25.7</td>
<td>2023</td>
</tr>
<tr>
<td>Cambodia</td>
<td>$ 1 377</td>
<td>74.3</td>
<td>30.6</td>
<td></td>
</tr>
<tr>
<td>Kiribati</td>
<td>$ 3 183</td>
<td>81.5</td>
<td>51.7</td>
<td></td>
</tr>
<tr>
<td>Lao PDR</td>
<td>$ 2 449</td>
<td>72.8</td>
<td>27.0</td>
<td>2026</td>
</tr>
<tr>
<td>Myanmar</td>
<td>$ 1 263</td>
<td>73.9</td>
<td>24.3</td>
<td></td>
</tr>
<tr>
<td>Nepal</td>
<td>$ 1 027</td>
<td>74.9</td>
<td>24.7</td>
<td>2026</td>
</tr>
<tr>
<td>Solomon Isl.</td>
<td>$ 1 843</td>
<td>73.8</td>
<td>45.1</td>
<td>2024</td>
</tr>
<tr>
<td>Timor-Leste</td>
<td>$ 1 867</td>
<td>69.5</td>
<td>38.7</td>
<td></td>
</tr>
<tr>
<td>Tuvalu</td>
<td>$ 6 657</td>
<td>82.8</td>
<td>57.1</td>
<td></td>
</tr>
<tr>
<td>Graduation thresholds</td>
<td>≥ $ 1 222</td>
<td>≥ 66</td>
<td>≤ 32</td>
<td></td>
</tr>
</tbody>
</table>
Implications of LDC graduation

- Graduation sends a strong signal of:
  - A more investor-friendly climate
  - Good infrastructure
  - Stable political situation
  - Predictable macroeconomic policy
  - Country’s commitment to sustainable development

Larger flows of FDI (?)

Note: it is difficult to establish the causal relationship due to the limited number and diversity in situations

Data source: WDI
Note: Ten-year average prior to graduation and ten-year average, or less, post-graduation
Implications of LDC graduation

LDC-specific entitlements or ISMs will be phased out:

- Loss of trade-related ISMs
  - Market access preferences (DFQF/EBA, GSP for LDCs, RoO flexibility)
  - Preferential treatment (WTO rules/TRIPS, export subsidies)
- Possible reductions in ODA from bilateral and multilateral donors
- Loss of access to exclusive mechanisms (Tech. Bank, Inv. Support, LDCF, EIF/AfT, access to ACWL)
- Loss of access to other LDC-specific support (UN budget, travel benefits, etc.)

Average tariffs levied by developed on products exported by LDCs and developing countries (%)

Net ODA as share of GNI

Source: WTO Secretariat
**Process of LDC graduation**

**Year 0 (2021):** LDC meets graduation criteria for the first time

**Years 0-3:** Information gathering / early preparation

**Year 3 (2024):** LDC meets graduation criteria for the second time

**Year 3:** CDP submits recommendation for graduation to ECOSOC, taking into account UN assessments and country’s view

**Year 3:** ECOSOC endorses graduation and GA takes note

**Years 3-6:** LDC prepares **smooth transition strategy (STS)**

**Year 6 (2027+):** Graduation becomes effective

- Afghanistan,
- Cambodia
- Myanmar, Timor-Leste
- Kiribati, Tuvalu
- Bangladesh, Bhutan, Lao PDR, Nepal, Solomon Isl.
- Vanuatu (graduated in 2020)
Relevance to SDGs

• LDC graduation and the progress towards SDGs are complementary
  • LDC indicators cover various Goals. Out of the 15 underlying indicators,
    • 7 are SDG indicators or closely linked to SDG indicators:
      • HAI: Under-5 mortality rate (SDG Indicator 3.2.1)
      • HAI: Prevalence of stunting (SDG Indicator 2.2.1)
      • HAI: Maternal mortality ratio (SDG Indicator 3.1.1)
      • HAI: Gross secondary school enrolment ratio (SDG Indicators 4.1.1/4.1.2)
      • HAI: Adult literacy rate (SDG indicator 4.6.1)
      • HAI: Gender parity index of gross secondary school enrolment (SDG indicator 4.5.1)
      • EVI: Victims of disasters (SDG indicators 1.5.1/11.5.1/13.1.1)
    • 6 are indirectly related to SDGs
      • GNI per capital (Goal 8)
      • 5 EVI sub-indicators covering SDGs 1, 2, 9

• Gaps - poverty, productive capacity, peace and stability, universal access to basic infrastructure services, and domestic resource mobilization

• To transmit the momentum of LDC graduation to achieving SDGs, key elements of the SDGs have to be addressed as longer-term transition/post-graduation strategies:
Conclusion

• The attention of the international community has gradually been shifting from enabling LDCs to meeting the criteria for graduation towards supporting their smooth and sustainable transition.

• A better understanding of likely impacts of graduation, with sufficient data and analysis, good preparation, and proactive engagement with development partners are critical.

• In the medium- to long-term, greater focus should be placed on facilitating structural transformation and enhancing domestic resource mobilization, complemented by strong international support and development cooperation.
Priority areas of the Doha Programme of Action for LDCs for the decade 2022-2031

| A. Investing in people: eradicating poverty and building capacity to leave no one behind |
| B. Leveraging the power of science, technology, and innovation to fight against multidimensional vulnerabilities and to achieve SDGs |
| C. Supporting **structural transformation** as a driver of prosperity |
| D. Enhancing **International trade and regional integration** |
| E. Addressing **climate change**, recover from COVID-19, **build resilience against shocks** |
| F. Mobilizing international solidarity and reinvigorating global partnerships: a **march towards sustainable graduation**. |